

ISBN 978-0-478-38218-1

5 September 2011

Robin Hill
Chief Advisor
Trade Rules, Remedies and Tariffs Group

NON-Confidential: Initiation of Review

Application by Winstone Wallboards Ltd for a Review of the Anti-Dumping Duties on Plasterboard from Thailand

Summary

1. This report assesses an application made by Winstone Wallboards Ltd (Winstone) on 29 July 2011 for a review of the anti-dumping duties that currently apply to imports of plasterboard from Thailand.
2. The report recommends that the Chief Advisor, Trade Rules, Remedies and Tariffs Group, acting under delegated authority from the Chief Executive of the Ministry of Economic Development, should initiate a review.

Background

3. Anti-dumping duties were first imposed on plasterboard from Thailand in December 1989 and have since been the subject of a number of separate anti-dumping investigations which have expanded the coverage of the plasterboard that is subject to the duty. Since 1989 there have also been a number of reviews and reassessments. The most recent reassessment was completed on 11 September 2006 and followed a sunset review completed in March 2006 which determined there was a continued need for the duty.
4. The anti-dumping duties that currently apply will expire on 11 September 2011, being 5 years from the date of the completion of the reassessment referred to in the paragraph above, unless a review is initiated prior to this date. Reviews that are initiated prior to the expiry of anti-dumping duties are also known as sunset reviews. If a review is initiated, the duties would remain in place pending the outcome of the review.
5. The description of the plasterboard which would be subject to any review that is initiated is the same as that which applies to the goods which are subject to anti-dumping duty, as described below:

Standard plasterboard of a nominal thickness from, but not including, 6mm and up to, but not including, 12mm, of any width or length

6. The 2006 reassessment set a rate of duty at 0 percent ad valorem for exports by SCT Co. Ltd (SCT) for imports by Elephant Plasterboard NZ Ltd (Elephant NZ) and a normal value (value for duty equivalent) (NV(VFDE)) amount for imports by any importer from SCT other than Elephant NZ. At the time of the last review SCT was the export arm of the Siam Cement group of companies, which includes Siam Gypsum Industry Co. Ltd (Siam Gypsum). A specific duty amount was set for BPB Thai Gypsum Products Plc. (BPB Thai Gypsum) for all importers and a specific duty amount for all other exporters. This means that imports by Elephant NZ from SCT are not subject to any anti-dumping duty and imports by other importers from SCT are subject to anti-dumping duty only if the value for duty is less than the NV(VFDE) amount and is equal to the difference between the NV(VFDE) amount and the value for duty. Imports from BPB Thai Gypsum and any other Thai exporter (other than SCT) are subject to a fixed amount of anti-dumping duty per square metre regardless of the value for duty at which the goods are imported.

7. Plasterboard imported from Thailand enters New Zealand under tariff item and statistical key 68.09.11.00.10D. The subject goods fall under the same tariff item and statistical key as other sizes of standard plasterboard and performance plasterboards.

8. Plasterboard is subject to the following rates of Customs duty:

Normal	5%
AAN	5%, 1/2012 3%, 1/2017 Free
CA	Free
CN & HK	2%, 1/2012 Free
MY	5%, 1/2014 3%, 1/2015 Free
TH	Free
TPA	Free

9. The assessment team notes that there were only four exporters of plasterboard from Thailand from 1 August 2010 to 31 July 2011 (the period in which dumping is likely to be assessed in the investigation). Two of these exporters appear to be related to Siam Gypsum and one is BPB Thai Gypsum. The remaining exporter has exported only a negligible amount. The Ministry is likely to investigate all four exporters in any review.

Sunset Reviews

10. A sunset review involves an investigation to determine whether the expiry of the anti-dumping duty would be likely to lead to the continuation or recurrence of dumping and injury¹.

¹ The Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (the Anti-dumping Agreement), Article 11.3, states in part:

11. Any interested party that requests a review of the imposition of anti-dumping duties must submit positive evidence justifying the need for a review² and the request must be duly substantiated and made by or on behalf of the domestic industry within a reasonable period of time prior to the date of expiry of the duties.

12. The application for a review was submitted by Winstone on 29 July 2011, which is 45 days prior to the expiry of the anti-dumping duties that it seeks to have considered in the review. The assessment team is satisfied that Winstone's request for a sunset review was submitted within a reasonable period of time prior to the expiry of the duties.

Consideration of Evidence Presented

13. The Ministry interprets the requirement of section 14(8) of the Dumping and Countervailing Duties Act 1988 for an interested party to submit "positive evidence justifying the need for a review" as being a requirement for positive evidence, but not evidence to the same extent as that required under section 10(2) of the Act in respect of new investigations. This interpretation is supported by the international jurisprudence³ relating to the Anti-Dumping Agreement and the WTO Agreement on Subsidies and Countervailing Measures, which has evidentiary provisions that are very closely aligned with those of the Anti-Dumping Agreement.

14. The Ministry considers, therefore, that while an application for the initiation of a sunset review may provide information on the factors outlined in section 10(2) of the Act and paragraph 2 of Article 5 of the Anti-Dumping Agreement (relating to the information that must be contained in a properly documented application for a new investigation) it is not necessary that all of these factors are addressed or addressed in full for an application to constitute "positive evidence justifying the need for a review" and to be duly substantiated.

New Zealand Industry and Like Goods

15. The Anti-Dumping Agreement states that a request for a sunset review "must be made by or on behalf of the domestic industry" (Article 11.3). Section 3A of the

...any definitive anti-dumping duty shall be terminated on a date not later than five years from its imposition (or from the date of the most recent review...), unless the authorities determine, in a review initiated before that date on their own initiative or upon a duly substantiated request made by or on behalf of the domestic industry within a reasonable period of time prior to that date, that the expiry of the duty would be likely to lead to the continuation or recurrence of dumping and injury [footnote omitted.]

² The Dumping and Countervailing Duties Act 1988, section 14(8), states:

The [Chief Executive] may, on his or her own initiative, and shall, where requested to do so by an interested party that submits positive evidence justifying the need for a review, initiate a review of the imposition of anti-dumping duty...in relation to goods and shall complete that review within 180 days of its initiation.

³ World Trade Organisation Dispute Settlement Panel *United States – Sunset Review of Anti-Dumping Duties on Corrosion-Resistant Carbon Steel Flat Products from Japan* WT/DS244/R 14 August 2003, paragraph 7.27.

Act defines an “industry”⁴ as the New Zealand producers of like goods and section 3 of the Act defines “like goods”.⁵

16. Winstone has advised that it is the sole New Zealand producer of plasterboard of the type subject to anti-dumping duty. In the 2005 sunset review the Ministry concluded that all lengths and widths of standard plasterboard produced by Winstone were “like” the subject goods and therefore Winstone’s production of standard plasterboard constituted the New Zealand industry. Winstone’s production of performance plasterboards were not considered to be like goods.

17. On the basis of the findings of the 2005 sunset review and Winstone’s confirmation that it still produces this product, the assessment team considers that for the purposes of initiating a review there is adequate evidence that Winstone is producing goods that are like the goods subject to the duty. The assessment team is not aware of any other New Zealand producers of standard plasterboard.

18. The assessment team considers the information outlined above constitutes positive evidence that there is still a domestic “industry” in place in terms of section 3A of the Act, which consists solely of Winstone, and that the request for the initiation of a review therefore constitutes an application made by the New Zealand domestic industry.

Continuation or Recurrence of Dumping

Export Prices

19. In its Application for a Review, Winstone stated that the current anti-dumping remedy is resulting in substantial payments of duty (which it confirmed through information from NZ Customs obtained under the Official Information Act 1982). According to Winstone, this indicates there is still dumping occurring even with the remedy in place. Winstone stated that if the remedy was removed there is no doubt that dumping would continue.

20. To substantiate its claim that plasterboard is currently being dumped into New Zealand, Winstone provided the Ministry with estimated export prices from Thailand to New Zealand, using a deductive export price approach. The company based its deductive export prices on import data from Statistics New Zealand Infoshare (which has been included in the application). The import data related to the tariff item and statistical key referred to in paragraph 7 above.

⁴ 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.

⁵ 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

21. However, Winstone has noted that the subject goods are not separately identified in this tariff item and statistical key which covers a range of types of board, including not only standard board but other types of high-end performance plasterboard not subject to the anti-dumping duties. To derive export prices for standard board only, Winstone made an adjustment to the Free-on-board (FOB) import values sourced for the relevant tariff item and statistical key. The adjustment was based on the difference in price that the Thai standard board and performance board is being sold at in the New Zealand market. In calculating export prices for standard plasterboard, Winstone used the ratio of [REDACTED], which is the price differential between the standard board and performance board which [REDACTED] is charging its New Zealand customers.⁶

22. Using the above approach, export prices (based on the Infoshare data) were calculated at the New Zealand FOB level on a monthly basis for the 17-month period to May 2011.

23. To arrive at ex-factory export prices for both of the current Thai exporters to New Zealand, Siam Gypsum and BPB Thai Gypsum, inland freight costs, port handling charges and export packaging costs were deducted from the FOB monthly export prices. Winstone obtained the inland freight and port handling costs from its agent in Thailand. They are based on a full container load of plasterboard out of [REDACTED]. The company based the export packaging costs on its own costs to export plasterboard.

24. Based on the methodology and information outlined above, Winstone calculated export prices for Siam Gypsum and BPB Thai Gypsum on a monthly basis from January 2010 to May 2011. Positive dumping margins using this methodology were calculated for a majority of the 17 months for both Siam Gypsum and BPB Thai Gypsum. The highest dumping margins were calculated for September and October 2010 and March 2011 (due mainly to the low export prices for these three months). The table below contains the export prices, calculated by Winstone, for September and October 2010 and March 2011:

Table 1: Ex-factory Export Price for Plasterboard*
\$NZ per m²

	Sian Gypsum	BPB Thai Gypsum
September 2010	[REDACTED]	[REDACTED]
October 2010	[REDACTED]	[REDACTED]
March 2011	[REDACTED]	[REDACTED]

* Winstone has provided the above export prices in New Zealand dollars (NZD) because it is the value recorded in the Infoshare data.

⁶ These prices have been based on [REDACTED] New Zealand price list.

Conclusions on Export Prices

25. The assessment team considers that positive evidence has been submitted by the New Zealand domestic industry of current Thai export prices to New Zealand, for standard plasterboard. More specifically, Winstone has established deductive export prices from current import values in New Zealand dollars using New Zealand Statistics data at the FOB level. While the applicant was unable to obtain specific FOB import values relating to standard plasterboard (as opposed to imports of all types of plasterboard), it did calculate export prices for the subject goods by making an adjustment to the FOB import values equal to the difference in price that the Thai standard board and performance board is being sold at in the New Zealand market. Estimated costs between FOB and ex-factory were then deducted from the FOB import values calculated for both Thai exporters to New Zealand to derive ex-factory export prices.

26. The assessment team considers the above approach is satisfactory in calculating export prices of standard board, in the absence of actual export prices, for the purpose of initiating a review of the present anti-dumping duties applying to standard plasterboard from Thailand. Performance board is ordinarily priced higher than standard plasterboard, therefore, it is reasonable that an adjustment of the nature described above is made to the FOB import figures to calculate export prices for the two Thai exporters of standard plasterboard. To check the accuracy of the figures provided by Winstone, the assessment team compared the figures to the weighted average FOB import price per square metre of all shipments from Thailand from August 2010 – July 2011 on which anti-dumping duty was payable (being payable on standard board only). The weighted average Thai FOB import price was close to the FOB Thai import values for standard board calculated by Winstone. On this basis, the assessment team considers that the Thai FOB import prices and resulting ex-factory export prices for standard board, calculated by Winstone in its Application for a Review, are a reliable indication of current Thai export prices to New Zealand for standard board.

Normal Values

27. In its Application for a Review, Winstone provided a Market Monitor report prepared by New Zealand Trade and Enterprise (NZTE) which the company commissioned recently. The Market Monitor report contains recent domestic selling prices for Siam Gypsum and BPB Thai Gypsum, the two key players in the Thai domestic market. The report noted that both producers sell plasterboard to distributors within Thailand and provided list prices to three distributors as at June 2011. The NZTE report notes that the Thai domestic market is volatile and that while the base list prices of the two producers has remained constant since September 2001, actual prices are fluctuating weekly as Siam Gypsum and BPB Thai Gypsum compete with each other and attempt to retain market share against the threat of small players and a small volume of imports. The report notes that the market is being managed by way of discounts ranging from 10 - 15 percent and rebates of 5 - 10 percent.

28. The Report contained the following domestic market ex-factory selling prices of Thai plasterboard to three local distributors:

Table 2: Normal Values: 9mm Standard Board
Siam Gypsum and BPB Thai Gypsum

September 2010

	THB/m ²	THB/m ²
List Price (excl. VAT)		
<i>Less:</i>		
- Discount to distributor (- %)	(%)	(%)
- Monthly rebate (- %)		
- <i>Add</i> physical adjustment		
Ex-factory normal value (THB/m ²)		
Ex-factory normal value (\$NZ/m²)		

Thai Baht converted to NZ dollars at the exchange rate of 22.44

October 2010

	THB/m ²	THB/m ²
List Price (excl. VAT)		
<i>Less:</i>		
- Discount to distributor (- %)	(%)	(%)
- Monthly rebate (- %)		
- <i>Add</i> physical adjustment		
Ex-factory normal value (THB/m ²)		
Ex-factory normal value (\$NZ/m²)		

Thai Baht converted to NZ dollars at the exchange rate of 22.51

March 2011

	THB/m ²	THB/m ²
List Price (excl. VAT)		
<i>Less:</i>		
- Discount to distributor (- %)	(%)	(%)
- Monthly rebate (- %)		
- <i>Add</i> physical adjustment		
Ex-factory normal value (THB/m ²)		
Ex-factory normal value (\$NZ/m²)		

Thai Baht converted to NZ dollars at the exchange rate of 22.52

Nb. An amount for a physical difference adjustment has been added to the list price to reflect the difference in price between the 9mm standard board sold in Thailand and the 10mm standard board exported to New Zealand.

29. To confirm the accuracy of the domestic prices contained in the Market Monitor report, Winstone also provided a selection of domestic sales invoices from BPB Thai Gypsum and Siam Gypsum showing prices (in Thai baht) of plasterboard sold on the Thai domestic market. Each invoice displayed the gross invoice price per square metre of standard 9mm plasterboard along with the discount offered on the sale and the resulting net value. The figures validated the figures provided in the Market Monitor report and those in the tables above.

30. In calculating normal values, Winstone has made an adjustment for the physical differences between the 9mm standard board sold on the Thai domestic market and the 10mm standard board exported to New Zealand. Although the company has not made a further adjustment to the normal value for cost of credit, the Thai domestic invoices provided by Winstone show that the Thai producers are likely to incur a cost for extending credit to their domestic customers. If a review is initiated, the Ministry will need to make adjustments to the Thai domestic values to ensure a fair comparison is made between the domestic and export sales. Along with discounts and rebates provided to domestic customers, such adjustments are likely to include the cost of credit, freight costs (if the domestic sales are made on a cost and freight basis) and any other differences in the conditions and terms of sale.

Conclusions on Normal Values

31. The assessment team considers that positive evidence has been submitted by the New Zealand industry of current normal values in Thailand of standard plasterboard. More specifically, Winstone has provided evidence of domestic market selling prices from the two current major Thai exporters to New Zealand, to a number of distributors in Thailand. The assessment team considers this information to be positive evidence, for the purpose of initiating the present review, of both current normal values and likely normal values in Thailand, in the absence of anti-dumping measures.

Comparison of Export Price and Normal Value

32. A comparison of the export prices and normal values, provided by Winstone, is shown in the table below:

Table 3: Comparison of Export Prices and Normal Values
Siam Gypsum and BPB Thai Gypsum

September 2010

	Siam Gypsum	BPB Thai Gypsum
Ex-factory Export Price (\$NZ/m ²)		
Ex-factory Normal Value (\$NZ/m ²)		
Dumping Margin (\$NZ/m ²)		
Dumping Margin (as % of export price)	28.1 – 51.1%	20 - 42.7%

October 2010

	Siam Gypsum	BPB Thai Gypsum
Ex-factory Export Price (\$NZ/m ²)		
Ex-factory Normal Value (\$NZ/m ²)		
Dumping Margin (\$NZ/m ²)		
Dumping Margin (as % of export price)	18.6 - 40%	13.1 - 33%

March 2011

	Siam Gypsum	BPB Thai Gypsum
Ex-factory Export Price (\$NZ/m ²)		
Ex-factory Normal Value (\$NZ/m ²)		
Dumping Margin (\$NZ/m ²)		
Dumping Margin (as % of export price)	33.3 - 57.4%	26.3 - 49%

Summary

33. As can be noted from the figures in the tables above, the size of the dumping margins vary by month and by Thai exporter and also according to certain assumptions used by Winstone in its calculation of both the export prices and the normal values.

34. The basis for these assumptions has been explained above. In the case of the export prices, the major variable is the relative price differential chosen between the imported price of standard board and the imported price of the other exported boards (such as performance board) included in the import statistics. This pricing differential was used to calculate export prices specifically for the standard board (being the type of board subject to the review). In calculating export prices for standard plasterboard Winstone has used the ratio of [REDACTED], which is based on [REDACTED] prices to its New Zealand customers.

35. In the case of the normal values, the major assumption is the size of the discounts provided to domestic distributors by the two Thai manufacturers. In calculating normal values, Winstone has assumed that the discounts offered range between [REDACTED] - [REDACTED] percent. Domestic invoices provided by Winstone support the discount amounts provided in the NZTE Market Monitor report.

36. Winstone claim that the above dumping margin calculations prove that, even with the current remedy in place, exports are being made at dumped prices. In assessing the likelihood of *continuation* of dumping, the company stated that the existence of current dumping is clear evidence that the removal of the remedy is at least very likely to give rise to such dumping continuing, with even greater dumping margins involved.

Likelihood of Recurrence of Dumping (in the Absence of Anti-dumping Duties)

37. According to Winstone, even if there was currently no dumping occurring, the real question is the likelihood that dumping will recur if the remedy ceases. To this effect the company claims that the following key factors show that there is likely to be an increase in the current dumping or a recurrence of dumping if the existing anti-dumping duties are removed:

- Thai export prices to its top-10 export destinations (none of which have anti-dumping remedies in place) indicate that there is substantial dumping occurring;
- There is a substantially increased manufacturing capacity in Thailand for plasterboard, well beyond domestic demand, which could only be directed at export markets including New Zealand;
- The historical evidence of exporter's and importer's behaviour in relation to trade in dumped plasterboard from Thailand to New Zealand indicates these parties would use their unfair advantage of access to dumped export goods to cause material injury to the New Zealand industry.

Thai Export Prices to other Markets

38. Winstone provided export prices, obtained from Thai export statistics, of plasterboard from Thailand to all of the top-10 export destinations (New Zealand being the only export destination which currently has anti-dumping duties in place). According to the company these export prices are indicative of the export prices which would be charged on exports to New Zealand in the absence of anti-dumping duties on imports into New Zealand.

39. Winstone provided the following table showing Thai export volume and prices to Thailand top-10 plasterboard export destinations (including New Zealand):⁷

Table 4: Export Volumes and Prices to Top-10 Countries
2010 Calendar year

Export Destination	Export Volume (000,kg)	FOB Value/kg (Baht)
Vietnam	84,314	4.50
Philippines	66,159	3.99
UAE	56,982	3.74
India	42,129	3.89

⁷ The export figures relate to both standard and performance boards (because the publicly available Thai export statistics do not separate the figures). However, Winstone claim that the exports from Thailand to every market are dominated by standard board. Because standard board is ordinarily priced lower than performance board the assumption is that the inclusion of performance board in the figures actually increases the export prices listed in table 4. It follows, therefore, that if the figures related to standard board only, the export prices listed in table 4 would be significantly lower.

Taiwan	21,395	3.82
Singapore	20,844	3.91
Cambodia	20,500	4.62
New Zealand	15,918	6.04
Myanmar	8,701	4.54
Hong Kong	8,520	3.87

40. The information provided by Winstone shows that the export prices to countries other than New Zealand are between 23 and 38 percent lower than the current export prices to New Zealand. Winstone claims that in all instances the exports to the top-10 destinations are at dumped prices. Overall, the Thai average export price to these countries is 31 percent less than the average export price to New Zealand.

41. Winstone claims that these prices indicate that the existence of anti-dumping duties on Thai imports into New Zealand has been significant in reducing dumping into the New Zealand market and that if the duties ceased, the export price from Thailand will fall substantially to the levels evident in Thailand's other export markets. According to the company, these two factors indicate that there will be a continuation and recurrence of dumping, if the current anti-dumping duties are removed.

Substantially Increased Manufacturing Capacity in Thailand

42. The NZTE Market Monitor report, provided by Winstone, notes that both Siam Gypsum and BPB Thai Gypsum have expanded their production facilities resulting in a significant volume of excess capacity. For instance, the report notes that in December 2004 Siam Gypsum announced an expansion in its production capacity from 80 to 100 million square metres annually and that since that time it has increased its capacity by another 10 million square metres annually. In terms of BPB Thai Gypsum, the report notes that in 2005/06 the company doubled its production capacity to 80 million square metres annually.

43. The Market Monitor report also notes that previous import volumes into Thailand have been replaced by small plasterboard manufacturers who have set up plants with a total capacity of at least five million square metres per annum. Winstone claims that the 195 million square metres capacity compares to an annual demand in the Thai market of 65 million square metres of plasterboard annually indicating that there is significant export capacity. Winstone also stated that it is aware that Knauf, one of the world's largest manufacturers of building materials (including plasterboard), is planning to build a plasterboard plant in Thailand with an intended start-up date of April 2012. While Winstone claims that this will lead to an ever larger surplus capacity in Thailand, the company provided no information to substantiate its claim that Knauf intends to build a plasterboard plant in Thailand. Furthermore, the Market Monitor report notes that [REDACTED], a plasterboard distributor in Thailand, stated that it did not believe Knauf would be interested in the Thai plasterboard market because of the competitive nature of the market.

44. In terms of the Thai exporter's ability to handle increased exports to New Zealand, Winstone stated that both Siam Gypsum and BPB Thai Gypsum are

sizable organisations and subsidiaries of major multi-national plasterboard producers and are therefore backed by considerable financial and other resources. Each company has sufficient resources to support significantly increased export activities to New Zealand and, based on current Thai export statistics, both companies have the productive capacity to double or triple their export volumes to New Zealand within a short time period with a minimal impact on their other customers.

45. In terms of the ability of New Zealand importers to handle increased volumes of plasterboard, Winstone referred to the Ministry's previous reviews and reassessments. The company stated that the Ministry's own reports noted that there are well-developed distribution channels giving widespread access to the market, incorporating almost every region nationwide which are clearly available for imported product. In terms of the present situation, Winstone noted that there has recently been a significant increase in import volumes from BPB Thai Gypsum as a result of the BPB agency in New Zealand being taken over by Element New Zealand Ltd (Element NZ).

Historical Evidence of Thai Exporter's and NZ Importer's Behaviour in Relation to Exporting Dumped Plasterboard to New Zealand

46. Winstone claims that the exporters previously involved in exporting dumped plasterboard from Thailand remain active, and given their excess capacity in Thailand (see above), have continued to increase their relative market share in the New Zealand market from a [REDACTED] percent share in 2005 to a [REDACTED] percent share in 2010. Winstone noted in particular that in the last 15 months, a new importer has entered the New Zealand market, Element NZ, which has aggressively marketed BPB Thai Gypsum plasterboard in New Zealand at prices significantly lower than Winstone's prices, despite the presence of anti-dumping duties on imports. Winstone claims that, given the history of the parties involved in the plasterboard trade in New Zealand, if anti-dumping duties were removed, it is likely that these parties would use their unfair advantage of access to dumped export goods to cause material injury to the New Zealand industry.

Conclusion on Dumping

47. In its Application for a Review, Winstone provided information to show that anti-dumping duties are currently being collected on imported plasterboard from Thailand. Winstone considered this to be evidence that there is still dumping occurring even with the remedy in place. The assessment team considers that even though anti-dumping duty is being collected on the goods, this does not necessarily mean that the goods are being dumped. This is especially the case if the duty rates have been set on an *ad valorem* basis or if a *specific* rate has been set. This is because the duties were set a number of years ago based on information collected on export prices and normal values at that time and because the duty is payable at the set rate regardless of the export price of the goods. Those export prices and normal values may now be out-of-date suggesting that even though anti-dumping duties are being collected, the goods are not necessarily dumped.

48. In any event, the assessment team considers that the domestic industry has supplied positive evidence that Thai standard plasterboard is currently being dumped into New Zealand even with the current duties in place. Furthermore, the dumping

margins calculated by Winstone are reasonably large and are supported by current Thai export prices into markets that currently do not have trade remedies measures in place. If exports of plasterboard were made to New Zealand at these prices, in the absence of anti-dumping duties on such imports, the information suggests that goods from Thailand would be dumped.

49. In order to support the export prices above and to substantiate its claim that dumping will recur if the remedies cease, Winstone also provided Thai export prices to countries other than New Zealand and evidence that there is sufficiently disposable export capacity in Thailand to supply the New Zealand market with plasterboard. The assessment team considers this information to be positive evidence, for the purpose of initiating the present review, of the likelihood of a recurrence of dumping, in the absence of anti-dumping measures.

50. On the totality of the information provided by Winstone in its application, the assessment team is satisfied that positive evidence has been submitted by the New Zealand domestic industry to show that imports of standard plasterboard are still being dumped into New Zealand even with anti-dumping duties being in place on these goods. The assessment team also concludes that information has been provided by Winstone constituting positive evidence, to justify the initiation of a review, of a likely recurrence of dumping should the anti-dumping duties be removed.

Continuation or Recurrence of Material Injury

Introduction

51. Even though anti-dumping duties on the subject goods are currently in place, Winstone considers that it is suffering injury as a result of price depression and loss of market share to recent imports of plasterboard from Thailand. The company stated that the removal of the current anti-dumping duties on Thai plasterboard will have various price and other economic effects on the company's performance.

Volume Effects

52. Winstone provided import statistics sourced from Statistics NZ, from the date the current anti-dumping duties were last reassessed (2006) to the year ended June 2011. The company claims that significant volumes of plasterboard are still being imported from Thailand. As noted previously in this report, the subject goods are not separately identified in the tariff, therefore, Winstone provided an estimate of the proportion of imports of standard plasterboard (as opposed to performance board) entering New Zealand under the relevant tariff item on the basis of its own sales of these types of plasterboard in the New Zealand market. The import statistics supplied by Winstone show that import volumes from Thailand have increased regularly from January 2010 in absolute terms and relative to the New Zealand market. Winstone has estimated that Thai imports were approximately 75 percent of the total market for the 2010 calendar year as opposed to 60 percent for the 2005 calendar year. The import statistics show also that Thailand is still the dominant source of plasterboard being imported into New Zealand with 80 percent of imports sourced from this source in the calendar year 2010. The vast majority of the remaining imports are sourced from Malaysia.

53. In terms of the volume effects should the current anti-dumping duties be removed, Winstone claims there will be a further increase in the import volume of dumped goods in the absence of duties. The company stated that this is due to the Thai manufacturers having a production capacity in excess of domestic demand; there being proven access for imports in the New Zealand market; and import volumes being able to scale rapidly. These factors have been addressed in the dumping section of this report. In summary Winstone claims that both Siam Gypsum and BPB Thai Gypsum have expanded their production facilities resulting in a significant volume of excess capacity, each company has sufficient resources to support significantly increased export activities to New Zealand, New Zealand importers have the current infrastructure to handle increased volumes of Thai plasterboard, and that, based on historical evidence, it is likely that these parties would use their access to dumped export goods to cause material injury to the New Zealand industry.

Price Effects

Price Undercutting

54. Price undercutting reflects the extent to which prices of the imported goods are lower than those of comparable domestic products.

55. Winstone calculated a likely average import price of Thai standard plasterboard into New Zealand, in the absence of anti-dumping duties, using the average Thai plasterboard export price to countries other than New Zealand. In undertaking this exercise, the company used the same export prices to Thailand's top-10 export destinations which it used to establish likely export prices to New Zealand, in the absence of anti-dumping duties (see table 4 above). Winstone added an amount for shipping costs to New Zealand and an importer's margin (10 percent) to this average import price in order to derive an estimated New Zealand importer's ex-store selling price of THB 12.5/kg.

56. In order to determine the likely extent of price undercutting (in the absence of duties), the company compared this estimated importer's selling price with the selling price (ex-works) it is currently achieving on its domestic sales of standard plasterboard. A comparison of the two prices results in an undercutting margin of approximately THB 1.5/kg, indicating there will likely be a significant amount of price undercutting of Winstone's standard plasterboard, in the absence of anti-dumping duties. In addition, Winstone noted that price undercutting is currently reflected in the fact that Element NZ has aggressively marketed BPB plasterboard to group house builders at prices significantly lower than Winstone's prices which has occurred despite the imposition of anti-dumping duties on Thai imports.

Price Depression and Suppression

57. Price depression occurs when the prices achieved by the domestic industry are lower than those achieved in a market unaffected by dumping, usually in a previous period. Price suppression exists when the domestic industry is unable to fully recover increases in costs by raising selling prices. In the case of a sunset review, it can be assumed that the existence of a remedy has had the effect of removing injury due to dumping so that price depression and suppression attributable to dumped

goods would not be expected unless conditions have changed to make the remedy no longer effective.

58. Winstone stated that the Thai export statistics (reproduced in table 4 above) clearly show that the Thai producers consistently export product to countries at prices significantly below both the export price to New Zealand and the un-dumped FOB price ex-Thailand. Given that the higher Thai export price into New Zealand must be as a result of the current remedy in place, and given the significant manufacturing over-capacity in Thailand, Winstone claims that it is logical to assume that any removal of the anti-dumping measures would result in the Thai producers reducing export prices to New Zealand in order to sell more volume and obtain more market share. Winstone claims, given that the Thai export statistics show the average export price to Thailand's top-10 export destinations (other than New Zealand) is THB4.10/kg (as opposed to THB6.04/kg to New Zealand), a reduction in prices to New Zealand (at the FOB level) of up to THB1.94/kg (equivalent to \$NZ0.57/m² at the current Thai baht to NZ dollar exchange rate) if the anti-dumping duties were removed, would not be unreasonable. Winstone claims it will need to match this price in order to compete with the dumped plasterboard, leading to its prices being depressed.

Economic Impact

59. When considering material injury to a domestic industry, the economic impact of the dumped goods on the industry must be assessed and any other relevant indicators taken into account. Dumped goods can affect an industry's performance indicated in declines in factors such as output, sales volume and revenue, profit and profitability, productivity, return on investment, utilisation of production capacity and market share, depending on its response to the imports. In the case of a sunset review, it can be assumed that the existence of a remedy has had the effect of removing injury due to dumping, therefore, the emphasis is on the likely recurrence of injury should the anti-dumping measures expire.

Output, Sales and Market Share

60. Movements in output, sales volume and market share reflect changes in the volume of goods sold while movement in sales revenue can reflect changes in both volume and prices of goods sold. Dumped imports can affect both these factors through increased supply of goods to the market and through price competition.

61. Winstone claims that it currently competes directly with the importers of Thai plasterboard to maintain sales and market share. It does so by [REDACTED]. Winstone claims that, in spite of a decline in the size of the New Zealand market for plasterboard since 2007, [REDACTED] has increased by [REDACTED] percent while the average discount has increased by [REDACTED] percent. On this basis, Winstone submits that the Thai plasterboard being imported into New Zealand at dumped prices is contributing to the material losses the company has sustained in order to maintain sales and market share against the imports.

62. Winstone also claims that in addition to price depression on jobs where Winstone has had to discount to maintain sales and market share, there are situations where the company cannot secure the job so that the material injury is being felt through a reduced volume of sales. While such volume losses are more difficult to quantify, the company estimates they represent a [REDACTED] percent loss of the standard plasterboard market in New Zealand even in the presence of anti-dumping duties on Thai imports.

63. In terms of the likely effect on sales and market share, should the anti-dumping duties expire, Winstone stated that it would need to compete with the dumped goods on price in order to maintain sales volume and market share. There would be instances, however, where Winstone said it would be unable to secure sales at a lower price and would suffer volume losses, although the company expected that such losses would be limited to approximately a [REDACTED] percent decrease in volume.

64. In terms of the company's intended strategy to match the drop in selling prices of the Thai imports, Winstone claims that if the importers were to drop their prices for standard board on a permanent basis, as Winstone has indicated would occur, then the company would be obliged to follow suit. On the basis that the drop in price of imported Thai plasterboard will be approximately \$NZ[REDACTED]/m² (which Winstone has estimated from Thailand's export prices to its top-10 export destinations) with Winstone needing to match this price in order to maintain sales and market share, the company calculates that this would likely result in a decline in sales revenue of at least NZ\$[REDACTED] per annum.

Profits

65. Winstone claims that the negative impact of the loss of output and sales revenue estimated by the company as a result of the expiry of the anti-dumping duties on Thai standard board will be mirrored by a pre-tax loss of earnings of approximately NZ\$[REDACTED] per annum. The company further claims that this does not include the extra losses that would occur from the need to [REDACTED]

Other Economic Effects

66. Winstone has submitted that the loss of volume, sales revenue and profits from the recurrence of dumped imports will also have significant adverse effects upon its achievable return on investments, utilisation of production capacity, cash flow, inventories, employment, and growth. Winstone has not, however, quantified these effects.

Other Causes of Injury

67. Winstone has not made a submission on causes other than the dumped goods from Thailand which could be causing the company injury.

Causal Link

68. Winstone has not made a submission on the causal link between the dumping of plasterboard from Thailand and material injury. However, in a sunset review it can be assumed that the existence of a remedy has had the effect of removing injury due to dumping, therefore, the causal link established in the original investigation has in effect, been remedied. Furthermore, the emphasis in a sunset review, is on the likely recurrence of injury should the anti-dumping measures expire. In this respect, any review will need to determine whether the recurrence of injury is likely, in the absence of measures, and if so, the extent to which the injury can be assigned to the dumping.

Conclusion on Injury

69. Winstone has provided evidence of the likely import price into New Zealand of the subject goods in the absence of anti-dumping duty based on the current average Thai export price of the goods to countries where there is no anti-dumping duty in place. When this average export price is adjusted to an ex-importer's store price, there is still evidence that there is likely to be significant price undercutting of Winstone's prices by the Thai imports.

70. Winstone has made reasonable assumptions that this level of price undercutting would require it to discount its prices in order to compete with the Thai imports, which would also constitute suppression of its prices and result in losses of sales revenue and profits. The assessment team considers the extent of the projected losses in sales revenue and profits calculated by Winstone is evidence that there is likely to be a significant loss of sales revenue and profits to the company.

71. The assessment team considers this evidence constitutes positive evidence of a likely recurrence of material injury to the domestic industry should anti-dumping duties be removed that is sufficient, in relation to injury, to justify the initiation of a review.

Conclusion

72. In order for a review to be initiated the Act requires a request by an interested party that submits positive evidence justifying the need for a review. The Anti-dumping Agreement requires that a duly substantiated request must be made by or on behalf of the domestic industry within a reasonable period of time prior to the expiry of the anti-dumping duties that the expiry would be likely to lead to a continuation or recurrence of dumping and injury.

73. The assessment team is satisfied that an application has been made by the domestic industry within a reasonable period of time prior to the expiry of duties that contains positive evidence sufficient to justify the initiation of a review.

Recommendation

74. It is recommended, in accordance with section 14(8) of the Act and acting under delegated authority, that you:

- a. formally initiate a review of the imposition of anti-dumping duty on plasterboard from Thailand; and
- b. sign the attached notice of the initiation of the review for publication in the *New Zealand Gazette*.

Mike Andrews

Senior Analyst
Trade Rules, Remedies and Tariffs Group
Competition, Trade and Investment Branch

Agreed

Robin Hill

Chief Advisor
Trade Rules, Remedies and Tariffs Group
Competition, Trade and Investment Branch
Ministry of Economic Development