MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

TRADE
AND REGULATORY
COOPERATION
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Galvanised wire from Malaysia non-confidential final report

Dumping and Countervailing Duties Act 1988

New Zealand Government

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Abbreviations

The following abbreviations are used in this Report:

Act (the)	Dumping and Countervailing Duties Act 1988
Anti-Dumping Agreement (the)	WTO Agreement on Implementation of Article VI of GATT 1994
AUD	Australian Dollars
Chief Executive (the)	Chief Executive of Ministry of Business, Innovation and Employment
CIF	Cost, Insurance and Freight
EBIT	Earnings Before Interest and Tax
FIS	Free into Store
FOB	Free on Board
Ministry (the)	Ministry of Business, Innovation and Employment
MPI	Ministry for Primary Industries
MYR	Malaysian Ringgit
NZCS	New Zealand Customs Service
NZD	New Zealand Dollars
POR(D)	Period of Review for Dumping (1 May 2013 to 30 April 2014)
POR(I)	Period of Review for Injury (years to 30 June 2011 to 2014)
USD	United States Dollars
VFD	Value for Duty

Executive summary

Introduction

1. The Ministry of Business, Innovation and Employment (the Ministry) initiated a sunset review into the anti-dumping duties applying to galvanised wire from Malaysia on 25 June 2014, following an application by Pacific Steel (New Zealand) Limited (Pacific Steel). The duties under review have been in place since 2004 and were last reviewed in 2009.

2. This report considers the likelihood of a continuation or recurrence of dumping causing a continuation or recurrence of material injury, should the current anti-dumping duties be removed.

Galvanised wire subject to investigation

3. The Ministry has concluded that armouring wire should be excluded from the description of the goods which are subject to the duty and that the subject goods description to which this investigation relates should be amended to read as follows:

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

Dumping

4. There were no exports of the subject goods from Malaysia to New Zealand over the period of review for dumping. The Ministry has therefore constructed export prices on the basis of likely export prices if galvanised wire was shipped from Malaysia to New Zealand.

5. The Ministry has constructed a normal value based mainly on information supplied by Pacific Steel.

6. The Ministry has concluded that, should the anti-dumping duties be removed and should imports of galvanised wire from Malaysia resume in significant volumes, the goods will be imported at dumped prices.

Injury

7. Pacific Steel has not claimed that it is currently being injured by imports from Malaysia. No evidence of current injury caused by dumped imports of galvanised wire from Malaysia has been found, because there have been no imports of the subject goods over the period of review for injury (the year to 30 April 2014).

8. The review of injury has therefore focused on the likelihood of material injury to the domestic industry recurring should the current anti-dumping duties be removed.

9. The Ministry has concluded that:

- There have been no imports of galvanised wire from Malaysia over the period of review for injury. There were some wire imports in 2013 and 2014, but it appears unlikely that most of these shipments were wire of the type subject to duty. Nevertheless, the Malaysian industry appears to have capacity to increase exports to New Zealand and there do not appear to be any significant barriers to entry into New Zealand. The Malaysian goods also hold a significant price advantage, over both Pacific Steel's prices and prices of galvanised wire from other countries entering New Zealand.

- It is likely that significant volumes of galvanised wire from Malaysia will resume being imported at dumped prices if duties are terminated. If this occurs, Pacific Steel is likely to be materially injured. Pacific Steel's prices would likely be undercut, resulting in price depression and suppression. Consequent upon the likely price effects, Pacific Steel is also likely to suffer declines in sales revenue and profits, and adverse effects on return on investments, cash flow, employment, growth and ability to raise capital. Pacific Steel is not likely to suffer declines in output, sales volume or market share, as it aims to maintain volumes and market share by cutting prices.

- Imports from other sources have also undercut Pacific Steel's prices, but are unlikely to have caused injury to Pacific Steel, as Pacific Steel's output, sales volume, sales revenue, market share and profits have grown over the period of review for injury. The level of undercutting by non-dumped imports is likely to continue whether duties remain or whether they are removed.

Conclusion

10. The Ministry has concluded that if anti-dumping duties are removed, significant import volumes of galvanised wire from Malaysia are likely to resume to an extent sufficient to cause a recurrence of material injury to the New Zealand industry producing the subject goods.

1. Proceedings

1.1 Introduction

11. On 17 March 2014, the Chief Executive of the Ministry of Business, Innovation and Employment (the Ministry), received a properly documented application from Pacific Steel (New Zealand) Limited (Pacific Steel) for a review of the anti-dumping duties that currently apply to imports of galvanised wire from Malaysia.

12. Anti-dumping duties have been in place on galvanised wire from Malaysia since 2004. The current duties have been in place since 2009, following a sunset review and reassessment.

13. On 25 June 2014, the Ministry initiated a review of the continued need for the imposition of the anti-dumping duties, pursuant to s. 14(8) of the Dumping and Countervailing Duties Act (the Act). The Ministry was satisfied that sufficient evidence had been provided in the application, justifying the need for the review.

14. The purpose of the Ministry's review is to examine whether dumping and injury would be likely to continue or recur if the duties were removed, in accordance with Article 11 of the World Trade Organisation Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (the Anti-Dumping Agreement).

15. This Final Report includes the conclusions reached by the Ministry. However, it should be noted that the report only provides a summary of the information, analysis and conclusions relevant to this investigation, and should not be accorded any status beyond that.

1.2 Reviews

16. The anti-dumping duties relating to galvanised wire from Malaysia would have ceased to apply from 17 November 2014, in the absence of a review[1]. The existing anti-dumping duties will continue to apply pending the outcome of this review and any reassessment that may follow it.

17. The period of review for dumping (POR(D)) is from 1 May 2013 to 30 April 2014, while the period of review for injury (POR(I)) involves an evaluation of the data submitted by Pacific Steel for financial years 2011 to 2014 (Pacific Steel's financial year is the year to 30 June). The Ministry has also evaluated Pacific Steel's budget for 2015 and its forecasts for 2016 in terms of the impact on Pacific Steel's domestic operation should the anti-dumping duties remain and should they be removed.

18. In this report, years for evaluating dumping are years ending 30 April, and years for evaluating injury are years ending 30 June, unless otherwise stated. Dollar values are in New Zealand Dollars (NZD), United States Dollars (USD) or Malaysian Ringgit (MYR), and have been specified in each instance. In tables, column totals may differ from individual figures due to rounding. The term VFD refers to value for duty for New Zealand Customs Service (NZCS) purposes.

19. Interested parties were advised of the initiation and interim conclusions of this review in writing and provided with the opportunity to make written submissions to the Ministry. The submissions received have been taken into account in this Final Report.

[1] Sections 14(9) and 14(9A) of the Act.

1.3 Ministry's approach to sunset reviews

20. The Ministry carries out sunset reviews based on Article 11 of the Anti-Dumping Agreement. In interpreting Article 11, the Ministry takes guidance from New Zealand legal reports, WTO Panel reports and approaches taken by other WTO member countries.

21. Article 11.3 requires that a duty be terminated 5 years after it was imposed or last reviewed unless an investigating authority determines in a review that "… the expiry of the duty *would be likely* to lead to continuation or recurrence of dumping and injury" [emphasis added]. Some guidance regarding the interpretation of the phrase "would be likely" has been provided by the New Zealand Court of Appeal which interpreted the phrase to mean 'a real and substantial risk…, a risk that might well eventuate" (Commissioner of Police vs Ombudsman [1988] 1 NZLR 385). Guidance can also be found in WTO jurisprudence e.g. *"United States – Sunset Reviews of Anti-dumping Measures on Oil Country Tubular Goods from Argentina"*[2].

22. For further guidance on the level of evidence that is required to meet the "would be likely" criteria of Article 11.3 of the Anti-Dumping Agreement, the Ministry also referred to the findings of the WTO panel report, *United States Anti-Dumping Duty on Dynamic Random Access Memory Semi-Conductors (DRAMS) from Korea*[3], and to the approaches taken by the European Union, United States, Canada and Australia to sunset reviews.

23. The Ministry notes that the consideration of whether duties should be removed does not exist in isolation but is dependent on whether the evidence shows that the expiry of duty would be likely to lead to a continuation or recurrence of dumping and injury. In determining "likelihood", the timeframe within which an event may occur should be considered, although Article 11.3 of the Anti-Dumping Agreement makes no express reference to the length of time within which a continuation or recurrence of injury has to take place.

24. The Ministry approaches all investigations and reviews on a case-by-case basis, taking guidance from the sources referred to above and mindful of the different factors involved in each case. Based on its interpretation of the Anti-Dumping Agreement, the Ministry adopts the following general principles in considering injury in sunset reviews:

- The Ministry is required to establish whether the expiry of the anti-dumping duty would be likely to lead to a continuation or recurrence of dumping and material injury.
- The test to be applied in respect of the likelihood of a continuation or recurrence of dumping and material injury is a positive one, that is, the Ministry needs to be satisfied, based on positive evidence, that certain events are likely to occur, and that those events will cause dumping and material injury to the industry to continue or recur in the absence of anti-dumping duties.

[2] Report of the Panel – United States – Sunset Reviews of Anti-Dumping Measures on Oil Country Tubular Goods from Argentina – WT/DS268/R – Circulated 16 July 2004. Report of the Appellate Body – WT/DS268/AB/R – Adopted 17 December 2004.

[3] Report of the Panel – United States – Anti-Dumping Duty on Dynamic Random Access Memory Semi-Conductors (DRAMS) of One Megabit or Above from Korea – WT/DS99/R – Adopted 19 March 1999.

- Interpretation of the phrase "would be likely" is guided by a court judgement referring to "a real and substantial risk…, a risk that might well eventuate".

- The Ministry, in considering the likelihood of injury, may refer for guidance to provisions in the Anti-Dumping Agreement that may be helpful in assessing that likelihood. Those provisions may include, if appropriate, the factors used in Article 3.7 in assessing a threat of injury. The test to be applied, however, is not that for establishing whether there is a threat of injury.

- The Ministry, in considering whether removal of the duty would be likely to lead to a recurrence of dumping and injury, considers what is likely to happen in the foreseeable future. The extent to which the Ministry is able to make judgements on the likelihood of events occurring in the foreseeable future will depend on the circumstances of each case and, therefore, the foreseeable future will range from the imminent to longer timeframes.

25. The Ministry generally requires the domestic industry to provide projections or forecasts of the injury it considers it will suffer as a result of the removal of the duties, to gauge the extent to which the removal of the anti-dumping duties will likely cause material injury to the domestic industry in the foreseeable future. The Ministry examines these projections in light of the company's past performance (with the duties in place to prevent injurious dumping) and projected future performance (both with the presence and absence of duties) in order to assist it in making a likelihood of recurrence of injury determination.

1.4 Grounds for the review

26. Pacific Steel claims that as a result of the alleged likelihood of dumping, material injury will result from:

- increased volume of the allegedly dumped imports;
- price undercutting, causing price depression and price suppression,

and will consequently result in:

- decline in output and sales volume and revenue;
- decline in profits; and
- significant adverse effects on return on investment, utilisation of production capacity, cash flow, inventories, employment, and growth.

Reassessment of anti-dumping duties

27. If the outcome of this review indicates that anti-dumping duties should continue to be applied, then the rate or amount of duty can be reassessed in accordance with section 14(6) of the Act.

1.5 Disclosure of information

28. The Ministry makes available all non-confidential information via the Public File for this investigation. Any interested party is able to request both a list of the documents on this file and copies of the documents.

29. Article 6.6 of the Anti-Dumping Agreement provides as follows:

> Except in circumstances provided for in paragraph 8, the authorities shall during the course of an investigation satisfy themselves as to the accuracy of the information supplied by interested parties upon which their findings are based.

30. The Ministry carried out a verification visit at Pacific Steel's premises in order to verify the information provided by Pacific Steel in its application for a review and its response to the Ministry's request for further information. The Ministry provided a copy of the verification report to Pacific Steel and placed a non-confidential version on the public file.

31. Where no information has been made available, the findings in this report have been made having regard to all available information, that is, on the basis of the best information available in accordance with section 6 of the Act and Article 6.8 and Annex II of the Anti-Dumping Agreement. The information relied on by the Ministry is detailed in the relevant sections in this report.

2. Interested Parties

2.1 New Zealand industry

32. Pacific Steel submitted the application. The Ministry was satisfied in initiating the investigation that the application was made by or on behalf of the New Zealand industry producing like goods. Pacific Steel was acquired by New Zealand Steel, which is ultimately owned by an Australian company, BlueScope Steel, on 3 June 2014. However its manufacture of galvanised wire remains in New Zealand.

33. The Ministry is satisfied in terms of section 3A of the Act that Pacific Steel is the only New Zealand producer of like goods and that Pacific Steel constitutes the New Zealand industry for the purpose of this investigation.

2.2 Exporters

34. The Ministry has found that there were no exports of the subject goods from Malaysia to New Zealand over the POR(D). The Ministry requested information from Malaysian exporters of other types of wire and from exporters that had been involved in the last sunset review or in the original investigation; however, none of these companies provided any information to the Ministry.

2.3 Importers

35. On the same note as the paragraph above, there have been no imports of the subject goods over the POR(D), and the Ministry requested information from importers that had been involved in the last sunset review and in the original investigation, and those that imported similar types of wire over the POR(D).

36. The Ministry has corresponded with Maccaferri NZ Ltd (Maccaferri), which wished to exclude the galvanised wire it was importing from the anti-dumping duty (it did not import over the POR(D) but has imported more recently). Maccaferri imports 'stitching wire' which is sometimes coated with PVC. The PVC coated wire is already exempted from the anti-dumping duty, but the galvanised stitching wire which is not coated with PVC is considered a subject good. Maccaferri declined to provide information on prices and costs to allow an assessment of dumping and injury, however.

37. After the release of the interim report, Nexans Olex asked the Ministry to consider an exclusion of armouring wire. This issue is discussed further below.

2.4 Imported goods

38. The goods which are the subject to the duty, 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.*

39. The NZCS has stated that the galvanised wire enters under the following tariff items and statistical keys:

7217.20.10.05L	7217.20.10.07G	7217.20.10.08E	7217.20.10.09C	7217.20.10.11E
7217.20.10.13A	7217.20.10.15H	7217.20.10.16F	7217.20.10.17D	7217.20.10.18B
7217.20.10.25E	7217.20.10.27A	7217.20.10.28K	7217.20.10.29H	7217.20.10.31K
7217.20.10.33F	7217.20.10. 35B	7217.20.10.36L	7217.20.10.37J	7217.20.10.39E
7217.20.90.05D	7217.20.90.07L	7217.20.90.08J	7217.20.90.09G	7217.20.90.11J
7217.20.90.13E	7217.20.90.15A	7217.20.90.16K	7217.20.90.17H	7217.20.90.18F

40. There is a Normal tariff rate of 5 percent, however, there are two free trade agreements Malaysian exporters may export to New Zealand under which have different tariff rates applicable for galvanised wire. Malaysia is a member of the Association of Southeast Asian Nations (ASEAN), and under the ASEAN-Australia-New Zealand Free Trade Agreement signed in 2009, the tariff for imports of galvanised wire originating from Malaysia phased down to 3 percent in January 2014, and is due to phase to zero in January 2017. Under the New Zealand-Malaysia Free Trade Agreement, the tariff for imports of galvanised wire phases to zero in January 2016.

Exclusion of armouring wire

41. Nexans Olex imports galvanised armouring wire from Malaysia. Armouring wire protects cables, and is typically produced for cables to be installed in land and exposed to harsh environments. In response to the interim report, Nexans Olex requested that the Ministry consider whether this wire could be excluded from the duty, as, while it fits the parameters of the subject goods, it is not the same as the wire produced in New Zealand by Pacific Steel. The Ministry contacted Pacific Steel on this issue for its perspective.

42. [redacted]. This armouring wire requires specific billet stock to be made for it, as the resistivity requirement of the British/European Standard to which it is made necessitates the use of very clean scrap when an Electric Arc Furnace is used as the method of manufacture. This resistivity requirement is not relevant in the production of wire for general fencing or manufacturing purposes. Pacific Steel is no longer producing this billet [redacted].

43. Pacific Steel has commented that the term ‘armouring wire’ is commonly understood within the cable industry, but may not be understood more widely. However invoices supplied to the Ministry by Nexans Olex specifically identify armouring wire, so the Ministry considers that NZCS is likely to be able to identify it.

44. The Ministry also considered excluding this wire on the basis of zinc coating, as armouring wire requires a higher coating weight than fencing wire does. However, Pacific Steel has commented that any differences in coating weight are small, and some other products would get caught in this type of filter.

45. Pacific Steel advised that it does not oppose the exclusion of armouring wire from the description of the goods subject to the duty. On the basis of the foregoing considerations, the Ministry concludes that armouring wire should be excluded from the goods description. The description of the subject goods would therefore be amended to read as follows:

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

3. New Zealand industry

46. Section 3A of the Act provides the definition of "industry":

> **3A. Meaning of "industry"—**For the purposes of this Act, the term "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.

47. "Like goods" is defined in section 3 of the Act:

> "Like goods", in relation to any goods, means—
>
> (a) Other goods that are like those goods in all respects; or
>
> (b) In the absence of goods referred to in paragraph (a) of this definition, goods which have characteristics closely resembling those goods.

3.1 Like goods

48. It is necessary to determine whether there are New Zealand producers of goods which are like the subject goods in all respects, and if not, whether there are New Zealand producers of other goods which have characteristics closely resembling the subject goods, in order to establish the existence and extent of the New Zealand industry for the purposes of an investigation into injury.

49. The subject goods have been identified in section 2.4 of this Report as:

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

50. Pacific Steel produces galvanised wire in diameters of 1.60mm to 5.00mm. All wires are produced in a range of tensile strengths and coatweight. [redacted] percent (by volume and by sales value) of Pacific Steel's sales are of 2.50mm high tensile galvanised wire.

51. The difference in wire diameters is not necessarily the main determinant of its tensile strength, as different wire diameters can have the same breaking strain due to different carbon composition. The percentage of carbon contained in the steel is the main contributor to the tensile strength of the galvanised wire. Other factors which affect the strength of the wire are its diameter and whether the rod from which it has been drawn contains alloying elements such as vanadium.

52. All galvanised wire currently produced by Pacific Steel is coated with a mix of 95 percent zinc and 5 percent aluminium. Galvanised wire is principally used for agricultural fencing, vineyard trellises or is manufactured into woven fence products. Zinc-aluminium coated galvanised wire is used primarily for fencing. The added aluminium in the zinc coating provides extra protection from corrosion.

53. Maccaferri submitted that the wire it is importing is not a subject good. Maccaferri imports 2.2mm lacing wire in 25kg coils, with heavy coating and low tensile strength, and either galvanised wire only, or galvanised wire that has been coated with PVC. The PVC coated wire is already exempt

from the goods description. It was clear from discussion with Pacific Steel at the verification visit that Maccaferri's imports of galvanised wire without the PVC coating fall within the description of the subject goods. Pacific Steel stated that it would be able to produce this product for Maccaferri.

54. On the basis of the information available, the Ministry considers that the galvanised wire produced by Pacific Steel is like goods to the subject goods.

3.2 Imports of galvanised wire

55. There have been no imports of the subject goods from Malaysia over the POR(D). This review has therefore examined the likelihood of a recurrence of dumping and material injury to the New Zealand industry.

56. Table 3.1 shows total imports of galvanised wire between 1 May 2011 and 30 April 2014. Australia, Canada, Indonesia and China are the largest exporters of galvanised wire to New Zealand (by volume).

Table 3.1: Total imports

	2011/12	**2012/13**	**2013/14**
Total imports (tonnes)	11,832	10,524	12,268

4. Dumping review

57. Dumping occurs when an exporter sells galvanised wire to New Zealand at a price lower than it is sold for in Malaysia. The price at which galvanised wire is sold in Malaysia is referred to as the normal value. In essence dumping is price discrimination between an export and a domestic market.

4.1 Purpose of review of dumping

58. A sunset review is intended to determine whether the expiry of the existing anti-dumping duties after five years would likely lead to a continuation or recurrence of dumping and injury and therefore whether there is a continued need for the imposition of anti-dumping duties. The general principles concerning the Ministry's approach to sunset reviews are set out in section 1.3 of this report. The Ministry's usual approach is to establish if the galvanised wire is being dumped into New Zealand, the extent of any dumping and then analyse whether there is a likelihood of a continuation or recurrence of dumping, if the duties were removed.

4.2 Likelihood of continuation or recurrence of dumping

Introduction

59. This section of the report explains the method of comparing export prices with normal values and how these prices have been established over the POR(D), that is, the year ended 30 April 2014, to determine whether galvanised wire from Malaysia was imported into New Zealand at dumped prices.

60. The Ministry will usually examine the imports during the POR(D) (1 May 2013 to 30 April 2014) to establish whether or not goods are being dumped; however, in this case there have been no imports of the subject goods over this period. The Ministry has therefore been unable to analyse the extent to which goods are currently being dumped and the likelihood of continuation of any dumping. The Ministry's analysis has instead concentrated on assessing whether there is a likelihood of a recurrence of dumping, if the duties were removed. This section of the report explains how the Ministry established whether or not that likelihood exists.

Methodology

61. The Ministry would usually undertake the comparison of export prices and normal values on either a weighted-average-to-weighted-average or transaction-to-transaction basis.

62. In the present review, the Ministry was unable to select appropriate Malaysian domestic sales which it could compare with export transactions, or likely export transactions should duties be removed, because there was no cooperation from the Malaysian exporters that participated in the original investigation or last sunset review, or from exporters of other wire products. As a result, the Ministry is not able to conduct a transaction-to-transaction analysis, nor is there any information on which to conduct a weighted average-to-weighted average analysis.

63. Instead, the Ministry has chosen to base its dumping analysis on information sourced during the review from a variety of other sources, including the information on export prices and normal values Pacific Steel provided in its application. The Ministry considers that this is the best information available, and has used this information in accordance with section 6 of the Act and Article 6.8 of the Agreement, which allow for a decision to be made having regard to all available information.

64. Likely export prices and normal values have been established based on information from the following sources:

- Pacific Steel's application for a sunset review;
- the [redacted] database;
- information from Malaysian business and government websites;
- information obtained in the 2009 sunset review and updated to 2014 values using the Malaysian Producer Price Index; and
- MEPS International Ltd.

4.3 Export prices

Introduction

65. Export prices are the prices at which galvanised wire is exported from the country of export to New Zealand that are arm's length transactions. Export prices exclude costs or charges incurred in preparing the goods for shipment additional to those incurred on domestic sales and any other costs, charges and expenses resulting from the exportation of the goods or arising after their shipment from the country of export, as required by section 4 of the Act.

66. The Ministry has constructed export prices on the basis of likely export prices if galvanised wire was shipped from Malaysia to New Zealand, as there were no exports of the subject goods to New Zealand over the POR(D). The following paragraphs provide an analysis of export prices.

Introduction

67. Export volumes and values from Malaysia to other countries are considered to be the best information available to calculate a likely export price to New Zealand.

68. The Ministry has constructed an export price for exports between Malaysia and Australia, and for exports to the world (that is, exports to all countries from Malaysia). The Ministry considers that Australia is a similar market for galvanised wire as New Zealand and export prices to Australia are therefore more likely to reflect export prices to New Zealand should duties be removed. The Ministry has calculated an export price for exports to the world to check the reasonableness of the export price based on exports to Australia.

Base prices

69. The Ministry has used data from [redacted] to establish base export prices. This data consists of quantities (in tonnes) and values (in USD at FOB) for exports from Malaysia to Australia and to the world over the POR(D), that is, the year ended April 2014, on a monthly basis, at a 6-digit tariff item level. [redacted] is operated by the [redacted], which records trade statistics from around the world. The Ministry has calculated weighted average base prices using this information.

70. The Ministry has established a weighted average base price of US $[redacted] per tonne for exports from Malaysia to Australia and US $[redacted] per tonne for exports from Malaysia to the world. The export price calculated on the basis of exports to the world is significantly higher than the price based on exports to Australia. The reason for this is not clear, but is likely to be related to factors such as differences in the product mix (reflecting differences in usage) and differences in the conditions of competition. As noted above, the Ministry considers that because of similarities between the New Zealand and Australian markets, prices to Australia are more likely to be indicative of prices to New Zealand should imports from Malaysia resume following any removal of the duties.

The Ministry also notes that the normal value is based on Pacific Steel's average costs of production and therefore reflects the product mix of galvanised wire used in New Zealand. The Ministry considers the mix of galvanised wire used in New Zealand is more likely to be similar to the mix of wire used in Australia than that used in other countries to which Malaysia exports galvanised wire.

Adjustments

71. Having established base prices at the FOB level, the next step is to deduct any costs between FOB and ex-factory incurred by the exporter in preparing the goods for shipment to New Zealand and to make any other relevant adjustments required to ensure fair comparison with normal values. The Ministry considers that the best source of information for adjustments to the export price is the information supplied by Pacific Steel. Most of the adjustments Pacific Steel sourced were from a quote provided by [redacted], a firm which specialises in freight and shipping. These adjustments are outlined below.

Cost of credit

72. Pacific Steel provided a cost of credit calculation in its application based on information from the last sunset review, including an interest rate set by the Central Bank of Malaysia in 2009 – the cost of credit provided was a credit term of [redacted] days at 8 percent. The Ministry has adjusted the percentage amount to reflect the average commercial bank lending rate reported by the Central Bank of Malaysia[4] over June 2013 to May 2014 (this was as close to the POR(D) as was available). The average rate is 4.52 percent. The cost of credit per tonne is USD [redacted].

Export packaging

73. Pacific Steel provided an export packaging cost based on [redacted]. It considered the cost between Malaysia and New Zealand would be similar. The packaging cost includes plastic wrap, dunnage and dry bags, and is an average of NZD [redacted] per container. The Ministry converted this amount to tonnes (there are 24 tonnes in a container) and to USD using the average exchange rate over the POR(D).[5] Export packaging is USD [redacted] per tonne.

Inland freight

74. [redacted] provided a quote of USD [redacted] per container for inland freight, on an assumption of there being [redacted] between the Malaysian factory and the port. The [redacted] is based on [redacted]. Pacific Steel considers that the USD [redacted] is [redacted] and instead considers that an amount at [redacted] this cost would be more reasonable. The Ministry has therefore used Pacific Steel's estimated USD [redacted] per container for inland freight, which results in an adjustment of USD [redacted] per tonne.

Export documentation

75. The information from [redacted] quotes export documentation charges as USD [redacted] per shipment. In its application, Pacific Steel assumed that a shipment would be [redacted] containers. Based on the low volumes of similar wire that has entered New Zealand, the Ministry considers it more likely that a shipment would consist of [redacted] container, resulting in [redacted]

[4] Sourced from Trading Economics.

[5] Average NZD:USD exchange rate 1 May 2013 to 30 April 2014 is 0.8204 (www.oanda.com).

for export documentation than that Pacific Steel calculated. The Ministry has used an export documentation charge of USD [redacted] per tonne.

Port handling

76. Port handling is made up of costs for seal and port charges (which includes a terminal handling charge and 'gate'). It totals USD [redacted] per container, or USD [redacted] per tonne.

Wharfage and Customs clearance

77. This is made up of Customs clearance, Customs documentation and Customs exam and is a total USD [redacted] per container. However the amounts quoted by [redacted] included a 6% VAT charge, which the Ministry has deducted from the USD [redacted] cost, bringing it down to USD [redacted]. The amount per tonne is USD [redacted].

Export prices

78. The Ministry has made the adjustments outlined above to the base price. The resulting amounts have been converted to MYR[6], which gives an export price of MYR [redacted] per tonne for exports to Australia and MYR [redacted] per tonne for exports to the world.

4.4 Normal value

Introduction

79. The normal value is the price at which Malaysian galvanised wire manufacturers sell galvanised wire in the Malaysian domestic market. The types of sales that can be used to determine normal values are arm's length sales of like goods in the ordinary course of trade for home consumption in the country of export, in this case Malaysia, as set out in section 5 of the Act.

80. In the absence of relevant and suitable sales in the ordinary course of trade, normal values can be constructed on the basis of (a) the sum of cost of production and, on the assumption that the goods had been sold for home consumption in the ordinary course of trade in Malaysia, reasonable amounts for administrative and selling costs and other costs incurred in the sale, and a rate of profit normally realised on sales of goods of the same general category in the Malaysian domestic market or (b) sales for export to a third country.

81. In the current review, the Ministry has had to derive normal values on the basis of best information available, as a result of having no information supplied by the Malaysian manufacturers and as allowed for under section 6(1) of the Act. Details of the information used in conducting this analysis are set out below.

Available information

82. Pacific Steel provided a constructed normal value in its application, based on its own costs of production adjusted for Malaysian conditions. The information covered the five months ending 30 November 2013, which Pacific Steel considered would give a similar per unit cost ratio as annual data. Pacific Steel's constructed costs cover all types of galvanised wire it produces. The costs cover the entire process – from production of steel billet using an Electric Arc Furnace, to the final galvanised wire product.

[6] Average USD:MYR exchange rate 1 May 2013 to 30 April 2014 is 3.214 (www.oanda.com).

83. Pacific Steel has said that there are price/cost differences between level of galvanisation (high, medium and light) and tensile strength (high or low). However, the mix of wire that would be expected to be exported from Malaysia to New Zealand is not clear, and there is difficulty in classifying any of the goods correctly even if clear export transactions existed, due to lack of clarity in the tariff classification or on export invoices.

84. Pacific Steel's range covers rural, industrial and strand wire, between [redacted], with coatweight (i.e. the level of galvanising) between [redacted], and tensile strength [redacted]. [redacted] fence coils of either 25kg or 39kg.

85. Pacific Steel provided management reports for each part of the steel mill to show all of the costs it has included in its constructed normal value. The Ministry has used this information with some further modifications, as outlined below.

Price of scrap

86. In its application, Pacific Steel used the price of scrap as a starting point. It used the price of scrap imported into Malaysia in the first quarter of 2014, as Malaysia is a net importer of scrap (New Zealand is a net exporter), sourced from [redacted]. The Ministry has sourced information on scrap imports into Malaysia from [redacted], using tariff item 72.04.49 (ferrous waste and scrap, iron), over the period 1 May 2013 to 30 April 2014. The Ministry then calculated a weighted average of the prices over the period to reach a base price. The information from [redacted] is supplied in USD, so the Ministry has converted it to MYR using the average exchange rate over the period. The base price is MYR [redacted] per tonne (Pacific Steel's calculated base price was MYR [redacted] per tonne).

Additions

87. Additions to the price of scrap to construct a normal value for galvanised wire at the ex-factory level were predominantly based on the information Pacific Steel supplied.

88. Pacific Steel has stated that the main costs aside from scrap are electricity, gas and labour. The Ministry has therefore checked the calculation of these items in Pacific Steel's application in order to consider whether any further adjustment to these factors was required.

89. Pacific Steel calculated the cost of electricity in Malaysia as [redacted] percent of the New Zealand cost (that is, the cost it incurs in its production of galvanised wire), including an increase which occurred in early 2014. The Ministry adjusted this to [redacted] percent at initiation (which removed the increase). The Malaysian electricity cost was based on [redacted]. On re-examining the cost, the Ministry considers Pacific Steel's initial calculation is appropriate – the POR(D) includes the period in which the cost increase occurred, so the full [redacted] percent has been used.

90. Pacific Steel provided a report as part of its application which discusses the cost of gas and subsidies applied to gas in Malaysia. Pacific Steel calculated the percentage difference between the market price in Malaysia and the consumer price (that is, the price after the subsidy is applied). This amount was then applied to the cost Pacific Steel incurs in order to calculate the cost of gas used in producing galvanised wire. The Ministry considers this approach is reasonable and has not made any further adjustment.

91. Pacific Steel estimated the cost of labour in Malaysia at 56 percent of the cost in New Zealand, based on the ratio of GDP per capita between Malaysia and New Zealand in 2012. The Ministry has

updated this to 2013. The information the Ministry[7] sourced shows the difference is 42 percent, and the Ministry has therefore applied this updated value to the cost of labour.

92. Pacific Steel made a number of other adjustments for various fixed and variable costs, including items such as various chemicals, fixed overheads and depreciation.

93. Pacific Steel made an adjustment for sales and administration costs, based on its own costs for the year to November 2013, which equated to NZ $[redacted] per tonne. It also included an adjustment for a profit margin, based on the publicly reported financial results of Southern Steel Bhd for the six months to December 2013. Southern Steel reported a profit margin of 1.70 percent. The Ministry considers these adjustments are reasonable.

Normal value

94. The Ministry has made the adjustments outlined above to the base price, resulting in a constructed normal value of MYR [redacted] per tonne.

Independent sources

95. The Ministry has checked this constructed normal value against other sources to gain a sense of the accuracy of the value.

96. It has taken the normal values calculated in 2009 and updated them by different indices – this is another approach that the Ministry occasionally takes to constructing normal values. The results of these updates are in the table below:

Table 4.1: Index updates

2009 Ex-factory normal value per tonne[8]	**Updated by Malaysian PPI[9]**	**Updated by Malaysian PPI for manufacture of basic metals[10]**	**Updated by MEPS index[11]**
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

97. The normal values derived from the 2009 normal values are all considerably higher than the constructed normal value, suggesting that the constructed amount is unlikely to be over stated.

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[7] From http://www.tradingeconomics.com/malaysia/gdp-per-capita-ppp.

[8] 2009 normal values were established using a base price supplied by Pacific Steel, with adjustments for physical differences, a timing difference (the export price and normal value covered different time periods), freight, handling, cost of credit and a volume discount. The adjustments resulted in two separate normal values which were compared on a transaction-to-transaction basis to the export prices.

[9] Sourced from Malaysian Department of Statistics: http://www.statistics.gov.my/portal/download_Economics/files/DATA_SERIES/2013/Penerbitan_Time_Series_2013.pdf (Table 5.2 – local production by commodity sections, manufactured goods)

[10] Sourced from Malaysian Department of Statistics.

[11] MEPS index for hot dipped galvanised coil: http://www.meps.co.uk/World%20Price%20Index.htm. The Ministry had collected this information in 2009 and has used the difference in the index between July 2009 and April 2014. The base year has remained 1997.

4.5 Comparison of export price and normal value

98. Using the export prices and normal value established above, the Ministry has calculated estimated dumping margins for Malaysian export sales, as shown in the table below.

Table 4.2: Comparison of export price and normal value

Importing country	**Ex-factory export price per tonne**	**Ex-factory normal value per tonne**	**Dumping margin (% of EP)**
Australia	[redacted]	[redacted]	51 %
World	[redacted]	[redacted]	22 %

99. The table shows that galvanised wire exported from Malaysia is likely to be dumped, on the basis of exports to Australia and exports to all countries.

4.6 Conclusions relating to dumping

100. There have been no exports of galvanised wire from Malaysia to New Zealand over the POR(D), so the Ministry has been unable to examine the extent to which the goods continue to be dumped into New Zealand or the likelihood of there being a continuation of that dumping. However, on the basis of likely export prices to Australia and to the World, and a constructed normal value, the Ministry considers there is sufficient positive evidence to conclude that, should anti-dumping duties be removed, it is likely that if imports of galvanised wire from Malaysia resume they will be imported at dumped prices.

5. Injury investigation

101. The last sunset review of galvanised wire from Malaysia found that:

- There were negligible volumes of dumped imports, in absolute terms and in relation to New Zealand production and consumption.
- Dumped goods from Malaysia were not undercutting domestically produced galvanised wire, nor was there evidence of price depression. Price suppression was found, but it was unlikely to be attributable to imports from Malaysia.
- There was no positive evidence of any economic or other adverse impacts that could be attributed to imports from Malaysia.
- Should the duties have been removed, it was likely that import volumes from Malaysia would significantly increase, and would undercut, depress and suppress the New Zealand industry’s prices.
- Consequent upon the likely price and volume effects, it was likely the industry would experience adverse impacts on its market share; sales volume and revenue; profits; productivity; utilisation of production capacity; return on investments; growth and its ability to raise capital and investments.
- It was unlikely there would be an adverse effect on the industry’s cash flow; inventories; employment and wages.
- There was insufficient evidence available to come to a conclusion on the extent to which the magnitude of the margin of dumping was likely to contribute to injury and on any factors affecting domestic prices.
- Factors other than dumped imports were likely to continue in the same way to be a cause of injury to the industry whether duties were in place or were removed and therefore could be distinguished from the injurious effects likely to result from dumped imports from Malaysia.

102. On the basis of the above considerations, the Ministry concluded that if anti-dumping duties were removed, material injury to the New Zealand industry caused by dumped imports from Malaysia was likely to recur.

5.1 Injury in a review

5.1.1 Introduction

103. The basis for considering material injury is set out in section 8(1) of the Act:

> 8. Material injury to industry—(1) In determining for the purposes of this Act whether or not any material injury to an industry has been or is being caused or is threatened or whether or not the establishment of an industry has been or is being materially retarded by means of the dumping or subsidisation of goods imported or intended to be imported into New Zealand from another country, the Chief Executive shall examine—

(a) the volume of imports of the dumped or subsidised goods; and

(b) the effect of the dumped or subsidised goods on prices in New Zealand for like goods; and

(c) the consequent impact of the dumped or subsidised goods on the relevant New Zealand industry.

104. The Ministry interprets this to mean that injury is to be considered in the context of the impact on the industry arising from the volume of the dumped goods and their effect on prices. This is consistent with Article 3 of the WTO Anti-Dumping Agreement.

105. The Act goes on to set out a number of factors and indices which the Chief Executive shall have regard to, although noting that this does not limit the matters the Chief Executive may consider. These factors and indices are considered under the relevant headings below. The demonstration of a causal relationship between the dumped imports and the injury, or threat thereof, must be based on an examination of all relevant evidence and any known factors other than the dumped imports which are injuring or threatening to injure the domestic industry. Any injury caused or threatened by factors other than dumping must not be attributed to the dumped imports.

106. The Ministry is satisfied that Pacific Steel is the only New Zealand producer of like goods, and therefore Pacific Steel constitutes the New Zealand industry for the purpose of this investigation.

5.1.2 Likelihood of continuation or recurrence of injury

107. The Ministry's approach to sunset reviews is recorded in section 1.3 above. The Ministry has applied the general principles set out in that section in considering the likelihood of a continuation or recurrence of injury.

108. The Ministry carries out its injury analysis for reviews on the basis of Article 11 of the Anti-Dumping Agreement and section 8 of the Act. The Ministry interprets these provisions to mean that the likelihood of a continuation or recurrence of injury is to be considered in the context of the likely impact on the industry, arising from the likely volume of the dumped goods and their likely effect on prices.

109. In considering injury in a review, the Ministry examines whether removing the duties would be likely to lead to the continuation or recurrence of injury. If the Ministry concludes that dumping and injury would likely continue or recur, it will undertake a reassessment of the rate or amount of duty under section 14(6) of the Act in order to establish whether the existing duty remains sufficient to prevent injury, or whether a different rate of duty is necessary.

5.2 Injury information submitted by Pacific Steel

110. Pacific Steel provided financial information for the purpose of the injury analysis. The information provided is in line with Pacific Steel's financial year, which ends 30 June. Pacific Steel provided historical information for 2011 to 2014, budget information for 2015 for the scenario that duties remain in place, forecast information for 2016 where duties remain in place, and forecast information for 2015 and 2016 where duties are removed.

111. The information provided by Pacific Steel included details of production, revenue, cost of production, gross profit, material, fixed and variable costs, selling and administration costs, cost of sales and earnings before interest and tax (EBIT). Pacific Steel provided the Ministry with selling

prices to three different domestic customers, as discussed below. It provided figures and information for a number of other injury factors.

112. As there are anti-dumping duties in place it would not be expected that the industry would currently be suffering material injury from dumped goods. Furthermore, there have not been any imports of subject goods from Malaysia over the POR(D). The focus of the injury analysis is therefore on the likelihood of material injury recurring if the duties were removed.

5.2.1 Budget and forecasts

113. Pacific Steel's budget [redacted]. Next financial year's budget (that is, the budget for year ending June 2016) will be [redacted]

114. [redacted].

115. Pacific Steel has estimated a market volume growth of [redacted] percent in 2016, which feeds into its forecast figures and is based on [redacted]. Pacific Steel considers this [redacted].

116. Pacific Steel estimated that if anti-dumping duties were removed, Malaysia would export a volume in the region of [redacted] tonnes to New Zealand (based on the average of the two years of exports to New Zealand in 2003 and 2004, prior to the anti-dumping duties being imposed).

117. Pacific Steel stated that if it had to compete with dumped imports, it would compete on price to maintain market share. It estimated undercutting at $[redacted] per tonne (based on Pacific Steel's into store price less freight, and compared to the export price Pacific Steel calculated) and considered that it would be forced to decrease its prices by [redacted] that amount, or $[redacted] per tonne.

118. The Ministry considers that Pacific Steel's assumptions are reasonable, given the explanations and evidence provided for them.

5.3 Import volumes

119. Section 8(2)(a) of the Act provides that the Chief Executive shall have regard to the extent to which there has been or is likely to be a significant increase in the volume of imports of dumped or subsidised goods either in absolute terms or in relation to production or consumption in New Zealand.

120. A 15% *ad valorem* duty rate is currently in place on imports of galvanised wire from Malaysia. An *ad valorem* rate is charged as a percentage of the value of the goods and is payable on every shipment. There is no incentive for exporters to increase their prices to avoid payment of duty, as is the case with a reference price duty. There have been no imports from Malaysia between 2010 and 2012 (years ended June). There were imports of galvanised wire from Malaysia in 2013 and 2014; however the Ministry has established that imports over the POR(D) (the year to April 2014) were not subject goods. Only one of the shipments outside the POR(D) but still in 2013 or 2014 paid anti-dumping duty, while the remaining shipments did not, indicating that most imports over this period

were not subject goods. This one shipment consisted of an insignificant volume of [redacted] tonnes, so for the purposes of the following import volume tables it has not been counted as dumped subject goods.

121. Table 5.1 shows import volumes of galvanised wire into New Zealand from 1 July 2010 to 30 June 2014, which is in line with Pacific Steel's financial year. The figures have been sourced from New Zealand Customs Service (NZCS) data that covers the goods imported into New Zealand under the tariff items and statistical keys shown in paragraph 39. These tariff items and statistical keys cover a wider range of goods than those under investigation, but descriptions are generally not clear enough to exclude any non-subject goods. Imports from Malaysia over the POR(D) that the Ministry knows are not subject goods have been excluded.

Table 5.1: Import volumes (years ended June)

	2010/11	**2011/12**	**2012/13[12]**	**2013/14**
Total imports	11,560	11,774	10,655	12,336
Imports of subject goods from Malaysia	0	0	0	0
Pacific Steel sales	[redacted]	[redacted]	[redacted]	[redacted]
New Zealand market	[redacted]	[redacted]	[redacted]	[redacted]
% change on previous year				
Total imports		2%	-10%	16%
Pacific Steel sales		[redacted]	[redacted]	[redacted]
New Zealand market		[redacted]	[redacted]	[redacted]

122. It is not possible to measure the effect of dumped imports currently because there have been no imports of subject goods from Malaysia. The Ministry is not able to measure dumped imports in relation to New Zealand production and consumption either. In any case, total imports of galvanised wire into New Zealand have declined in absolute terms by 11 percent between July 2010 and June 2014. Over the same period, Pacific Steel's sales have grown by [redacted] percent, much of this in the year ended June 2012.

123. The graph below illustrates the data in the table.

Graph 5.1: Import volumes

Graph is confidential.

[12] There were some imports from Malaysia in the 2012/2013 year under the relevant tariff items and statistical keys, however, they mostly appear not to be subject goods, as the importer did not pay anti-dumping duty on these shipments. There was one shipment that did pay anti-dumping duty but the volume was only [redacted] tonnes. All of these imports have therefore been included in the 'total imports' row.

5.3.1 Likely import volumes should duties be removed

124. Pacific Steel has built into its forecasts an assumption that, if duties are removed, imports from Malaysia will be at a volume of [redacted] tonnes (as per paragraph 116). Based on the data above and Pacific Steel's forecast, as well as Pacific Steel's forecasts of its own sales, it is possible to build some forecasts for the New Zealand market as a whole.

125. The Ministry has used Pacific Steel's forecast of [redacted] tonnes imported from Malaysia if the duties were to be removed. For the year ending June 2015, the Ministry has assumed half this volume will be imported from Malaysia, on the basis that the status quo would continue until the sunset review is completed late in 2014. The Ministry has assumed there would continue to be no imports from Malaysia if the duties are to remain. It has used Pacific Steel's own forecasts for its sales in both situations. The forecast for imports from all other countries (which excludes Malaysia, as there have been no imports of subject goods from Malaysia) is based on the formula for the trend line for the total imports line in graph 5.1. However, the R^2 ratio for the trend line is 0.05, meaning the data is not a good fit and the formula may not be a good predictor[13]. This forecast also assumes that none of the imports from other countries will be displaced by imports from Malaysia – that is, the imports from Malaysia will only have an effect on Pacific Steel's sales.

126. The Ministry's forecast of the New Zealand galvanised wire market is shown in the table below:

Table 5.2: Forecast imports

	Actual	*With duties in place*		*Without duties in place*	
	2013/14	**2014/15**	**2015/16**	**2014/15**	**2015/16**
Forecast imports from all other countries	12,336	11,884	12,005	11,884	12,005
Pacific Steel sales	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Imports from Malaysia	0	0	0	[redacted]	[redacted]
New Zealand market	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
MY forecast imports as % of Pacific Steel sales	0	0	0	[redacted]	[redacted]
MY forecast imports as % of NZ market	0	0	0	[redacted]	[redacted]

127. Total imports are predicted to fall slightly in 2014/15 and grow again in 2015/16, in either situation. The market as a whole is predicted to grow in either case, although it will grow more in 2016 without anti-dumping duties in place. Pacific Steel's sales are predicted to grow with duties remaining in place and effectively maintain its volume in the market from that achieved in 2013/14 if duties are removed. Pacific Steel's estimates of its sales include the assumption that the market will grow by [redacted] percent in 2016. Using the figures above, this assumption holds true if duties remain in place. If duties are removed, the market growth between 2014 and 2015 is [redacted] percent. Without the duties in place, Malaysian imports are forecast to represent [redacted] percent of New Zealand production in 2015, growing to [redacted] percent in 2016. Malaysian imports are also forecast to represent [redacted] percent of New Zealand consumption in 2015, doubling in 2016 to [redacted] percent.

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[13] An R^2 value denotes the variability of the data around its mean. A value where $R^2 = 1$ means all the variance in the model is accounted for, therefore the trend line is a perfect fit and good predictor. Where $R^2 = 0$, the trend line is not a good fit and not a good predictor, as variance in the model is not accounted for.

128. Pacific Steel provided information from [redacted] showing that agriculture (particularly dairy and meat and wool) and horticulture sectors are expected to continue growing and remaining profitable. This indicates increased galvanised wire demand (that is, there would be scope for imports to increase), as these sectors are consumers of most of the galvanised wire used in New Zealand.

129. Import volumes in the period of injury considered in the last sunset review were negligible. Import volumes of galvanised wire of the type subject to duty have not been significant since 2006, when [redacted] tonnes were imported into New Zealand, representing [redacted] percent of the market at the time. The lack of imports for this amount of time suggests that with the anti-dumping duties in place Malaysian exporters do not currently consider New Zealand a viable destination.

130. The likelihood of a recurrence of significant volumes of dumped imports sufficient to cause material injury is related to factors such as:

- the price advantage (in the absence of duties) which such imports may hold;
- the capacity of the Malaysian industry to substantially increase its exports to New Zealand;
- the ease of entry into the New Zealand market;
- the ability of importers to handle a significant increase in imports from Malaysia;
- the ease of distribution of goods into New Zealand; and
- exchange rates.

Price advantage of imports (in the absence of duties)

131. The price undercutting analysis in section 5.4 below shows that even with the anti-dumping duties in place, Malaysian exports are likely to undercut Pacific Steel's prices and that this undercutting would likely continue by a larger margin if anti-dumping duties were removed.

132. Pacific Steel has commented that it considers any exports from Malaysia to New Zealand would have significantly lower prices than other market prices, at an increased volume, which would force Pacific Steel to lower its own prices in order to try and maintain volume and market share.

133. Pacific Steel has also commented that the "pool" of market prices (that is, all other prices for galvanised wire in the market) will pull downwards if there are lower-priced goods in the market, as steel is priced in relation to other goods in the market, rather than on a cost-plus basis.

134. Pacific Steel has assumed that the goods being exported from Malaysia to Australia would be the same goods exported to New Zealand in the absence of the duty. Australia is a similar market to New Zealand for galvanised wire, so in the Ministry's view, as noted above, this assumption appears to be reasonable. This assumption indicates a lower than average Malaysian export price, as exports to Australia are the lowest priced Malaysian goods[14]. Pacific Steel has said that the main difference between the two markets is the size – the New Zealand market is approximately [redacted] the size of the Australian market. In the 2009 sunset review, the Ministry considered the Malaysian export price to Australia was the best predictor of a likely export price, given the market similarity. The Ministry considered that Australia imported a higher proportion of low tensile strength wire

[14] Evidenced by the dumping information in Pacific Steel's application, which uses average prices of exports from Malaysia obtained from [redacted].

than the mix of low and high tensile wire sold in New Zealand, so an adjustment was made to account for this when estimating price undercutting.

135. World steel prices have remained relatively stable since 2008. Pacific Steel provided information from Platt's Steel Business Briefing showing a significant peak for world steel prices in 2008 that has since dropped and remained relatively consistent, though still on a downward trend.

136. The Ministry has calculated an average ex-wharf price for galvanised wire from the four largest sources of galvanised wire imported into New Zealand – Australia, Canada, Indonesia and China - as well as for Malaysia (using the export price to Australia). The Malaysian price uses the methodology in section 5.4.1 below (relating to price undercutting) excluding the addition of anti-dumping duty. The ex-wharf prices for other sources use Customs data for VFD, insurance, freight and Customs duty, and the Ministry has added port charges on the same basis as the estimated port charges for imports from Malaysia. These prices have been compared to Pacific Steel's 2014 ex-factory selling price (that is, Pacific Steel's into-store price less freight for the year to June 2014). As noted previously, the tariff items and statistical keys which apply to this data cover a wider range of goods than the wire that is considered subject goods, meaning that the price comparisons are not exact but nevertheless provide an indication of relative difference in the relevant prices. The analysis is shown in the table below:

Table 5.3: Price undercutting by imports from major sources

Country	**Ex-wharf per tonne**	**Pacific Steel ex-factory price**	**% undercutting**
Australia	[redacted]	[redacted]	[redacted]
Canada	[redacted]	[redacted]	[redacted]
Indonesia	[redacted]	[redacted]	[redacted]
China	[redacted]	[redacted]	[redacted]
Malaysia	[redacted]	[redacted]	[redacted]

137. The table shows that the goods from Malaysia are likely to be priced significantly lower than imports from other sources and consequently are likely have a more significant price advantage over Pacific Steel's prices than the goods from any other source. Imports from Australia and China only undercut Pacific Steel's price by a small amount, while imports from Indonesia undercut Pacific Steel's prices by a larger, though still relatively small, margin. Imports from Canada are priced higher than Pacific Steel's goods (i.e. there is no undercutting by imports from this source). Malaysian goods are likely to hold a significant price advantage in the market in the absence of duties.

138. [redacted].

139. Section 5.4.1 below shows that galvanised wire from Malaysia still holds a significant price advantage even after the payment of anti-dumping duties, although there have been no imports of any consequence since at least 2006. The evidence suggests that the existence of the remedy has prevented Malaysian producers from exporting to New Zealand.

Conclusion

140. On the basis of the above, the Ministry considers that, if anti-dumping duties are removed and volumes from Malaysia to New Zealand increase; it is likely that the Malaysian goods will undercut Pacific Steel's prices. This means the dumped goods will have a price advantage over the domestic industry. Malaysian goods are also likely to be priced significantly lower than goods from the four major sources into New Zealand, indicating that Malaysian wire will also hold a price advantage over wire from other sources.

Capacity of the Malaysian industry to substantially increase its exports to New Zealand

141. Pacific Steel considers that volumes from Malaysia that occurred prior to the original investigation in 2003/04 are likely to recur if duties are removed, as it considers that market dynamics have not changed significantly. Pacific Steel went on to state that volumes from Malaysia [redacted] and the Malaysian market is much larger than New Zealand's.

142. Pacific Steel's evidence shows that Malaysian manufacturers have capacity in excess of the Malaysian market and current export levels. Pacific Steel noted that in the original investigation, the Ministry visited Southern Wire (a Malaysian manufacturer) and stated in its final report that this company alone had the capacity to supply the entire New Zealand market. Pacific Steel also provided evidence from the OECD showing that there is overcapacity in the world steel market, with sufficient capacity currently existing to meet society's needs until 2020.

143. Pacific Steel submitted evidence in its application that a number of Malaysian iron and steel industry organisations and company websites refer to plans to expand Malaysian production capacity and export markets. Some Malaysian wire companies have a stated objective of expanding their overseas markets, including into Australasia and Oceania. Pacific Steel also referred in its application to a report in Platt's Steel Business Briefing that Malaysian companies are being pushed out of their domestic market by low-priced Chinese exports, as there is overcapacity in China, and this situation is encouraging exports from Malaysia. However, this article relates to the market situation in December 2012, and is a result of a rating by Standard & Poor's of negative for the steel market, which it expected to change to stable in the next quarter. The Ministry has not been able to find the current rating.

Conclusion

144. On the basis of the above, it is clear that Malaysian manufacturers have the capacity to supply the New Zealand market. It appears likely that some companies are increasing capacity and considering expansion of exports, including to Oceania and Australasia.

Ease of entry into the New Zealand market and ease of distribution

145. Pacific Steel stated that there is a proven history of access by exporters of galvanised wire into New Zealand. It said that previous exporters and importers remain active in the galvanised wire marketplace, indicating that there are established distribution systems. Pacific Steel considers that it would not be difficult for Malaysian companies to resume contacts in New Zealand and their previous channels to market, or to establish new contacts and channels.

146. Pacific Steel states that the Malaysian steel industry is currently present in the New Zealand market with other steel products. It estimated that in the year to August 2014, Malaysian companies shipped [redacted] tonnes of reinforcing bar and rod goods to New Zealand.

Conclusion

147. The Ministry concludes that Malaysian manufacturers could enter the New Zealand market and that the distribution system in New Zealand could cope with an increase in imports of galvanised wire from Malaysia, as there do not appear to be any significant barriers to entry or to distribution in the New Zealand market.

Ability of importers to handle a significant increase in imports

148. Pacific Steel has said that New Zealand is an attractive market that is relatively close to Malaysia and there is a proven history of access by Malaysian exporters of galvanised wire into the New Zealand market.

149. Pacific Steel has also stated that there are new long steel importers, such as [redacted], that could accommodate a galvanised wire product range (this company currently supplies items such as wire mesh and reinforcing bar, manufactured in its factory in [redacted]).

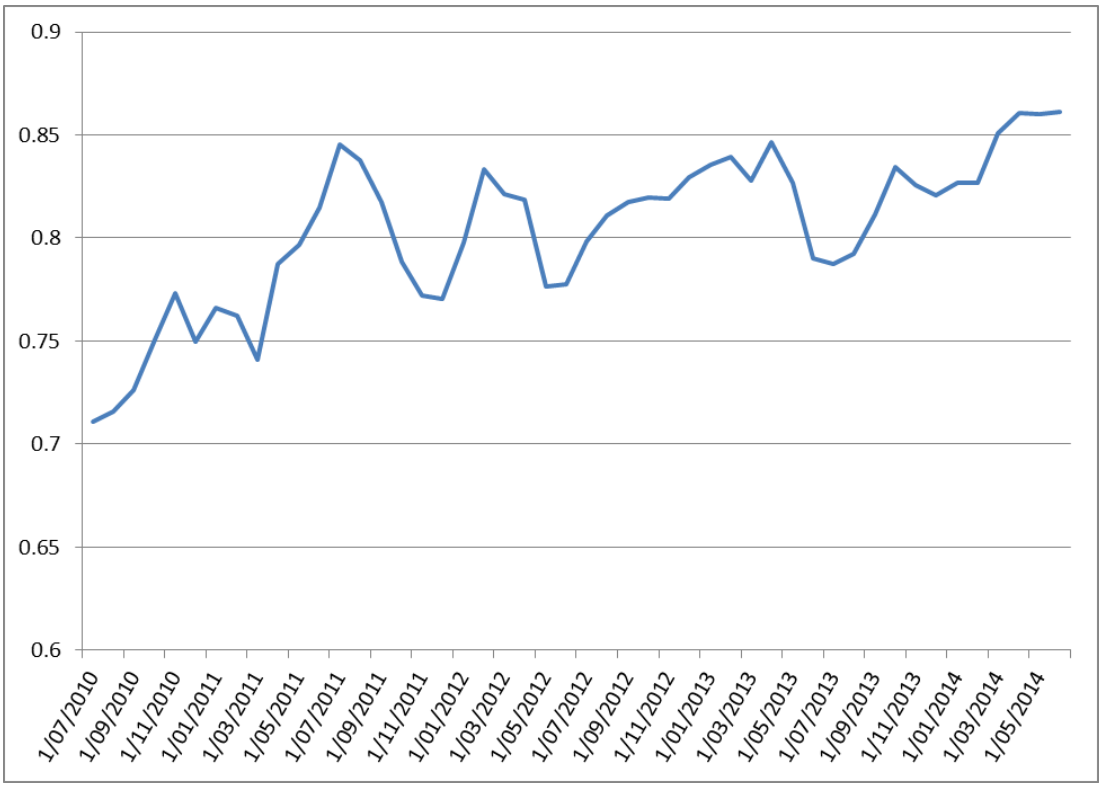
Conclusion

150. The Ministry considers that importers of galvanised wire have the ability to cater for increased imports of galvanised wire from Malaysia. There do not appear to have been any significant changes in the importing infrastructure.

Exchange rates

151. The Ministry has considered the effect of exchange rates on the likely increase in import volumes should the anti-dumping duties be removed. According to NZCS data, wire is mainly invoiced in USD. The Ministry has examined this exchange rate over the injury period of 1 July 2010 to 30 June 2014, as shown in the graph below.

Graph 5.2: Exchange rate (July 2010 to June 2014, NZD:USD[15])



152. The graph shows that the NZD has steadily appreciated against the USD, by 21 percent, over the period. Exchange rate conditions have therefore been more favourable for importers recently than they were in 2010.

153. Galvanised wire transactions from the largest sources of imports into New Zealand[16] are completed in either USD or Australian dollars (AUD), according to NZCS data, although other currencies are used on occasion. The NZD has also appreciated significantly against the AUD. Imports of galvanised wire from Australia have increased by [redacted] percent over the period July 2010 to June 2014 – a cause of this could be the strength of the NZD against the AUD. Imports from other sources have also increased, some by even more significant amounts, although imports have only increased by 7 percent overall.

154. The extent to which exchange rate movements are likely to determine whether importers would resume importing significant volumes of galvanised wire from Malaysia is not clear. Transactions from other countries using USD and AUD have a correlation between a strong exchange rate and an increase in imports of galvanised wire into New Zealand. This suggests that other factors are drivers of the decision on whether to source galvanised wire from Malaysia.

Conclusion

155. The NZD has appreciated significantly against the USD, which suggests that the average price of imports of galvanised wire has declined over the period. However, imports of galvanised wire from

[15] www.oanda.com

[16] That is, Australia, Canada, Indonesia and China.

Malaysia have not increased, despite this advantage. Should duties be removed, it is not clear whether a sufficient price advantage in terms of the NZD:USD exchange rate would exist to cause an increase in imports of galvanised wire from Malaysia and it appears likely that exchange rate movements are not a significant driver of this decision.

Other matters

156. Pacific Steel noted [redacted] in its application. Australia has measures against a number of steel products, including hot rolled coil steel and hollow structural sections from Malaysia (as well as from other countries). It also initiated an investigation into steel reinforcing bar from Korea, Malaysia, Singapore, Spain, Taiwan, Thailand and Turkey in October 2014. Pacific Steel has since stated that [redacted].

157. Pacific Steel considers [redacted]. If New Zealand's anti-dumping duties are removed, [redacted]. Further [redacted].

Conclusions on likely import volumes

158. In respect of the likely export volumes from Malaysia if the anti-dumping duties were removed, the Ministry concludes that:

- Imports of galvanised wire from Malaysia will hold a price advantage over Pacific Steel's goods. Imports from other sources also hold a price advantage, though to a lesser amount than the Malaysian goods - a situation which is likely to continue.

- Imports of galvanised wire from Malaysia still hold a price advantage even after the payment of anti-dumping duty. Although there have been no imports of the subject goods from Malaysia into New Zealand, evidence indicates that the existence of the duty has caused [redacted].

- Malaysian manufacturers have the capacity to supply the New Zealand market, and it appears likely that they are increasing capacity to expand their export operations. It is not clear whether the market situation in Malaysia still incentivises exports, or whether intended export destinations include New Zealand, or just the region in general.

- There do not appear to be any significant barriers to entry, distribution, or the ability of importers to handle an increase in exports.

- It appears unlikely that the exchange rate has a significant effect on the decision to import galvanised wire from Malaysia, since the NZD:USD has appreciated significantly and there has been no corresponding increase in imports from Malaysia, while this increase has occurred for other countries also using USD.

- It appears likely that [redacted].

5.4 Price effects

5.4.1 Price undercutting

159. Section 8(2)(b) of the Act provides that the Chief Executive shall have regard to the extent to which the prices of the dumped goods significantly undercut prices in New Zealand (at the relevant level of trade) for like goods of New Zealand producers. It should be noted that the determination that price undercutting exists is not by itself a determination of the extent of injury, i.e., the margin of price undercutting is not a measure of the extent of the economic impact on the industry. That impact is to be measured in terms of the factors and indices set out in section 8(2)(d) of the Act.

Level of trade

160. The Ministry normally seeks to compare prices at the first point of competition in New Zealand in considering price undercutting. This will normally be at the ex-factory and ex-wharf or ex-importer's store levels, to ensure that differences in distribution costs and margins do not confuse the impact of dumping. Accordingly, the Ministry's position is generally to compare importers' prices, including relevant selling and administration costs which involve similar cost elements to those included in the New Zealand manufacturer's ex-factory price, but not including cost elements relating to the distribution of goods.

161. Pacific Steel sells mainly to remanufacturers or distributors, including [redacted] on a free-into-store (FIS) basis. Remanufacturers typically convert wire into finished woven products, such as fabricated fences, or into items such as staples, coat hangers or display stands. Fencing wire is coiled and sold to distributors or direct to distributors' customers on their behalf.

162. Pacific Steel competes with overseas suppliers of galvanised wire directly. Distributors or remanufacturers of galvanised wire have the choice to buy the product either from Pacific Steel or import it. The Ministry considers the relevant level of trade at which to compare prices is therefore ex-wharf for imports vs Pacific Steel's ex-factory price (that is, its FIS price less freight). The costs included in an ex-wharf price are those incurred for import of the goods into New Zealand such as overseas freight, insurance, port service charges, Customs' duty and anti-dumping duty.

Pacific Steel's prices

163. Pacific Steel provided the Ministry with recent selling prices per tonne to three companies, [redacted]. [redacted] is a large customer, and thus [redacted]. [redacted] and [redacted] are smaller customers. All prices are average prices up until the date of a price change. Prices for [redacted] cover price changes at [redacted] 2013, [redacted] 2013 and [redacted] 2014; prices for [redacted] cover price changes at [redacted] 2013 and [redacted] 2013; and prices for [redacted] cover a price change at [redacted] 2013.

164. Pacific Steel reviews its prices [redacted], which is predominantly [redacted]. Negotiations generally include [redacted].

165. Pacific Steel also stated that it has to match the global market price for galvanised wire, and cannot sell its products on a cost-plus basis. Pacific Steel may [redacted].

166. The price information was provided with rebates and freight separated out, so the Ministry was able to take net prices, that is, ex-factory prices.

167. [redacted] bought a full range of the galvanised wire Pacific Steel sells over the period provided ([redacted] 2013 to [redacted] 2014). [redacted] only bought [redacted]mm high tensile wire and [redacted] only bought [redacted]mm high tensile wire.

168. Pacific Steel also provided the Ministry with its average revenue per tonne on a financial year basis at the ex-factory level (i.e. net of freight) for all of Pacific Steel's sales of galvanised wire. For price undercutting purposes, the Ministry has used Pacific Steel's average revenue per tonne for the 2014 financial year, as this most closely matches the POR(D).

Imported prices

169. The Ministry has used the export price based on Malaysian exports to Australia (calculated in section 4.3) to calculate an ex-wharf import price. Pacific Steel provided import costs in its application, which were based on a quote from [redacted] for a shipment from [redacted].

170. To the FOB export price, the Ministry added costs for overseas freight and port servicing charges using Pacific Steel's information, as well as Customs' duty and anti-dumping duty at the applicable rates (3 percent and 15 percent respectively).

171. The above calculation resulted in an ex-wharf export price for undercutting purposes of NZD [redacted].

Price undercutting comparison

172. The comparison carried out is limited, as the export price is based on a wider range of goods than the subject goods. The comparison may not be like-to-like, particularly in the case of sales to [redacted] and [redacted], as these companies are sold a more limited range of goods by Pacific Steel. The table below shows the level of undercutting using prices and costs established on the basis set out above. The percentage of undercutting is the percentage that the amount of undercutting represents of Pacific Steel's ex-factory prices.

Table 5.4: Price undercutting (NZD per tonne)

	Pacific Steel's average selling prices	**Ex-wharf price**	**% undercutting**
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
Average selling price	[redacted]	[redacted]	[redacted]

173. The table shows that imports will likely undercut Pacific Steel's prices by a significant amount. Pacific Steel's average price has the lowest percentage of undercutting, but this is still significant at [redacted] percent.

Price undercutting should duties be removed

174. Anti-dumping duty is currently imposed in the form of an *ad valorem* rate. Anti-dumping duty is payable on every shipment under this method of duty collection and there is therefore no incentive for exporters to increase their prices to avoid payment of the duty.

175. An indication of likely export prices in the absence of duty can be given by using the same methodology as above but with the exclusion of anti-dumping duty, as shown by the table below.

Table 5.5: Price undercutting in the absence of duties (NZD per tonne)

	Pacific Steel's average selling prices	Ex-wharf price	% Undercutting
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
Average selling price	[redacted]	[redacted]	[redacted]

176. Imports would continue to undercut the domestic industry, by larger margins, without the imposition of anti-dumping duty.

Conclusion

177. There would be undercutting of Pacific Steel's prices by all measures. If Pacific Steel's average ex-factory price is compared to the export price based on Malaysian exports to Australia (which has been adjusted to ex-wharf), undercutting is [redacted]% with duties in place and [redacted]% without.

178. The undercutting with anti-dumping duties included in the calculation is still significant (that is, Malaysian imports have a significant price advantage), but imports have not resumed. The Ministry considers there is a possibility that the mere existence of the remedy has discouraged exports from Malaysia to New Zealand.

179. The Ministry concludes that significant price undercutting is likely to recur should the anti-dumping duties be removed and should imports of galvanised wire from Malaysia resume.

5.4.2 Price depression

180. Price depression occurs when prices are lower than those in a market unaffected by dumping, usually in a previous period, and refers to reductions in prices made by domestic producers in order to deal with competition from prices of dumped goods. Section 8(2)(c) of the Act provides that the Chief Executive shall have regard to the extent to which the effect of the dumped or subsidised goods is or is likely significantly to depress prices for like goods of New Zealand producers.

181. In the case of a review the Ministry assumes that the existence of a remedy has had the effect of removing injury due to dumping. The period that anti-dumping duties have been in place is therefore considered to be a period where the market is unaffected by dumping.

182. Pacific Steel provided average selling prices for its financial years 2011 to 2014 on a per tonne basis. The following table shows these prices.

Table 5.6: Average selling price per tonne (YE June)

	2011	**2012**	**2013**	**2014**
Average selling price	[redacted]	[redacted]	[redacted]	[redacted]
As % of 2011		[redacted]	[redacted]	[redacted]
As % of 2012			[redacted]	[redacted]

183. The table shows that when measured from 2011, Pacific Steel's average selling price has declined substantially – the 2014 price is [redacted]% of the 2011 price. However, the 2014 price is [redacted]% of the 2012 price – a significantly smaller reduction. This indicates that the major part of any depression occurred in 2012. A reduction in world steel prices around this time is a possible cause of the 2012 price reduction, at least in part. Pacific Steel has stated that it has to match the global market price for galvanised wire – the global market has been declining since 2011 (although this decline is less dramatic than the market changes which occurred in 2008/09).

Price depression should duties be removed

184. Pacific Steel has forecast for the 2015 and 2016 years what would happen to its average selling price if the anti-dumping duties were retained and if they were removed. Pacific Steel's forecasts have been made on the basis outlined in section 5.2.1 above, that is, the likely reduction in its prices of [redacted] per tonne. The following table shows Pacific Steel's forecast of its average prices if duties remain in place and if they were removed.

Table 5.7: Forecast average selling price per tonne

	With duties		*Without duties*	
	2015	**2016**	**2015**	**2016**
Average selling price	[redacted]	[redacted]	[redacted]	[redacted]
As % of 2014	[redacted]	[redacted]	[redacted]	[redacted]

185. The table shows that if duties were to remain, Pacific Steel's average selling price would remain about the same. If duties were to be removed, the average selling price would reduce significantly below the 2014 price.

Conclusion

186. Pacific Steel's average selling prices have been depressed over the period from 2011 to 2014, but this is not attributable to imports of galvanised wire from Malaysia. There is evidence that Pacific Steel's prices are likely to be depressed should the anti-dumping duties be removed and should imports of galvanised wire from Malaysia resume.

5.4.3 Price suppression

187. Section 8(2)(c) of the Act also provides that the Chief Executive shall have regard to the extent to which the effect of the dumped or subsidised goods is or is likely to significantly prevent price increases for those goods that otherwise would have been likely to have occurred.

188. The Ministry has generally based its assessment of price suppression on positive evidence, in particular the extent to which cost increases have not been recovered in prices. Cost increases not recovered in prices will be reflected in increases in costs relative to sales revenue (i.e. costs

expressed as a percentage of prices). Where cost savings have been made, the lack of any price increase will not normally be regarded as price suppression.

189. The following table shows Pacific Steel's costs relative to sales revenue over the period.

Table 5.8: Price suppression per tonne

	2011	**2012**	**2013**	**2014**
Revenue	[redacted]	[redacted]	[redacted]	[redacted]
Cost of production	[redacted]	[redacted]	[redacted]	[redacted]
Selling and administration	[redacted]	[redacted]	[redacted]	[redacted]
Total costs	[redacted]	[redacted]	[redacted]	[redacted]
Cost of production as % of revenue	[redacted]	[redacted]	[redacted]	[redacted]
Selling and admin as % of revenue	[redacted]	[redacted]	[redacted]	[redacted]
Total Costs as % of revenue	[redacted]	[redacted]	[redacted]	[redacted]

190. The table above shows that while there has been some fluctuation in the level of costs relative to revenue over all the period, the cost of production, selling and administration and total costs have all declined as a percentage of revenue. This indicates that there has been no price suppression. While there has been a depression of prices, costs have decreased to a greater extent than the decrease in prices.

Price suppression should duties be removed

191. Pacific Steel has provided forecasts for its revenue and costs, for both if the anti-dumping duties remain and if they are removed. Pacific Steel's forecasts have been made on the basis outlined in section 5.2.1 above. The following table shows these forecasts.

Table 5.9: Forecast price suppression

	With duties		*Without duties*	
	2015	**2016**	**2015**	**2016**
Revenue	[redacted]	[redacted]	[redacted]	[redacted]
Cost of production	[redacted]	[redacted]	[redacted]	[redacted]
Selling and administration	[redacted]	[redacted]	[redacted]	[redacted]
Total costs	[redacted]	[redacted]	[redacted]	[redacted]
Cost of production as % of revenue	[redacted]	[redacted]	[redacted]	[redacted]
Selling and admin as % of revenue	[redacted]	[redacted]	[redacted]	[redacted]
Total costs as % of revenue	[redacted]	[redacted]	[redacted]	[redacted]

192. Pacific Steel's forecasts show that all costs would decline as a percentage of revenue with duties remaining in place. With duties removed, cost of production and total costs as a percentage of revenue would increase significantly, rising to more than [redacted]% of revenue. Selling and administration costs as a percentage of revenue would increase slightly. This indicates significant price suppression if duties were to be removed.

Conclusion

193. The Ministry concludes that there has been no price suppression between 2011 and 2014. If the duties were to be removed, and should imports from Malaysia resume, the Ministry concludes that Pacific Steel's prices are likely to be suppressed by a significant amount.

5.4.4 Conclusion on price effects

194. The Ministry concludes that there is evidence of current price depression but no evidence of current price suppression.

195. The Ministry further concludes that, if duties are removed and as a consequence a significant volume of imports from Malaysia resumes, there will likely be price undercutting by imports of galvanised wire from Malaysia causing depression and suppression of Pacific Steel's prices.

5.5 Economic impact

196. Section 8(2)(d) of the Act provides that the Chief Executive shall have regard to the economic impact of the dumped or subsidised goods on the industry, including—

- actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilisation of production capacity;
- factors affecting domestic prices;
- the magnitude of the margin of dumping; and
- actual and potential effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investments.

5.5.1 Output, sales volume and revenue

197. Dumped imports can affect the industry's production volume through increased supply of goods to the market and through price competition. Movements in sales revenue reflect changes in both volumes and prices of goods sold.

198. The following table shows Pacific Steel's output, and sales volume and revenue[17] over the 2011 to 2014 period.

[17] Output is Pacific Steel's total production of galvanised wire, including exports. Volume and revenue relate only to its domestic sales of galvanised wire.

Table 5.10: Output, Volume and Revenue

	2011	2012	2013	2014
Output (tonnes)	[redacted]	[redacted]	[redacted]	[redacted]
% of 2011		[redacted]	[redacted]	[redacted]
Sales Volume (tonnes)	[redacted]	[redacted]	[redacted]	[redacted]
% of 2011		[redacted]	[redacted]	[redacted]
Revenue (000)	[redacted]	[redacted]	[redacted]	[redacted]
% of 2011		[redacted]	[redacted]	[redacted]
Revenue per tonne	[redacted]	[redacted]	[redacted]	[redacted]
% of 2011		[redacted]	[redacted]	[redacted]

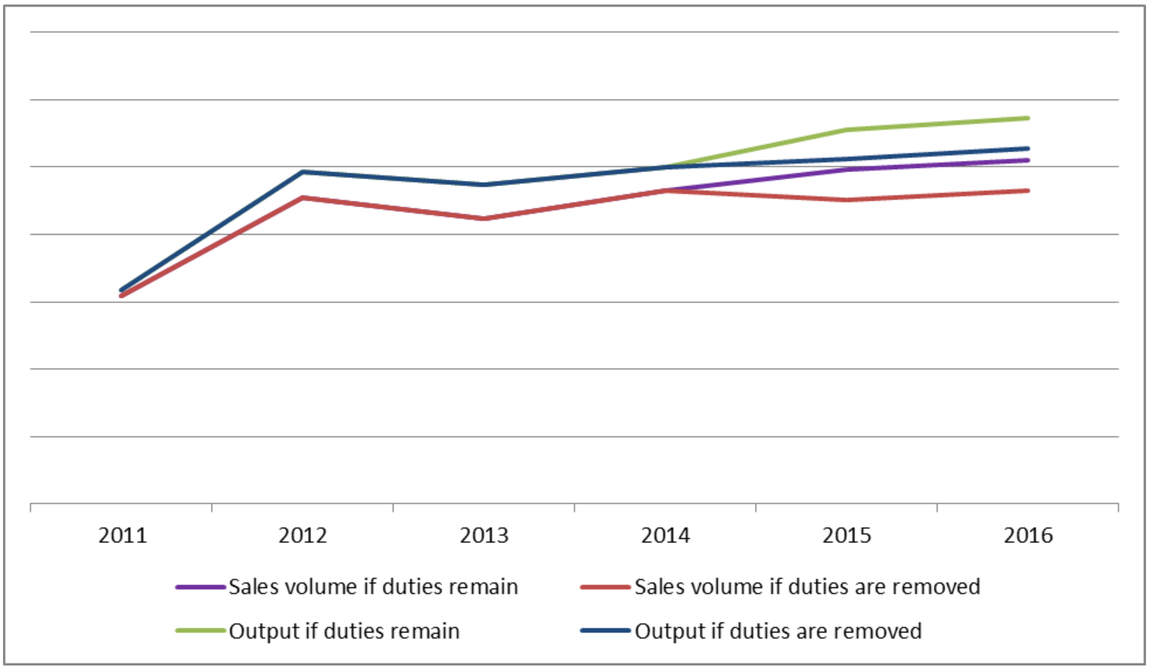
199. The table shows that output, volume and revenue have all grown significantly since 2011, although they have fluctuated over the period and sales revenue has improved less than both output and sales volume. Revenue per tonne has declined, with the 2014 figure representing [redacted]% of the 2011 figure, reflecting the depression of prices over the period.

Likely impact of removal of duties

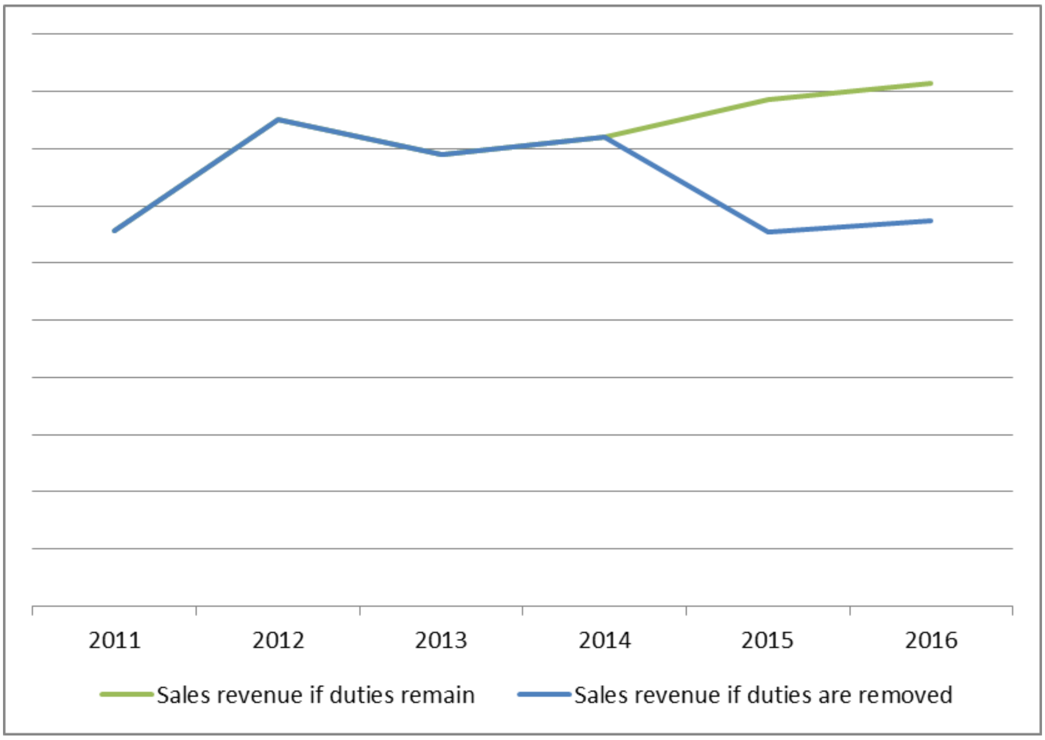
200. Pacific Steel has stated that in the event of having to compete with dumped imports, it would have to compete on price in order to maintain market share. It considers that, if anti-dumping duties were removed, there would be a loss of volume to dumped imports, although competitive responses from Pacific Steel would limit the lost volume to [redacted] the estimated [redacted] tonnes per annum (i.e. [redacted] tonnes).

201. Pacific Steel's forecasts, both in the presence and absence of anti-dumping duties, are shown in the graphs below.

Graph 5.3: Forecast output and sales volume (000, tonnes)



Graph 5.4: Forecast sales revenue (000, NZD)



202. If duties remain in place, both output and sales volume are forecast to continue increasing in line with each other and sales revenue is forecast to continue increasing at a steady rate. If duties are removed, output is forecast to still continue increasing, but at a much slower rate. Sales volume is forecast to decline in 2015 then to improve slightly in 2016. Revenue, however, is forecast to drop significantly in 2015 and improve marginally in 2016. These trends indicate Pacific Steel's strategy of dropping prices in order to maintain market share.

Conclusion

203. The Ministry concludes that Pacific Steel's output, volume and revenue have grown over the POR(I), while anti-dumping duties have been in place, although revenue per tonne has declined, as volumes have increased more quickly than revenue. The decline in revenue per tonne cannot, however, be attributed to imports from Malaysia, and reflects a general decline in steel prices over the period. The Ministry further concludes that if duties were to be removed and should significant import volumes of galvanised wire from Malaysia resume, output would continue to grow slightly, but volumes would decline and revenue would decline significantly as Pacific Steel tries to maintain market share.

5.5.2 Market share

204. The analysis of market share must take account of changes in the growth of the market as a whole. A decline in the share of the market held by the domestic industry in a situation where the market as a whole is growing will not necessarily indicate that injury is being caused to the domestic industry, particularly if the domestic industry's sales are also growing. There is no "entitlement" to a particular market share.

205. The graph below shows market share over the POR(I).

Graph 5.5: Market share (000, tonnes)

Graph is confidential.

206. The graph shows that the market share of total imports has fallen by 13 percentage points over the period. This share has been taken over by Pacific Steel. The overall market size has also increased (by 11 percent), although it has fallen slightly since 2012.

Likely impact of removal of duties

207. Pacific Steel has said that it would reduce prices in order to try to maintain its market share if duties were removed. This is discussed above and the conclusion is reached that if duties were removed, sales volumes would decline slightly and sales revenue significantly. Based on Pacific Steel's forecasts, the effect on market share of both duties remaining and duties being removed is shown in the graph below.

Graph 5.6: Forecast market share (%)

Graph is confidential.

208. The graph shows that, if duties were removed, Pacific Steel's market share would remain relatively steady, while if the duties remained, Pacific Steel's market share would continue to grow, taking [redacted]. In either situation, the market share of total imports is likely to decline, although it will decline slightly more if duties were removed. The Ministry has assumed that if duties were to remain, the status quo would remain for imports from Malaysia (i.e. that there would be no imports and thus no market share). If duties were to be removed, based on Pacific Steel's forecasts, imports from Malaysia would gain [redacted] percent of the market by 2016. Much of this gain appears to come from imports from other sources, rather than from Pacific Steel's share of the market.

Conclusion

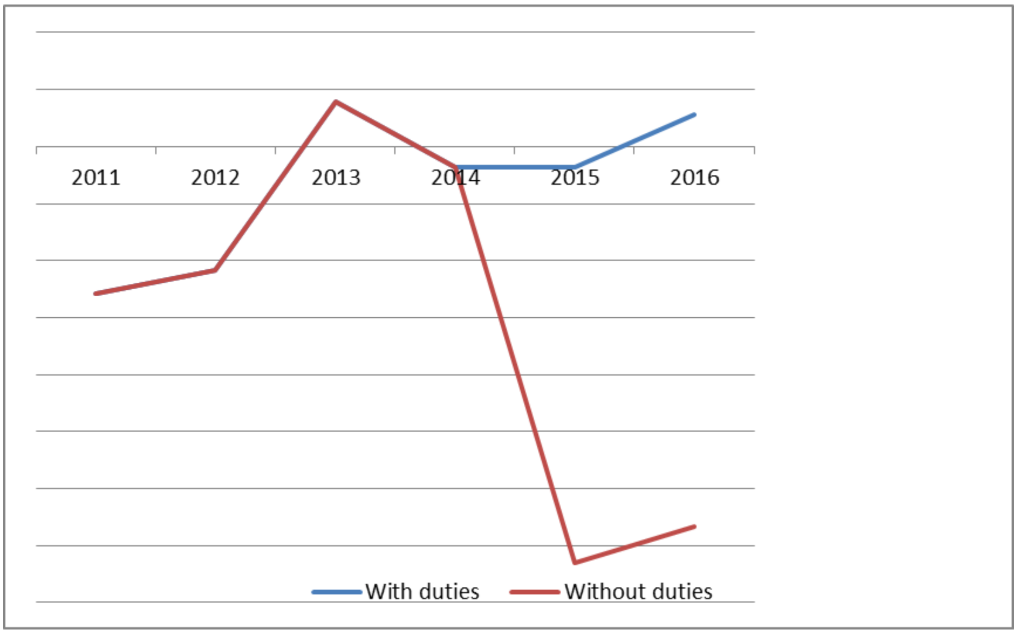
209. The Ministry concludes that Pacific Steel has gained market share over the POR(I), and this gain would continue if duties were to remain. Pacific Steel's market share would remain steady if duties were removed, and as a result significant import volumes of galvanised wire from Malaysia resume. This is consistent with Pacific Steel's strategy of trying to maintain market share and competing on price.

5.5.3 Profits

210. Changes in net profit reflect changes in prices, sales volumes or costs. Dumped imports can impact on any or all of these.

211. The following graph shows Pacific Steel's earnings before interest and tax (EBIT) over the POR(I), as well as forecasts for 2015 and 2016 with duties remaining and with duties removed.

Graph 5.7: EBIT (000, NZD)



212. The graph shows that Pacific Steel's EBIT has been variable, though increasing over the entire period. Pacific Steel's forecasts show that if duties were to remain in place, EBIT would likely continue to increase slightly. If duties were removed, EBIT would fall significantly as a result of having to compete on price.

Conclusion

213. The Ministry concludes that Pacific Steel has increased its profit levels over the POR(I), and this increase would likely would continue, though more slowly, if duties were to remain. If duties were removed, and as a result significant import volumes of galvanised wire from Malaysia resume, Pacific Steel's profit levels would decrease dramatically, which is consistent with Pacific Steel's strategy of competing on price.

5.5.4 Productivity

214. Productivity is the relationship between the output of goods and the inputs of resources used to produce them. Changes in productivity are affected by output levels and by the level of capacity utilisation.

215. Pacific Steel provided details of the number of employees engaged in the production of all wire (both bright and galvanised), as it is not possible to pinpoint staff to only production of galvanised wire since they are involved across the business. Pacific Steel also provided information on productivity per shift. The table below shows productivity figures for galvanised wire per employee and per shift.

Table 5.11: Productivity

	2011	2012	2013	2014
Output per employee (tonnes)	[redacted]	[redacted]	[redacted]	[redacted]
Output per shift (tonnes)	[redacted]	[redacted]	[redacted]	[redacted]
Revenue per employee ($)	[redacted]	[redacted]	[redacted]	[redacted]
Revenue per shift ($)	[redacted]	[redacted]	[redacted]	[redacted]

216. The table shows that productivity has improved by all measures. Pacific Steel stated that productivity per shift is improving due to an improvement in run times. An improvement in yield from [redacted]% to [redacted]% has also resulted in improvements to productivity.

Likely impact of removal of duties

217. Pacific Steel forecast the effect any removal of duties would have on its productivity, shown in the table below.

Table 5.12: Forecast productivity

	With duties		*Without duties*	
	Jun-15	**Jun-16**	**Jun-15**	**Jun-16**
Output per employee (tonnes)	[redacted]	[redacted]	[redacted]	[redacted]
Output per shift (tonnes)	[redacted]	[redacted]	[redacted]	[redacted]
Revenue per employee ($)	[redacted]	[redacted]	[redacted]	[redacted]
Revenue per shift ($)	[redacted]	[redacted]	[redacted]	[redacted]

218. The table shows that output per employee is forecast to continue improving, even with the duties removed, but to a lesser extent than if the duties remain in place. This is likely because volume is forecast to be maintained and [redacted], if the duties were removed, resulting in higher volumes [redacted]. Similarly, output per shift is forecast to remain the same in either situation – with the removal of duties, Pacific Steel is forecasting to maintain its volume. It is not clear, however, why Pacific Steel has not forecast any increase in the event that duties remain in place. Revenue per employee is forecast to improve, but less so if duties are removed, likely as a result of Pacific Steel having to drop its prices. Revenue per shift is forecast to increase if duties remain and to decline if duties are removed, again, reflecting Pacific Steel's strategy.

Conclusion

219. The Ministry concludes that Pacific Steel's productivity has been improving and is forecast to continue improving, whether duties are in place or are removed, although the extent of the improvement is significantly reduced without duties.

5.5.5 Return on investments

220. A decline in return on investments will result from a decline in returns with or without a relative increase in the investment factor being used. Movements in the return on investments affect the ability of the industry to retain and attract investment.

221. Pacific Steel provided the Ministry with information on average assets for all bright wire production over the POR(I), as well as on profit (discussed in section 5.5.3 above). The Ministry has apportioned the average assets information to galvanised wire production only. This information is summarised in the table below.

Table 5.12: Return on investments

	2011	2012	2013	2014
Average assets, galvanised ($000)	[redacted]	[redacted]	[redacted]	[redacted]
EBIT ($000)	[redacted]	[redacted]	[redacted]	[redacted]
EBIT as % of average assets	[redacted]	[redacted]	[redacted]	[redacted]

222. The table shows that the value of average assets increased significantly in 2012 and declined thereafter, although in 2014 the value was still well above the 2011 figure. EBIT has also generally improved over the period. EBIT as a percentage of average assets has also increased, though it has fallen since 2013.

Likely impact of removal of duties

223. Pacific Steel did not provide forecasts for its assets. However, if the duties remain in place, EBIT is forecast to improve, suggesting there would also be an improvement in return on investments. If duties were removed, EBIT is forecast to decline significantly, suggesting a corresponding decline in return on investments.

Conclusion

224. The Ministry concludes that there is no evidence of a decline in return on investments over the POR(I). The Ministry further concludes that should the duties be removed, and as a consequence significant import volumes of galvanised wire from Malaysia resume, a corresponding decline in the rate of return on investments is likely.

5.5.6 Utilisation of production capacity

225. The utilisation of production capacity reflects changes in the level of production, although in some cases it will arise from an increase or decrease in production capacity. In either case, a decline in the utilisation of production capacity will lead to an increase in the unit cost of production, and a resulting loss of profit.

226. Pacific Steel is able to produce [redacted] tonnes of bright wire annually, with capacity for [redacted] of this to be made into galvanised wire. Pacific Steel stated that it is currently producing at [redacted]% capacity for bright wire (or [redacted] tonnes out of an available [redacted] tonnes per day) and [redacted]% capacity for galvanised wire. Pacific Steel has been [redacted].

Conclusion

227. The Ministry considers it unlikely that utilisation of production capacity will be negatively affected by any removal of duties, as Pacific Steel is aiming to maintain volume in this situation.

5.5.7 Factors affecting domestic prices

228. Pacific Steel is not aware of any other factors that may be affecting domestic prices.

5.5.8 Magnitude of the margin of dumping

229. The magnitude of the margin of dumping can be a useful indicator of the extent to which injury can be attributed to dumping, particularly when it is compared with the level of price undercutting.

230. The Ministry has calculated dumping margins of 51% and 22%, using exports from Malaysia to Australia, or all exports ('the World'), respectively, although as noted in the dumping section, the

Ministry considers that the export price based on exports from Malaysia to Australia is more likely to indicate an export price to New Zealand should duties be removed. The average price undercutting is [redacted]% using prices based on Malaysian exports to Australia.

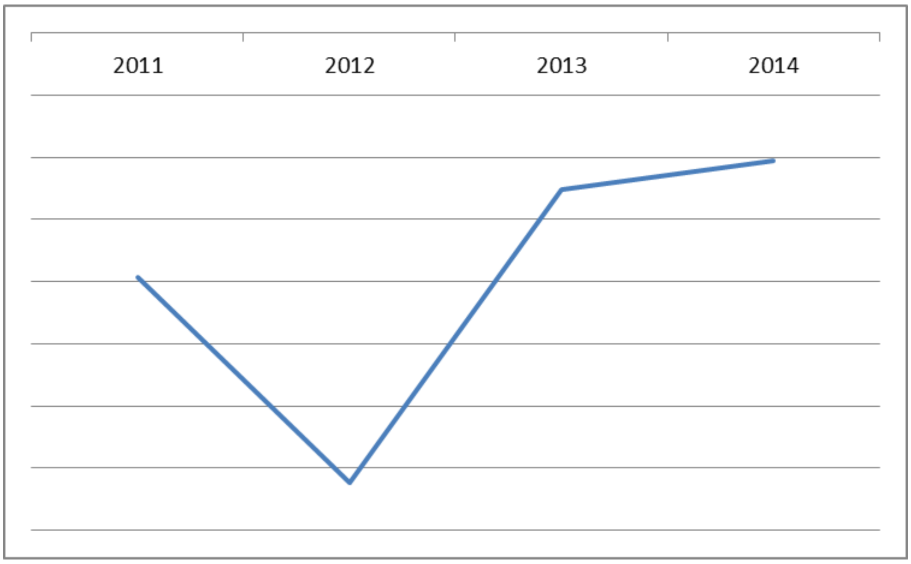
231. Both the dumping margin and the price undercutting margin measures are prospective and indicative of a threat to the New Zealand industry rather than of any current injury. Using the dumping margin based on exports from Malaysia to Australia of 51%, and an undercutting margin of calculated on the same basis of [redacted]%, the margin of dumping exceeds the margin of injury, indicating that all of the price undercutting is attributable to dumping.

5.5.9 Other adverse effects

Cash flow

232. Pacific Steel provided the Ministry with cash flow figures (which include both operations and capital) over the POR(I), as illustrated by the graph below.

Graph 5.8: Net cash flow



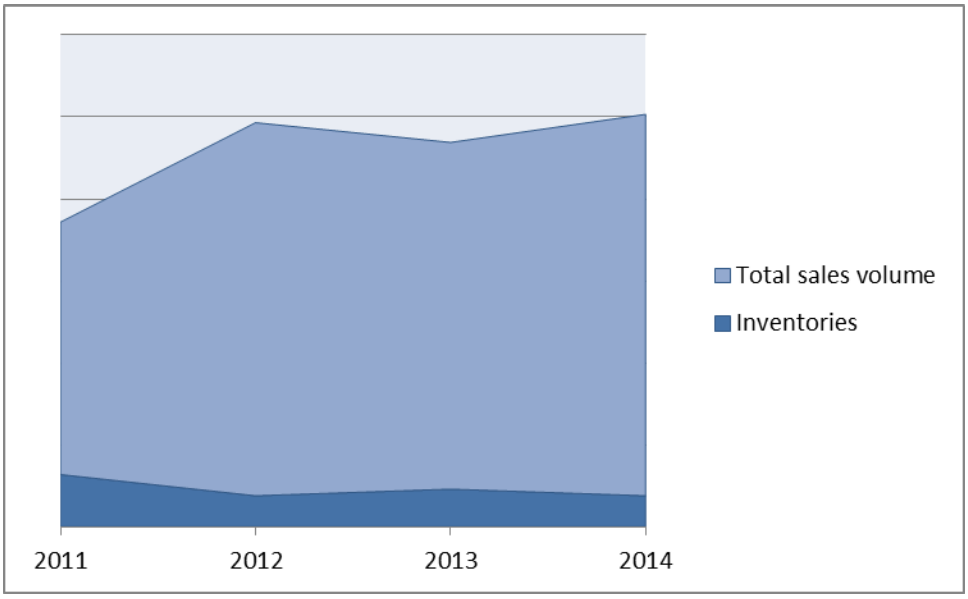
233. There was a significant cash outflow in 2012 followed by a significant improvement in cash flow since then. This is likely related to the increase in assets in 2012. It is not possible to draw any useful conclusions from the cash flow data because it includes data related to both operations and capital. In any event, changes in cash flow over the POR(I) cannot be related to imports from Malaysia in the absence of such imports.

234. While Pacific Steel has not provided forecast cash flow, the Ministry considers that if duties are removed and this results in significant import volumes of galvanised wire from Malaysia resuming, cash flow would likely decline, since similar effects are likely to be seen on profits and return on investments in this situation.

Inventories

235. Pacific Steel provided the Ministry with inventory figures over the POR(I). It stated that the inventory for galvanised wire has generally been declining, as most of the company's production is made to order, meaning stock does not remain on the factory floor for long. The graph below shows Pacific Steel's inventories relative to total sales volume of galvanised wire.

Graph 5.9: Inventories



236. The graph shows that inventories have been declining. In 2014, inventories represented [redacted] percent of total sales volume, compared to [redacted] percent in 2011.

237. If duties were removed, the Ministry considers it is unlikely that inventory levels would increase, as Pacific Steel's strategy is to maintain its market share through maintaining sales volume but lowering prices.

Employment and wages

238. Pacific Steel provided information on employment and wages to the Ministry. Employment has [redacted] between 2011 and 2014 ([redacted]) across all wire production (staff operate across the business, so it is not possible to pinpoint staff to only production of galvanised wire). Pacific Steel has forecast that if duties were removed, [redacted], due to the likely decline in sales revenue and resulting pressure on EBIT.

239. The average wage over the [redacted] staff is approximately [redacted] per annum. Pacific Steel does not consider that there would be a material impact on wage levels if duties were removed, as wage rates are driven by factors other than competition from dumped imports.

Growth

240. Pacific Steel considers that removal of the duties would have a negative effect on growth, as [redacted].

Ability to raise capital and investments

241. Pacific Steel has not made any comments in regard to its ability to raise capital. However, it has commented in relation to growth that [redacted] if anti-dumping duties were removed. Pacific Steel said its ability to raise capital would therefore likely be negatively affected if the duties were removed, and the removal resulted in significant import volumes of galvanised wire from Malaysia resuming.

5.6 Other causes of injury

242. Sections 8(2)(e) and (f) of the Act provide that the Chief Executive shall have regard to factors other than the dumped goods which have injured, or are injuring, the industry, including—

i. the volume and prices of goods that are not sold at dumped prices;

ii. contraction in demand or changes in the patterns of consumption;

iii. restrictive trade practices of, and competition between, overseas and New Zealand producers;

iv. developments in technology;

v. export performance and productivity of the New Zealand producers; and

vi. the nature and extent of importations of dumped or subsidised goods by New Zealand producers of like goods, including the value, quantity, frequency and purpose of any such importations.

5.6.1 Non-dumped imports

243. Imports that are not dumped also have the potential to cause injury to the New Zealand industry.

244. Imports from [redacted], an [redacted] company, are most of Pacific Steel's competition in the New Zealand market, although Pacific Steel [redacted]. Pacific Steel said that non-dumped [redacted] [redacted] if Malaysian goods re-entered New Zealand at equivalent prices to the Malaysian goods currently entering Australia. Pacific Steel considers that new flow coming from Malaysia would likely reduce market share held by both New Zealand and [redacted] goods, though it has not provided any figures with this assumption, and has forecast that its sales volume would remain at largely the same level.

245. The 2009 review concluded that Australian imports were competitively priced and held a significant share of the New Zealand market, and the Ministry therefore considered Australian imports were likely to be a cause of injury to Pacific Steel. The 2009 review concluded that imports from countries other than Australia (and Malaysia) were not likely to be a cause of injury.

246. Pacific Steel does not consider there would be injury caused by galvanised wire imported from any other source.

247. Pacific Steel operates in a market where prices are set globally, so any change in prices or demand affects the competition as well as itself.

248. The Ministry has analysed import volumes over the POR(D) for the major sources of galvanised wire and has undertaken a price undercutting analysis (the undercutting analysis is the same as that in table 5.3 above) to consider the likelihood that Pacific Steel would suffer injurious effects from imports of non-dumped goods. The analysis uses NZCS data for value for duty, insurance, freight and Customs duty amounts, and Pacific Steel's information for the addition of port charges, to bring the values to the ex-wharf level for comparison with Pacific Steel's average ex-factory price. The following table shows this comparison.

Table 5.14: Non-dumped imports

Country	Volume	VFD (NZD)	Ex-wharf per tonne (NZD)	Pacific Steel average price per tonne (NZD)	% undercutting
Australia	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Canada	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Indonesia	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
China	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

249. The table shows that imports from Australia, Indonesia and China undercut Pacific Steel's average price while imports from Canada are priced above Pacific Steel's average price. Imports from Australia and China only undercut Pacific Steel's prices by a small margin. While the undercutting margin by imports from Indonesia is larger, at [redacted]%, it is still at a relatively low level. The undercutting from these sources is less than the undercutting likely to occur by any imports from Malaysia.

250. If volumes from Malaysia eventuate at the volume suggested by Pacific Steel, this will place Malaysia as the third largest source of imports of galvanised wire into New Zealand, overtaking Indonesia and China.

Conclusion

251. The information available on non-dumped imports suggests that Pacific Steel is also being undercut at the ex-wharf level by non-dumped imports (except for those from Canada), and non-dumped imports are therefore likely to be another cause of injury to Pacific Steel. It is debatable how significant this is, given Pacific Steel has increased sales, market share and profits while being undercut. The situation reflects the relatively small price advantage held by imports from those countries where price undercutting is indicated.

5.6.2 Contraction in demand or changes in the patterns of consumption

252. Changes in the pattern of consumption or a reduction in demand can also be a potential cause of material injury to the New Zealand industry.

253. Pacific Steel does not consider there is a significant risk of a reduction in demand or change in the pattern of consumption, as the New Zealand agriculture and viticulture sectors (these sectors consume galvanised wire) are profitable and growing, which is forecast to continue.

254. World steel prices were examined in relation to this factor in the last sunset review – it was considered that a strong contraction in demand globally was reflected in world steel prices. Since 2008, world steel prices have remained relatively stable, indicating that demand has been relatively consistent.

Conclusion

255. A contraction in demand or change in consumption patterns has not occurred and does not appear likely to occur in the foreseeable future.

5.6.3 Restrictive trade practices and competition

256. Restrictive trade practices of overseas or New Zealand producers, such as price ceilings, other statutory measures, or exclusive dealer arrangements, can negatively affect the financial position of New Zealand manufacturers when they are not the beneficiaries of the restrictions. Competition

between overseas and New Zealand producers can be a cause of material injury independent of any dumping.

257. Pacific Steel does not consider that there are any restrictive trade practices occurring or likely to occur. The Ministry does not have any information suggesting that restrictive trade practices have been a cause of injury to Pacific Steel.

5.6.4 Developments in technology

258. Pacific Steel does not consider that any changes in technology have caused or are likely to cause injury to it. Pacific Steel has kept abreast of wire drawing and galvanising industry innovation, such as [redacted].

259. Pacific Steel has also said that [redacted].

Conclusion

260. The Ministry considers that any technological changes Pacific Steel has made to its business are an improvement to its production, rather than a cause of injury. The Ministry does not have any information suggesting that developments in technology by Pacific Steel's overseas competitors have been a cause of injury to Pacific Steel.

5.6.5 Export performance and productivity of New Zealand producers

261. Export performance and productivity of the New Zealand industry can be a cause of injury if its export performance is at the expense of its domestic performance.

262. Exports by Pacific Steel have [redacted] Pacific Steel [redacted] It considers that [redacted]. However, if duties were removed, Pacific Steel considers any decline in export performance would result in a compound effect, building on injury from Malaysian goods.

Conclusion

263. The Ministry does not consider that Pacific Steel's export performance has been a cause of injury, or is likely to cause injury in the foreseeable future.

5.6.6 Imports by the industry

264. The Ministry is required to assess the nature and extent of importations of dumped goods by New Zealand producers of like goods, including the value, quantity, frequency and purpose of any such importations.

265. Pacific Steel does not import any galvanised wire.

5.6.7 Conclusions on other causes of injury

266. The Ministry concludes that most non-dumped imports have undercut Pacific Steel's average price and that this undercutting is likely to continue if the duties remain or if they are removed, although it does not appear that this situation is currently causing injury to Pacific Steel. There do not appear to be any other causes of injury to the domestic industry.

5.7 Conclusions relating to injury

267. From the information made available during the review, the Ministry has reached the following conclusions:

Volume and price effects

268. There have been no imports of galvanised wire from Malaysia between 2010 and 2012, and it appears unlikely that imports in 2013 and 2014 are subject goods, except for one insignificant shipment.

269. Malaysian galvanised wire holds a significant price advantage over both Pacific Steel's prices and prices of other major sources of galvanised wire imports into New Zealand. The Ministry considers it is likely that the presence of the anti-dumping duty has had an inhibiting effect, preventing Malaysian manufacturers from exporting to New Zealand altogether.

270. Over the POR(I), Pacific Steel has experienced price depression, but it has not experienced price suppression. The price depression cannot be attributed to imports from Malaysia.

Economic impact

271. Pacific Steel's output, sales volume and revenue have all grown over the POR(I). Pacific Steel has also grown its market share and profits over the period.

272. Productivity has been improving, and return on investments has generally been positive. Cash flow has increased significantly, while inventories have been declining.

273. Employment has [redacted] over the POR(I), however this is not attributable to dumped imports.

274. The margin of dumping exceeds the margin of injury, indicating that all of the likely price undercutting is attributable to dumping.

275. There is evidence that imports of galvanised wire from other sources have undercut Pacific Steel's prices over the POR(I); however this has not had an adverse effect on Pacific Steel. No factors other than dumped goods appear to have had an injurious effect on Pacific Steel.

Likelihood of injury if anti-dumping duties are terminated

276. In relation to the likelihood of material injury recurring should anti-dumping duties be removed, the Ministry concludes that:

- It is likely that significant import volumes of Malaysian galvanised wire will resume if anti-dumping duties are removed. Malaysian manufacturers have the capacity and distribution systems to enter the New Zealand market, and there do not appear to be any other barriers to these manufacturers doing so. The following conclusions relating to forecast effects on Pacific Steel's business assume that significant import volumes from Malaysia will enter the New Zealand market.

- It is likely that [redacted] if New Zealand's anti-dumping duties have been removed.

- It is likely that Malaysian galvanised wire will continue to hold a significant price advantage over both Pacific Steel's prices and prices of other major sources of galvanised wire imports. Pacific Steel's prices are likely to be undercut by a significant amount.

- Pacific Steel is likely to continue experiencing depression if duties are removed, and is likely to experience a recurrence of price suppression.

- Consequent upon the likely volume and price effects, it is likely that output will continue to grow, but sales volume and revenue will decline - revenue by a significant amount.

- As Pacific Steel's strategy is to compete on price in the event that anti-dumping duties are removed and imports from Malaysia resume, market share is likely to remain steady; however Pacific Steel's profits are likely to drop significantly.

- Productivity and utilisation of production capacity are unlikely to be affected by any removal of duties – productivity is likely to continue improving.

- As a consequence of the adverse economic impacts set out above, there is likely to be an adverse impact on return on investments, cash flow, employment, growth and Pacific Steel's ability to raise capital.

- Inventories would likely remain steady or continue declining if duties were removed.

- Wages are unlikely to be affected by any removal of duties.

277. On the basis of these considerations, the Ministry concludes that if the anti-dumping duties were to be removed, material injury to the industry caused by dumped imports of galvanised wire from Malaysia is likely to recur.

6. Conclusions

278. On the basis of the information available, it is concluded that the continued imposition of anti-dumping duties is necessary to prevent a recurrence of material injury to the New Zealand industry producing like goods.

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