



**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
HIKINA WHAKATUTUKI

# Regulatory impact statement

Options for the suspension of anti-dumping duties on residential building materials

RELEASED UNDER THE OFFICIAL INFORMATION ACT

# Agency disclosure statement

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This regulatory impact statement has been prepared by the Ministry of Business, Innovation and Employment.

It provides an analysis of options to reduce import barriers that apply to key residential building materials. Specifically, it considers two options regarding the temporary suspension of anti-dumping duties that is currently in place for key residential building materials: to extend the suspension or let the suspension lapse.

Given the urgency and Budget sensitivity of the proposal, the preferred option to extend the suspension of anti-dumping duties has not been consulted on publicly. However, the suspension has already been in place for three years and the option to extend the suspension is a temporary measure that effectively preserves the status quo until such time as a public interest test can be implemented into the trade remedies regime, which was the original policy intention of the suspension. A Bill implementing a public interest test into the *Dumping and Countervailing Duties Act 1988* is currently awaiting consideration by Committee of the whole House.

Our analysis was restricted by a number of data constraints that prevented us from compiling a complete picture of the likely price effects of the options.

- (a) There was limited public data available on retail prices of plasterboard, and no assessment could be done on the level of importer or retailer margins in those prices. Standard plasterboard from Thailand is the only residential building product to which anti-dumping duties still apply and therefore the only product which was analysed. In the absence of this evidence, we considered it unreasonable to assume the extent to which import price levels might flow through to retail prices. It was therefore not possible to quantify the likely savings from the suspension on the cost of constructing new homes.
- (b) Import data does not discriminate between standard plasterboard and other specialised types of plasterboard. This is because the Harmonised System for classification of tariff items does not separate plasterboard items into specific products. As anti-dumping duties only apply to standard plasterboard from Thailand, rather than all types of plasterboard, the dataset used to measure price and volume changes in imports over-captured the relevant data.

Both constraints necessarily limited the accuracy and definitiveness with which we could determine the likely effects of either option. If extended, we would monitor the operation of the suspension and conduct an evaluation of its impact prior to its lapse in May 2019.

The potential risks associated with the preferred option to extend the suspension include negative reaction from the domestic plasterboard industry and perceptions of regulatory uncertainty. These risks have been taken into account and the preferred option aims to strike an appropriate balance between these risks with the potential benefits of the option.

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31 March 2017

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# List of Acronyms

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ANZCERTA	Australia New Zealand Closer Economic Relations Trade Agreement
GATT	General Agreement on Tariffs and Trade
MBIE	Ministry of Business, Innovation and Employment

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# Executive summary

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1. In June 2014, anti-dumping duties on residential building materials were temporarily suspended for three years as part of an effort to reduce barriers to competition and address housing affordability. The suspension is due to lapse automatically on 31 May 2017 and is therefore due for reconsideration.
2. The Government now has the option to either:
  - a. extend the suspension, or
  - b. let the suspension lapse.
3. The suspension of anti-dumping duties was originally intended as an interim measure while a public interest test could be developed and implemented into the trade remedies regime. This proposed test seeks to balance the interests of wider stakeholders (including consumers and downstream industries) and the wider economy in addition to the interests of domestic producers before imposing anti-dumping or countervailing duties. The current regime only considers the latter. The public interest test took longer than expected to develop and consult on but is being progressed through the *Trade (Anti-Dumping and Countervailing Duties) Amendment Bill*, 9(2)(f)(iv)  
[REDACTED]
4. There is some evidence that increased levels of imports of Thai plasterboard at relatively stable prices since the suspension was put in place may have constrained the potential for the domestic industry to raise plasterboard prices in line with increased building demand. This is likely to have resulted in cost savings throughout the supply chain for plasterboard. However, there is no clear evidence of what the impact of the suspension has been to date on retail prices or what savings there might have been on the cost of building new homes.
5. On the balance of evidence available, our preferred option is to extend the suspension of anti-dumping duties on residential building materials for another two years. This will preserve any savings that may have been captured in markets affected by anti-dumping duties over the course of the suspension, and is expected to allow enough time to implement and operationalise a public interest test in the trade remedies regime, which was the original intention of the suspension.

# 1 Status quo and problem definition

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## Status quo

### *Cabinet's decision on reducing import barriers in the residential construction market*

1. In June 2014, Cabinet agreed to introduce a package of measures to reduce import barriers in the residential construction market. These measures were to:
  - a. temporarily suspend the application of anti-dumping duties<sup>1</sup> on key residential construction materials by amending the *Dumping and Countervailing Duties Act 1988*. This included the anti-dumping duties in place at the time on plasterboard, reinforcing steel bar and wire nails, but also any new duties that might be imposed on other residential building products, such as cabinetry, plumbing, and roofing
  - b. introduce a temporary tariff concessions scheme (effectively reducing tariff rates to zero) for the same range of residential construction materials
  - c. develop a bounded public interest test for the anti-dumping and countervailing duties regime.
2. The measures emerged following a 2012 report by the Productivity Commission and ensuing study by MBIE into housing affordability and competition and productivity in the residential construction sector. The study found that anti-dumping duties can have a chilling effect on competition. The study also found that the anti-dumping duties on plasterboard in particular may have directly prevented entry of certain participants into the New Zealand market and prevented importers from offering lower prices.

### *Timing and intention of the measures*

3. The suspension of anti-dumping duties and tariffs concession scheme were implemented in June and July 2014 respectively to take immediate effect. The suspension was put in place for three years to expire on 31 May 2017, and the tariff concession scheme for five years to be reviewed before 31 June 2019. Both were intended as temporary measures to reduce import barriers, with their immediate implementation aimed at assisting the particular pressures in the residential construction sector at the time, such as the Christchurch rebuild and increased construction in Auckland.
4. The suspension of anti-dumping was also intended to be an interim measure while a public interest test could be implemented into the trade remedies regime. The suspension provided a mechanism, albeit a blunt one, to take competition effects and the interests of consumers and downstream industries into account in the anti-dumping regime while a more sophisticated mechanism could be developed and implemented into the Act through the public interest test. The three-year suspension timeframe was intended to allow sufficient time for this to happen.
5. The public interest test however took longer than expected to develop and went through prolonged consultation. A Bill to implement the test, the *Trade (Anti-Dumping and*

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<sup>1</sup> Goods are "dumped" if their export price when imported into New Zealand is less than their normal value in the country of export. Anti-dumping duties are imposed when dumping causes material injury to the domestic industry that produces the same or "like" goods.

*Countervailing Duties) Amendment Bill* (the Bill), is awaiting consideration at the Committee of the whole House stage 9(2)(f)(iv)

*Remaining anti-dumping duties*

6. When the suspension was implemented in June 2014, anti-dumping duties applied to three residential building products:
  - a. wire nails from China
  - b. reinforcing steel bar from Thailand
  - c. standard plasterboard from Thailand.
7. Since the suspension has been in place, the duties on wire nails from China and reinforcing steel bar from Thailand have lapsed automatically.
8. The anti-dumping duties on standard plasterboard from Thailand are still in force but are due to lapse on 17 July 2017 unless reviewed. MBIE would initiate a review upon receipt of an application from the New Zealand industry containing positive evidence that letting anti-dumping duties terminate would likely lead to a recurrence of dumping causing the industry material injury.

*Timetable of possible events*

Date	Event
31 May 2017	Suspension of anti-dumping duties lapses, or is renewed
17 July 2017	Anti-dumping duties on standard plasterboard from Thailand expire, or are renewed
Mid/late 2017	<i>Trade (Anti-Dumping and Countervailing Duties) Amendment Bill</i> implementing public interest test passed
31 May 2019	Suspension of anti-dumping duties lapses, if renewed in 2017

**Problem definition**

9. The policy decision to implement the suspension was made to address two problems:
  - a. That anti-dumping duties can act as a barrier to competition in markets subject to duties
  - b. That housing affordability continues to be an issue in New Zealand.

*Anti-dumping duties can be a barrier to competition*

10. The purpose of the anti-dumping regime is to protect domestic industries from unfair trading practices by overseas exporters that may be causing the industries harm. Anti-dumping duties however can also restrict competition by shielding domestic industries from the need to adjust to structural pressures and set lower prices, thereby restricting the availability of goods at competitive prices.
11. Anti-dumping duties can also prevent new entrants from entering markets and offering lower prices. During its Residential Construction Sector Market Study in 2013, MBIE received feedback that the anti-dumping duties on plasterboard in particular may have directly prevented entry of certain participants into the New Zealand plasterboard market and prevented importers from offering lower prices.
12. The bounded public interest test, which is being implemented through the *Trade (Dumping and Countervailing Duties) Amendment Bill*, is designed in part to address these issues. It does this by taking into account the interests of wider stakeholders (including consumers and downstream industries) and the wider economy in addition to the interests of domestic producers before imposing anti-dumping or countervailing duties.

13. The public interest test is wider than the suspension because it would apply to countervailing (anti-subsidy) duties as well as anti-dumping duties. Countervailing duties were not suspended when the suspension was implemented as there were no countervailing duties in place on residential building materials at the time and had not been any in a long time. Furthermore, from a fairness perspective, subsidisation is considered a worse form of trade distortion than dumping, which can often be simply a business strategy. Suspending countervailing duties would therefore be a much more significant policy step. We are not proposing to extend the suspension to countervailing duties at this time as we do not have evidence that such a step is justified.
14. Until the public interest test is implemented, the test for whether anti-dumping duties should be imposed under the Act has the potential to unduly restrict foreign firms from entering any market that is or could be affected by duties, without benefitting New Zealanders overall.

*Price of construction materials (housing affordability)*

15. Housing affordability is one of the Government's key priorities. Nationally, house prices have been increasing since the 1990s, above long-run house price to income ratios, and have been growing strongly in recent years.
16. House price growth is being driven by strong demand, with low interest rates and high migration as key factors. Mortgage interest rates have fallen to historic lows, leading to upward trends in both gross and net housing credit. Statistics New Zealand projects that New Zealand's population (4.69 million in 2016) will increase to between 5.01–5.51 million people in 2025.
17. There is a need to increase the supply of housing, particularly in Auckland. The number of new dwellings consented for construction is rising rapidly but continues to be lower than the number required. The key issue is that housing supply has not kept pace with high levels of demand for housing, particularly in Auckland.
18. Information from Statistics New Zealand building consents indicates that the average cost of building a house (excluding the price of land) has increased 26 per cent, from \$304,646 in 2011 to \$384,831 in 2016.
19. Since late 2014, the price of construction goods and services has consistently risen faster than that for all industries. Since 2013, the Producers Price Index for construction goods and services (both residential and non-residential) has risen the fastest of the three construction sectors. The increase in prices for these goods and services indicate that demand is rising faster than supply.

**Impact of the suspension to date**

*Price and competition effects*

20. Officials have monitored retail prices of plasterboard since June 2014 and have conducted several evaluations of the impacts of the suspension. There is some evidence from this analysis that increased levels of plasterboard imports from Thailand, at broadly stable price levels, may have constrained the potential for the domestic industry to raise plasterboard prices in line with increased building demand.
21. In the years since the suspension has been in place, there has been high demand for residential housing and plasterboard in New Zealand. In this context, prices would normally be expected to increase. The exchange rate has also depreciated against the Thai baht and United States dollar, which would normally see import prices increase in New Zealand dollar terms. Import prices however have increased by only 3.7 per cent in this period. This suggests that there is some downwards pressure on the price of imports. Although difficult to quantify, it is arguable that this may be attributable in part to the



suspension of anti-dumping duties and that in the absence of a suspension, import prices would have risen more significantly, in line with increased demand and the weakening exchange rate.

22. We have not been able to assess the extent to which changes in import prices may have flowed through to the retail level and resulted in savings on the cost of constructing new houses. Our original analysis estimated that the direct effect of removing anti-dumping duties on plasterboard would be a reduction in the cost of constructing an average house of \$2,400. This estimate was based on a number of inputs and assumptions around the average cost of building a house, the percentage contribution of plasterboard to that cost, and likely change in price of plasterboard in the absence of anti-dumping duties. We consider that these inputs and assumptions are no longer reliable for estimating the current price or cost effects of letting the suspension lapse as they are based on data that are now out of date.
23. Furthermore, there is little publicly available data of retail prices of plasterboard, which makes it difficult to assess how changes in import prices during the suspension period may have flowed through to the retail level. Because of these constraints, we are not able to say with certainty whether the predicted savings have been achieved.

*Savings may have been captured throughout the supply chain*

24. Although we do not consider it reasonable to quantify how changes in import prices would have impacted the cost of building new homes, it is arguable that any price saving would have at least resulted in savings upstream in the supply chain for plasterboard in New Zealand, providing some benefit to the construction sector. This could include savings for importers, distributors, wholesalers, retailers, builders and developers.

*Impact on domestic industry*

25. Industries that use the trade remedies regime are likely to have received the suspension of anti-dumping duties negatively. Industries that applied for anti-dumping duties would have expected that duties would be applied and any injury they were incurring would be legitimately addressed. The suspension had the effect of removing the protection offered by the regime and is likely to have been viewed unfavourably and potentially created some uncertainty for business.
26. As noted above, however, demand in the residential building market, including for plasterboard, has been very strong notwithstanding the suspension. Annual reports from Fletcher Building Limited, which owns the only domestic manufacturer of plasterboard in New Zealand, Winstone Wallboards Limited, show that the company's plasterboard volumes have grown up to 10 per cent over each of the three years the suspension has been in place.
27. While the domestic industry has faced greater competition from increased levels of plasterboard imports from Thailand during the period of suspension, in the context of high demand for building products and increased sales volumes, it appears likely that Winstone Wallboards has been able to absorb these pressures.

## 2 Objectives

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28. The overarching objective of the Government's position is to reduce barriers to competition in the construction sector while maintaining the integrity of the trade remedies regime.
29. Removal of costs at the border, such as anti-dumping duties, will help reduce barriers that can prevent importers from:
  - a. Selling at more competitive prices
  - b. Increasing supply from sources currently subject to duties
  - c. Investing in supply lines for increased imports from source countries subject to duties.
30. At the same time, it is important that any amendment to the trade remedies regime does not undermine the effective operation and integrity of the regime as a whole.
31. Underlying the overarching objective are three criteria which the options will be assessed against:
  - a. Maintenance of an effective trade remedies regime - Does the option retain the ability to protect against unfair trading practices?
  - b. Effectiveness – Will the option effectively reduce barriers to competition in the residential construction sector?
  - c. Regulatory and business certainty - Is the option simple for businesses to understand and inexpensive to implement and administer?

## 3 Options and impact analysis

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### Options

32. There are two options for the Government:
  - a. Option 1: Extend the suspension (preferred option)
  - b. Option 2: Let the suspension lapse (status quo).

Objectives Options	Maintaining an effective trade remedies regime	Reducing barriers to competition	Regulatory and business certainty
<p><b>Extend suspension</b></p>	<p>✓✓ Inevitably impacts the operation of the trade remedies regime in relation to dumping of residential building materials. Overall however, the regime will operate unaffected in respect of dumping of goods other than residential building materials, subsidisation of imported goods, and temporary safeguard actions.</p>	<p>✓✓ Would likely apply downwards pressure on the import price of plasterboard from Thailand and constrain potential price rises. Price savings likely to be captured upstream throughout the supply chain for plasterboard. Would also benefit importers, downstream users and consumers of goods other than plasterboard which could be subject to anti-dumping duties. Would likely have similar effects for other products that could be subject to anti-dumping duties, but for the suspension.</p>	<p>✓ Could come as a surprise to industry and create some uncertainty. However, industry should know what impact of suspension likely to be given suspension has already been in place for three years. Would provide continuity and certainty for importers of Thai plasterboard.</p>
<p><b>Let suspension lapse (status quo)</b></p>	<p>✓✓✓ Will revert the regime to its normal operation in respect of anti-dumping duties on residential building materials. Domestic producers will regain the ability to have their legitimate interests protected.</p>	<p>x Possible that import prices of plasterboard from Thailand would rise. Any price rise could cut into savings being captured upstream in the supply chain for plasterboard. Possible however that effect could be minimal, as if duties are not renewed, suspension would only apply for period between when the suspension lapses on 31 May to when the plasterboard duties expire on 17 July.</p>	<p>✓✓ Will provide regulatory and business certainty. Firms affected by suspension should be aware of when it is due to lapse, so can plan business operations around that assumption.</p>

## Option 1: Extend the suspension (preferred option)

### Description of option

33. The current suspension of anti-dumping duties on residential building materials is set to lapse on 31 May 2017, and the Bill implementing a public interest test into the trade remedies regime has not yet been passed. The first option therefore is to extend the suspension for enough time to let the Bill pass and introduce the public interest test.
34. Under this option, the Act would be amended to extend the dates of the current suspension. An extension could be for any period of time. A two-year extension to 31 May 2019 however would provide enough time for the current or a subsequent government to progress the Bill through the House, and would align with the June 2019 review date of the tariff concession scheme.

### Impacts

#### *Benefits of extending the suspension*

35. As noted above, there is some evidence that the suspension may have constrained the ability of domestic industry to raise prices for plasterboard and that if the suspension was not imposed, prices may have risen more significantly in line with increased building demand. This may have resulted in cost savings throughout the supply chain for plasterboard, which provides some benefit to the construction sector. This would include savings for importers, distributors, wholesalers, retailers, builders or developers. Extending the suspension is likely to preserve these savings by continuing to constrain price rises.
36. Extending the suspension is also consistent with the original policy intention of imposing the suspension for long enough that a public test could be implemented into the trade remedies regime. Until the *Trade (Anti-Dumping and Countervailing Duties) Amendment Bill* is passed, the Government does not have a formal legislative mechanism to assess the public interest of imposing a particular duty. The suspension provides a similar mechanism, albeit a blunt one, to take competition effects and the interests of consumers and downstream industries into account in the anti-dumping regime until a more sophisticated mechanism can be implemented through the public interest test.
37. Extending the suspension for a further two years would also align with the review date for the tariff concession scheme which would allow for a more comprehensive review of the combined impact of both initiatives.

#### *Impact on domestic industry*

38. The only domestic manufacturer that would currently be directly affected by an extension of the suspension would be Winstone Wallboards Limited. No anti-dumping duties currently apply to any residential building materials other than plasterboard and Winstone Wallboards is the only domestic manufacturer of plasterboard in New Zealand.
39. MBIE considers that extending the suspension is unlikely to significantly impact Winstone Wallboards. The exact impact depends in part on whether anti-dumping duties on plasterboard are renewed or not.
40. If plasterboard duties are not renewed, the impact on Winstone Wallboards of extending the suspension would likely be minimal, as the suspension would only affect the period from 1 June 2017 to 17 July 2017 when the duties expire.
41. Even if plasterboard duties are renewed, it is unlikely that Winstone Wallboards would be significantly negatively affected. While the suspension exposes Winstone to greater levels of competition from potentially lower priced imports, an analysis of the suspension to date suggests that Winstone Wallboards has been able to absorb these pressures due to strong demand in the residential construction sector and increased volumes in plasterboard sales.

The National Construction Pipeline Report 2016 estimates that demand in the residential construction sector will remain strong until at least the end of 2021, and Winstone Wallboards currently holds an estimated 95 per cent share of the plasterboard market in New Zealand. In this context, it is likely that Winstone Wallboards would be able to continue to absorb increased competitive pressure from imported plasterboard if the suspension were extended.

42. We note that extending the suspension would also prevent new anti-dumping duties on imports of other building materials from being applied. This could impact domestic industries that might have otherwise been eligible to be protected by anti-dumping duties. It is not possible however to predict what these impacts might be.

#### *Trade risks*

43. MBIE considers that trade risks associated with extending the suspension are low. Any move to lessen assistance to domestic industry is likely to be viewed favourably by our trading partners. Moreover, the suspension is unlikely to undermine New Zealand's position in free trade negotiations as a country's right to impose anti-dumping duties is not normally conceded in negotiations.

#### *Consistency with international obligations*

44. As with the original suspension, extending the suspension would be consistent with New Zealand's international legal obligations, including under the General Agreement on Tariffs and Trade (GATT), the Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) or our other free trade agreements.

#### *Financial implications*

45. The financial impacts of extending the suspension are likely to be minimal. The exact impact will depend on whether the duties on standard plasterboard from Thailand are renewed prior to their current expiry date of 17 July 2017.
46. If plasterboard duties are renewed, the estimated maximum reduction in Crown revenue is \$87,000 per annum for the two further years duties are suspended. This was the original estimate of how much would be foregone over the period of suspension, based on actual collection of plasterboard duties in the year February 2012-February 2013.
47. If plasterboard duties are not renewed, the suspension would affect duties for a short period from 1 June 2017 to 17 July 2017, when the duties expire. Based on the same assumption of \$87,000 per annum as above, this would total approximately \$4,000 of foregone revenue for the 2017/18 year.
48. The suspension would also affect any future anti-dumping duties that would have been imposed had it not been for the suspension but it is not possible to estimate what the financial implications would be in that scenario.

### **Option 2: Let the suspension lapse (status quo)**

#### **Description of option**

49. Section 14AA of the Act specifies that anti-dumping duties are suspended, therefore not payable between 1 June 2014 and 31 May 2017.
50. The status quo option therefore is to let the suspension automatically lapse as specified in the Act. This would mean that anti-dumping duties on standard plasterboard from Thailand would be collected again from 1 June 2017 until either 17 July 2017 or beyond if the duties are renewed. Further, any new anti-dumping duties on residential building materials that might be imposed would be collected from 1 June 2017.

## Impacts

### *Benefits of letting suspension lapse*

51. Letting the suspension lapse would benefit the domestic plasterboard industry and other industries that might apply for anti-dumping duties on residential building materials. The suspension lapsing will revert the anti-dumping regime to its normal operation in respect of those products. This will provide protection to domestic industries against the dumping of imported goods that might cause the industries material harm and allow them to compete on a more even playing field.
52. Letting the suspension lapse at the date specified in the Act would also provide regulatory and business certainty as businesses affected by the suspension should be aware of that date and may have factored the suspension coming off into their forward planning.

### *Impact on domestic industry*

53. The only domestic manufacturer that would currently be directly affected by letting the suspension lapse would be Winstone Wallboards, as they are the only plasterboard manufacturer in New Zealand and no other anti-dumping duties currently apply to any residential building materials.
54. The impact of letting the suspension lapse depends in part on whether anti-dumping duties on plasterboard are renewed or not. If plasterboard duties are renewed and apply as normal without the suspension, levels of plasterboard imports could drop, leaving Winstone Wallboards facing less competitive pressure from lower price imports. This could see plasterboard prices rise, given strong ongoing demand in the residential building sector, and profits increase for Winstone Wallboards.
55. If plasterboard duties are not renewed, the impact on Winstone Wallboards of the suspension lapsing will be minimal as they would only benefit from anti-dumping duties applying as normal for the period between 1 June 2017 and 17 July 2017, when the duties expire.

### *Trade risks*

56. It is unlikely that there would be any significant trade risk from letting the suspension lapse. Volumes of imports of plasterboard from Thailand could drop, but it is unlikely that this would have any significant impact on New Zealand trade interests, for example in relation to its reputation or position in free trade negotiations.

### *Consistency with international obligations*

57. Letting the suspension lapse raises no issues of consistency with international obligations.

### *Financial implications*

58. The financial impacts of letting the suspension lapse are likely to be minimal. As with the option to extend the suspension, the impact of this option depends in part on whether anti-dumping duties on standard plasterboard from Thailand are renewed.
59. If anti-dumping duties are renewed, the estimated maximum reduction in Crown revenue is \$87,000 per annum. Duty revenue would be collected for five years, which is the period duties would be renewed for. If duties are not renewed, duty revenue would only be collected for a very short period from 1 June 2017 to 17 July 2017. Based on the same assumption of \$87,000 per annum as above, this would total approximately \$4,000 in collected revenue for the 2017/18 year.
60. The suspension lapsing would also affect any future anti-dumping duties that might be imposed but it is not possible to estimate what the duties would be in that scenario.

## 4 Consultation

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### Agency consultation

61. The Ministry of Foreign Affairs and Trade, New Zealand Customs Service, and The Treasury have been consulted in the development of this paper. The Department of the Prime Minister and Cabinet has been informed.
62. Agencies suggested including certain further minor details but did not have any concerns about the substance of the preferred option.

### Public consultation

63. Given the urgency and Budget sensitivity of the proposal, the preferred option to extend the suspension of anti-dumping duties has not been consulted on publicly. However, the suspension has already been in place for three years and the option to extend the suspension is a temporary measure that effectively preserves the status quo until a public interest test can be implemented into the trade remedies regime, which was the original policy intention of the suspension. MBIE is confident that it has reasonable information to assess the risks, costs and benefits of the option from its analysis of the suspension to date.

## 5 Conclusions and recommendations

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64. On balance of the evidence available, MBIE's preferred option is to extend the suspension for a further two years. While we do not have clear evidence of what the impact of the suspension has been on retail prices or what savings there might have been on the cost of building new homes, there is some evidence that the suspension may have constrained price rises in the plasterboard market. This may have resulted in cost savings throughout the supply chain and produced some benefit for the residential construction sector as a whole.
65. Further, while the domestic industry has faced greater competition from increased plasterboard imports during the suspension, it appears they have been able to absorb these pressures due to high demand for building products and increased sales volumes for plasterboard. Building demand is expected to remain strong until at least 2021 so it is likely that the domestic industry will continue to be able to absorb competitive pressure that might arise from an extension of the suspension.
66. Allowing the suspension to lapse would arguably maintain the integrity of the trade remedies regime more fully than extending the suspension, and may provide more regulatory and business certainty for the domestic industry. However, we do not consider that suspending anti-dumping duties on a limited range of goods unduly compromises the

trade remedies regime as a whole, as the regime will continue to operate unaffected in respect of anti-dumping duties on non-residential building products, and in respect of countervailing duties and temporary safeguard actions on all products. Extending the suspension is also not likely to create unacceptable levels of uncertainty given the suspension has already been in place for three years, and affected industries should already understand and reacted to its impact.

67. Extending the suspension is also consistent with the original policy intention of imposing the suspension for long enough that a public test could be implemented into the trade remedies regime.
68. Therefore, we consider that extending the suspension achieves the objective of reducing barriers to competition in the market for residential building materials while maintaining the integrity of the trade remedies regime.

## 6 Implementation

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69. Extending the suspension of anti-dumping duties on residential building materials would require an amendment to section 14AA of the Dumping and Countervailing Duties Act 1988. The suspension would apply for two years and expire on 31 May 2019, after which time anti-dumping duties would re-apply as normal on residential building materials.

## 7 Monitoring, evaluation and review

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70. MBIE would monitor the operation of the suspension and process any application for a review of duties or imposition of new duties in accordance with normal procedure under the Act. However, the suspension prevents new duties from actually being imposed during the two-year suspension period. At the end of the two years, any suspended duties would re-apply as normal and new applications would be processed subject to the public interest test, if implemented by then.
71. We would also conduct an evaluation of the impact of the suspension prior to its lapse in May 2019. This could be done at the same time as a review of the tariff concession scheme, which is due for review by June 2019, to allow for a comprehensive assessment of the impact of both measures.