MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

TRADE AND INTERNATIONAL

Trade (Anti-dumping and Countervailing Duties) Act 1988

Galvanised Wire from Malaysia

2020 Full Review

Stage 2 Final Report

December 2020

MBIE/AD/R/2020/001

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New Zealand Government

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Abbreviations

The following abbreviations are used in this Report:

Act (the)	Trade (Anti-dumping and Countervailing Duties) Act 1988
Bekaert Malaysia	Bekaert Ipoh Sdn. Bhd.
chief executive (the)	Chief Executive of Ministry of Business, Innovation and Employment
Chin Herr	Chin Herr Industries (Malaysia) Sdn. Bhd.
Customs	New Zealand Customs Service
EBIT	Earnings Before Interest and Tax
Euro Corporation	Euro Corporation Limited
Final Report	Stage 2 Final Report
MBIE	Ministry of Business, Innovation and Employment
Minister, the	The Minister of Commerce and Consumer Affairs
MYR	Malaysian Ringgit
Nexans	Nexans New Zealand Ltd
NV(VFDE)	Normal Value (Value for Duty Equivalent)
Pacific Steel	Pacific Steel NZ Limited
Paul Industries	J&F Holdings NZ Ltd, trading as Paul Industries
PIP Report	Public Interest Preliminary Findings Report
PIPES	Public Interest Partial Equilibrium Simulation
Sdn. Bhd.	Sendirian Berhad, denoting a private limited company in Malaysia
Southern Wire	Southern Wire Industries (Malaysia) Sdn. Bhd.
Tiger Steel	Tiger Steel NZ Ltd
USD	United States Dollar
Visy Recycling	Visy Recycling MRFs (NZ) Ltd
Wei Dat	Wei Dat Steel Wire Sdn. Bhd.

1. Proceedings

1.1 Summary

1. The Ministry of Business, Innovation and Employment (MBIE) has carried out a full review stage 2 of anti-dumping duties on galvanised wire from Malaysia under the Trade (Anti-dumping and Countervailing Duties) Act 1988 (the Act).

2. On 19 September 2020, the Minister of Commerce and Consumer Affairs (the Minister) determined that the continued imposition of anti-dumping duties was necessary to offset dumping and that material injury to the New Zealand industry would be likely to continue or recur if the duty expired.

3. On 22 September 2020, MBIE started the stage 2 investigation into whether the continued imposition of anti-dumping duties is in the public interest. Continuing to impose the duty is in the public interest unless the cost to downstream industries and consumers of imposing the duty is likely to materially outweigh the benefit to the domestic industry of imposing the duty.

4. The investigation has reviewed the matters including those set out in section 10F(3) of the Act regarding the effect of the duty on a range of factors, including prices, alternative supplies, and competition in the market.

5. On 16 November 2020, MBIE released a Public Interest Preliminary Findings Report (PIP Report) to interested parties. The PIP Report outlined the preliminary findings that were likely to form the basis for a determination to be made by the Minister on whether continuing to impose the duties is in the public interest.

6. This Stage 2 Final Report (Final Report) takes into account comments made by interested parties on the PIP Report (addressed in detail in Annex 1), and reports the findings of full review stage 2 to the Minister.

7. MBIE has concluded that continuing to impose the duties at the determined rate is in the public interest. MBIE has found that the cost of the duties to downstream industries and consumers **is not** likely to materially outweigh the benefit of the duties to the domestic industry.

1.2 Legal requirements

8. The requirements for reviews are set out in Part 6 of the Act, and are covered sequentially in this report. The requirements for stage 2 of a review (the public interest investigation) are provided in section 17H of the Act:

> *(1) If the Minister directs the chief executive to start full review stage 2, the chief executive must investigate whether continuing to impose an anti-dumping or a countervailing duty at the rate determined under section 17G(2)(a) is in the public interest.*
> *(2) Continuing to impose the duty is in the public interest unless the cost to downstream industries and consumers of imposing the duty is likely to materially outweigh the benefit to the domestic industry of imposing the duty.*

(3) In investigating whether continuing to impose the duty is in the public interest, the matters the chief executive must investigate include those referred to in section 10F(3).

9. Section 10F(3) of the Act provides that in investigating whether imposing the duty is in the public interest, the matters the chief executive must investigate include the following:

(a) the effect of the duty on the prices of the dumped or subsidised goods;
(b) the effect of the duty on the prices of like goods produced in New Zealand;
(c) the effect of the duty on the choice or availability of like goods;
(d) the effect of the duty on product and service quality;
(e) the effect of the duty on the financial performance of the domestic industry;
(f) the effect of the duty on employment levels;
(g) whether there is an alternative supply (domestically or internationally) of the like goods available;
(h) any other factor that the chief executive considers essential to ensure the existence of competition in the market.

10. MBIE can also investigate other matters that it considers relevant or that are raised by other parties.

1.3 Interested parties

New Zealand Industry

11. Section 3A of the Act provides that the term "industry" (referred to in this report as the New Zealand Industry) in relation to any goods, means:

a. The New Zealand producers of like goods; or
*b. Such New Zealand producers of like goods whose collective output constitutes **a major proportion** of the New Zealand production of like goods* (emphasis added).

12. MBIE understands that Pacific Steel remains the sole manufacturer of galvanised wire in New Zealand.

Exporters

13. There were three Malaysian exporters over the period of review for dumping (POR(D)):

- Bekaert Ipoh Sdn. Bhd. (Bekaert Malaysia)
- Chin Herr Industries (Malaysia) Sdn. Bhd. (Chin Herr)
- Wei Dat Steel Wire Sdn. Bhd. (Wei Dat)

14. Information was requested by MBIE from all of these suppliers at Stage 1 of this review. Wei Dat cooperated fully with the review, Chin Herr cooperated partially, and Bekaert Malaysia did not cooperate, as it was in the midst of closing its factory in Malaysia. The exporters did not comment on Stage 2 of the review.

Importers

15. The New Zealand importers over the POR(D) were:

- Euro Corporation Limited (Euro Corporation)
- Nexans New Zealand Ltd (Nexans)
- J&F Holdings NZ Ltd, trading as Paul Industries (Paul Industries)
- Tiger Steel NZ Ltd (Tiger Steel)
- Visy Recycling MRFs (NZ) Ltd (Visy Recycling)

16. Information was requested by MBIE from all of these importers. Euro Corporation, Paul Industries, and Tiger Steel cooperated fully. Nexans and Visy Recycling cooperated partially.

17. Paul Industries and Euro Corporation also provided comments in response to the PIP Report.

Downstream Industries

18. Section 17H(4) defines downstream industries for the purposes of section 17H as:

> *(a) each immediate downstream New Zealand industry that uses the dumped or subsidised goods, or like goods, as an input in the production of other goods; and*
> *(b) if the Minister considers it appropriate for the purposes of this section, any other relevant downstream New Zealand industry.*

19. MBIE identified a range of industries that use the dumped goods, or like goods, as an input in production of other goods. The goods MBIE has identified as 'downstream goods', produced from imported or domestic wire, include:

    1. Wire: coiled , barbed, lacing, tie, cut, fencing, vineyard/orchard, staples;
    2. Fencing and accessories: fencing (farm, deer, pool, school, security), fence panels, gates;
    3. Netting and mesh: chainlink netting and mesh, hexagonal netting, animal netting, gabion baskets, welded mesh, roll netting;
    4. Other manufactured goods: springs, household items, cages, display stands, trolleys, safety guards, baskets and trays.

20. Companies identified by MBIE as producing, or potentially producing, downstream goods, or industry groups representing such companies, include Manufacturing NZ, Metals NZ, National Springs & Wire Products NZ Ltd, Summit Steel & Wire Ltd, United Steel, Wire Works New Zealand Ltd, Fonterra, Dimond Roofing, Roofing Industries, Metalcraft Roofing, The Roofing Store[1], Fencing Contractors Association NZ, Advanced Engineering Group Ltd, Anchor Wire Ltd, CMI Ltd, Eagle Wire Products Ltd, Fletcher Steel, Marsden International Ltd, Robertson Engineering Ltd, and Steel & Tube.

[1] The Roofing Store advised over email on the 17 November 2020 that it does not use any galvanised wire from Malaysia.

21. MBIE sought comments from these parties through a questionnaire designed by MBIE to elicit information from downstream producers, but none provided a response.

Consumers

22. Section 17H(4) defines consumers for the purposes of section 17H as:

(a) New Zealand consumers of –
(i) the dumped or subsidised goods; or
(ii) like goods; or
(iii) the other goods referred to in paragraph (a) of the definition of downstream industries; and
(b) if the Minister considers it appropriate for the purposes of this section, any other relevant New Zealand consumers.

23. MBIE sought comments from Consumer NZ, but did not receive a response from that body. MBIE also sought comments from Bunnings, Mitre 10, Farmlands, PGG Wrightson, Federated Farmers, Horticulture NZ, New Zealand Winegrowers and New Zealand Deer Farmers Association, but did not receive a response from those parties. No comments were received from consumers or any other bodies in response to a *Gazette* notice which was published in the *New Zealand Gazette* seeking input from the public on MBIE's public interest assessment.[2]

1.4 Subject goods

24. The goods which are the subject of the application, hereinafter referred to as galvanised wire, or "subject goods", are:

Galvanised steel wire of high, medium and low tensile strength between (and including) 2mm and 4.5mm in diameter, excluding armouring wire.

25. Imports of the subject goods are currently subject to a Free rate of Customs duty if they qualify for preferential entry under the New Zealand Malaysia Free Trade Agreement or the ASEAN Australia New Zealand Free Trade Agreement. The Normal rate of Customs duty is 5 per cent.

26. MBIE concluded in stage 1 of the full review that the scope of the subject goods, as defined in the application for the review:

1. Includes wire between (and including) 2mm and 4.5mm in diameter
2. Includes wire with zinc and zinc-aluminium coatings
3. Excludes armouring wire and PVC coated wire.

1.5 Like goods

27. Section 3(1) of the Act defines like goods, in relation to any goods, as:

a. other goods that are like those goods in all respects, or

[2] https://gazette.govt.nz/notice/id/2020-go4419

b. in the absence of goods referred to in paragraph (a), goods which have characteristics closely resembling those goods.

28. A detailed outline of MBIE's consideration of like goods for the purpose of this review has been set out in section 2 of the stage 1 final report of the full review.

1.6 Determined duties

29. The Minister has determined the following rates of duty in accordance with section 17G(2) of the Act:

Figure 1.1: Rates of duty

Malaysian producer	Goods	Duty
Chin Herr	All subject goods	19%
Wei Dat	All subject goods	No duty
All other producers	All subject goods	19%

30. In determining the rates of duty, the Minister had regard to the desirability of ensuring that the rate of duty is not greater than is necessary to prevent material injury or a recurrence of material injury, and is no greater than the margin of dumping. The Minister also had regard to New Zealand's obligations as a party to the WTO Agreement.

31. These rates of duty, at the full margin of dumping, form the basis of MBIE's public interest analysis.

2. Public interest investigation

32. MBIE assesses each factor set out in section 10F(3) of the Act below.

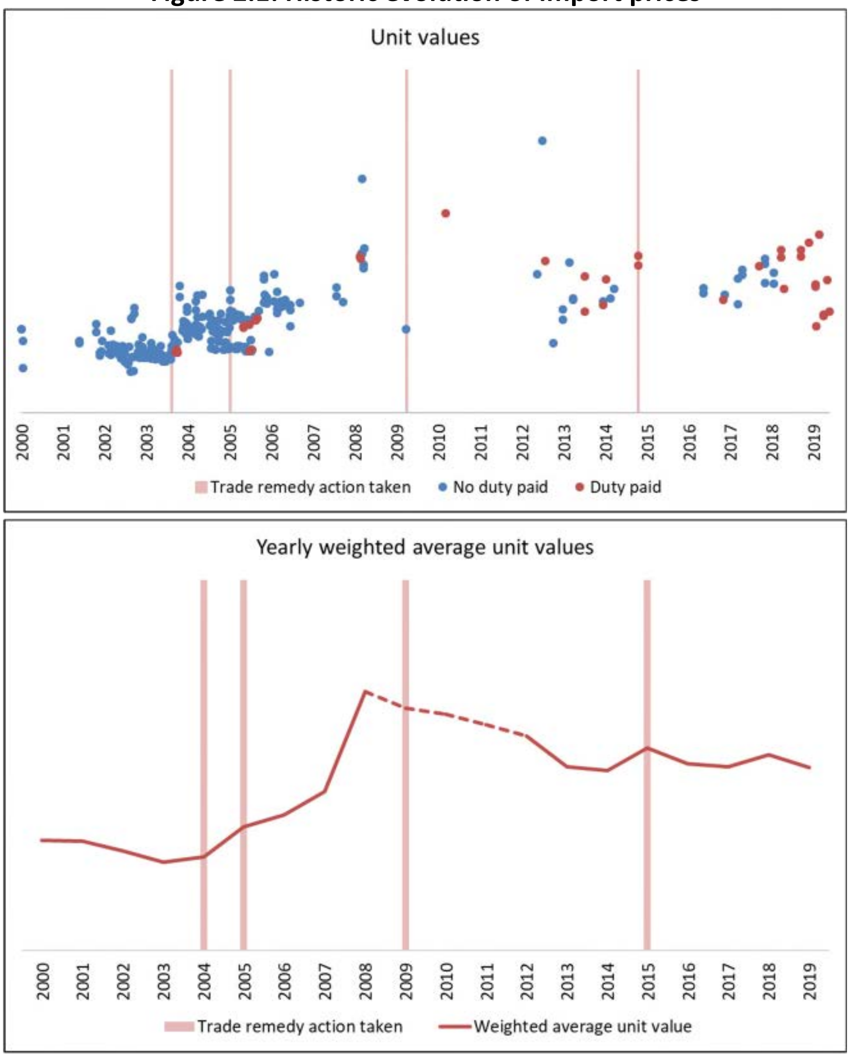
2.1 Effect of the duty on the prices of the dumped goods

33. MBIE is required to consider the effect of the duty on the prices of the dumped goods. In this assessment, MBIE has had regard to the impact that previous duties had on prices of the imported goods; the extent to which importers and downstream industries are likely to pass on the duty through an increase in prices; and whether prices are responding to market factors.

2.1.1 Previous proceedings

34. Based on Customs data, MBIE has assessed the evolution of export prices following the outcome of the original investigation in 2004, as well as more recent reviews and reassessments of galvanised wire from Malaysia. In particular, prices were compared for periods before and after changes in the levels of anti-dumping duty. The findings are presented in Figure 2.1.

Figure 2.1: Historic evolution of import prices



2004 investigation

35. The original duties imposed in May 2004 were based on Normal Value (Value for Duty Equivalent) (NV(VDFE)) reference amounts for subject goods from two suppliers (Southern Wire Industries (Malaysia) Sdn. Bhd. (Southern Wire) and Aspac Alliance) and for all other suppliers an *ad valorem* rate of 9 per cent of the Customs Value for Duty was set.

36. Prior to the imposition of anti-dumping duties, the average price of imports of galvanised wire from Malaysia was steadily decreasing, and the volume of imports was large, with 140 shipments between January 2000 and May 2004. Immediately following the imposition of reference price anti-dumping duties, the weighted average unit value increased, which resulted in only 4 of the 102 shipments between May 2004 and November 2005 paying the duty. It is likely that import prices increased to legitimately avoid the payment of the reference price anti-dumping duty which suggests the reference price anti-dumping duty was acting as intended, to increase the price of the imported goods to a level that the domestic industry could fairly compete with.

2005 Reassessments

37. The levels of anti-dumping duties were reassessed in November 2005, resulting in new reference price duties for the subject goods imported from Southern Wire and SMI Wire Sdn. Bhd., and an *ad valorem* duty of 11 per cent for subject goods from all other suppliers.

38. Following the reassessment, the weighted average unit import value continued to increase, reaching its highest value in 2008. In the period of time following the 2005 reassessment, and prior to the 2009 sunset review, 10 of the 56 shipments paid anti-dumping duty. It is again likely that this increase in the weighted average unit value was to avoid payment of the reference price anti-dumping duty.

2009 Sunset Review and Reassessments

39. The next sunset review was concluded in October 2009, and resulted in duties set at an *ad valorem* rate of 15 per cent for all imports of the subject goods from Malaysia (excluding those from RCI Wire, on which there was no duty).

40. Between October 2009 and the next sunset review and reassessment finalised in April 2015, the number of shipments decreased. There was only one shipment in 2009, one in 2010, and there were none in 2011. For this reason, the dashed line in Figure 2.1 represents an indicative trend in the price, as there is not sufficient information for an accurate analysis. There were 20 shipments between October 2009 and April 2015, 8 of which paid the anti-dumping duty. Since the duty was reassessed from reference price to an *ad valorem* rate, a larger share of the imports paid duty, but as there were exclusions to the duty, several shipments were able to enter New Zealand without paying duty.

41. There was an overall downward trend of the weighted average prices in this time period, which coincides with the duties being changed from reference prices to *ad valorem* rates. This outcome is reasonable, as paying duties could no longer be legitimately avoided by setting prices higher than a certain threshold (the reference price).

2014/2015 Sunset Review and Reassessments

42. The most recent review, carried out in 2014/2015, resulted in the current duty. The current rate of duty is an *ad valorem* rate of 21 per cent applying to all imports of the subject goods from Malaysia (excluding those from RCI Wire).

43. Since April 2015, there have been 28 shipments, 18 of which paid duty (as there are some exclusions to having to pay the duties). The weighted average unit value appears to have remained relatively stable since 2012.

Conclusion on previous duties

44. Prior to the imposition of anti-dumping duties, there were large volumes of imports of galvanised wire from Malaysia at relatively low prices. Reference price anti-dumping duties were imposed in May 2004, which resulted in prices increasing (likely to avoid payment of the duty as reference prices are designed to encourage export price increases on shipments to New Zealand to non-dumped levels), and only a low number of shipments actually paid the anti-dumping duty. A relatively large volume of galvanised wire from Malaysia was still being imported. In 2009 the reference prices were reassessed to *ad valorem* rates, and the yearly weighted average unit import values began to decrease, the number of shipments decreased, and the portion of shipments paying the duty increased. Since 2012, import prices for galvanised wire from Malaysia have remained relatively stable while subject to *ad valorem* rates of duty.

2.1.2 Pass-on rate

45. In the questionnaire for the full review stage 1, importers of the subject goods from Malaysia were asked to comment on the extent to which their prices would be likely to change if duties were to be continued.

46. Paul Industries indicated that it will continue to sell its product at the same price. It indicated that the foreign exchange has a bigger impact on its pricing, and any savings made through buying cheaper would not be passed on to customers, but taken as margin in the business. Euro Corporation indicated that its prices would become slightly higher should the current duty remain in place. Visy Recycling used wire for baling and indicated that given the small percentage value of wire to end use, prices of its end products would change very little.

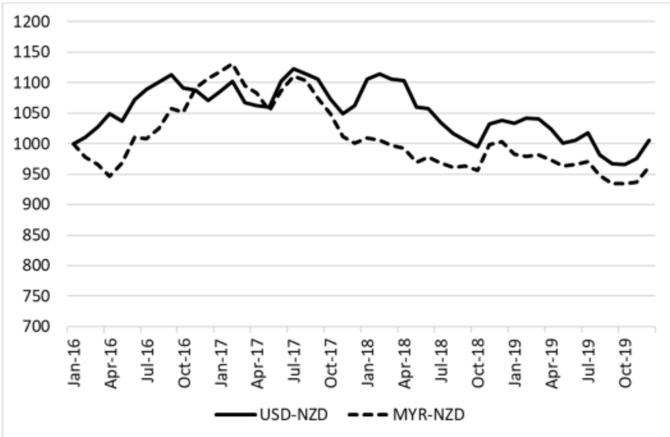
47. Based on the comments made by the importers, MBIE considers that if the duty is continued it is likely that importers will sell their goods at higher prices than they otherwise would without a duty in place. However, this higher price is likely to be no higher than prices have been since 2012, as *ad valorem* duties of similar rates have been in place, and prices have adjusted to the imposition of duties.

2.1.3 Price Factors

48. In assessing the effect of the duty on the prices of the dumped goods, MBIE has had regard to the relevant price factors in the market for the dumped goods. In doing so, MBIE has assessed how responsive the prices of the dumped goods are to fluctuations in exchange rates.

49. MBIE assessed the movement of the NZD against the United States Dollar (USD) and Malaysian Ringgit (MYR) in Section 4.8.4 of the stage 1 final report, as imports from Malaysia are invoiced in these currencies. The information indicated that during the calendar year 2016, both the USD and the MYR increased in value against the NZD. The USD held relatively constant from December 2016 to January 2018, but decreased in value from January 2018 through to October 2019. The MYR also decreased in value against the NZD during July 2017 and December 2019, as indicated in Figure 2.2.

Figure 2.2: Monthly Exchange Rates (January 2016-December 2019)
Indexed – January 2016: 1000



50. As mentioned, between 2012 and 2019, the price of galvanised wire imported from Malaysia has remained relatively constant. MBIE therefore concludes that fluctuations in the exchange rate between January 2016 and October 2019 have not been reflected in varying prices of imports.

2.1.4 Conclusion

51. MBIE considers that it is likely that the imposition of a 19 per cent *ad valorem* duty will result in higher prices for the dumped subject goods than the counterfactual scenario where duties are not continued. However, as prices have already adjusted to the imposition of an *ad valorem* rate of 21 per cent, MBIE considers that the higher price is likely to be no higher than prices have been since 2012. Additionally, MBIE considers that the prices of the dumped goods have not been affected by fluctuations in the exchange rates, and appear to be stable.

52. On this basis, MBIE considers that while the discontinuation of the duty might reduce prices for dumped goods, the duty is not likely to increase the price of the dumped goods beyond the levels that the market has already adjusted to.

2.2 Effect of the duty on the prices of like goods produced in New Zealand

53. MBIE is required to consider the effect of the duty on the prices of like goods produced in New Zealand. In this assessment, MBIE has had regard to the degree of substitutability between the imported and domestically produced goods; the extent to which the domestic industry is likely to change the price of the like goods in response to a change in

the price of imported goods; and whether domestic prices are responding to market factors.

2.2.1 Substitutability

54. Paul Industries indicated that its customers are unaware of the source of its wire. Paul Industries substitutes raw wire between manufacturers with no pricing difference. This suggests that the wire purchased from Malaysia is highly substitutable for wire purchased from other sources.

55. Euro Corporation indicated that imports from Malaysia tend to substitute for imports from Australia, China and Indonesia, but not with the local supply, as it considers the local supply is already uncompetitive with the other import sources, so use of the local supply tends to be limited to situations where there is a specific reason to use local supply. MBIE considers this comment related to price rather than technical substitutability.

56. Pacific Steel considers that the products it produces can easily substitute for the subject goods imported from Malaysia.

57. MBIE has concluded that the goods produced by Pacific Steel are substitutable with the goods purchased from Malaysia.

2.2.2 Economic Assessment

58. MBIE has used the public interest partial equilibrium simulation (PIPES) framework to assess the effect of the imposition of anti-dumping duties at the determined rates set out above on prices and volumes of imports of galvanised wire from Malaysia, and to assess the extent to which the domestic industry may change the price of like goods in response to a change in the price of the imported goods.

59. Several simplifying assumptions are made to allow for the exercise. Consumers are assumed to view the imported goods and the domestically produced goods as highly substitutable (as concluded in section 2.2.1); the supply curve for both the import and domestic market is assumed to be upward-sloping inferring that the quantity supplied will respond to various prices over a period of time (as supported by evidence in questionnaire responses), and prices are assumed to adjust to economic shocks to ensure the markets clear at an equilibrium price and quantity. Simplifying assumptions of this nature are standard across partial equilibrium modelling, but as they must be made, the simulation is only *indicative* of the market outcome.

60. MBIE relied on data provided by interested parties through the stage 1 questionnaire responses, as well as confidential Customs data, to carry out its economic simulation. The effects of the duty were calculated as the differences between the simulation’s estimated outcome in relation to equilibrium prices and quantities in both the import and domestic market after the imposition of duty, and the baseline values obtained when the markets are in equilibrium prior to the newly determined duties.

61. MBIE considers that importers are likely to pass on a portion of the duty. MBIE assessed this possibility by assuming price increases could range between 10 and 80 per cent of the *ad valorem* rate of duty (19%). MBIE also considers that the goods are highly substitutable, although not perfectly substitutable.

62. MBIE has found that the impact on consumers, downstream industries and the domestic industry varies significantly depending on the portion of the duty that is passed on. Where a low portion of the duty is passed on (assessed as 10 per cent of the *ad valorem* rate), the cost on downstream industries and consumers is higher than the benefit to the domestic industry. This is because consumers and downstream industries face higher prices, but the domestic industry is unlikely to benefit at this stage from increased demand as consumers and downstream industries are not likely to substitute on the minor price increase. However, as more of the duty is passed on, although the cost to consumers and downstream industries is greater, the benefit to the domestic industry also increases. As the goods are highly substitutable, when the price increase is higher for consumers and downstream industries, they are able to substitute the imported good for the domestically produced good. Under this scenario the domestic industry benefits from an increase in demand and from being able to sell its goods at a higher price as it will not have to compete with dumped prices. In this scenario the benefit to the domestic industry is three times larger than the cost to consumers and downstream industries.

63. MBIE considers that the duty is likely to allow the domestic industry to sell its goods at a higher price than it would if there were no duties imposed, and it had to compete with the dumped goods. However, MBIE notes that as the duty previously imposed on galvanised wire from Malaysia was 21 per cent, this higher domestic price is no higher than the price previously faced by consumers and downstream industries in the market, as the market has already adjusted to the imposition of anti-dumping duties.

2.2.3 Price Factors

64. In assessing the effect of the duty on the prices of like goods produced in New Zealand, MBIE has had regard to the current market situation, in particular assessing the relevant price factors in the domestic market that arise from competition.

65. As outlined in Pacific Steel's verification report, Pacific Steel competes with prices at which its customers buy imported goods, and has to compete with the global market price. Its pricing approach is based on import parity pricing but also accounts for a premium for local goods, as having a local supplier provides customers with timelines, the ability to get emergency supplies, credibility of testing, and the ability to have a technical person from the company involved to resolve issues. Movement in prices of internationally traded steel, world scrap prices, and import offers are used by independent customers to negotiate prices in interactions with Pacific Steel.

2.2.4 Conclusion

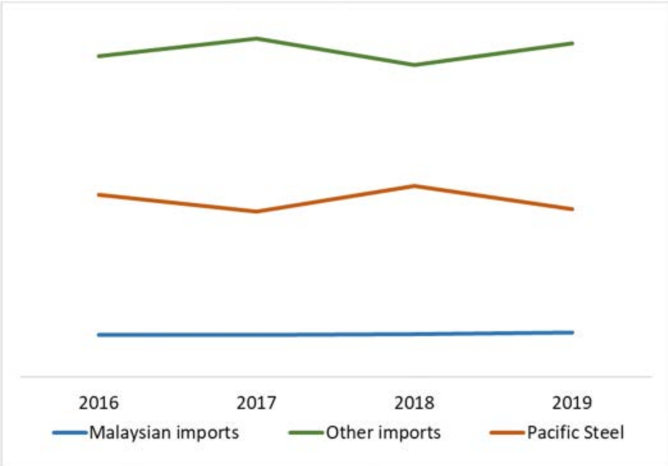
66. MBIE considers that the duty is likely to result in higher prices for Pacific Steel's goods than if there were no duties in place. However, MBIE considers that the higher prices are likely to be no higher than the prices currently faced in the market, as the market has already adjusted to the imposition of anti-dumping duties. MBIE additionally considers that the prices set by Pacific Steel are responsive to market forces.

2.3 Effect of the duty on the choice or availability of like goods

67. MBIE is required to consider the effect of the duty on the choice or availability of like goods. In assessing this, MBIE has had regard to the potential impact that continued imposition of anti-dumping duties may have on the choice or availability of like goods in the New Zealand market, domestic production, and market shares of imported and domestically produced goods.

68. The market for galvanised wire in New Zealand is made up of domestically-produced and imported goods. Figure 2.3 indicates that domestic production covers a significantly larger share of the market than Malaysian imports. A large additional volume of goods is sourced from other international markets to satisfy demand in the New Zealand market.

Figure 2.3: Market Share 2016-2019, %
Y-axis values withheld



69. Theoretically, two extremes relate to the effect of duties on the choice or availability of goods.

    i. If duties are continued, and the import market is highly price sensitive, the extreme effect of an increase in the price of the imported goods from Malaysia may be that importers stop purchasing from Malaysia. This could result in a decrease of supply of the Malaysian produced good, and restrict the range of goods available in the domestic market.

    ii. If duties are not continued, and the domestic industry continues to be materially injured by the dumped goods, the extreme effect may be the exit from the market of the domestic industry.

70. MBIE has assessed the prices and quantities of imports of galvanised wire from Malaysia to New Zealand, and determined that they are price elastic. Demand is sensitive to a change in the price of imports, and importers may seek a lower priced alternative should the price to obtain goods from Malaysia increase. However, as the domestic industry sells goods at a higher price than the prices of the goods sourced from Malaysia, the importers are incentivised to remain in the market to supply the excess demand by sourcing goods globally.

71. On the other hand, the counterfactual situation may be harmful to the New Zealand industry. MBIE has already determined that there is material injury to the domestic

industry caused by the dumped goods, with Pacific Steel facing negative economic impacts in terms of price effects, sales revenue and earnings before interest and taxation (EBIT). If duties are not continued, the domestic industry will likely be materially injured by the dumped goods, and the theoretical extreme is that it may be forced to exit the market. If a situation like this was to unfold, choice of galvanised wire would be restricted by the loss of the domestic goods from the market, and only internationally produced goods would be available to consumers.

72. Additionally, MBIE notes that the continued imposition of anti-dumping duties will not apply to one Malaysian supplier, leaving open a channel of imports free from anti-dumping duties from Malaysia for importers who wish to supply varieties of galvanised wire from Malaysia to New Zealand without paying an anti-dumping duty. There are also several other international markets available to supply the New Zealand market, as explained in section 2.7 below.

2.3.1 Conclusion

73. MBIE considers that even though anti-dumping duties are continued for all but one supplier from Malaysia, New Zealand importers are incentivised to remain in the market to supply the excess demand by sourcing goods globally, which is likely to maintain the availability of goods in the market. MBIE also considers that the continuation of the anti-dumping duties is likely to prevent negative economic impacts that the domestic industry may otherwise face, which could in an extreme scenario result in domestic production ceasing.

74. MBIE therefore concludes that the choice and availability of like goods is likely to remain unchanged after the continued imposition of anti-dumping duties.

2.4 Effect of the duty on product and service quality

75. MBIE is required to consider the effect of the duty on product and service quality. In assessing this, MBIE has had regard to the goods’ characteristics.

2.4.1 Goods’ characteristics

76. As addressed in section 2.3 of the Stage 1 Final Report, there are some differences between Pacific Steel’s galvanised wire and Malaysian galvanised wire in respect of the coating, affecting the level of protection from corrosion, and there may be some differences in respect of the composition of the steel wire, affecting tensile strength. The differences in coating and steel composition represent a spectrum across galvanised steel wire types.

77. Paul Industries stated that it imports 90/10 zinc aluminium wire “due to no one producing this specification in the NZ market and with harsh coastal conditions this outperforms the 95/5 zinc-aluminium wire”. Pacific Steel claimed that 95/5 zinc-aluminium wire had superior corrosion resistance to 90/10 zinc-aluminium wire based on in-situ atmospheric testing, and challenged the salt spray testing that might lead to claims of superior corrosion resistance for 90/10 zinc-aluminium wire.

78. MBIE understands that there may be some differences in appearance or finish between the New Zealand produced and some imported wire but is not aware of any significant differences.

79. Additionally, MBIE understands that there will be some differences in production processes of galvanised wire between plants, but there is no significant difference in the basic production methods used by Pacific Steel and foreign producers. MBIE notes that standards such as AS/NZS 4534:2006 encompass both zinc and zinc-aluminium coated wire.

80. Euro Corporation indicated that high quality wire products are a feature of the New Zealand industry, especially for rural use. It considers that the New Zealand market demands high quality products. Pacific Wire's feedstock is classed as a high quality feedstock and is used in the production of high quality products. Euro Corporation indicated that there are only a relatively small number of mills globally producing bulk wire feedstock of a sufficient quality to compete with Pacific Wire in this market, and that Euro Corporation can use to manufacture its finished products.

81. Euro Corporation indicated that the international market for inferior quality wire products is very different, and the products are available for import at significantly lower prices from many sources, and these imports do not compete with Pacific Wire. Euro Corporation concludes that the industry of interest for this review is therefore industry using high quality wire.

2.4.2 Conclusion

82. Although MBIE noted some differences in the physical characteristics between the New Zealand produced and imported wire, whether from Malaysia or other global sources, no differences appear to be significant enough to impact the product quality available in New Zealand. Additionally, an importer indicated that the industry of interest for this review uses high quality wire, and the goods produced domestically and imported from global sources are all high quality goods.

83. MBIE has no reason to believe that there will be any adverse impacts on product or service quality in New Zealand resulting from the continuation of anti-dumping duties on the dumped goods.

2.5 Effect of the duty on the financial performance of the domestic industry

84. MBIE is required to consider the effect of the duty on the financial performance of the domestic industry. In assessing this, MBIE has had regard to the current financial state of the domestic industry, the impact of continuing the duties and whether any effects, other than those intended, could arise from the continuation of duties.

85. In stage 1 of the review, MBIE assessed the likely financial impact on Pacific Steel if duties are not continued, and found that it would likely suffer material injury. MBIE has taken this injury analysis as the basis for assessing the effect of the duty on the financial performance of the domestic industry for stage 2 of the review. The relevant financial effects considered by MBIE are summarised below.

Price effects

86. MBIE's overall conclusion in the stage 1 final report regarding price effects is that the continued dumping of the subject goods from Malaysia would be likely to result in continued price undercutting, with consequent price depression and price suppression. In the Stage 1 Final Report, MBIE noted that "Pacific Steel's prices have gradually increased since 2016 and are projected to decline slightly if duties continue." The continued imposition of anti-dumping duties will remove adverse price effects caused by dumping, although there will still be a potential for some price undercutting that could lead to price depression and suppression.

Sales volumes and revenue

87. In the injury analysis in stage 1 of the review, MBIE concluded that "if anti-dumping duties are removed, the company will likely suffer significant sales volume and revenue declines. However, in light of the findings regarding the limited volumes of dumped imports and the limited price effects that can be attributed to them, it cannot be concluded that dumping will contribute entirely to the projected sales volumes and revenue declines." MBIE considers that the imposition of the duty at the full margin of dumping may prevent the reduction in output and sales revenue caused by dumping, although there may still be a likely reduction in output and sales revenue.

Market share

88. In the injury analysis in stage 1 of the review, MBIE determined that if anti-dumping duties are not continued it is likely that there will be a decline in Pacific Steel's market share. The continued imposition of anti-dumping duties may prevent loss of market share due to dumping, although any market share losses will also be affected by volumes of goods imported from other sources such as Australia, Canada, China and Indonesia.

Profits

89. In the injury analysis in stage 1 of the review, MBIE also assessed the impact on profits. Forecasts were provided and assessed by MBIE, which indicated that in the absence of anti-dumping duties there would be a significant reduction in EBIT, although in light of the findings regarding the limited volumes of dumped imports and the limited price effects that can be attributed to them, it could not be concluded that any EBIT declines will be entirely attributable to the dumping of goods from Malaysia. The continued imposition of anti-dumping duties may prevent the reduction in EBIT due to dumping.

Other financial indicators

90. In the Stage 1 Final Report, MBIE also concluded that there could be potential negative effects on cash flow, due in part to dumping, which would arise from the impact on sales revenue and profits. MBIE did not consider that the amount of inventories on hand were useful indicators of injury in this case. MBIE noted that any detrimental effects on growth would reflect other injury indicators such as sales, profits and return on investments. The continued imposition of anti-dumping duties may prevent the negative effects caused by dumping.

2.5.1 Conclusion

91. MBIE concludes that the financial performance of the industry will likely be adversely affected even with the continued imposition of the duties. The continued imposition of the duties will however remove significant effects on the financial performance of the domestic industry that are due to dumping of imports from Malaysia.

2.6 Effect of the duty on employment levels

92. MBIE is required to consider the effect of the duty on employment levels. In assessing this, MBIE has had regard to the extent to which the imposition or non-imposition of duties would likely affect levels of employment in the domestic industry and in downstream industries.

2.6.1 Employment effects on the domestic industry

93. In stage 1 of the review, MBIE concluded that, to the extent that any decline in employment numbers and wage levels has resulted from profitability pressure from dumped imports, dumped imports from Malaysia will have a negative effect on employment and wages if the duties are not continued.

94. Pacific Steel indicated that consideration of both employment and wages covers all wire staff (that is, it is not limited to production of galvanised wire only). Staff are involved across the wire mill, so Pacific Steel considers it is not possible to pinpoint employment and wage amounts to galvanised wire. Pacific Steel provided information on employment and wages showing that there has been a decline in employment over the last four years, with possible consequences for total wages.

2.6.2 Employment effects on downstream industries and consumers

95. Pacific Steel indicated that the anti-dumping duties will underpin the domestic industry's ability to maintain its contribution to New Zealand employment, society, and the national and local South Auckland economy. Additionally, Pacific Steel considers that reliable locally-manufactured supply of assured quality goods, fit for purpose and New Zealand conditions, to the benefit of New Zealand wire consumers and wider economy, is also materially assisted, although it did not explain in what way.

96. As concluded in section 2.1, MBIE considers that the continued imposition of duties is likely to increase the cost of dumped goods from what the price would be if there was no duty in place. This good is an input for downstream industries, and it is likely to represent a small portion of the overall businesses. MBIE does not consider that there is a risk to the employment of downstream industries if the duty is imposed. This is additionally supported by the fact that the markets have already adjusted to the imposition of a duty without experiencing any loss of employment.

97. However, Paul Industries indicated in its submission on the PIP Report that it will be reducing its work force producing the downstream goods. It stated that its safety mesh machine will also eventually be sold, which will end the manufacture of safety mesh in New Zealand. Paul Industries stated that it has already packed away its secondary Kiwi mesh machine.

2.6.3 Conclusion

98. MBIE concludes that if anti-dumping duties are not continued and if the domestic industry closes down, a significant loss of employment and wages would arise for Pacific Steel. MBIE therefore concludes that the imposition of anti-dumping duties is likely to prevent any adverse impacts on employment by Pacific Steel. MBIE notes Paul Industries' comments that it will be reducing its workforce, but does not have evidence that any reduction in workforce by Paul Industries will be greater than the reduction Pacific Steel may face should duties not be continued.

2.7 Alternative supply (domestically or internationally) of like goods available

99. MBIE is required to consider the effect of the duty on alternative supply (domestically or internationally) of like goods available. In assessing this, MBIE has had regard to whether the domestic industry is able to meet domestic demand and whether there are any alternative sources of supply, competitive in price and quality, capable of accommodating additional demand.

2.7.1 Domestic demand

100. As noted in section 2.3, domestic production of galvanised wire covers a significantly larger share of the market than Malaysian imports. However, large additional volumes of goods are sourced from other international markets to satisfy demand in the New Zealand market.

101. Pacific Steel considers that it is able to supply the entire New Zealand galvanised wire market, as it considers that its wire mill and its operations can be reconfigured for more capacity if demand is placed on it.

2.7.2 Alternative supply

102. The global market for galvanised wire provides sources of alternative supply of like goods for New Zealand importers. These sources are competitive in price and quality, and are capable of accommodating additional demand. MBIE also notes that while the applied Customs rate of duty is 5 per cent, the availability of preferential rates at Free means that for many potential sources of the subject goods there is no tariff protection.

103. Whilst provisional anti-dumping duties are currently in place on galvanised wire from China, and an investigation is currently ongoing into this market, this source still provides an alternative supply for the New Zealand market. Anti-dumping duties do not apply to galvanised wire from Indonesia, which is a significant global supplier of galvanised wire, nor Australia, Canada, Korea, Thailand and Taiwan, which also provide significant alternative sources of supply.

104. The continued imposition of anti-dumping duties does not mean that importing from Malaysia will be untenable. The proposed anti-dumping duties will not apply to one supplier, and will not remove all of the price undercutting by Malaysian imports, only that attributable to dumping by other Malaysian suppliers. Anti-dumping duties have been in place on Malaysian galvanised wire since 2004, yet Malaysia has remained a source of

supply of galvanised wire for New Zealand importers. This shows that the continued imposition of anti-dumping duties is not likely to eliminate Malaysia as a viable supplier. As the proposed duties do not apply to one significant Malaysian exporter, this also provides an alternative supply of galvanised wire from Malaysia free from anti-dumping duties.

2.7.3 Conclusion

105. MBIE has noted that there are several other markets available to supply galvanised wire to the New Zealand market, and the domestic industry has indicated that it is able to increase supply if necessary. Provisional anti-dumping duties have been imposed on galvanised wire from China, but this source still provides alternative supply. Additionally, Indonesia, Australia, Canada, Korea, Thailand and Taiwan are all additional markets that do not have duties imposed that are able to supply the New Zealand market.

106. MBIE concludes that the proposed duties are not likely to have a significant effect on alternative sources of supply of like goods.

2.8 Other factors essential to ensure the existence of competition in the market

107. MBIE is required to consider the effect of the duty on any factors the chief executive considers essential to ensure the existence of competition in the market. In assessing this, MBIE has had regard to the current situation in the market, whether there is risk of monopolisation; how accessible the market is to new entrants; and any existing protection of the domestic industry.

2.8.1 Current market situation and risk of monopolisation

108. Pacific steel is the sole manufacturer of galvanised wire in New Zealand. If New Zealand was not open to trade, Pacific Steel would have a pure monopoly of the subject goods, giving it market power to raise prices above costs with no risk of losing its profits to a new market participant. This kind of monopolistic behaviour, if exercised, would drive prices up with no incentive to lower them.

109. Although Pacific Steel is the sole domestic producer, New Zealand is a small open economy, and competition is introduced to the market through international trade. As mentioned in section 2.2, Pacific Steel does not set monopolistic prices, as importers compete by sourcing the subject goods internationally. Additionally, Pacific Steel indicated that it competes with prices at which its customers buy imported goods.

110. If anti-dumping duties were to discourage importation of galvanised wire, there could be a risk of monopolisation of the New Zealand market for galvanised wire. However, anti-dumping duties are set only at the rate necessary to address the material injury caused by dumping, rather than the full dumping margin, and are therefore not intended to discourage importation of goods at prices that do not result in injury attributable to dumping. MBIE notes that provisional duties are currently imposed on galvanised wire from China, but galvanised wire from the rest of the world can enter free of duty and free of any anti-dumping duties. Additionally, one supplier from Malaysia will not have duties

continued, which will still enable a source of importation of galvanised wire from Malaysia free of duty.

111. The continued imposition of anti-dumping duties on galvanised wire from Malaysia at the rates determined by the Minister is not intended to divert trade away from this source, but to address the material injury caused by dumping.

112. MBIE considers that the risk of monopolisation of the New Zealand market for galvanised wire as a result of the continuation of anti-dumping duties on some suppliers from Malaysia is very low.

113. Paul Industries raised several concerns relating to the Pacific Steel's behaviour, and a perceived threat that it can affect competition in the market. These comments are addressed by MBIE in detail in Annex 1.

2.8.2 Market accessibility

114. MBIE concluded in stage 1 that it may be relatively difficult for new entrants to establish themselves in the New Zealand market, but that it would be relatively easy for established exporters and importers to increase their volumes and product range due to established relationships and understanding of import procedures.

115. Pacific Steel disagreed with this conclusion, as a South African supplier entered the New Zealand market for galvanised wire in 2001, Malaysia commenced supply in 2002, and new suppliers have also entered the market from China.

116. New Zealand importers indicated that entry into the New Zealand market is not easy because the new entrant would have to ensure high product and packaging standards, face a small and competitive market, low demand for manufacturing wire in large coils and a complicated import process that has considerable lead time.

117. Although entry to the market for a new entrant may not be easy, MBIE considers that it does remain possible for a new player to enter the market should it see a market opportunity to do so.

2.8.3 Existing protection of domestic industry

118. Provisional anti-dumping duties are currently imposed on imports of galvanised wire from China, but the investigation is still ongoing, and a final determination has not yet been made.

2.8.4 Conclusions

119. The continued imposition of anti-dumping duties will allow the domestic industry to continue domestic production, and it is not likely to result in a decrease of Malaysian sourced goods. The presence of importers in the market introduces competition, and although it may be difficult, the market can be accessed by new entrants. In addition, although there is existing protection of the domestic industry in terms of provisional anti-dumping duties on galvanised wire from China, a final determination has not yet been made in that investigation, and several sources of supply of galvanised wire remain open without anti-dumping duties.

120. MBIE therefore concludes that the continued imposition of anti-dumping duties is unlikely to reduce competition in the New Zealand market for galvanised wire.

2.9 Any other factors

121. MBIE is satisfied that there are no other factors relevant to an assessment of 17H(2), and none were identified through consultation.

3. Conclusions

122. As set out in the Act, imposing the duty is in the public interest unless the cost to downstream industries and consumers of imposing the duty is likely to materially outweigh the benefit to the domestic industry of imposing the duty. MBIE has assessed each factor set out in section 10F(3) of the Act. MBIE considers that there are no additional matters that would affect this assessment.

123. MBIE identified several companies and organisations making up downstream industries, but none responded to MBIE's questionnaire. MBIE also sought input from Consumer NZ and other entities representing the interests of consumers of wire and wire products, but no responses were received.

124. MBIE has found that consumers and downstream industries are likely to face higher prices for galvanised wire sourced from Malaysia and produced domestically than they otherwise would if anti-dumping duties were not imposed. However, MBIE considers that these higher prices are likely to be no higher than they have been since 2012, as the market has adjusted to the imposition of duties. Additionally, as the goods are considered to be highly substitutable, should consumers and downstream industries wish to purchase the goods from other sources, several other sources of supply remain open, free of anti-dumping duties.

125. MBIE has found that the determined anti-dumping duties are likely to benefit the domestic industry. More specifically, MBIE considers that the continuation of the duties is likely to remove the injurious effects that would otherwise adversely impact on Pacific Steel's financial performance, will allow it to maintain production of galvanised wire, and is likely to ensure that there are no adverse impacts on employment.

126. MBIE considers that consumers and downstream industries will continue to incur the cost of the imposition of the duty but that this cost **is not** likely to materially outweigh the benefit to the domestic industry of continuing the duty.

127. On the basis of the information available, it is concluded that:

a) imposing the duty is in the public interest, and

b) duties should continue to be imposed at the reassessed rate.

4. Recommendations

128. MBIE recommends that the Minister:

a **Note** that MBIE has completed stage 2 of the review (public interest test) of anti-dumping duties on galvanised wire from Malaysia under section 17H of the Trade (Anti-dumping and Countervailing Duties) Act 1988 (the Act), and has reported its findings to you under section 17I(4) of the Act. MBIE's findings support a conclusion that continuing the duties is in the public interest.

b **Agree** to determine under section 17J(1) of the Act that continuing to impose anti-dumping duties on galvanised wire from Malaysia is in the public interest.

   i. **Note** that, due to the affirmative determination, the duties will continue to be imposed at the rate previously determined under section 17G(2)(a).

   ii. **Agree** to continue the duty under section 17K(1) at the rate previously determined under section 17G(2)(a).

   iii. **Sign** the *Gazette* notice giving notice of the determination, in accordance with section 17J(2) of the Act, by 21 December 2020.

   iv. **Note** that MBIE has provided reactive communication material to your office (**Annex 3**).

c **Note** that if you do not agree, the investigation will be terminated and duties will not be imposed.

Annex 1: Comments received on the PIP Report

A. Paul Industries Submission	MBIE Comment
Section 10F(3)(c) – the effect of the duty on choice or availability of like goods	
Paul Industries requested the immediate suspension of the duty on 2.0mm wire that is over 500 MPA, as it considers Pacific Steel is unable to produce a like product. Paul Industries considers that MBIE has not investigated nor initiated any independent testing to ensure Pacific Steel's wire meets all the requirements according to Australian and New Zealand Standards for manufactured wire products sold in New Zealand.	MBIE notes that "2.0mm wire that is over 500MPA" is covered by the subject goods description. As addressed in section 2.3.1 of the Stage 1 Final Report, MBIE concluded that the galvanised wire produced by Pacific Steel has characteristics that closely resemble the imported subject goods as described in this review. MBIE does not consider it appropriate to suspend the duty on 2.0mm wire that is over 500MPA. MBIE has not carried out any independent testing to ensure Pacific Steel's wire meets all the requirements in terms of the Australian and New Zealand Standards, as the industry has provided certificates to prove that it does. It is not MBIE's responsibility to verify these through independent testing.
Section 10F(3)(d) – the effect of the duty on product and service quality	
Paul Industries reiterated its concerns that Pacific Steel cannot supply the wire it requires in a timely manner, and of the volume required. It stated that it can only get 5 MT per month, whereas its monthly requirement is for 30 MT. It considers that the duty is stopping Paul Industries' production as it can't rely on Pacific Steel to supply in the volumes it requires. It considers that the duty is impacting its ability to service the market with quality product, and letting its competition, Steel and Tube, supply the New Zealand market with imported product from Australia.	As noted in section 2.7.1, Pacific Steel considers that it is able to supply the entire New Zealand galvanised wire market, as it considers that its wire mill and its operations can be reconfigured for more capacity if demand is placed on it. This suggests that Paul Industries' demand would be able to be satisfied by Pacific Steel increasing its supply. Additionally, as outlined in section 2.7.2, MBIE considers that Indonesia, Australia, Canada, Korea, Thailand and Taiwan are all additional markets that do not have duties imposed that are able to supply the New Zealand market, as well as other suppliers from Malaysia. It is a small portion of imports of galvanised wire

	that are dumped, and are therefore subject to anti-dumping duties.
Section 10F(3)(e) - the effect of the duty on the financial performance of the domestic market	
Paul Industries considers that MBIE should be investigating the importation of wire from Australia. It considers that the exclusion of these goods is favourable to Pacific Steel's long-term vision of using Steel and Tube as a future source to provide finished goods into New Zealand. Paul Industries considers that a "true public interest test" should include the dumping of finished goods into New Zealand via Steel and Tube.	MBIE notes Paul Industries' comments in respects of goods from Australia. However, the goods that were subject to this review were those imported from Malaysia, not Australia. Additionally, Section 10A(3) of the Act provides that New Zealand must not start an investigation in relation to alleged dumping of goods from Australia, reflecting agreement reached between the New Zealand and Australian Governments in 1988 in Article 4 of the ANZCERTA Protocol on Acceleration of Free Trade in Goods that as of 1 July 1990 anti-dumping actions could no longer be taken in respect of trans-Tasman trade in goods to which ANZCERTA applied.
Paul Industries considers that all its competition has alliances with Australian steel mills, and this duty is targeting New Zealand manufacturers who do not have those alliances.	MBIE notes that the purpose of the anti-dumping duty is to prevent material injury to the New Zealand industry due to dumped goods being imported into New Zealand. Paul Industries appears to be suggesting that the effect of continuing an anti-dumping duty on some exporters from Malaysia will have the effect of punishing New Zealand downstream producers who do not have the opportunity of importing alternative supplies from Australia because they have not built relationships with the Australian industry. MBIE suggests that this concern goes beyond the matters envisaged in the Act as the basis for reviewing the continuation of anti-dumping duties.
Section 10F(3)(f) – the effect of the duty on employment levels	
Paul Industries noted that, given the issues it has raised, it will be reducing its work force producing this product. It stated that the machine will also eventually be sold, which will end the manufacture of safety mesh in New Zealand. Paul Industries stated that it has already packed away its	MBIE has modified section 2.6 above to reflect Paul Industries' comments.

secondary Kiwi mesh machine.	
Section 10F(3)(h) - any factor that the chief executive considers essential to ensure the existence of competition in the market	
Paul Industries considers that the review has not answered the question of why Pacific Steel did not supply Paul Industries. It noted that Pacific Steel has started dealing with it since the start of the review, but it considers that Pacific Steel's stance on previously refusing to supply Paul Industries needs to be addressed. Paul Industries considers that the threat that Pacific Steel can withhold supply will stop competition in the market.	MBIE has not received evidence from Paul Industries that Pacific Steel refused to supply it with galvanised wire. MBIE has sighted proof from Pacific Steel that Paul Industries has purchased from it in the past, and it has also purchased wire from Pacific Steel during the course of this review. MBIE does not have any evidence to substantiate Paul Industries' claim.
Paul Industries noted that it is currently seeing predatory pricing occurring in coil fencing wire. It considers that with the monopoly Pacific Steel has over production, it is now influencing the pricing in the distribution network. Paul Industries considers that MBIE should request the Commerce Commission to investigate predatory pricing.	Paul Industries has not provided evidence of predatory pricing in the market for galvanised wire in New Zealand. The information provided by Paul Industries is not detailed enough to assess whether there is any basis for the allegations made. Should Paul Industries have evidence of predatory pricing, it is advised to approach the Commerce Commission directly.
Paul Industries referred to complaint number 542-539 lodged with the New Zealand Commerce Commission. It considers that MBIE has failed to address the Commerce Commission's reasons for the clearance of the Fletcher Steel sale to Bluescope being approved, as it considers the imposition of a dumping duty is contrary to allowing options for free trade.	MBIE notes that the imposition of anti-dumping duties is not contrary to free trade, and New Zealand does so in accordance with its obligations as a party to the WTO Agreement. The Commerce Commission addressed the constraint provided by imports in merger application 0144-2720. It outlined that it considers that competition from imports is of sufficient extent to prevent any increase in market power by Bluescope, and that it was unlikely that Bluescope's acquisition of Pacific Steel would result in a substantial lessening of competition. The Commerce Commission considered that imports provide a competitive constraint on domestic prices of both NZ Steel and Pacific Steel's products. MBIE notes that the imposition of anti-dumping duties is not contrary to this, and does not eliminate imports as a source to constrain domestic prices. The duties raise prices to levels which are not dumped, but does not reduce the sources of

	supply of like goods, as assessed in detail in section 2.7 of this report.
Paul Industries considers that MBIE's decisions are creating less competition in the market. It considers that MBIE is treating each investigation and review in isolation when it comes to alternative supply. It considers that as Pacific Steel starts targeting other countries going forward, New Zealand may reach a stage where there is no alternative supply.	In Section 2.7.2 of this Report, MBIE has assessed alternative sources of supply available. In considering alternative supply, MBIE has addressed the fact that provisional measures are currently in place on galvanised wire from China, while the investigation is ongoing. Where relevant, MBIE has considered the investigation in the course of this review, and has not treated the investigation and the review in isolation.
Paul Industries considers that MBIE has not addressed its concerns about the corporate culture at Bluescope. It considers that Pacific Steel and Steel and Tube have not disclosed to MBIE the ownership structure between the two. It considers this conduct is deceitful. Paul Industries notes that MBIE has not mentioned the intercompany costs being transferred from Bluescope Australia to Pacific Steel New Zealand. It considers these costs are artificially inflating the cost to produce in New Zealand. Paul Industries referenced a case of legal action in the Australian Competition and Consumer Commission against a former general manager of Bluescope, and notes that MBIE has not raised this in the review of the investigation. It also notes that Pacific Steel has not addressed the allegations.	Paul Industries has not provided any evidence of the ownership structure of Pacific Steel differing from what Pacific Steel has indicated in the course of the review. MBIE is aware from previous investigations of the relationship between Pacific Steel and Steel & Tube, and notes that it is not material to the review. MBIE has not addressed the legal action taken against Bluescope in Australia, as such information has not been relevant in the current case. MBIE has not received any evidence that a similar situation has been developing in New Zealand. Regardless of the above, this would be a matter for the Commerce Commission.
B. Euro Corporation Submission	**MBIE Comment**
Euro Corporation noted that paragraph 54 of the PIP Report incorrectly stated that Euro Corporation imports galvanised wire from China. Euro Corporation made two additional comments which are confidential, as the information would affect the working and commercial relationships with the party to which the information applies.	MBIE notes that the statement is that "Euro Corporation indicated that imports from Malaysia tend to substitute for imports from Australia, China and Indonesia (…)". This was indicated in Euro Corporation's response to question 11 of the importer questionnaire. Euro Corporation's confidential comments did not impact the outcome of this review.

C. Pacific Steel Submission	MBIE Comment
Malaysian goods	
Pacific Steel noted that section 2.3 of the PIP Report might be read to refer to all imports. It considers that it relates only to Malaysian goods, not any or all imports of galvanised wire goods.	MBIE agrees with Pacific Steel that section 2.3 is referring to imports of goods from Malaysia, not imports from all countries. Section 2.3 has been adjusted for greater clarity.
Excess demand	
Pacific Steel stated that it was not sure what the term “excess demand” refers to. The PIP Report states “However, as the domestic industry sells goods at a higher price than international prices, the importers are incentivised to remain in the market to supply the excess demand by sourcing the goods globally”.	Excess demand is demand not covered by available supply. In the context of the PIP Report, the statement means that there is demand for galvanised wire that is not met by Pacific Steel as its prices are higher than the customers seek, resulting in excess demand that is sourced globally.
2012 pricing	
Pacific Steel queried why the 2012 pricing was central to MBIE’s analysis. It considers that it is an intended consequence, in the public interest, for the amount of injurious dumping to be condemned.	MBIE’s analysis was not based in 2012 prices, but it has made reference to them. This is due to the fact that the 2009 review and reassessment resulted in duties set at an *ad valorem* rate. By 2012, the prices of imports from Malaysia stabilised. The 2014/2015 review and reassessment also resulted in *ad valorem* duties, but the prices did not fluctuate significantly from the levels they were at since 2012. MBIE has therefore made reference to 2012 prices as a point from which prices have appeared to stabilise while subject to *ad valorem* duties. These stable prices provide an indication of what may happen if a new *ad valorem* rate is imposed.

Substitutability	
Pacific Steel agreed with MBIE's comment that the wire purchased from Malaysia is highly substitutable for wire purchased from other sources.	MBIE notes Pacific Steel's comments.
Product quality	
Pacific Steel queried what it means that no differences in physical characteristics between the New Zealand produced and imported wire appear to be significant enough to impact the product quality available in New Zealand.	MBIE has noted that there are differences between the New Zealand produced goods and the goods imported from Malaysia. These differences relate to coating, affecting the level of corrosion, as well as some differences in respect of the composition of the steel wire, affecting tensile strength. MBIE also noted that there appear to be differences in appearance between the New Zealand produced goods and those sourced from Malaysia. MBIE's conclusion that these differences do not appear to be significant enough to impact the product quality available in New Zealand means that although there are differences in the aspects mentioned above, MBIE does not consider them to reflect differences in the quality of the wire.
PIPES appearance	
Pacific Steel considers that the use of the PIPES model is inconsistent with legislative intent, that the model has significant technical deficiencies, that it is not supported by any interested or consulted party, and its simplification challenges its credibility and utility.	MBIE notes Pacific Steel's comments in relation to the PIPES framework. The use of the PIPES framework is an operational matter relating to the assessment of the considerations in the Act. It provides a way to quantitatively assess some impacts, while used in combination with other methods. The Act does not specify how the public interest is to be assessed, it only provides what factors to consider. As outlined in section 2.2.2, MBIE is aware of the simplifications of the PIPES framework, which it noted are standard across partial equilibrium modelling techniques. As these simplifications must be made, the simulation is only indicative of the market outcome. Interested parties can see that the framework is not

	heavily relied on in the public interest assessment, as it only provides indicative outcomes.
PIPES process	
Pacific Steel considers that there is a process issue with the PIPES form in the PIP Report. Pacific Steel noted that it had anticipated that MBIE would respond to all of its matters raised in relation to the PIPES model in its questionnaire submission to the stage 2 investigation, as it considered MBIE could have anchored a response related to a separate review on canned peaches from South Africa, where the PIPES model was used.	MBIE has not again addressed Pacific Steel's comments on the PIPES framework, as it already consulted with interested parties in August 2019. New Zealand Steel commented at the time, and MBIE responded to the matters raised and adjusted the framework where appropriate.[3] This review is not a chance to re-litigate the consultation process, nor is it a chance to re-litigate a separate review on canned peaches from South Africa.
PIPES estimation	
Pacific Steel noted that MBIE sent 34 parties a questionnaire for stage 2, but its return rate was zero. Pacific Steel noted that the statement in the PIP Report that "MBIE relied on data provided by interested parties through questionnaire responses" may be misunderstood, as MBIE did not receive any responses at all to the questions posed in stage 2, and MBIE had limited information from the stage 1 investigation from two parties.	MBIE notes that MBIE did receive one questionnaire response to stage 2, from Pacific Steel. No other parties responded to the questionnaire. The data relied on for the estimations in the PIPES model was that provided in questionnaire responses to stage 1. MBIE had questionnaire responses from eight parties in stage 1, not two. The eight parties are Pacific Steel, Chin Herr, Wei Dat, Euro Corporation, Paul Industries, Tiger Steel, and limited information from Visy and Nexans. This was the data utilised for the PIPES estimation.

[3] The consultation note, submissions by interested parties, and MBIE's response to key issues raised can be found at https://www.mbie.govt.nz/dmsdocument/7251-consultation-on-the-public-interest-test-for-dumping-and-subsidy-investigations-mbies-response-to-key-issues