2011 Sunset Review

Plasterboard from Thailand

Non-Confidential Final Report

Dumping and Countervailing Duties Act 1988

Review Report

Ministry of Economic Development

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ABBREVIATIONS

The following abbreviations are used in this Report:

Act	Dumping and Countervailing Duties Act 1988 (and its subsequent amendments)
Agreement	World Trade Organisation Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994
BML	Building Materials (NZ) Limited
BPB	BPB Thai Gypsum Products Plc.
CFS	Container Freight Station Charge
CIF	Cost, Insurance, Freight
CSM	CementThai
CTHM	CementThai HomeMarts
Customs	New Zealand Customs Service
Element	Element New Zealand Ltd
Elephant	Elephant Plasterboard New Zealand Limited
FBL	Fletcher Building Limited
FIS	Free into store
FOB	Free on Board
Hong Kong	Special Administrative Region of Hong Kong
Kg	kilograms
M	Metres
Ministry	Ministry of Economic Development
Mm	Millimetre
NIFOB	non-injurious free on board
NIP	Non-injurious price
NZD	New Zealand Dollars
NVE	Normal Value Equivalent
NV(VFD)E	Normal Value (Value for Duty) Equivalent
NZTE	New Zealand Trade and Enterprise
Oanda	www.oanda.com/converter/classic
OECD	Organisation for Economic Co-operation and Development

POR(D)	Period of Review (Dumping)
POR(I)	Period of Review (Injury)
Siam Cement	Siam Cement Public Co. Ltd
SCT	SGI/SCT Co., Ltd.
SGI	The Siam Gypsum Industry (Saraburi) Co., Ltd.
Thailand	The Kingdom of Thailand
TGP	Thai Gypsum Products Plc
THB	Thai Baht
VAT	Value Added Tax
Winstone	Winstone Wallboards Limited

1. Executive Summary

Introduction

1. A review of anti-dumping duties that currently apply against imports of plasterboard from Thailand was initiated by the Ministry on 29 July 2011 under the provisions of the Dumping and Countervailing Duties Act 1988.

2. Anti-dumping duties currently apply to plasterboard from Thailand ranging from 6 mm to 12mm in thickness. Duties on this product have been in place since 1989 (although the levels have been reassessed a number of times). The duties were last reassessed and new rates were imposed on 11 September 2006.

3. The review concentrated on the likelihood of a continuation of dumping and a recurrence of material injury to the domestic industry should the anti-dumping duties be removed.

4. The investigation was initiated following an application by Winstone Wallboards Limited (Winstone). Winstone is the only New Zealand producer of goods "like" those imported from Thailand and therefore constitutes the New Zealand industry.

5. Imported goods are dumped if the "export price" is less than the price they are sold for in the domestic market of the exporting country (the "normal value"). The difference is the margin of dumping and is expressed as a percentage of the export price.

6. The review found that 3 companies export plasterboard from Thailand, although as one of those companies only exported one small shipment the Ministry has not included this exporter in the report. The companies that the Ministry investigated are Thai Gypsum Plc. Ltd (TGP) and Siam Gypsum Industries Ltd (SGI/SCG Trading).

7. Currently exports by TGP attract a specific duty rate of THB[redacted] (approx. [redacted]cents/ per square metre), while plasterboard exported by SGI/SCG Trading attracts a zero *ad valorem* duty.

8. The Ministry has concluded that:

- Exports of standard plasterboard by TGP and SGI/SCG Trading are being dumped into New Zealand.
- Over the period of review, the weighted average dumping margin for TGP was [redacted] percent and [redacted] percent for SGI/SCG Trading, and there is likely to be a continuation of dumping by both exporters.
- Thai manufacturers have the capacity to increase exports of plasterboard to New Zealand.
- There are no significant barriers to entry into the New Zealand market for the existing importers of Thai plasterboard.

- If the anti-dumping duties are removed it is likely that imports that currently attract an anti-dumping duty rate would likely be reduced in price, which would likely see other imports being reduced as they attempt to stay competitive.

- This will likely put pressure on Winstone's domestic prices, and likely result in Winstone's sales revenue, profits, returns on investments, cash flow and growth being materially affected.

9. The Ministry has concluded that if anti-dumping duties are removed there is a likelihood of dumping continuing and this would likely cause a recurrence of material injury to the New Zealand industry. The Ministry has concluded that anti-dumping duties should remain and a reassessment of the duties has been initiated.

2. Proceedings

2.1 Proceedings

10. On 29 July 2011 the Chief Executive of the Ministry of Economic Development (the Ministry) received a properly documented application from Winstone Wallboards Limited (Winstone) for a review of anti-dumping duties that currently apply to imports of plasterboard from the Kingdom of Thailand (Thailand).

11. Anti-dumping duties currently apply to plasterboard from Thailand ranging from 6 (mm) to 12mm in thickness. Duties on this product have been in place since 1989. The duties were last reassessed and new rates were imposed on 11 September 2006.

12. On 5 September 2011, the Chief Executive of the Ministry of Economic Development 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 1988 ("the Act").

13. In accordance with Article 11 of the World Trade Organisation (WTO) Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (the Anti-Dumping Agreement), 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.

14. Interested parties were advised in writing of the initiation of this review and an Interim Report containing the essential facts established in the review and the conclusions reached by the Ministry was released to interested parties for comment on 29 February 2012. The comments and submissions received have been taken into account in this Final Report.

2.2 Reviews

15. In terms of section 14(9)(a) of the Act, anti-dumping duties relating to standard plasterboard from Thailand would, in the absence of a review, have ceased to apply from 11 September 2011. The existing anti-dumping duties will continue to apply pending the outcome of this review and any reassessment that may follow it.

16. The period of review for dumping (POR(D)) is from 1 August 2010 to 31 July 2011, while the period of review into injury (POR(I)) is for the period 1 July 2007 to 30 June 2011 . The Ministry has also evaluated forecast information provided by Winstone for 2011/2012, 2012/2013 and 2013/2014 should the anti-dumping duties remain and should they be removed.

17. In this report, unless otherwise stated, years are years ending 30 June and dollar values are in New Zealand dollars (NZD). In tables, column totals may differ from individual figures because of rounding. The term VFD refers to value for duty for New Zealand Customs Service (NZCS) purposes.

18. When the review was initiated, interested parties were advised of the initiation in writing and provided with the opportunity to make written submissions to the Ministry.

2.3 Dumping and Injury for the Purposes of a Review

Ministry's Approach to Sunset Reviews

19. The Ministry carries out reviews on the basis of 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.

20. Article 11.3 infers a necessity to clearly demonstrate 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"*[1]

21. 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*[2], and to the approaches taken by the European Union, United States, Canada and Australia to sunset reviews.

22. 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", it is considered that regard should be had to the timeframe within which an event may occur. Article 11.3 of the Agreement makes no express reference to the length of time within which a continuation or recurrence of injury has to take place.

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

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[1] 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.

[2] 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.

- 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 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, i.e., 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.

- 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”.

- In considering the likelihood of injury, the Ministry may refer for guidance to provisions in the Anti-Dumping Agreement that may be helpful in assessing that likelihood and 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.

- In considering whether removal of the duty would be likely to lead to a recurrence of dumping and injury, the Ministry 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 timeframes longer than imminent.

24. 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 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. The Ministry will examine these projections in light of the company’s past performance (with the duties in place to prevent injurious dumping) and projected future performance (both in presence and absence of the duties) in order to assist it in making either a negative or positive likelihood of recurrence of injury determination. However, such an assessment is only undertaken where the information is available and is likely to be useful.

2.4 Grounds for the Review

25. In its application for a review, Winstone claimed that it will suffer a recurrence of material injury if the current anti-dumping duties are removed, as imports of Thai plasterboard will be dumped and that material injury to the company will recur through:

- Price undercutting; price depression; and price suppression,

  resulting in:

- a decline in output and sales;

- a decline in market share;

- a decline in profits and return on investments;
- a decline in utilisation of production capacity; and
- adverse effects upon cash flow; inventories; employment and growth.

Reassessment of Anti-Dumping Duties

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

2.5 Interested Parties

2.5.1 New Zealand Industry

27. The application was submitted by Winstone, which is a wholly owned subsidiary of Fletcher Building Limited (FBL). Winstone is the only New Zealand manufacturer of plasterboard and therefore, in accordance with section 3A of the Act, constitutes the New Zealand industry.

2.5.2 Exporters and Importers

Exporters

28. Three companies were identified as being Thai exporters of the subject goods to New Zealand over the POR(D). Those companies are SCG Trading Co. Ltd, Thai Gypsum Products Pcl (TGP) and Chumsangthai Goldrice Ltd.

SCG Trading Co. Ltd

29. SCG Trading Co. was previously trading under the name of SCT Co. Ltd. The company sources its New Zealand bound plasterboard from its related company (and Thai producer) SGI. SGI is part of the Siam Cement Public Co. Ltd (Siam Cement) group of companies, and manufactures plasterboard for both the Thai domestic market and for export under the "Elephant" brand.

30. The company has its headquarters in Bangkok and production facilities in Saraburi and Songkhla. SCG Trading Co. is the export arm of the Siam Cement group of companies and handles the group's international trading and marketing for a wide range of products, including plasterboard. SCG Trading Co. does not conduct any sales in the Thai domestic market.

31. SCG Trading Co. and SGI co-operated with the Ministry by providing detailed responses to the Ministry's Foreign Manufacturers and Exporters Questionnaires and by inviting Ministry officials to Bangkok to verify the information supplied in their questionnaire responses. Both companies made a (combined) submission on the Ministry's Interim Report.

32. For the remainder of this report, where relevant, both companies are referred to as SGI/SCG Trading.

Thai Gypsum Products Pcl (TGP)

33. TGP was established in Thailand in 1968 and since then has been gradually increasing its capacity, product range, and product quality. In 1999, TGP was purchased by British Plaster Board Pcl (BPB), the world's largest building products manufacturer, which provided TGP with a strategic position in Asia. In 2005, Saint-Gobain acquired BPB. TGP manufactures for the Thai domestic market and exports plasterboard to a number of countries, including New Zealand. TGP is a subsidiary of French building materials company Saint Gobain which operates in more than 50 countries in sectors such as glass, pipes, plaster and packaging.

34. TGP exports plasterboard to New Zealand under the "ProRoc" brand and has been part of the BPB global group since December 1999. Its headquarters are in Bangkok and it has production facilities in Bang Pa-in and Laem Chabang. TGP co-operated with the Ministry by providing a detailed response to the Ministry's Foreign Manufacturers Questionnaire and by inviting Ministry officials to Bangkok to verify the information supplied in its questionnaire response. TGP made a combined submission (with Element New Zealand Limited) on the Ministry's Interim Report.

35. The only other exporter of Thai plasterboard to New Zealand over the POR(D) is a company by the name of Chumsangthai Goldrice Ltd. This company made only [redacted] small shipment to New Zealand and chose not to cooperate in the investigation.

Importers

36. Currently there are three companies importing plasterboard from Thailand.

Elephant New Zealand Limited (Elephant)

37. Elephant continues to purchase Thai plasterboard from SGI/SCG Trading and is the sole distributor of SGI/SCG Trading manufactured plasterboard in New Zealand. From the information gathered in the review, the Ministry understands that Elephant continues to sell plasterboard to distributors and to end-users and [redacted]) attempts to process all its sales through distributors.

38. During the period of review Elephant purchased directly from, and was invoiced directly by, SGI/SCG Trading in [redacted]. Limited information was provided by Elephant in this review.

Element New Zealand Limited (Element)

39. Element New Zealand Limited took over the New Zealand distributorship of TGP/BPB/Saint Gobain building materials from Building Materials New Zealand Limited (BML) in 2009.

40. Element provided a detailed response to the Ministry's Importers Questionnaire and this information has been used extensively in the compilation of this report.

Other Importers

41. Customs data also showed a third importer over the period of review, [redacted] who imported the [redacted] of plasterboard from Chumsangthai Goldrice Ltd. The importer informed the Ministry that it was a [redacted] shipment. On this basis, the Ministry has not included this importer or the corresponding exporter in the review.

2.6 Imported Goods

42. The goods which are the subject of the anti-dumping duty, hereinafter referred to as standard plasterboard are:

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

43. The Working Tariff of New Zealand classifies the subject goods under the following tariff item and statistical key:

68.09		**Articles of plaster or of compositions based on plaster**:
		- boards, sheets, panels, tiles and similar articles, not ornamented:
68.09.11.00	10d	- - **faced or reinforced with paper or paperboard only**

44. The subject goods fall under the same tariff item as all other standard and performance plasterboards imported into New Zealand. Imported plasterboard from Thailand is eligible to enter New Zealand free of import duty under the New Zealand Thailand Closer Economic Partnership Agreement (the Normal tariff rate for imports from non-preferential sources is 5 percent). The plasterboard exported from Thailand is sent directly to New Zealand and does not pass through any third countries.

2.7 Exchange Rates

45. Article 2.4.1 of the Anti-Dumping Agreement provides as follows:

> When the comparison under paragraph 4 requires a conversion of currencies such conversion should be made using the rate of exchange on the date of sale[8], provided that when a sale of foreign currency on forward markets is directly linked to the export sale involved, the rate of exchange in the forward sale shall be used. Fluctuations in exchange rates shall be ignored and in an investigation the authorities shall allow exporters at least 60 days to have adjusted their export prices to reflect sustained movements in exchange rates during the period of investigation.
>
> [8] Normally, the date of sale would be the date of contract, purchase order, order confirmation, or invoice, whichever establishes the material terms of sale.

46. Both import companies provided the invoice dates of their exports to New Zealand and the Ministry has used these dates as the date of sale and applied an exchange rate applicable at that date. In instances where invoices were not obtained by the Ministry, the Ministry has used the NZCS date of import as the date of sale and applied an exchange rate applicable at that date.

2.8 Provision of Information

47. The Ministry makes available all non-confidential information to any interested party through its public file system, in accordance with Section 10(6)(b) of the Act.

48. A verification visit was carried out at Winstone's premises to verify the information supplied by the company in its Application for a Review and its response to the Ministry's Request for Further Information. A copy of the verification report relating to the company visit was provided to the company and a non-confidential version was placed on the Public File.

49. The Ministry also carried out visits to TGP and SGI/SCG Trading in order to verify information and to obtain further information. The results of these visits are presented in section 4 of this report.

50. Section 6 of the Act states that:

> (1) Where the [Chief Executive] is satisfied that sufficient information has not been furnished or is not available to enable the export price of goods to be ascertained under section 4 of this Act, or the normal value of goods to be ascertained under section 5 of this Act, the normal value or export price, as the case may be, shall be such amount as is determined by the [Chief Executive] having regard to all available information.

51. Article 6.8 of the Anti-Dumping Agreement provides as follows:

> In cases in which any interested party refuses access to, or otherwise does not provide, necessary information within a reasonable period or significantly impedes the investigation, preliminary and final determinations, affirmative or negative, may be made on the basis of the facts available. The provisions of Annex II shall be observed in the application of this paragraph.

52. Elephant New Zealand Limited provided limited co-operation in the review and did not provide a response to the Ministry's Importers Questionnaire. As a result, some of the findings in this report, relating to Elephant, 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.

3. New Zealand Industry

53. 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.

"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

54. In order to establish the existence and extent of the New Zealand industry for the purposes of an investigation into whether the injury would be likely to continue or recur if the anti-dumping duties were removed or varied, it is necessary to determine whether there are New Zealand producers of goods which are like those goods in all respects. If not, it is necessary to establish whether there are New Zealand producers of other goods which have characteristics closely resembling the subject goods. The subject goods are defined in section 2.6 above.

55. Winstone produces a range of 10mm thick standard plasterboard in several lengths and widths which it markets under its NEW GIB® brand. The company also produces a NEW 10mm GIB Wideline® plasterboard which the company markets as a performance plasterboard due to its suitability for higher stud heights. GIB Wideline® is [redacted] as standard plasterboard, with its [redacted] that it is wider at 1350mm than the other standard plasterboard at 1200mm. It was first introduced in response to greater levels of horizontal installation of plasterboard, as opposed to traditional vertical installation and changing stud heights. However, changes in manufacturing dimensions, within the nominal thicknesses of 6mm and 12 mm, do not change the essential character of the goods and any dimensions of board within this range would be considered standard plasterboard.

56. Winstone introduced its NEW GIB® standard board in October 2010 to replace its existing GIB® standard board. The new board contains a modern re-engineered composite core utilising new honeycomb technology and fibreglass, and is encapsulated in a stronger paper-liner. NEW GIB® standard board is available in 10mm and 13mm thickness and includes GIB Wideline®. While Wideline® was not

manufactured by Winstone at the time the original anti-dumping duties against imports from Thailand were introduced, it was considered to be a like good at the time of the last review.

57. The Ministry has reviewed whether there has been a change since the original investigation, which would lead to a change in the conclusions reached in the like goods analysis. The Ministry has been provided with no new information that would have it conclude that the like goods analysis should be changed.

58. Therefore on the basis of the information available, the Ministry considers that 10mm standard plasterboard produced by Winstone (including its 10mm Wideline) are goods that closely resemble the subject goods and concludes that the company is producing like goods to the subject goods being imported from Thailand.

3.2 Imports of Standard Plasterboard

59. Table 3.1 below shows past import volumes of standard plasterboard into New Zealand in square metres (sqm). The figures have been sourced from NZCS data that covers the goods imported into New Zealand under the tariff item and statistical key shown in paragraph 43 above. However, standard plasterboard is not individually identified in the Customs statistics. As well as containing the standard plasterboard under review, the tariff item and statistical key 68.09.11.00 10d also covers other types of plasterboard not under review, such as performance board.

60. To provide an accurate assessment of imports of standard plasterboard imported into New Zealand, the Ministry has used import documentation provided by the two current New Zealand importers of Thai plasterboard to identify the percentage that imports of standard plasterboard represented of total imports over the POR(D). This percentage figure has been applied to imports from Thailand (and other countries) since 2007/8 to provide the Ministry with an assessment of the volumes of standard plasterboard imported into New Zealand.

61. Table 3.1 below shows the New Zealand import volumes of standard plasterboard in June years since 2007/8 sales of New Zealand production and the total New Zealand market.

Table 3.1: Imports of Standard Plasterboard (sqm)
(Years ended 30 June)

	2007/8	*2008/9*	*2009/10*	*2010/11*
Thailand	[redacted]	[redacted]	[redacted]	[redacted]
Imports from other countries	[redacted]	[redacted]	[redacted]	[redacted]
NZ Industry Sales	[redacted]	[redacted]	[redacted]	[redacted]
NZ Market	[redacted]	[redacted]	[redacted]	[redacted]

62. The figures in Table 3.1 show that import volumes of standard plasterboard from Thailand have increased gradually since 2007/8 and have increased by 35 percent since 2007/8. Thailand remains by far the largest source of imported plasterboard (representing approximately [redacted] percent of total import volumes).

4. Dumping Investigation

63. Dumping is defined in section 3(1) of the Act and occurs when an exporter sells goods to New Zealand (the “export price”) at a price lower than they sell the same or similar goods in their country (the “normal value”). In essence dumping is price discrimination between an export and domestic market.

4.1 Ministry’s Approach to Likelihood of Continuation or Recurrence of Dumping

4.1.1 Introduction

64. In any dumping analysis (whether in an investigation or review), the Ministry normally compares export prices and normal values on a transaction-to-transaction basis. This basis of comparison involves selecting an appropriate domestic transaction value (or when no suitable domestic transactions exist, constructing a domestic transaction value) for comparison with each export transaction value.

4.1.2 Methodology/Review Process

65. The Ministry invited both main exporters (TGP and SGI/SCG Trading) to participate in the investigation and provide a response to its Foreign Manufacturers questionnaire. The Ministry received good information from both Thai producers which was supplemented by on-the-spot (or verification) visits which were undertaken at the premises of both companies in Thailand.

66. To calculate an overall dumping margin for each Thai producer, the Ministry has calculated a weighted average export price and normal value for standard plasterboard sold during the POR(D). The weighted average export price is then subtracted from the weighted average normal value and the balance was the overall dumping margin. If the weighted average export price was lower than the weighted average normal value for a manufacturer, the goods were considered to be dumped.

67. The weighted average export price and normal value have been compared at the ex-factory level, which is the preferred point of comparison under Article 4.2 of the Anti-Dumping Agreement, as a comparison at this point removes any differences in downstream costs from the dumping calculation.

68. To arrive at ex-factory values, the Ministry has made a number of adjustments to the base normal values and export prices to ensure a fair comparison between sales of standard plasterboard for domestic consumption in Thailand and those exported to New Zealand.

4.2 Export Price

4.2.1 Thai Gypsum Products Pcl (TGP)

Introduction

69. TGP supplies Element from its Laem Chebang plant and the goods are exported from the nearby Sriracha port. TGP offers Element a three-tier pricing structure based on size of the order and speed of delivery.

70. The invoice date of each export shipment to New Zealand is considered by the Ministry to establish the material terms of sale and the date from which TGP's credit terms commence. Over the POR(D) Element was invoiced in [redacted]. The currency conversion (from [redacted] to Thai baht) has been made for each shipment using the rate of exchange at the date each transaction was invoiced. Some shipments were subject to a [redacted] which applied to both standard and performance boards.

Base Prices

71. Exports to New Zealand are made on a FOB basis, therefore the FOB value of each export transaction has been taken to be the base price. TGP provided a full set of export documentation (including purchase orders, order acknowledgments, proforma invoices and commercial invoices) relating to each shipment to New Zealand over the POR(D). The value of a number of export transactions was verified from electronic payment records generated by the company's electronic management reporting system (MRP) and then traced back to bank statements held by the company to ensure that the company was receiving payment for the amount invoiced (excluding any [redacted] granted).

72. Base prices were taken as the FOB amounts listed in the Customs data (but inclusive of the [redacted] relating to each export transaction) and were matched to the amounts shown on the invoices provided by TGP. Standard plasterboard in the majority of the export shipments was invoiced at [redacted] per square metre, although some shipments which were invoiced at either NZD[redacted] or [redacted] per square metre.

73. If a [redacted] was granted on an export transaction, the Ministry apportioned an amount to standard plasterboard on the basis that the value of standard plasterboard represented of the value of the total shipment (including both standard and performance board). The amount calculated for the [redacted] was deducted from the FOB base price for each shipment to New Zealand.

74. In its response to the Ministry's Interim Report, TGP stated that all net prices should relate to the price list. The base price in the price list is [redacted], and if orders [redacted] are placed, or any orders are placed for a requirement shipment within [redacted], a lower price of [redacted] or [redacted] applies (often depending on negotiation between TGP and

Element and future purchasing forecasts). TGP provided the Ministry with revised export prices (for each shipment to New Zealand) based on the three-tier pricing arrangement (including [redacted]) as described above.

75. In response to TGP's claim, the Ministry notes that the weighted average export price calculated on the basis of the three-tier selling arrangement between TGP and Element is almost identical to the weighted average export price calculated by the Ministry (see below) using payment amounts verified at TGP's premises in Bangkok. On this basis the Ministry has decided to use its own means of calculating a [redacted] amount for each shipment to New Zealand (where relevant) in the calculation of a weighted average export price. The calculation of this weighted average export price is explained below.

Adjustments

Inland Freight

76. TGP incurs a cost for inland freight as the goods are transported from its Laem Chebang plant to the nearby Sriracha port before being loaded for shipment to New Zealand. An adjustment for inland freight has been made for all shipments based on invoices from the company's transportation firm [redacted] which related to each of the specific shipments to New Zealand. The inland freight charge differed for each individual export shipment to New Zealand based on the quantity of plasterboard exported. The average cost for inland freight ranged from THB[redacted] to THB[redacted] per square metre for the shipments exported to New Zealand over the POR(D).

Customs Clearance Fee and Service Charge

77. TGP incurs a customs clearance fee and service charge on plasterboard loaded for shipment to New Zealand. An adjustment for these two charges has been made for all shipments based on invoices from the company's transportation firm [redacted] which related to each of the specific shipments to New Zealand. The charges differed for each individual export shipment to New Zealand based on the quantity of plasterboard exported. The average cost for these two charges combined ranged from THB[redacted] to THB[redacted] per square metre for the shipments exported to New Zealand over the POR(D).

Terminal Handling Charge and Freight Cost

78. TGP incurs a terminal handling charge (THC) of THB[redacted] for a 20 foot container when the goods are loaded for shipment to New Zealand. The company provided an invoice from [redacted] showing this THC charge for a shipment of plasterboard destined for New Zealand. An adjustment was made to the export price for the THC relating to each shipment of standard plasterboard exported to New Zealand over the POR(D).

79. The company provided an invoice from [redacted] showing a freight fee (THB[redacted]) for a shipment of plasterboard destined for New Zealand.

80. The adjustment for the THC and the freight fee combined ranged from THB[redacted] to THB[redacted] per square metre for the shipments exported to New Zealand.

Export Packing

81. Export goods require special packaging when sea freighted and therefore incur additional costs to plasterboard destined for sale on the domestic market. TGP provided a breakdown of the packing items and costs it incurs when packing the plasterboard for export to New Zealand.

82. Using the costs provided, total costs relating to export packing was calculated to be THB[redacted] per square metre and an adjustment of this amount has been made for each shipment exported to New Zealand.

Cost of Credit

83. Every time an exporter does not get paid upon delivery, it incurs a financial cost. Thus, the cost of credit is deducted from the gross prices in order to arrive at prices effectively realised on each transaction. A similar deduction is made in calculating normal values.

84. TGP's terms of payment for sales to Element are [redacted] within [redacted] days from [redacted] ([redacted]). However, TGP stated that Element often settles its account with TGP [redacted] which effectively [redacted] the cost of credit to TGP.

85. Element pays TGP for a number of plasterboard shipments at one time, rather than separately. TGP provided electronic payment records relating to the majority of the shipments to New Zealand over the POR(D). These payment records showed the transaction number for each export transaction, the date of payment, the value of the shipment and the exchange rate at which the currency conversion from [redacted] to Thai Baht was made.

86. The company also provided a [redacted] bank statement for a number of export transactions to New Zealand showing the amount of Thai baht which was deposited into the company's bank account by Element the day the payment was made. The number of days payment took for the export transactions made over the POR(D) ranged from [redacted] to [redacted] days.[3]

87. The Ministry considers that the short term deposit rate available in Thailand reflects the cost of credit extended to all its customers, both export and domestic. At

[3] For the [redacted] shipments for which no electronic payment record was provided, the Ministry has used the date of payment on the electronic payment record relating to another shipment invoiced and imported into New Zealand on the same date as the shipment for which no electronic payment record was provided. When there was no export transaction invoiced and entered into New Zealand on the same date as the transaction for which no electronic payment record was provided, the Ministry has used the average number of days taken to make payment (for all shipments over the POR(D)), which was [redacted] days.

the time of the visit, TGP accessed the Thai webpage for the [redacted] bank which showed historical short term deposit rates in Thailand over the POR(D). The Ministry has used the 3-month [redacted] deposit rate, which equates to 3.2 percent per annum, to calculate the cost of export credit.

88. From the above records, and using the date each payment was made, the Ministry was able to calculate a cost of credit for each of the export shipments to New Zealand over the POR(D). The cost of credit adjustment ranged from THB[redacted] to THB[redacted] per square metre for the shipments exported to New Zealand.

Export Price Calculation

89. TGP's export prices for standard plasterboard have been calculated by deducting from the FOB invoiced base prices the adjustments outlined above. Export prices over the POR(D) ranged from THB[redacted] to [redacted] per square metre. The weighted average ex-factory export price is THB[redacted] per square metre. Table 4.1 below shows a break-down of TGP's export price calculation.

Table 4.1: TGP Export Price Calculation

		Amount (THB/sqm)
FOB Base Prices (net of discount)		[redacted]- [redacted]
<u>*Less*</u>	Inland Freight	[redacted] - [redacted]
	Customs Clearance fees & Service charge	[redacted] - [redacted]
	Terminal Handling Charge & Bill of Lading fee	[redacted] - [redacted]
	Export Packing	[redacted]
	Cost of credit	[redacted] - [redacted]
Weighted Ave. Ex-factory Export Price		[redacted]

4.2.2 SGI/SCG Trading

90. SGI/SCG Trading has two manufacturing sites from which plasterboard is exported and exports the goods to the New Zealand distributor, Elephant. SGI/SCG Trading advised that there is no ownership relationship between SGI/SCG Trading and Elephant.

Export Sales Distribution

91. During the POR(D) there were [redacted] shipments of the subject goods by SGI/SCG Trading to Elephant which totalled [redacted] square metres.

Base Prices

92. Export sales are made on [redacted] basis, therefore the base prices have been taken as the [redacted] price to Elephant from SGI/SCG Trading.

93. For the POR(D) these prices ranged from [redacted] to [redacted] per square metre. SGI/SCG Trading provided invoices for all the shipments to New Zealand and a schedule all of its costs allocated to each line of each shipment for the subject goods between ex-factory and the port. The base prices were converted to Thai Baht using the relevant exchange rate at the date of sale.

Adjustments

Inland Freight

94. SGI/SCG Trading uses [redacted] ([redacted]) to transport its export goods from the factory to the wharf. [redacted] is a related company to SGI and SCG Trading so the company was asked about the basis on which it charges for its services.

95. SGI/SCG Trading said that [redacted] operates as an independent company and competes with other logistical service companies in the market. Companies in the group of companies to which SGI/SCG Trading belong are able to use other logistic services if they can achieve a more competitive price.

96. SGI/SCG Trading incurs a freight charge for transportation from the factory at Songkhla to the port at Sriracha port. The cost of the transportation was allocated on a per shipment basis, over the total number of square metres in the shipment, resulting in a cost for each shipment during the POR(D) ranging from THB [redacted] to THB [redacted] per square metre for transportation.

Customs Clearance

97. Customs clearance was also charged by [redacted] and was recorded on the same invoice for the transportation of the shipment to the port. There was a set fee for the shipment which was allocated over the total number of square metres in the shipment and applied to the goods.

98. The cost for each shipment during the POR(D) ranged from THB [redacted] to [redacted] per square metre.

Bill of Lading

99. A bill of lading fee is charged by [redacted]. The cost for each shipment during the POR(D) ranged from THB [redacted] to THB [redacted] per square metre.

Terminal Handling Charge

100. As [redacted] shipped the goods to New Zealand it also invoiced SCG Trading for the cost of the terminal handling charge. The cost for each

shipment during the POR(D) ranged from THB [redacted] to THB [redacted] per square metre.

Export Handling Charge

101. The export handling charge is for unloading the trucks at the wharf, and handling the cargo including [redacted] and is undertaken by Sriracha Harbour Public Company Limited. The cost for each shipment during the POR(D) ranged from THB [redacted] to THB [redacted] per square metre.

Lashing Charge

102. The lashing charge from Sriracha Harbour Public Company Limited is for securing the goods for shipment. The cost for each shipment during the POR(D) ranged from THB [redacted] to THB [redacted] per square metre.

Export Packing

103. The Ministry is aware that there are costs associated with the packaging of plasterboard for export. SGI/SCG Trading did not provide any itemised packaging costs but it is clear that an adjustment for these costs is required.

104. Based on the best information available the Ministry has made an adjustment at an average cost of [redacted] THB per square metre.

Container Freight Station Charge

105. The cost from Sriracha Harbour Public Company Limited for the container freight station charge is a cost for stacking the cargo. The cost for each shipment during the POR(D) ranged from THB [redacted] to THB [redacted] per square metre.

Bank Fee

106. SGI/SCG Trading provided a bank statement which shows the payment for the shipment of the goods exported to Elephant. The bank charged a fee for the transaction in THB for the payment. The cost for each shipment during the POR(D) ranged from THB [redacted] to THB [redacted] per square metre.

Cost of Credit

107. The credit extended by SGI/SCG Trading was calculated using the [redacted] bank short term (3 month) deposit rate which equates to 3.2 percent per annum.

108. The cost of credit has been calculated for the number of days of credit extended by SGI/SCG Trading to Elephant using the interest rate above. The number of days has been taken from the date of sale until the payment date. The average number of days credit over the POR(D) was [redacted] days.

109. An adjustment for cost of credit has been made for the number of days credit extended on each export transaction at an interest rate of 3.2 percent. The amount of the adjustment ranged from THB[redacted] to [redacted] per square metre.

Export Price Calculation

110. SGI/SCG Trading's export prices for standard plasterboard have been calculated by deducting from the [redacted] base price the cost of the adjustments outlined above. Ex-factory export prices over the POR(D) ranged from THB [redacted] to THB [redacted] per square metre.

111. The weighted average export price over the POR(D) is THB [redacted] per square metre.

112. Table 4.2 below shows a breakdown of the calculation of SGI/SCG Trading's export price.

Table 4.2: SGI/SCG Trading: Export Price

	Amount (THB/Sqm)
Base Price	[redacted]
Less: Inland freight	[redacted]
Customs Clearance	[redacted]
Bill of Lading	[redacted]
Terminal Handling Charge	[redacted]
Export Handling Charge	[redacted]
Lashing Charge	[redacted]
Export Packing	[redacted]
Container Freight Station Charge	[redacted]
Bank Fee	[redacted]
Cost of credit	[redacted]
Weighted Average Export Price	[redacted]

4.3 Normal Values

4.3.1 Introduction

113. Normal values are determined in accordance with section 5 of the Act and can be described as arm's length sales of goods in the ordinary course of trade for home consumption in the country of export that are "like" those exported to New Zealand.

The normal value is the price at which the Thai manufacturers sell standard plasterboard in the domestic market in Thailand.

114. Section 5(3) of the Act requires that in order to effect a fair comparison the normal value and export price shall be compared at the same level of trade, in respect of sales made at nearly as possible to the same time and with due allowance for differences that affect price comparability.

115. For the current review, both Thai producers provided information on their domestic sales, and to the extent to which this information was verifiable, the Ministry has used it to calculate normal values. The Ministry supplemented this information with other available information where information gaps needed to be filled.

4.3.2 Thai Gypsum Products Pcl (TGP)

Introduction

116. TGP sells 9mm standard plasterboard of dimensions 1.2 by 2.4 metres on the Thai domestic market. The company has approximately [redacted] customers with direct accounts, the majority being “wholesale” trade accounts. Approximately [redacted] percent of the company’s business comes from the largest [redacted] of its [redacted] customers. While the 9mm standard board is predominantly used in ceilings in Thailand, the 10mm export board is used in both ceilings and walls in New Zealand. However, because the two standard boards are manufactured in the same way, the Ministry considers the 9mm standard board to be a ‘like good’ to the 10mm board exported to New Zealand for the purpose of determining normal values under section 5 of the Act.

Level of Trade for the Calculation of Normal Values

117. During the verification visit to TGP’s premises, the company was asked to provide a detailed level of trade split of its domestic sales transactions. TGP argued that if the Ministry was going to conduct its dumping analysis on the basis of a weighted average approach, then its sales to dealers was the most appropriate level of trade to use even though dealers receive a much greater level of product and selling support than its New Zealand importer receives. TGP also stated that if a transaction-to-transaction approach was adopted by the Ministry, there are very few customers who purchase similar volumes to its New Zealand importer.

Base Prices

118. TGP provided the Ministry with an Excel printout consisting of a line-by-line breakdown of all [redacted] domestic sales transactions of standard 9mm plasterboard over the POR(D). The printout displayed the name of each customer (and customer code no.), the product type and size (and code number), the transaction/invoice number, volume sold, total invoiced amount, VAT amount, rebate amount (relating to each transaction) and an amount for inland freight (relating to each transaction).

119. At the verification visit, the Ministry asked TGP to run a request through its [redacted] planning system which brought up electronically, on a monthly, product-specific basis, the company's total sales volume of 9mm standard plasterboard over the POR(D). As a result of this exercise it was discovered that certain sales of export-destined board (which had been sold domestically because of production overruns) had been excluded from the original Excel spreadsheet provided to the Ministry. Because the company considered that these sales had been made in the ordinary course of trade (in the Thai market), the company provided the Ministry with an updated Excel spreadsheet containing these additional sales.

120. TGP provided commercial invoices relating to a number of sales for two domestic customers [redacted] and [redacted]. These customers were chosen on the basis that TGP noted that they purchased similar volumes of sales to what TGP had made to Element in New Zealand over the POR(D). The Ministry noted that sales of 9mm standard plasterboard to [redacted] consisted of TGP's *regular* 9mm 120 x 240cm standard board whereas sales to [redacted] consisted of TGP's *regular* 9mm 120 x 240cm standard board as well as sales of its 9mm 120 x 240cm [redacted] standard board. The company had introduced its [redacted] TGP's [redacted] was sold throughout Thailand [redacted]

121. The Ministry notes that TGP's list invoice price for its *regular* 9mm 120 x 240cm standard board to both customers is [redacted] to the list price noted in Winstone's Application for a Review, relating to TGP. The Ministry considers TGP's list prices recorded on its commercial invoices to its domestic customers to be the base prices from which adjustments can be made for the purpose of establishing ex-factory normal values.

122. In its response to the Ministry's Interim Report, TGP noted that [redacted] is key to determining selling prices on the Thai market, since there is [redacted] different prices. The fact that there are [redacted] domestic customers, and the vast majority of sales are made to small operations, indicates that the market is not comparable to New Zealand export sales. The company suggested that, in order to obtain a more accurate price comparison (between its export prices to Element and its domestic prices in Thailand), the Ministry should base its normal value on sales to particular Thai customers which purchase similar quantities to Element. TGP suggested that sales to [redacted] should be used by the Ministry for this purpose.

123. The Ministry has decided to undertake its dumping analysis on a weighted average export price to weighted average normal value basis. The Anti-dumping Agreement is clear that, under this methodology, the comparison of export prices and normal values shall be made at the same level of trade but does not allow for sales to certain domestic customers only, to be used. This methodology envisages that sales to all customers at the relevant level of trade, in the ordinary course of trade, are compared with the weighted average export price.

124. The Anti-dumping agreement also notes when undertaking a fair comparison between domestic and export prices, due allowance shall be made for differences which affect price comparability. On this basis the Ministry would be prepared to allow an adjustment to the normal value for differences in quantities as this is expressly provided for under Article 2.4 of the Anti-dumping Agreement. However, for the Ministry to allow an adjustment for quantities, it would need to be established that there is a price difference in the domestic market between sales made to large customers and those made to small customers.

125. The Ministry has analysed the domestic sales information supplied by TGP, and specifically, the average prices of sales made to each of the company's customers over the POR(D). The information indicates that there are [redacted] in the prices charged by TGP to its domestic customers that correlate with differences in sales volumes. While TGP has suggested that [redacted] would be a suitable domestic customer on which to base normal values (because volumes are similar to those exported to New Zealand), the Ministry notes that there are a number of domestic customers who purchased a similar or larger volume of plasterboard as Element, over the POR(D). Upon analysing these sales, the Ministry noted that the weighted average net selling price to customers who purchased over [redacted]sqm from TGP was [redacted] to the weighted average net selling price to customers who purchased less than [redacted]sqm. On the basis of the above, the Ministry is satisfied that the normal value for TGP should be calculated on a weighted average normal value basis and that all sales made by TGP to all customers over the POR(D) should be used in the calculation of the company's weighted average normal value. The calculation of this weighted average normal value is explained below.

Adjustments

Discounts and Rebates

126. Discounts and rebates are standard in the Thai domestic market with their size dependent upon a number of factors, including [redacted] The invoices provided by TGP displayed the list price and also the discount granted. For the sample of invoices obtained from TGP, the discounts ranged from [redacted] to [redacted] percent.

127. The invoice price (net of discounts) for the selection of invoices to [redacted] and [redacted] was verified from electronic purchase orders and invoices generated by the company's electronic MRP system. The Ministry matched each sale of standard plasterboard recorded on the invoices to individual transactions contained in the Excel spreadsheet generated by TGP.

128. Rebates are generally provided [redacted] by TGP and therefore not recorded on the customer's invoice. They are based mainly on [redacted] [redacted] although even when a customer [redacted] The company noted that rebates represent between [redacted] percent of the list price according to the type of customer.

129. The sum of the rebate amounts granted by TGP to all domestic customers and apportioned to sales of 9mm standard plasterboard (recorded on the Excel spreadsheet containing all domestic transactions of standard plasterboard over the POR(D)) represented approximately [redacted] percent of the total value the 9mm plasterboard sales over the period. This percentage figure is [redacted] to a figure noted in Winstone's Application for a Review, relating to TGP and provides the Ministry with a reliable indication of the accuracy of the information on rebates provided by TGP.

Internal Freight Costs

130. TGP noted that [redacted] in order to compete with other Thai producers in areas where these producers have factories. In the 2006 review, TGP claimed that an adjustment to its normal values should be made for [redacted] freight costs, however, because the company was unable to provide information on the extent of the [redacted] the Ministry did not make an adjustment to the company's normal values.

131. In the present case, in order to establish the true freight costs [redacted] on which to base an adjustment, TGP provided the Ministry with the total amount the company incurred on freight costs over the POR(D) as well as the total amount it charged its customers for the cost of freight.

132. An adjustment per square metre for the [redacted] freight cost incurred by TGP over the POR(D) was made on the basis of the information and explanation provided by the company and deducted from the list selling prices exclusive of discounts and rebates. For the sample of invoices obtained from TGP, the adjustment ranged from [redacted] to THB [redacted] per square metre.

Taxation

133. As the prices provide in the Excel spreadsheet generated by TGP recording all domestic sales transactions over the POR(D) were exclusive of the 7 percent VAT, no adjustment to the list selling prices is necessary.

Physical Characteristics

134. TGP does not sell 10mm plasterboard in the Thai domestic market, therefore, an adjustment has to be made to the 9mm domestic prices for the difference in the cost of the 9mm and 10mm board, so that a fair comparison can be made.

135. TGP stated that the main difference in the production cost between the 9mm and 10mm plasterboard is likely to consist of additional gypsum used in producing the 10mm board and some additional energy costs associated with the drying process. In order to substantiate the difference in manufacturing costs between the 9mm domestic and 10mm exported plasterboard, TGP was able to provide the Ministry with electronic Bills of Materials (BOM) generated from its MRP. The BOMs displayed the direct material, labour and energy costs incurred in producing each

product. The difference in the production costs for the two products amounted to THB [redacted] per square metre and an adjustment of this amount has been made to the normal value.

Cost of Credit

136. As with export sales, a cost of credit is calculated for domestic sales made over the POR(D) and deducted from the gross prices in order to arrive at prices effectively realised on the domestic market.

137. As with the terms of credit TGP extends to its New Zealand importer, Element, the Ministry considers that the short term deposit rate available in Thailand reflects the cost of credit extended to its domestic customers. Using both the 3-month deposit rate and TGP's latest Accounts Receivable records (to calculate an average number of days taken for domestic customers to make payment), the Ministry was able to calculate an average cost of credit amount for domestic sales over the POR(D). The average cost of credit calculated was THB[redacted] per square metre and an adjustment for this amount has been made to the normal value.

Overhead Costs on Domestic Sales

138. TGP requested the Ministry recognise that it spends considerable resources selling plasterboard in Thailand, compared to New Zealand. These differences result from selling, administration, [redacted] to architects and developers and marketing. TGP stated that [redacted].

139. In order to substantiate the amount TGP incurs on such overheads, the company supplied the Ministry with a list of overhead costs incurred during 2010. The company was able to identify whether these costs were incurred in either the domestic sales, export sales, or shared across both domestic and export sales. The company noted that export-only costs are fairly well contained, dealing with sales support and marketing, covering employee expenses mainly, whereas the domestic costs and shared costs (general administrative expenses) cover a broader range of activities.

140. In calculating an adjustment amount, TGP took the actual 2010 overhead costs assigned to domestic sales and apportioned the costs to 9mm domestic plasterboard sales on the basis of the proportion that total domestic plasterboard revenue is made up of 9mm regular board sales. The company undertook a similar exercise for the export costs.

141. In undertaking this exercise TGP ignored other shared overhead costs, as it considered it would be harder to quantify the extent to which these costs are shared between export and Thai sales.

142. TGP calculated overhead costs of THB[redacted] per square metre for 9mm domestic plasterboard sales and THB[redacted] per square metre for 10mm New Zealand plasterboard sales. The company considered that these per unit values

provide a fair representation of actual costs expended over the POR(D) and, because they accounted for the difference in costs of selling 9mm standard board in Thailand and 10mm standard board to New Zealand, normal values should be adjusted by the difference in the two costs (i.e.THB[redacted] per square metre).

143. Article 2.4 of the Anti-dumping Agreement lists a number of factors affecting price comparability for which due allowance shall be made, although this does not preclude allowance for other factors that are demonstrated to affect price comparability.

144. However, the Act does not envisage an adjustment for all cost differences between the domestic and export good.

145. Procedures followed by signatories to the WTO show that certain categories of costs are recognised for adjustment, on the grounds that these particular costs are likely to have affected price.

146. On this basis, the Ministry’s practice has been to allow an adjustment where: (i) the actual cost incurred (or selling price achieved) by the exporter is related specifically to the domestic sales transactions under examination; and (ii) the exporter has demonstrated that the prices achieved have been affected by the cost incurred.

147. This may be described as a price-based approach which accepts that certain categories of costs qualify as a basis for adjustments on the assumption that those cost items have affected the price. Such an approach rules out any assumption that all costs are likely to have affected the price.

148. One way of testing for this requirement is to distinguish between circumstances that are likely to have a direct or causal relationship to the price of the sales and those circumstances that do not. This relationship is relatively straightforward in the case of differences in physical characteristics (in the present case the difference in production costs for 9mm domestic board and 10mm export board); date of sale; and taxation and import duties. In the case of adjustments for differences in the “terms and conditions of sale” the relationship is often less straight forward. The following are relevant factors the Ministry considers when deciding whether the particular adjustment factor has a direct relationship to the sale:

- If the buyer/customer is likely to have been aware of the adjustment factor it is more likely that price has been affected by the factor and indicates that the factor is closely linked to the sale. An example is advertising costs, some of which are product related, and some of which are brand related (general, or company-specific, in nature).

- The fact that the sale would have taken place whether or not the expense had been incurred indicates that the adjustment factor is not closely linked to the sale. In other words, if the expense does not arise as a result of the sale, it is unlikely to have a direct link to the sale. Expenses such as overheads, which would arise even if the sale did not take place, would not normally qualify as meeting the “directly related” requirement. The directly-related requirement may predominantly relate to expenses that in accounting terms are known as variable expenses, although what is a variable expense is not always clear.

149. In its response to the Interim Report, TGP stated that in its opinion the wording of Article 2.4 of the Anti-dumping Agreement *requires* allowance for *any* (emphasis added) difference demonstrated to affect price comparability. The company stated that, in terms of the matters the Ministry considered relevant (in its Interim Report) in deciding whether an adjustment factor has a direct relationship to the sale price, Thai customers know that [redacted] available when they buy plasterboard because they deal with the TGP staff directly.

150. In terms of whether the sale would have taken place or not, TGP stated that the expense has a direct link to the sales in each market because without the support [redacted] in Thailand), there would be [redacted]. In other words, the company could not compete with its competitors in the domestic market without [redacted]. TGP stated that if a Thai customer no longer purchased plasterboard, there would be no need for the product support, and TGP would need to adjust the level of resource committed to maintain profitability.

151. According to TGP, its interpretation of Article 2.4 is supported by the Canadian Anti-Dumping legislation[4], which makes the treatment of separate costs explicit in its legislation. The company claimed that its interpretation of Article 2.4 is also consistent with the United States legislation (so long as the expenses are directly attributable to sales)[5] and the Australian Handbook cited by the Ministry in its Interim Report.

152. The Ministry has considered the further argumentation submitted by TGP since the release of the Interim Report, for an adjustment to its normal values to account for its difference in overhead expenses (selling, administration, marketing and support costs) between the 9mm standard board sold locally and the 10mm standard board exported to New Zealand. TGP's argumentation has been addressed below, under a level of trade adjustment.

Level of Trade Adjustment

153. Article 2.4 of the Anti-dumping Agreement requires that due allowance be made for differences which affect "price comparability" including differences in levels of trade. An adjustment for trade level will only be made when these differences in levels of trade are shown to have affected price.

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[4] Section 9 of the Canadian Special Imports Measures Act (SIMA) allows deductions equal to the amount of the costs, charges or expenses incurred by the exporter in selling to a purchaser at the subsequent level of trade. Such deductions are allowed because these costs represent sales activities that would not be performed by the exporter in selling to the same trade level as that of the importer in the exporter's domestic market.

[5] See page 22 of Chapter 8 of the US International Trade Administration's Anti-dumping Handbook, relating to differences in the circumstances of sale.

154. An example of a difference in the level of trade is where an exporter sells at more than one level of trade on its domestic market e.g. to distributors and to retailers and the export sales to New Zealand are at the distributor level. In this circumstance the Ministry examines whether it is possible to determine a normal value using only comparable domestic sales (i.e. sales to the distributor level). If this is possible, a normal value using comparable domestic sales would not require an adjustment to take account of level of trade.

155. However, where a normal value using only comparable domestic sales cannot be established, as the exporter has no domestic sales at the same level of trade as the export sales, the Ministry will examine the role of the parties and their place in the distribution chain (who's buying from whom or who's selling to whom). If evidence shows that the domestic sales and the export sales differ in level of trade the Ministry will normally consider an adjustment (so as to avoid the potential for inequity in comparing for example a price to a retailer or end user to a price to a distributor).

156. One means of quantifying a claim for differences in level of trade, is to use the costs arising from different functions. The adjustment using this method is based upon the sum of the costs associated with each activity the exporter has performed in the domestic market but did not perform in its export market to New Zealand. In the present case TGP sells to dealers and installers and makes export sales to New Zealand to whom it could be argued is a distributor who in turn sells to these types of customers in New Zealand. In making domestic sales to dealers TGP has argued that it carries out additional sales activities such as sales force expenses and salaries, additional promotion expenses, warehouse expenses, and [redacted].

157. If the export sales to New Zealand are to a distributor who carries these types of expenses, it could be argued that under these circumstances the price to the Thai dealers and installers is not directly comparable to the price to the New Zealand distributor because in the former situation the producer has to recover all of the additional costs in selling at that different trade level. In this situation a downward adjustment to the normal value, based upon the additional costs incurred because of the different functions performed, could be made to the domestic sale price of like goods used in determining normal values.

158. In its response to the Interim Report, TGP stated that a major selling point for TGP's range in Thailand is [redacted] that is available - including [redacted] with plasterboard. This translates to a team of TGP employees dealing with over [redacted] customers - most of whom are [redacted] than Element. Export sales, including to New Zealand, [redacted] support from TGP staff 'on the ground'. Instead, [redacted] must deal with end-users. TGP effectively [redacted], meaning that TGP's export prices need to recover less selling, administration, and management costs than are recovered through domestic prices. The company stated that it has consciously accounted for export and domestic costs [redacted] to monitor which markets or customers are driving higher costs [redacted]

[redacted]. TGP said this is consistent with the [redacted] on export versus domestic sales applied by TGP and which warrants an adjustment to the normal value.

159. If the Ministry was to adjust TGP's weighted average normal value by the amount the company has claimed is the difference in its domestic and export specific overheads (in effect representing different activities which are performed by it on the Thai market and by its importer, Element, on the New Zealand market), the result would still be a significant dumping margin. In this respect, the Ministry's conclusion on the likelihood of a continuation of dumping by TGP would not change. However, on the basis that any such adjustment is likely to affect reassessed anti-dumping duty rates for TGP, the Ministry has decided that this issue should be further addressed when reassessing the current anti-dumping duties. On this basis, the Ministry will consider further submissions from interested parties on whether such an adjustment is warranted and, if so, the extent of the adjustment in its release of an Interim Reassessment Report. It is intended that an Interim Reassessment report will be released shortly after the release of this Final Review report.

Normal Value Calculation

160. Normal values for standard plasterboard have been calculated by deducting from the base list invoice prices, the adjustments outlined above (excluding TGP's claim for an adjustment for the difference in domestic and export-specific overheads). The Ministry has calculated weighted average normal values (using all domestic transactions) for both dealer and installer transactions and for sales to dealers and installers combined.

161. For sales to dealers, the weighted average ex-factory normal value over the POR(D) is THB[redacted] per square metre, while for sales to installers, the weighted average ex-factory normal value is THB[redacted] per square metre. For sales to dealers and installers combined, the weighted average ex-factory normal value over the POR(D) is THB[redacted] per square metre. Table 4.4 below shows a break-down of the normal value calculations.

Table 4.4: TGP's Weighted Ave. Normal Value Calculation
(THB/sqm)

		Dealers	***Installers***	***Dealer & Installer Combined***
Base List Price (net of discount)		[redacted] – [redacted]	[redacted] – [redacted]	[redacted] – [redacted]
Less	Rebates	[redacted]	[redacted]	[redacted]
	Internal Freight	[redacted]	[redacted]	[redacted]
	Cost of credit	[redacted]	[redacted]	[redacted]
plus	Physical differences	[redacted]	[redacted]	[redacted]
Weighted Ave. Ex-factory Normal Value		[redacted]	[redacted]	[redacted]

4.3.3 SGI/SCG Trading

Introduction

162. As with TGP, SGI/SCG Trading sells 9mm plasterboard in Thailand. The Ministry considers that the 9mm board is a like good to the 10mm board that is exported to New Zealand.

Base Prices

163. SGI/SCG Trading provided details in an excel spread sheet of all of its sales on the Thai domestic market of 9mm plasterboard over the POR(D), which were all made at wholesale prices to distributors. The data contained customer ID, level of trade (all distributors), model, grade and type of product, invoice number, invoice date, delivery terms or price basis, payment terms, date of payment, quantity in pieces, quantity in square metres, gross invoice value, discounts on invoice, net invoice value, other charges or price reductions (e.g. rebates), net sales value and inland transportation costs.

164. SGI/SCG Trading provided 3 sample invoices for sales made to two large domestic distributors. These distributors were chosen because annual sales of plasterboard to these customers were of a size comparable with the annual volume of sales exported to Elephant ([redacted] square metres).

165. The standard plasterboard lines in the 3 sample invoices for the 2 customers referred to above were agreed to the excel spread sheet. The base prices have been established on the basis of the invoiced price net of discounts shown in the excel spread sheet referred to in the paragraph above.

Adjustments

Rebates

166. SGI/SCG Trading explained that it supports advertising rebates and promotions programmes for its distributors which are not limited to plasterboard but are generally based [redacted]

167. The sum total of all the rebates paid to all the customers over the POR(D) was equal to THB [redacted] per square metre of the invoice price of 9mm plasterboard and an adjustment has been made at this amount.

Inland Freight

168. Customers have the choice of picking up their own orders from the warehouse or factory. If freighting of the goods is required by the customer, the cost charged for the freight will appear as a separate line on the invoice for the goods. Freight can be a significant part of the cost of the goods. The company said that the price charged

for the freight was not the full price but could not provide any evidence of the additional costs that had to be absorbed by the company.

169. An adjustment at the average estimated cost of THB [redacted] per square metre has been made.

Physical Characteristics

170. SGI/SCG Trading does not sell 10mm plasterboard in the Thai domestic market. An adjustment therefore should be made to the 9mm domestic prices for the difference in the cost of the 9mm and 10mm board, so that a fair comparison can be made between the exports and the domestically sold product.

171. The difference was discussed with SGI/SCG Trading but it was unable to provide sufficient information to make this adjustment. In the 2006 Review SGI provided a bill of materials which showed that the cost of gypsum in the exported 10mm plasterboard was THB [redacted] per square metre higher than the 9mm plasterboard sold on the Thai domestic market and the cost of additives was THB [redacted] higher per square metre. A physical difference adjustment of THB [redacted] per square metre was made in the 2006 review.

172. In the absence of specific information the Ministry can use the best available information. The Ministry took the estimate from the 2006 review and increased this by the rate of inflation over the period (of 36%). The resulting amount of THB [redacted] is close to the verified adjustment provided by TGP. An adjustment of THB [redacted] per square metre has therefore been made using the best available information.

Cost of Credit

173. The data provided by SGI/SCG Trading shows that the average number of days payment for domestic sales was [redacted] days. An adjustment for the cost of credit has been made for the average length of credit extended of [redacted] days at an interest rate of 3.2 percent, which was THB [redacted] per square metre.

Normal Value Calculation

174. The normal values have been determined by deducting from the base price, the adjustments outlined above. Table 4.5 below shows a break-down of SGI/SCG Trading's normal value calculation**.**

Table 4.5 SGI/SCG Trading Normal Values

	Amount (THB) per sqm
Base Price	[redacted]
Rebates	-[redacted]
Inland freight	-[redacted]
Cost of Credit	-[redacted]
Physical difference	+[redacted]
Normal Value	[redacted]

4.4 Comparison of Export Price and Normal Value

175. The following table shows the calculation of the weighted average dumping margin for each exporter.

Table 4.6: Dumping Margins

Exporter	Weighted Average Export Price (THB/sqm)	Weighted Average Normal Value (THB/sqm)	Dumping Margin (THB/sqm)	Dumping Margin as % of Export Price
TGP	[redacted]	[redacted]	[redacted]	[redacted]%
SGI/SCG Trading	[redacted]	[redacted]	[redacted]	[redacted]%

4.5 Likelihood of Continuation or Recurrence of Dumping

4.5.1 Introduction

176. In its application for a review, Winstone stated that the Thai exporters are continuing to dump into New Zealand (even with anti-dumping duties in place). The company considered that, if anti-dumping duties were removed, dumping was likely to continue in the future.

177. After the review was initiated, the Ministry requested all parties in the investigation to comment on the likelihood of dumping injury (should the anti-dumping duties be removed).

178. In assessing the likelihood of continuation or recurrence of dumped exports to New Zealand the Ministry has considered:

(i) the Thai domestic market situation (including prices and market growth); and

(ii) the current and likely future pricing of exports to New Zealand.

4.5.2 TGP – Likelihood of Continuation of Dumping

179. It was concluded above that TGP is dumping standard plasterboard into New Zealand at a dumping margin of [redacted] percent. On this basis the focus of the review becomes one of whether dumping is likely to continue if the duties are removed.

Thai Domestic Market Situation

180. The Thai domestic market is relevant in assessing the likelihood of future dumping for two reasons. *First* is that prices in Thailand set the base normal values,

against which export prices are compared to establish any dumping margins. *Second*, is that the state of the Thai market has an effect on the extent to which any excess capacity will be exported or consumed by domestic demand growth.

Prices

181. TGP stated that competitive market conditions in Thailand have [redacted]. Contributing to this has been the impact on the construction sector as a result of the 2008 global financial crisis and, prior to that, the recent emergence of a number of small producers of low quality plasterboard who target the low-end market segment. According to TGP, these producers incur no marketing costs, offer no product guarantee and, on the whole, have replaced low-priced, low-quality plasterboard previously imported from China. Prior to the emergence of the cheaper Thai producers, imports of standard board from China made up the majority of plasterboard supplied to the Thai market, other than from the two major producers, TGP and SGI.

182. The emergence of the cheaper Thai producers coincided with a decrease in imports from China indicating that there had been a switch in importing from China to Chinese investment in the low-cost, low-quality Thai plasterboard plants. The company stated that the smaller Thai producers had emerged on the back of a healthy domestic market around 2005/6 and to take advantage of the Thai plasterboard market which is attractive due to its size and growth, the availability of local gypsum, and the high demand for lower-priced product. The company noted that it [redacted] to combat the lower-priced Thai plasterboard. Its [redacted].

183. TGP provided a trend graph which clearly showed that its average net price for 9mm standard plasterboard on the Thai market [redacted] from 2003 to 2004 and has [redacted] since then. The company noted that it expects domestic 9mm prices to [redacted] in the foreseeable future and that the current prices are [redacted] compared with the [redacted] prices the market was experiencing around 2003. [redacted].

184. The company considers the Thai market to be very competitive and the current unfavourable market conditions are [redacted]. The company is hoping to offset [redacted] standard board prices with [redacted]. It plans to target the [redacted]. In this respect, the company sees the potential for developing the local market with [redacted].

Growth

185. The demand for plasterboard is driven largely by major construction projects in the government and private sector. The Thai construction industry in 2007-2009 slowed down as a result of the global financial crisis although it bounced back in 2009 on the back of a strong recovery in the Thai economy.

186. The Thai domestic market for plasterboard is currently estimated to be somewhere in the region of 60 - 65 million square metres per annum. In terms of growth in the Thai market over the short to medium term, TGP considers there will be [redacted] reflecting the improved global economy and the trend of continued [redacted].

Conclusion - Thai Domestic Market

187. TGP is forecasting a [redacted] in the local market for plasterboard, (including standard board), especially on the back of [redacted] since the global financial crisis. This is accompanied by [redacted] in export markets in Asia, South Africa and the Middle-East. However, when taking into account the domestic market capacity, competition between the two main manufacturers and other smaller Thai producers of plasterboard, and historical pricing levels and trends, the Ministry considers that there is little likelihood of TGP's domestic prices increasing significantly in the foreseeable future.

Likely Future Pricing of Exports to New Zealand

188. When asked to comment on its export pricing intentions to New Zealand, TGP stated that it sees New Zealand [redacted] in much the same way as it sees other export destinations such as [redacted]. The company stated that its export prices to New Zealand (for both standard board and performance board) are [redacted] compared to its other export destinations [redacted]

189. In terms of TGP's export pricing strategy to New Zealand if anti-dumping duties on its exports were removed, the company did not consider that the current anti-dumping duties are acting to force it to set high prices and therefore acting as a deterrent for it to drop its prices, if the duties were removed. This is so because the duty is a specific duty that is a fixed amount per square metre which is payable regardless of the price at which the board is exported to New Zealand.

190. The company stated that there are plenty of alternate deterrents in the New Zealand market acting to prevent imports from entering the market, such as what it considers to be non-tariff barriers and [redacted] practices of the New Zealand manufacturer which include, according to TGP, [redacted]

[redacted].

191. In terms of its overall pricing strategy in export markets, including New Zealand, TGP stated that it aims to place its product [redacted] (but also factoring into the equation the fact that its overseas importer/distributor [redacted]

192. To determine this price point, the company will start with [redacted] (in the export market), then [redacted]. The company will then [redacted] to determine, what it considers is a competitive selling price to its importer/distributor. TGP stated that this strategy is no different for its New Zealand sales, although it had difficulty in determining a true local market price in New Zealand to start with, because there is only one domestic producer.

Conclusion - Likely Future Pricing of Exports to New Zealand

193. Based on TGP's current prices and [redacted] to New Zealand (especially when compared to its other export destinations) and its general export pricing strategy to all destinations, the Ministry considers the company will continue to price into the New Zealand market at levels similar to its current pricing levels.

Conclusion - Likelihood of Continuation of Dumping (TGP)

194. TGP is currently subject to a *specific* anti-dumping duty (which is unlikely to have caused the company to increase its prices when it was set at the conclusion of the 2006 review), rather than a reference price duty where there is an incentive for an exporter to increase prices to the level of the reference price in order to legitimately avoid payment of duty. This means it is unlikely that TGP would decrease its export prices to New Zealand solely in response to the removal of the duties. In terms of TGP's domestic prices, based on current and historical price levels and available evidence on the current and future market conditions existing in the Thai market, the Ministry considers that TGP's domestic prices of standard plasterboard will also likely remain stable, at least for the foreseeable future.

195. On the basis of the above findings, and noting that the company is currently dumping, the Ministry concludes that there is a likelihood of a continuation of dumping by TGP in the foreseeable future.

4.5.3 SGI - Likelihood of Recurrence of Dumping

196. It was concluded above that SGI/SCG Trading is dumping standard plasterboard into New Zealand at a dumping margin of [redacted] percent. On this basis

the focus of dumping becomes one of whether dumping is likely to continue if the duties are removed.

Thai Domestic Market Situation

Prices

197. SGI/SCG Trading said that there had been the recent emergence of a number of small Thai producers of low quality plasterboard who target the lower-end of the market. According to SGI/SCG Trading it was probably less affected by the competition posed by these cheaper Thai producers than TGP because [redacted]. In terms of what direction domestic standard plasterboard prices will move in the short to medium future, the company was unwilling to make a firm prediction, although it did note that its own objective is to [redacted].

Growth

198. In terms of growth in the Thai market over the short to medium term, SGI/SCG Trading considers there will be [redacted] reflecting a gradually-improving global and domestic outlook. The company considered that the Thai market has a natural growth rate of [redacted] per annum, however, it is possible that this growth rate will [redacted] in the foreseeable future due to the aftereffects of the Bangkok flooding and other infrastructure investment plans.

Conclusion - Thai Domestic Market

199. SGI/SCG Trading, [redacted] in the local market for plasterboard (including standard board). However, when taking into account domestic market capacity, competition between the two main manufacturers and other smaller Thai producers of plasterboard, and historical pricing levels and trends, the Ministry considers that there is little likelihood of SGI/SCG Trading's domestic prices increasing significantly in the foreseeable future, from the prices established in this review.

Likely Future Pricing of Exports to New Zealand

200. SGI/SCG Trading did not consider that the current anti-dumping mechanism was acting to force it to set high prices because the rate is set at zero percent. The company also said that the ability of the New Zealand producer to submit a new application at short notice for the reimposition of anti-dumping duties acted as a deterrent for it to export to New Zealand at dumped prices, if the duties were to cease.

201. In terms of its overall pricing strategy in export markets, including New Zealand, SGI reiterated the position it took in the 2006 review, which was that it [redacted] market [redacted]. In setting prices for exports to New Zealand, SGI/SCG Trading considers

[redacted], although it noted that the selling price may [redacted] the New Zealand market. SGI/SCG Trading considers that [redacted] is sold in New Zealand for prices lower than that its plasterboard, but it does consider its plasterboard of [redacted].

202. SGI/SCG Trading stated that it is acutely aware of the implications of using dumped prices to undercut the local industry. In this respect, its policy is to sell standard plasterboard to Elephant at a price [redacted] which it believes are factors consumers are more influenced by. The company noted that its prices to Elephant are set based on a negotiation process which takes place between it and Elephant. [redacted].

203. The Ministry queried SGI/SCG Trading on whether its position had changed since the 2006 review, in terms of how it would likely respond to [redacted] to New Zealand. SGI/SCG Trading considers that [redacted] is its main competitor in the New Zealand market but that [redacted] in the New Zealand market, because of [redacted].

204. SGI/SCG Trading reconfirmed the position it took in the 2006 review which was that if it [redacted] Elephant that the prices in the New Zealand market had reduced it would [redacted] Winstone's price. However, its aim is to [redacted] both SGI and Elephant [redacted] its prices.

Conclusion - Likely Future Pricing of Exports to New Zealand

205. Based on SGI's current prices and profitability levels to New Zealand and its general export pricing strategy to all destinations, including New Zealand, the Ministry considers it unlikely that the company would envisage increasing its export prices to New Zealand, if the current anti-dumping duty mechanism applied to its exports was removed.

Conclusion - Likelihood of Recurrence of Dumping (SGI)

206. SGI/SCG Trading is currently subject to a zero *ad valorem* anti-dumping duty rate (which is unlikely to have caused the company to increase its prices when it was set at the conclusion of the 2006 review), rather than a reference price duty where there is an incentive for an exporter to increase prices to the level of the reference price in order to legitimately avoid payment of duty. This means it is unlikely that SGI/SCG Trading would decrease its prices to New Zealand solely in response to the removal of the duties. However, it is likely that SGI/SCG Trading would reduce

its prices in response to price decreases by TGP (if the duty was removed) but this would only increase its dumping margin.

207. In terms of SGI's domestic prices, based on current and historical price levels and available evidence on the current and future market conditions existing in the Thai market, the Ministry considers that SGI's domestic prices of standard plasterboard will likely remain stable, at least for the foreseeable future.

208. On the basis of the above findings, and especially having cognisance of the fact that the company is currently dumping with a zero *ad valorem* anti-dumping duty rate in place (as opposed to a reference price duty), the Ministry concludes that there is a likelihood of a continuation of dumping by SGI/SCG Trading in the foreseeable future.

4.6 Conclusions Relating to Dumping

209. Article 11.3 of the Anti-Dumping Agreement provides that an anti-dumping duty is to be terminated unless the authorities determine that the expiry of the duty would be likely to lead the continuation or recurrence of dumping and injury. Both TGP and SGI/SCG Trading were dumping into the New Zealand market over the POR(D). Taking into account the matters considered above in relation to the Thai domestic market and likely export prices to New Zealand in the absence of the duty, the Ministry concludes there would likely be a continuation of dumping if the duty was terminated.

5. Injury Investigation

210. The last (2006) review concluded that if the anti-dumping duties were removed:

- It was likely that there would be price undercutting and price depression due to dumped exports by TGP.
- The large excess capacity levels in Thailand available to TGP and the past pricing behaviour of its New Zealand importer meant there would likely be increased import volumes into New Zealand.
- As a result, there would likely be a recurrence of material injury experienced by the domestic industry.
- A recurrence of dumping by SGI/SCG Trading was not likely in the foreseeable future and material injury was not likely to result from exports by SGI/SCG Trading.

211. On the basis of these findings, the Ministry concluded that there was a continued need for the anti-dumping duties on exports by TGP. The Ministry further concluded that exports by SGI/SCG Trading should be subject to a zero percent duty rate.

5.1 Injury in a Review

Introduction

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

213. 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.

5.2 Injury Information Submitted by Winstone

Financial Information

214. In the present review the Ministry has evaluated the financial data submitted by Winstone for the period 1 July 2007 to 30 June 2011, which is also referred to as the period of review for injury (POR(I)). Winstone also provided forecast information, as outlined below.

215. Winstone provided profit and loss (P&L) summaries of its actual domestic sales of standard plasterboard for the financial years referred to in the paragraph above. For each year, Winstone's P&L summaries contained domestic sales volumes, list sales revenue, net sales values, costs of production, gross profit, selling and

administration and general expenses, cost of sales, and Earnings Before Interest and Tax (EBIT).

216. In its injury analysis, and in particular in order to calculate the level of price undercutting, price depression and suppression, the Ministry used Winstone's average costs and prices for its total domestic sales of 9mm standard plasterboard (for each of the company's financial years examined). While this average data does not take into account the specific effects of competition in different regions and to different customers, the Ministry considers that this was the most practical and rational means of undertaking the injury analysis. However, a reassessment of the anti-dumping duties may need to examine pricing data in a more specific and detailed manner.

Injury Scenario Submitted by Winstone

217. Winstone has submitted that imports from Thailand continue to be dumped into New Zealand. In terms of the recurrence of material injury, the company claims that, due to the surplus of manufacturing capacity in Thailand, the effects of the removal of the duties would be exactly the same as those that occurred in the late 1980s when the anti-dumping duty was first imposed.

218. Winstone consider that because standard plasterboard is a commodity product it will always be price sensitive to low priced imports. Winstone stated that the most successful method for it to achieve the best commercial outcome in the New Zealand market is for it to [redacted]. Winstone stated that low priced imports affected its ability to do this.

219. In terms of the likelihood of future recurrence of material injury, Winstone believe that the importers of Thai plasterboard now have more infrastructure supporting them in the New Zealand market than existed in the late 1980's. In addition, the availability of Thai performance plasterboards gives importers another option for marketing their brands and being able to offer a wider product range.

220. Winstone believes that the anti-dumping duties have been effective in maintaining standard plasterboard list prices up to what they would have been but for the dumping. Winstone stated that because of its strategy of [redacted] it has not suffered any employee reductions or any increased manufacturing costs. Winstone said the only material injury that could have occurred from a cost point of view would have been the [redacted]

221. Winstone has provided 3 main scenarios (backed up with financial projections/forecasts) of how it considers the company would perform financially, should (i) the current anti-dumping duties remain in place; and (ii) the current anti-dumping duties expire. These are addressed below:

Projected Performance Should the Duties Remain (<u>Scenario A</u>)

222. Winstone provided projected sales volumes and revenue for sales of standard plasterboard over its next three financial years (2011/12 – 2013/14)

223. Under this scenario Winstone noted that sales volumes and revenue are expected to increase gradually in 2012/13 and 2013/14 due to the Christchurch earthquake rebuild. The company noted that [redacted]. Furthermore a [redacted] The increased EBIT projections over the next two financial years are reflective of the projected volume and price increases.

Projected Performance Should Duties Expire

<u>Scenario B</u>

224. For Scenario B, Winstone stated that there would be no change in the company's performance in the 2011/12 financial year (from that achieved if the duties were to remain) on the basis that the removal of the duties would only start to impact towards the end of the 2011/12 financial year (importers of Thai product will need time to finalise their strategies [redacted]. However, from 2012/13, the company suggests that it would have to reduce prices to compete with imports.

225. Under this scenario the company provided three further sub-scenarios, depending on the extent to which the company would be forced to [redacted] The first sub-scenario *[Scenario B-1]* would see a gradual decline in its average selling price (beginning in 2012/13) resulting from the saving to Element of the current anti-dumping duties collected on imports of plasterboard from Thailand (calculated by the company to be [redacted]/sqm). More specifically, the company has calculated a drop (from the price it would have achieved had the duties remained) in its average ex-factory selling price (exclusive of discounts and rebates) from $[redacted]sqm to $[redacted]sqm (in 2012/13) followed by a further drop to $[redacted]sqm (in 2013/14). The forecast price reductions by Winstone through to 2013/14 under this scenario are, however, a small amount less than what it has estimated to be the amount of duty currently payable by Element.

226. The second sub-scenario *[Scenario B-2]* would see a gradual decline in its average selling price over the same period of [redacted] per square metre. There would be a decrease in its selling price (from the price it would have achieved had the duties remained) by [redacted]/sqm over its 2012/13 financial year after which the company would be forced to introduce a [redacted]/sqm price decrease for standard board which it considers would be necessary to combat a general price decrease by the importers of the lower-priced Thai imports. In terms of this sub-scenario, the company

considers that an [redacted] price decrease of [redacted]/sqm will be needed to enable the company to compete with the cheaper imported board and recover the market share lost in its 2012/3 financial year. The forecast price reductions by Winstone through to 2013/14 under this scenario are a small amount less than [redacted]/sqm.

227. The company has based the [redacted]/sqm price decrease on the average price (obtained from Thai export statistics) of Thai plasterboard to Thailand top-10 export destinations (other than New Zealand). Winstone claims that if the anti-dumping duty was removed, standard plasterboard would be imported into New Zealand at this price and that it would be forced to match this price in order to compete with the dumped plasterboard. Furthermore, Winstone has conservatively estimated a [redacted] percent decrease in market share for standard plasterboard due to its inability to fully compete on a [redacted] with the importers.

228. The third sub-scenario *[Scenario B-3]* would see a gradual but more dramatic decline in Winstone's average selling price over the same period, of [redacted] per square metre. The forecast price reductions by Winstone through to 2013/14 under this scenario are a small amount less than [redacted]/sqm.

<u>Scenario C</u>

229. For Scenario C, Winstone stated that there would be no change in the company's 2011/12 financial year's performance (from that achieved if the duties were to remain) on the basis that the removal of the duties would only start to impact on the company towards the end of its 2011/12 financial year (identical to Scenario B).

230. However, in 2012/13, the company would be forced to instigate a [redacted] price decrease for standard board which it considers would be necessary to combat a general price decrease by the importers of the lower-priced Thai imports. The [redacted] price decrease would need to be maintained during its 2013/14 financial year in order to maintain market share.

231. Under this scenario the company provided three further sub-scenarios, depending on the extent to which the company would be forced instigate its [redacted] price decrease. The first sub-scenario *[Scenario C-1]* would see a decrease in its average selling price (beginning in 2012/13) equal to the extent of the current anti-dumping duties collected on imports of plasterboard from Thailand (calculated by the company to be [redacted]/sqm).

232. More specifically, the company has calculated a drop (from the price it would have achieved had the duties remained) in its average ex-factory selling price (exclusive of discounts and rebates) from $[redacted]sqm to $[redacted]sqm in 2012/13 followed by a further drop to $[redacted]sqm in 2013/14. Winstone's considers this first sub-scenario to be a very conservative estimate of the price decrease it would need to instigate in order to combat the dumped goods but even under this scenario the company believes this would eventually equate to a profit decrease of [redacted] percent. The forecast price reductions by Winstone through to 2013/14 under this scenario

are also a small amount less than what it has estimated to be the amount of duty currently payable by Element.

233. The second sub-scenario *[Scenario C-2]* would see a decrease in Winstone's selling price (from the price it would have achieved had the duties remained) by [redacted]/sqm over its 2012/13 financial year which will be maintained over its 2013/14 financial year. More specifically, the company has calculated a drop in its average ex-factory selling price (exclusive of discounts and rebates) from $[redacted]sqm to $[redacted]sqm (in 2012/13) and to $[redacted]sqm (in 2013/14). The reduction in prices through to 2013/14 actually forecast by Winstone under this scenario, are however, a small amount less than [redacted]/sqm.

234. In terms of this sub-scenario, the company considers that an [redacted] price decrease of [redacted]/sqm will be needed to enable the company to compete with the cheaper imported board. As with Scenario B, the company has based the [redacted]/sqm price decrease on the average price (obtained from Thai export statistics) of Thai plasterboard to Thailand top-10 export destinations (other than New Zealand). Winstone claims that if the anti-dumping duty was removed, standard plasterboard would be imported into New Zealand at this price and that it would be forced to match this price in order to compete with the dumped plasterboard.

235. The third sub-scenario *[Scenario C-3]* would see a decrease in Winstone's selling price (from the price it would have achieved had the duties remained) by [redacted]/sqm over its 2012/13 financial year which will be maintained over its 2013/14 financial year. More specifically, the company has calculated a drop in its average ex-factory selling price (exclusive of discounts and rebates) from $[redacted]sqm to $[redacted]sqm (in 2012/13) and to $[redacted]sqm (in 2013/14). In terms of this sub-scenario, the company considers that an [redacted] price decrease of [redacted]/sqm will be needed to enable the company to compete with the cheaper imported board. The reduction in prices through to 2013/14 actually forecast by Winstone under this scenario, are however, a small amount less than [redacted]/sqm.

236. Winstone considers that either of scenarios B or C could eventuate depending on what response the company made to the likely price decrease of the imported Thai plasterboard as a result of the current duties being removed but that either scenario would constitute material injury.

Ministry's Assessment of Winstone's Injury Forecasts if Anti-Dumping Duties are Removed (Scenarios B and C)

237. The Ministry has considered a number of factors to assess the reasonableness of the injury forecasts Winstone has provided for 2011/12, 2012/13 and 2013/14, should the duties be removed.

238. The Ministry considers that whether and the extent to which Winstone is likely to reduce its prices in the absence of duties will primarily depend on:

(i) the extent to which the exporters are willing to decrease their prices to New Zealand, in the absence of anti-dumping duties; and

(ii) the amount of the cost-savings New Zealand importers will incur as a result of not having to pay anti-dumping duties; and

(iii) the amount by which the importers are willing to pass on any cost savings to their customers in New Zealand in the form of decreased prices; and

(iv) the amount by which Winstone feels it will be necessary to discount its prices to compete with the lower-priced Thai goods.

239. The first of the above contingencies is likely to be affected by the type of anti-dumping duty currently imposed on imports from Thailand because this will affect the extent to which the Thai exporters have both the incentive and desire to decrease their prices to their New Zealand customers.

240. There are two forms of anti-dumping imposed on Thai imports of plasterboard:

(i) imports by Element are subject to a specific duty rate of THB[redacted]/sqm; which is payable on all imports of standard plasterboard regardless of the import price; and

(ii) imports by Elephant are subject to an *ad valorem* duty rate of zero percent, i.e. no duty is payable.

241. The rate of duty payable on imports by Element is confidential to the exporter (and to Element) and therefore this rate is not available to Winstone.

242. Historically, New Zealand has preferred to impose anti-dumping measures in the form of reference (or benchmark) prices. This type of duty means that only those exports which are priced below the reference price are subject to the payment of anti-dumping duty and the duty is equal to the difference between the reference price and import price. Under this form of anti-dumping duty, exporters often price their exports at or slightly above the benchmark price after the duties have been imposed which allows importers to legitimately escape the payment of anti-dumping duties. Therefore, the prices charged by the exporters may have been deliberately inflated in order to compensate for the imposition of the duties. Under these circumstances it would seem reasonable, therefore, that if the anti-dumping duty was later removed, the importer would have grounds for expecting the exporter to decrease its prices to reflect a more reliable market price for the goods.

243. The imposition of a specific duty or an *ad valorem* duty, on the other hand, presupposes no material change in price by the foreign exporter to the New Zealand importer as a result of the duty being imposed and if the duty is later rescinded. In other words, under both types of duty there is no real incentive for the pricing behaviour of the exporter to change significantly post-imposition of the measures because there will always be a duty paid on the goods whether or not their value increases or decreases.

244. The issue in the present case is whether and to what extent the exporter of plasterboard currently subject to a *specific* duty rate, TGP, will likely change its pricing behaviour if the anti-duty is removed, and to what extent TGP's current and

likely future pricing behaviour is reflective of the fact that it is subject to a specific anti-dumping duty.

245. The Ministry considers that a specific duty would provide very little incentive for the exporter to either increase or decrease its selling prices to New Zealand, post imposition of the duty. This is because the amount of duty paid has no relationship to the invoiced price of the exported goods. On this basis, it follows that in the present case, TGP's current and likely future pricing behaviour is not reflective of the fact that it is subject to a *specific* anti-dumping duty, indicating that a reduction in its prices is not likely solely because of the removal of the duty.

246. The other issue is to what extent Element has an incentive to pass on any cost savings as a result of not having to pay anti-dumping duties. There is also the issue of whether and to what extent Elephant is likely to follow Element's lead if Element decides to pass on its cost savings (in not having to pay anti-dumping duty), in lower prices.

247. The information provided by TGP indicates that TGP [redacted] in the New Zealand market and the company noted that an [redacted] market share is not out of the question. While Element itself made no comments or provided any figures on the extent to which it wished to gain New Zealand market share, it did note that it has doubled its market share (from [redacted] to [redacted] percent) since 2008 and that any market share that it is able to gain provides a spur for Winstone to improve its quality and lower its costs.

248. Furthermore, [redacted] of the New Zealand market, it reasonably follows that Element would have the same goal. Also, as acknowledged by TGP in its Questionnaire response, achieving a [redacted] large production runs thereby decreasing production costs. This, in itself, would provide the company with greater scope to pass on production efficiencies and lower costs to Element in the form of lower prices.

249. On the basis that Element has entered into a 3-tier pricing arrangement with TGP which [redacted] and if Element has the same goal [redacted] of the New Zealand market for standard plasterboard, there is every reason to believe that a [redacted] of the market is quite reasonable. One means to [redacted] is for a company to lower its costs and pass on its cost-savings in the form of lower prices. As the payment of anti-dumping duty is an obvious additional cost of importing plasterboard it follows that Element has an incentive to pass on any cost savings as a result of not having to pay the anti-dumping duty, to its New Zealand customers, thereby putting itself in a position to gain greater share of the market.

250. The extent to which Element is likely to lower its prices to take advantage of not having to pay anti-dumping duties is open to debate but it is certainly reasonable to expect that the company would look to pass on at least part of the cost savings. The specific duty rate Element currently pays is THB[redacted]/sqm (calculated by the

Ministry to be $NZ[redacted]c/sqm based on a NZ - Thai exchange rate of 25 Baht to the NZ dollar).

251. The Ministry considers it likely that Elephant will follow Element's lead in dropping prices. While Elephant is not incurring the additional cost of an anti-dumping duty, the building supply market (including the plasterboard market) is highly competitive with all suppliers in the market pricing at a similar level to achieve sales and maintain their share of the market. It follows, therefore, that if Element was to decrease its prices in the New Zealand market, Elephant would look to decrease its prices by a similar amount so that there would be an overall drop in the price of Thai standard plasterboard. In order to stay competitive, the Ministry considers that Winstone would need to match the lower-priced Thai imports with price decreases of its own.

252. In response to the Ministry's Interim Report, TGP stated that pricing is determined by what customers are willing to pay and on this basis, there is no evidence that prices will automatically go down in the absence of anti-dumping duties. According to the company, this is particularly in light of the projected increase in market demand as a result of the Canterbury earthquake rebuild and general recovery from the economic downturn. While TGP did not provide any figures on the extent to which it considers prices in New Zealand would decrease by, it did note that, unless Element and other importers secure reliable distribution arrangements in New Zealand, a [redacted]c/sqm price reduction (representing the amount Element is currently paying in anti-dumping duties) is not going to pose such a threat that Winstone must match that price decrease. TGP provided the following reasons for this:

- Winstone has significant market power and effective control over distribution channels in New Zealand through [redacted] and the [redacted] (utilising Winstone, Fletcher Building and Placemakers staff and resources);
- Winstone has the ability to provide a level of product and technical support which Thai exporters ([redacted]) are unable to match;
- Through bundling with other FBL goods and services, as well as brand recognition and an established reputation, [redacted] to Winstone's range of products.

253. According to TGP, the combined effect of the above advantages, which Winstone has over its Thai competitors, effectively means that it is able to command a [redacted] premium with its prices. On this basis, Winstone would not need to match (cent for cent) any decrease in the price of the imports with its own price decrease.

254. The Ministry does not consider it likely that Element would pass on to its customers all of the savings resulting from the removal of the duty ($NZ[redacted]/sqm) and that Winstone is unlikely to match (cent for cent) any price decrease in imported

plasterboard with its own price decrease. The Ministry considers that because Winstone has the ability to provide a level of product and technical support which Thai exporters ([redacted]) are unable to match, the company's plasterboard holds a "price premium" over the imported Thai plasterboard. In other words, this "price premium" allows Winstone to charge a higher price than the imports.

255. The extent of Winstone's "price premium" is difficult to measure, however, one possibly indication of the amount is the extent of the current price advantage the imported product holds over Winstone's product (calculated to be [redacted]c/sqm). It could be argued that the current anti-dumping duty has effectively enabled market conditions to return to the plasterboard market so that the extent of the price advantage held by the imports (with the duties in place), provides a reliable indication of Winstone's "price premium".

256. On this basis of the foregoing considerations, the Ministry considers that Winstone's Scenario B-1 involving a gradual decline in its selling price from 2012/13 equating to $NZ[redacted]/sqm is the most reasonable forecast of the likely impact of the removal of the duty. The price reductions under this scenario are based on what Winstone has estimated to be the full amount of the anti-dumping duty payable by Element. Although Winstone's estimate is [redacted] actual amount of the duty, it nevertheless represents what the Ministry considers is a reasonable price reduction relative to the actual amount of the anti-dumping duty currently payable by Element. The Ministry considers it unlikely that Winstone would have to reduce its prices to the extent estimated in its other scenarios of $NZ[redacted] and $NZ[redacted] per square metre as these amounts [redacted] duty currently payable by Element and because the current duty regime does not provide an incentive for exporters to artificially raise their prices.

257. In considering the likely impact of the removal of the duty, the Ministry has consequently used the forecasts provided by Winstone under Scenario B-1 in its assessment of the extent to which the company is likely to suffer a recurrence of material injury should the duties be removed, and over what time period.

TGP's Comments on Winstone's Injury Forecasts if Anti-dumping Duties are Removed and Ministry's Conclusions on the Forecasts

258. In its response to the Ministry's Interim Report, TGP stated that the scenarios presented in the report are difficult to evaluate because the underlying inputs to the scenarios are not publically available. The company considered that Winstone has provided the Ministry with a significant amount of evidence which has not been independently tested by the Ministry with any rigor. TGP stated that it is concerned that the conclusions made by the Ministry without any evidential basis demonstrate a bias to find potential injury, where injury, or likely injury has not been established.

259. The Ministry has addressed TGP's claims against Winstone's injury scenarios and the Ministry's injury findings below under the particular sections of this report where the issues raised by TGP are outlined. In terms of TGP's claim that the Ministry has not independently tested the information provided by Winstone and that its conclusions are without any evidential basis, the Ministry disagrees with this

claim. The Ministry considers it has performed a robust and thorough analysis of both the information provided by Winstone and the scenarios it has presented to the Ministry on the likelihood it would suffer a recurrence of injury if the anti-dumping duties were removed**.**

5.3 Import Volume Effects

Import Volumes

260. Table 5.1 below shows import volumes of standard plasterboard from all sources compared with the New Zealand industry's sales volume. The figures are for the years ending 30 June and are in square metres:

Table 5.1: Import Volumes of Standard Plasterboard (Sqm)
(Years ended 30 June)

	2007/8	*2008/9*	*2009/10*	*2010/11*
Imports from Thailand	[redacted]	[redacted]	[redacted]	[redacted]
Imports from Other Countries	[redacted]	[redacted]	[redacted]	[redacted]
Total Imports	[redacted]	[redacted]	[redacted]	[redacted]
NZ Industry Sales	[redacted]	[redacted]	[redacted]	[redacted]
NZ Market	[redacted]	[redacted]	[redacted]	[redacted]
As % of Consumption:				
Imports from Thailand	[redacted]	[redacted]	[redacted]	[redacted]
Imports from Other Countries	[redacted]	[redacted]	[redacted]	[redacted]
NZ Industry Sales	[redacted]	[redacted]	[redacted]	[redacted]
As % of NZ Industry Sales:				
Imports from Thailand	[redacted]	[redacted]	[redacted]	[redacted]
Imports from Other Countries	[redacted]	[redacted]	[redacted]	[redacted]
Change on Previous Year:				
Imports from Thailand	-	[redacted]	[redacted]	[redacted]
Imports from Other Countries	-	[redacted]	[redacted]	[redacted]
Total Imports	-	[redacted]	[redacted]	[redacted]
NZ Industry Sales	-	[redacted]	[redacted]	[redacted]
NZ Market	-	[redacted]	[redacted]	[redacted]
% Change:				
Imports from Thailand	-	10%	4%	17%
Imports from Other Countries	-	(34%)	74%	(19%)
Total Imports	-	(0%)	16%	8%
NZ Industry Sales	-	(27%)	(0%)	(4%)
NZ Market	-	(26%)	1%	(3%)

261. Table 5.1 shows that there has been a gradual increase in the volume of Thai plasterboard since 2007/8 including a more noticeable increase since 2009/10. More specifically, the volume of dumped imports from Thailand has increased in absolute terms by 35 percent since 2007/8. Dumped imports have also increased over the period relative to New Zealand production and consumption. For instance, in 2007/8 dumped imports represented [redacted] percent of the total market (and [redacted] of the domestic industry's sales) but in 2010/11 they had increased to almost [redacted] percent of the total market (and [redacted] percent of the domestic industry's sales). The level of imports from countries other than Thailand increased slightly over the period but still remain insignificant in relation to both New Zealand production by Winstone and the market size as a whole.

Likely Import Volumes Should Duties be Removed

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

- the price advantage (in the absence of duties) which such imports may hold;
- the capacity of the Thai 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 Thailand;
- the ease of distribution of goods into New Zealand; and
- any other factors which may be relevant.

Price Advantage of Imports (in the Absence of Duties)

263. Element has stated that, although the removal of the current anti-dumping duties could result in some greater potential for price flexibility, any cost savings to the company created by removing the duties would not necessarily result in prices that are lower than Winstone's prices. The company claims that this is because New Zealand-destined plasterboard ordered by Element represents a tiny proportion of TGP's total Thai production and Winstone's dominant market share would continue to determine the final ex-warehouse selling price in New Zealand. Therefore, Element claims that, while removing the anti-dumping duties would improve its financial position, it would not likely lead to lower prices, at least until smaller players in the market for plasterboard are able to achieve sufficient sales.

264. The price undercutting analysis in section 5.4 below shows that, based on the information gathered during the review, the Thai imports are selling at [redacted] prices in the New Zealand market as those charged by Winstone. This would be expected as anti-dumping duties are currently in place although Winstone has acknowledged that recently the company has experienced considerable price pressure from Thai imports [redacted].

265. At the same time, the price undercutting analysis below also concludes that if the anti-dumping duty was removed, there is likely to be price undercutting resulting from importers passing on the cost-savings from not having to pay the duties, in lower prices to their customers. It is also concluded in section 5.4 that, if the duties were removed, the lower-priced Thai imports would cause price depression and suppression.

Conclusion

266. The Ministry concludes that, if anti-dumping duties are removed, it is likely that Thai imports will initially hold a price advantage over the domestically-produced goods which will provide a clear incentive for those importers to significantly increase their volume of importations into New Zealand in the foreseeable future.

Capacity of the Thai Industry to Substantially Increase its Exports to New Zealand

267. In its application for a review, Winstone submitted a Market Monitor report prepared by New Zealand Trade and Enterprise. The Market Monitor report noted that both Siam Gypsum and TGP have expanded their production facilities resulting in a significant amount 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 TGP, the report notes that in 2005/06 the company doubled its production capacity to 80 million square metres annually.

268. 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. Winstone claims that this will lead to an ever larger surplus capacity in Thailand.

269. In terms of the Thai exporters' ability to increase exports to New Zealand, Winstone stated that both Siam Gypsum and TGP 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.

270. Both Thai exporters provided a schedule of their forward orders to New Zealand but considered the volumes did not indicate substantial growth in their respective New Zealand market shares. SGI/SCG Trading stated that its capacity is [redacted]

[redacted] and that it [redacted] through 2011, therefore it has [redacted].

271. TGP (supported by Element NZ) stated that it is unlikely that removing duties would lead to substantially increased imports because its current strategy was unlikely to change if the duties were removed. The company stated that, while it has absolutely no interest in dumping into New Zealand, its strategy is to position BPB plasterboard as a credible alternative to Winstone's product and at most it could [redacted] of the New Zealand market for standard plasterboard. The company also noted that it will always be constrained in acquiring market share [redacted].

272. TGP also stated that its global strategy is to invest in new and attractive growing markets which provide economies of scale. In terms of its willingness to channel any excess in production to the New Zealand market, the company stated that it would not look to significantly increase exports to New Zealand because the New Zealand market requires a special-sized board which makes economics of scale difficult to achieve. On this basis, TGP claimed that there are no gains to be made in significantly increasing exports to New Zealand and that charging higher prices would be more beneficial.

273. After the release of the Ministry's Interim Report, TGP further stated that simply because it was a large company, this did not indicate that it was either able to divert substantial volumes of plasterboard to New Zealand or that it intended to. The company again noted that there are far larger export markets [redacted] and that it would incur [redacted] lost sales in emerging markets if it increased exports to New Zealand. The company also noted that it has limited [redacted] support) in New Zealand so that any excess capacity will not be devoted to New Zealand.

274. In respect of its intention to [redacted] New Zealand market, TGP stated, after the release of the Interim Report, that this figure is aspirational, was discussed prior to 2009, and in reality, [redacted]. According to the company, increased export volumes to New Zealand are [redacted], for both supply reasons (TGP devotes any capacity to large markets where productive efficiencies can be maximised) and competition reasons (Winstone has control over most distribution channels and retains a dominant position in the market). The company also stated that the [redacted] relates to total plasterboard, not simply 10mm regular board. [redacted] in New Zealand (and around the world), and present a stronger opportunity for business growth in New Zealand.

Conclusion

275. Information on the production capacities of the Thai plasterboard producers provided by the domestic industry suggests that both SGI/SCG Trading and TGP have expanded their capacities in recent years and currently have production capacities well in excess of the total Thai market. This claim is supported by information provided in one Thai manufacturer's questionnaire response and information sourced from the other Thai producer's own internet webpage.

276. In its questionnaire response, TGP noted that its objective is [redacted] New Zealand market for plasterboard. At the verification visit to the company's premises in Bangkok, the company stated that it is restrained [redacted] market because of its limited production capacity. After the release of the Ministry's Interim Report, TGP stated that it would prefer to use its limited production capacity to export to larger emerging markets than increase exports to New Zealand. The company also noted that its limited [redacted] support) in New Zealand prevents it exporting larger volumes to New Zealand.

277. Any determination by the Ministry, on the ability of Thai plasterboard producers to substantially increase exports to New Zealand, must be based on information on both TGP and SGI, rather than simply TGP. The information collected by the Ministry indicates that both Thai producers have extremely large production capacities. New Zealand is not a particularly large market for plasterboard (compared to other international markets) which in itself suggests that Thai producers would be unlikely to find it difficult to supply the New Zealand market with substantially increased volumes. While both companies maintain that they would prefer to export to larger, emerging markets (than to New Zealand), both companies are achieving [redacted] on their exports to New Zealand ([redacted]), which indicates the New Zealand market is particularly attractive to them. This, combined with the fact that both companies have sizable production capacities, indicates to the Ministry they would have little difficulty substantially increasing their exports to New Zealand in the foreseeable future.

278. In terms of TGP, the information in the review shows that the company currently has a [redacted] percent share of the New Zealand market. An increase to [redacted] of the New Zealand market would effectively mean that the company would import in the vicinity of an additional [redacted] square metres of standard plasterboard.

279. On the basis of the information available on the export capacity of the Thai plasterboard industry, the Ministry concludes that the current Thai producers have sufficient freely disposable capacity to substantially increase exports of standard plasterboard to New Zealand.

Ease of Entry into the New Zealand Market

280. TGP referred to various factors which it said hamper its ability to compete in the New Zealand market. These factors include the fact that the board sizes themselves require the board to be packed for export in a certain way meaning that they are not only uneconomical to ship but cause the board to be prone to damage during sea transportation.

281. TGP also stated that the New Zealand product standards are not able to be met by most Asian producers (Siam Gypsum and itself are the only two plants in Asia which can produce board that is 6 metres long and 1350mm wide). The company noted that the capital expenditure required by the other Asian manufacturers (including those from Thailand) to meet the New Zealand standards would be in the range of [redacted]. TGP noted that it has been difficult in the past for new importers that [redacted] to enter the New Zealand market.

282. Element noted in its Importers Questionnaire reply that Fletcher Building (Winstone's parent company) adopts certain trade practices including exclusive arrangements with their wholesale customers and tying plasterboard sales to other building materials demanded by distributors and merchants. Element stated that [redacted] even though its prices and product quality are competitive, because of their supply agreements with Winstone.

283. Winstone noted that it does not have any [redacted]. The company noted that, while it has "preferred supplier" arrangements with various merchants for its various major product ranges, this is done to maximise buying power and a merchant chain may have more than one preferred supplier arrangement for a single product. Winstone stated that a preferred supplier arrangement does not mean that all products have to be purchased from the preferred supplier. The company did acknowledge, however, that if an individual branch of a nationwide merchant chain (which it has a preferred supplier arrangement with) departs from the arrangement, this [redacted] on the chain's ultimate rebate level as a whole.

284. In terms of industry standards and product compliance, Element noted that, while there has recently been the introduction of stricter building regulations in New Zealand, it has been able to meet these standards through its arrangement with TGP which is an established and highly reputable manufacturer of plasterboard.

Conclusion

285. In the 2006 review the Ministry noted that the two Thai exporters of plasterboard to New Zealand have proven access to the New Zealand market through long-standing relationships they have established with their New Zealand importers. At that time, the Ministry also noted that both importers have established relationships and networks within the New Zealand market.

286. In the present review, it has been noted that Winstone maintains various preferred supplier arrangements with certain merchants and there are certain industry and product-specific compliance standards in place which plasterboard is subject to. However, the Ministry notes that these supplier arrangements and compliance standards have been in place for a number of years including at the time of the 2006 review and Thai plasterboard continues to be imported into New Zealand.

287. In summary, the Ministry has received no evidence that there have been significant changes in the New Zealand market regarding the ease of entry into the New Zealand market by importers of Thai plasterboard since the 2006 review was completed which would have it believe that Thai importers face significant obstacles in supplying the New Zealand market with standard plasterboard.

The ability of importers to handle a significant increase in imports from Thailand and the ease of which goods can be distributed

288. 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 previous dumping reports on Thai plasterboard noted that there are well-developed distribution channels in place in New Zealand giving widespread access to the entire New Zealand market. In terms of the present review, 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 which indicates the importer would have no problem handling increased volumes of plasterboard.

289. Neither Element nor Elephant made comments in their questionnaire responses in respect of their ability to adequately handle a significant increase in imports of Thai plasterboard. Element did, however, note that it has effectively doubled its market share since 2009 (from [redacted] to [redacted] percent) and that greater volumes from Thailand could be achieved by ordering larger quantities for New Zealand in each production run.

Conclusion

290. In previous reviews and reassessments the Ministry concluded that there are well-developed distribution channels in place in New Zealand giving widespread access to the entire New Zealand market. The Ministry has received no evidence that there have been significant changes in the New Zealand market regarding the ability of importers to handle a significant increase in imports of Thai plasterboard since the 2006 review was completed.

291. The Ministry concludes that the current New Zealand importers and distributors have the existing distribution systems in place to be able to cater for any significant increase in imports from Thailand entering the New Zealand market, if the anti-dumping duties were removed.

Conclusion on Likely Import Volumes

292. On the basis of its analysis of the above factors, the Ministry concludes that there is a likelihood of significant volumes of dumped imports into New Zealand in the foreseeable future, if the current anti-dumping duties are removed.

5.4 Price Effects

Price Undercutting

Introduction

293. 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 or subsidised goods represent significant price undercutting in relation to prices in New Zealand (at the relevant level of trade) for like goods of New Zealand producers. Where possible (and if sufficient information is available), the level of trade is determined for each importer.

294. The purpose of the price undercutting comparison is to establish whether or not there is price undercutting attributable to dumping. 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 economic impact on the industry. That impact is measured in terms of the factors and indices set out in section 8(2)(d) of the Act.

Level of Trade

295. The Ministry will normally seek to compare prices at the ex-factory and ex-importer's store levels, to ensure that the impact of dumping is clearly identified and not distorted by differences in distribution costs and margins. Accordingly, the Ministry's position is generally to compare importers' prices, including relevant selling and administration costs, which involves similar cost elements to those in the New Zealand producer's ex-factory price, but not the cost elements relating to the distribution of goods.

Element NZ Limited

296. All TGP plasterboard entering New Zealand goes via the Auckland and Lyttelton ports and is unloaded on Element's premises before being made available for sale. Element sells most of its Thai plasterboard to Bunnings (a wholesale and retail building material distributor), and a small number of regional stockists (in Auckland, Hamilton and Christchurch). These intermediaries on-sell the plasterboard to construction firms and the wider building industry (who hold trade accounts with Element) or to retail customers.

297. Other distribution channels are sales to construction companies, building contractors and developers who either:

(a) Have plasterboard delivered by Element to their premises on behalf of a distributor; or

(b) Collect plasterboard from Bunnings or a regional wholesaler, paying a price agreed with Element, or

298. Have plasterboard delivered by a wholesaler to their premises.[redacted]On the basis of Element's sales and distribution system described above, the Ministry considers that the appropriate level of trade to compare Element's prices with Winstone's prices is that of ex-factory/warehouse (for Winstone) with ex-store (for Element). It is at this level that purchasers have the choice between purchasing from either Winstone or Element.

Elephant

299. The Ministry has received limited cooperation from Elephant in the present review. However, on the basis of the information sourced, the Ministry considers that the appropriate level of trade to compare Elephant's prices with Winstone's prices is that of ex-factory/warehouse (for Winstone) with ex-store (for Elephant). It is at this level that purchasers have the choice between purchasing from either Winstone or Elephant.

Relevant Prices

Winstone's Ex-Factory (Warehouse) Prices

300. Winstone's financial year ends 30 June and the POR(D) is the year ended 31 July 2011. Because there is only a one month difference between the company's financial year and the POR(D), the Ministry considers that the price comparison can be based on Winstone's prices for the year ended 30 June 2011.

301. The Ministry has calculated an average net selling price for Winstone's standard and 10mm Wideline plasterboard. The average net selling price represents Winstone's selling prices net of all discounts and rebates which the Ministry considers is the appropriate price at which to compare with the price of the imported Thai plasterboard. Both Winstone and the importers sell on a [redacted] basis, therefore, the Ministry has excluded [redacted] in order to calculate the prices at the ex-factory/warehouse level. Winstone's average ex-factory (warehouse) selling price for its standard and 10mm Wideline plasterboard over its 2010/11 financial year was $[redacted]/sqm.

Element's Ex-Store Prices

302. According to Element, the company sold [redacted] sqm of standard plasterboard over the POR(D) at a total invoice value of $[redacted], which yielded an average [redacted] selling price of $[redacted]/sqm. In its reply to the Ministry's Importers Questionnaire, the company provided evidence of these sales volumes and values and a schedule showing its average costs of importing, warehousing and selling its standard plasterboard on the New Zealand market. The company also provided pricing information indicating that internal freight costs for standard plasterboard ranged between [redacted]/sqm. On this basis Element's average ex-store selling price for standard plasterboard on the New Zealand market over the POR(D) was $[redacted]/sqm.

Elephant's Ex-Store Prices

303. While Elephant did not provide the Ministry with its average ex-store selling price for standard plasterboard, information contained in the domestic industry's application for a review indicates that the company is making a concerted attempt at selling its standard board in the New Zealand market at prices above the New Zealand industry's prices.

304. In correspondence between Elephant and one of its customers (a distributor), contained in the Application for a review, Elephant specifically notes that it has a policy of not undercutting the New Zealand manufacturer to ensure that no material injury is caused to them. While Elephant notes that it is not privy to the full pricing and rebate structure offered by the local manufacturer, it bases it prices on market information it collects. Elephant notes in the correspondence that it goes to great lengths to ensure that its prices do not undercut the New Zealand producer.

Price Undercutting Comparison

305. The information provided indicates that Element is selling at prices in the New Zealand market [redacted] those charged by Winstone. This is not unexpected, however, as the company is currently paying anti-dumping duty on its imports of standard plasterboard which it would be expected to pass onto its New Zealand customers. The company is also under [redacted]

Likely Price Undercutting if the Anti-Dumping Duties are Removed

306. The table below show the level of undercutting when Winstone's average 2010/11 ex-factory (warehouse) price is compared with Element's average ex-store selling prices in the absence of anti-dumping duty. Element's ex-store price has been calculated by deducting the specific rate of duty of $[redacted]/sqm from its ex-store price above of $[redacted]/sqm.

Table 5.2: Price Undercutting in the Absence of Anti-dumping Duty
Winstone v Element
(Price per sqm at the ex-store level of trade*)

	2010/11
Winstone ave ex-factory average price	[redacted]
Element's ave ex-store price	[redacted]
Price undercutting	[redacted]
Price undercutting (as % of Winstone price)	[redacted]%

* Winstone ex-warehouse price v Element ex-store price.

307. Table 5.2 illustrates that at current prices and in the absence of anti-dumping duty the average price of Element's imported plasterboard from Thailand would be undercutting the price of like goods produced by Winstone at the ex-store level of trade. As noted above, the Ministry does not consider it likely that Element would

seek to pass on the full amount of the savings in anti-dumping duty and the table does show that price undercutting is possible without Element doing so.

Conclusion on Price Undercutting

308. The Ministry concludes that Thai imports are selling at prices in the New Zealand market at prices [redacted] those charged by Winstone. The Ministry further concludes that in the absence of duties Winstone's prices would likely be undercut by the dumped imports. The extent of the likely price undercutting is examined by the Ministry under the "Price Depression" section below.

Price Depression

309. 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.

310. 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.

311. In the case of a review, the assumption is made that the existence of a remedy has had the effect of removing injury due to dumping. On this basis, the period covered by the anti-dumping duties meets the general requirement of the conditions of a market unaffected by dumping.

312. To establish whether Winstone has experienced price depression over the POR(I) the Ministry has analysed the company's average net selling price for standard plasterboard for each of its financial years from 2007/08.

Table 5.3: Price Depression (NZD)

	2007/8	*2008/9*	*2009/10*	*2010/11*
Avg. Price per SQM	[redacted]	[redacted]	[redacted]	[redacted]
As a % of 2007/8	100%	[redacted]%	[redacted]%	[redacted]%

313. Table 5.3 illustrates that Winstone's average selling price for standard plasterboard has remained reasonably stable over the period 2007/8 to 2010/11. In its response to the Interim Report, Winstone agreed that its average selling prices across the entire company have been maintained, indicating that it has not suffered price depression. However, the company also noted that in September 2008, it instigated a [redacted] price increase in the South Island, the effects of which are likely to have been negated by the heavy competition in the Auckland area from Thai plasterboard. On the basis of the information in the table above, the Ministry concludes that that, when Winstone's prices to all customers in all regions are examined, there is no evidence that the company has experienced price depression.

Price Depression Forecast

314. Table 5.4 below shows Winstone's forecast of its average prices if anti-dumping duties remain in place, and alternatively if anti-dumping duties are removed under Scenario B-1.

Table 5.4: Forecast Price Depression (NZD/kg)
(Scenario B-1)

	-- With duties --		-- Without duties --	
	Forecast 2012/13	*Forecast 2013/14*	*Forecast 2012/13*	*Forecast 2013/14*
Avg. Price per Sqm	[redacted]	[redacted]	[redacted]	[redacted]
As % of 2011	[redacted]	[redacted]	[redacted]	[redacted]

315. The table indicates that, if the current anti-dumping duties were removed and Winstone had to compete with the dumped imports on price, its average selling price is forecast to decline in 2012/13 and 2013/14 to below the selling prices it has projected if the duties were to remain. The company's projected average prices (in the absence of measures) are also well below its actual average price achieved in its 2010/11 financial year. The forecast information indicates that price depression will occur in the future, in the absence of anti-dumping duties.

316. The projected average selling prices (for 2011/12, 2012/13 and 2013/14) reflect Winstone's planned strategy of combating the lower priced dumped imports from Thailand (in the absence of duties) by matching the price of the imports on the New Zealand market.

Conclusion on Price Depression

317. The Ministry concludes that Winstone's prices have not been depressed. The Ministry further concludes that in the absence of duties it is likely that Winstone's prices will be depressed.

Price Suppression

318. 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 prevent price increases for those goods that otherwise would have been likely to have occurred.

319. The Ministry has generally based its assessment of price suppression on the extent to which cost increases have not been recovered in prices. Cost increases not recovered in prices will be reflected in declines in gross profit and EBIT expressed as a percentage of sales revenue.

320. In analysing price suppression, the Ministry has considered Winstone's historical and forecast financial information. The following table shows the company's total cost per unit and average selling price from 2007/08 to 2010/11.

Table 5.5: Price Suppression (NZD)

	2007/8	*2008/9*	*2009/10*	*2010/11*
Avg. Price per Sqm	[redacted]	[redacted]	[redacted]	[redacted]
Total cost per SQM	[redacted]	[redacted]	[redacted]	[redacted]
Total cost as % of Avg. Price	[redacted]%	[redacted]%	[redacted]%	[redacted]%

321. Table 5.5 shows that the company's average costs as a percentage of its average selling price have increased since 2007/08 and in 2010/11 represented [redacted] percent of its selling price. The figures indicate that during the review period there has been price suppression. The price suppression can be explained to a large extent by the unfavourable trading conditions in the New Zealand building and construction sector although Winstone claims that at least some portion is due to competition from dumped goods from Thailand, even though the amount would be difficult to quantify. Winstone also noted that it had planned for a [redacted]

Price Suppression Forecast

322. Winstone has stated that its prices would be suppressed through having to compete with the lower-priced dumped imports from Thailand should the duties be removed due to the price undercutting it would experience and the resulting price depression.

323. In table 5.6 below, Winstone's projected total cost per unit under Scenario B-1 (with the duty removed) for its 2012/13 and 2013/14 financial years have been compared with its projected average prices for the same years (with the anti-dumping duties in place) to give an indication of the likely price suppression the company would suffer if it was to have to compete with dumped imports.

Table 5.6: Projected Price Suppression (NZD per kg)
(Scenario B-1)

	-- With duties --		-- Without duties --	
	Forecast 2012/13	Forecast 2013/14	Forecast 2012/13	Forecast 2013/14
Avg. Price per Sqm	[redacted]	[redacted]	[redacted]	[redacted]
Total Cost per Sqm	[redacted]	[redacted]	[redacted]	[redacted]
Total cost (as % of SP)	[redacted]%	[redacted]%	[redacted]%	[redacted]%

324. The table shows that, if the current anti-dumping duties were removed and Winstone had to compete with the dumped imports, the company's total cost per unit (as a percentage of its average selling price) is projected to increase in its 2012/13

and 2013/14 financial years to above the percentage it has projected in the same financial years (if the duties were to remain). While the main basis for the company's projected increase in total cost per unit (as a percentage of its selling price) is a significant decrease in projected selling price (rather than an increase in cost per unit), the forecast information does indicate that Winstone will suffer price suppression in the future, in the absence of anti-dumping duties.

Conclusion on Price Suppression

325. The Ministry concludes that Winstone has suffered price suppression and is likely to suffer suppression of its prices if the duty is removed.

5.5 The Consequential Economic Impact of the Dumped Goods

Introduction

326. In order to gauge the extent to which the removal of the anti-dumping duties would cause material injury to the domestic industry, 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. The Ministry examines these projections in light of the company's past performance (in the absence of injurious dumping) and projected future performance (both in the absence and presence of injurious dumping) in order to assist it analysing the likely consequential economic impact of the dumped goods and in making either a negative or positive recurrence of injury determination.

327. In terms of analysing the likely consequential economic impact of dumped goods, 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—

(i) Actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilisation of production capacity; and

(ii) Factors affecting domestic prices; and

(iii) The magnitude of the margin of dumping; and

(iv) Actual and potential effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investments.

Output and Sales

328. Movements in sales revenue reflect changes in volumes and prices of goods sold. Dumped imports can affect both of these factors through increased supply of goods to the market and through price competition.

Historical Sales Volume and Revenue

329. The following table shows Winstone's historical volume and revenue figures for its sales of standard plasterboard, from 2007/08 to 2010/11.

Table 5.7: Winstone's Sales Volume and Revenue (NZD)

	2007/8	*2008/9*	*2009/10*	*2010/11*
Sales (000 Sqm)	[redacted]	[redacted]	[redacted]	[redacted]
- As % of 2007/8	100%	[redacted]%	[redacted]%	[redacted]%
Net Revenue	[redacted]	[redacted]	[redacted]	[redacted]
- As % of 2007/8	100%	[redacted]%	[redacted]%	[redacted]%

330. Table 5.7 shows that Winstone's sales volume for standard plasterboard decreased significantly from 2007/08 to 2010/11 with its revenue decreasing to a similar level from 2008/09. If the information is analysed over the entire injury period, both sales volume and revenue are well below the figures recorded in 2007/08. The decline in Winstone's performance can be largely explained by the unfavourable trading conditions in the New Zealand economy following the 2008 global financial crisis which negatively affected the building/construction sector.

Sales Volume and Revenue in the Absence of Anti-dumping Duty

331. In table 5.8 below, Winstone's projected sales volume and revenue under Scenario B-1 (with the duty removed) for its 2012/13 and 2013/14 financial years have been compared with its projected average prices for the same years (with the anti-dumping duties in place).

Table 5.8: Projected Sales Volume and Revenue
(Scenario B-1)

	------ Forecast 2012/13 ---------		*------ Forecast 2013/14 ---------*	
	With duties	Without duties	With duties	Without duties
Sales (000 Sqm)	[redacted]	[redacted]	[redacted]	[redacted]
Percentage Change	-	[redacted]%	-	[redacted]%
Net Revenue (000)	[redacted]	[redacted]	[redacted]	[redacted]
Percentage Change	-	[redacted]%	-	[redacted]%

332. The figures in the table above reflect Winstone's intended strategy to combat the dumped goods (if anti-dumping duties are removed). In terms of sales volumes, the table shows that the company has projected an increase in sales volume over its 2012/13 and 2013/14 financial years (in both the absence and presence of anti-dumping duties) when compared with its previous four financial years.

333. The forecast increases in sales volume are mainly based on increased sales volumes of plasterboard expected as a result of the Christchurch earthquake

recovery programme. However, in terms of sales revenue, Winstone has projected decreases in net sales revenue over its 2012/13 and 2013/14 financial years (in the absence of anti-dumping measures), as a direct result of needing to discount its prices in order to compete with the lower-priced dumped imports. While the company's projected 2012/13 and 2013/14 sales revenue figures (in the absence of anti-dumping duty) are above the results recorded in 2008/09, 2009/10 and 2010/11, they are still well below the figure recorded in 2007/8 (the year prior to the global financial crisis) and significantly below what the company has projected it will achieve if the duties remain in place.

334. In its response to the Ministry's Interim Report, TGP stated that Winstone's sales volume and sales revenue is projected to increase, whether or not anti-dumping duties are removed from the Thai imports. TGP contends that such an outcome stretches the definition of "injury", and suggests that Winstone has a "sole right" to any market growth - to the exclusion of any other company. This reinforces TGP's view that Winstone is no longer seeking the sort of efficiencies that would result from normal competitive tension. According to TGP, the appropriate counterfactual in such an injury analysis should be the injury that would result from anti-dumping duties set by any dumping margins found in the current review rather than duties set at the 2005 review. If duties are reassessed at a lower level, any potential injury suffered by Winstone will automatically be lower than has been assumed in the scenarios examined by the Ministry.

335. TGP contends that an injury analysis approach based on the relative changes to welfare (i.e. an examination of changes in producer and consumer surplus) would enable the public to judge whether protecting the domestic industry with anti-dumping duties would be beneficial to New Zealand as a whole. Although this test is not relevant to MED's consideration of whether or not to actually impose the duties, it would help to build public confidence that the supply of critical building products is sufficiently competitive, and that trade was what ordinary consumers would consider to be "fair".

336. The Ministry is required to examine in a sunset review the likelihood of a continuation or recurrence of dumping and injury should the duty expire. The Ministry has already concluded there is likely to be a continuation of dumping in the absence of the duty and must consider the likelihood of a recurrence of injury resulting from the removal of the duty. In doing so the Ministry does not consider it is necessary for the likely injury arising from the removal of the duty to result in declines in the injury factors below the levels that were experienced by the domestic industry in a period immediately preceding any removal of the duty.

337. This is particularly so in a situation where there has been a significant downturn in the plasterboard resulting from the global financial crisis and the expected upturn in activity likely to result from the rebuild of Christchurch. As outlined above, the Ministry considers it likely that Winstone's prices will be depressed and suppressed should the duty be removed. There is therefore likely to be a consequent reduction in sales revenue should the duty be removed that would not have occurred had the duty stayed in place. The Ministry is satisfied that such a loss of revenue (and other consequent effects) can constitute injury even if relevant injury factors in the absence of the duty are above those in an immediately preceding period.

338. The Ministry does not consider the submission by TGP relating to relative changes to welfare, which is effectively a public interest test, to be relevant as there is no requirement in the Act for the broader public interest to be considered.

Conclusions on Sales Volume and Sales Revenue

339. The Ministry is satisfied on the basis of the evidence gathered in the review, that the expiry of the anti-dumping duty is likely to result in losses in net sales revenue over its 2012/13 and 2013/14 financial years when compared with how it will likely perform if the anti-dumping measures are retained.

Market Share

340. 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.

Historical Market Share

341. The following table shows market share information (by volume) from 2007/08 to 2010/11.

Table 5.9: Market Share (Sqm)
(Years ended 30 June)

	2007/8	*2008/9*	*2009/10*	*2010/11*
Dumped Imports from Thailand	[redacted]	[redacted]	[redacted]	[redacted]
Non-Dumped (all sources)	[redacted]	[redacted]	[redacted]	[redacted]
Total Imports	[redacted]	[redacted]	[redacted]	[redacted]
Sales by Winstone	[redacted]	[redacted]	[redacted]	[redacted]
NZ Market	[redacted]	[redacted]	[redacted]	[redacted]
As % of NZ Market:				
Dumped Imports from Thailand	[redacted]%	[redacted]%	[redacted]%	[redacted]%
Non-Dumped (all Sources)	[redacted]%	[redacted]%	[redacted]%	[redacted]%
Sales by Winstone	[redacted]%	[redacted]%	[redacted]%	[redacted]%

342. There has been a gradual increase in the market share held by Thai plasterboard since 2007/8 including a more noticeable increase from 2009/10. More specifically, the market share of Thailand plasterboard has increased from almost [redacted] percent in 2007/8 to almost [redacted] percent in 2010/11. Over the same period, imports from sources other than Thailand remained reasonably static while the domestic industry's market share declined from [redacted] percent in 2007/8 to [redacted] percent in 2010/11. This indicates that the gain in market share of Thai plasterboard has been at the expense of the decline in the domestic industry's market share.

Market Share in the Absence of Anti-dumping Duty

343. The impact of the dumped goods on Winstone's future market share (in the absence of anti-dumping measures) will depend on how the company responds to increasing volumes of Thai imports e.g. the more Winstone [redacted] prices to compete with increased volumes of lower-priced imports, the less will be the impact on market share, with the main impact being on its revenue and profits.

344. Based on Winstone's intended strategy to compete on price with the Thai imports, it is unlikely that the company would lose significant market share to dumped imports in its 2012/13 and 2013/14 financial years. The company intends to [redacted] its prices in order to compete with the lower-priced imports from Thailand, rather than lose out to the imports on volume. On this basis, it follows that while the company may suffer some loss of market share in the short-term (as imports strive to gain a foothold in the market), as Winstone begins to [redacted] its prices to combat the increasing volume of dumped imports, the less will be the impact of the dumped goods on the company's market share.

Profits

Historical Profits

345. Winstone provided the following historical information on its earnings before interest and tax (EBIT).

Table 5.10: Winstone's Net Profit (EBIT)

	2007/8	*2008/9*	*2009/10*	*2010/11*
EBIT ($NZ, 000)	[redacted]	[redacted]	[redacted]	[redacted]
- change from previous year	-	[redacted]	[redacted]	[redacted]
- As % of 2007/8	100%	[redacted]%	[redacted]%	[redacted]%
EBIT per Sqm	[redacted]	[redacted]	[redacted]	[redacted]
- change from previous year	-	[redacted]	[redacted]	[redacted]
- As % of 2007/8	100%	[redacted]%	[redacted]%	[redacted]%
EBIT as % Sales Revenue	[redacted]%	[redacted]%	[redacted]%	[redacted]%

346. The table shows that Winstone's EBIT for standard plasterboard decreased significantly over the last four years. EBIT per kg and EBIT as a percentage of revenue followed a similar trend. On this basis, there is evidence the company has suffered material injury in terms of its EBIT level over the injury period. However, as noted previously in this report, the decline in Winstone's performance can largely be explained by the unfavourable trading conditions in the New Zealand market which followed the 2008 global financial crisis and the resulting world-wide recession.

Profits in the Absence of Anti-dumping Duty

347. In table 5.11 below, Winstone's projected EBIT under Scenario B-1 (with the duty removed) for its 2012/13 and 2013/14 financial years have been compared with its projected EBIT for the same years (with the anti-dumping duties in place).

Table 5.11: Projected Net Profit (EBIT)
(Scenario B-1)

	----- Forecast 2012/13 -------		*----- Forecast 2013/14 -------*	
	With duties	Without duties	With duties	Without duties
EBIT ($NZ, 000)	[redacted]	[redacted]	[redacted]	[redacted]
Percentage Change	-	[redacted]%	-	[redacted]%
EBIT per Sqm	[redacted]	[redacted]	[redacted]	[redacted]
Percentage Change	-	[redacted]%	-	[redacted]%
EBIT as % Sales Revenue	[redacted]%	[redacted]%	[redacted]%	[redacted]%

348. The forecast EBIT figures for 2012/3 and 2013/4 in the tables above (in the absence of anti-dumping duties) derive from Winstone's projected sales volume and revenue figures considered above, but also take into account the company's projected production costs and expenses it would incur if producing those volumes and also reflect the company's intended strategy of combating the dumped goods by [redacted] prices.

349. The figures indicate that Winstone will achieve decreased profit levels in 2012/13 and 2013/14 (in the absence of anti-dumping duties) when compared with what the company would have expected to achieve if the anti-dumping duties remained.

350. The projected EBIT figures (for 2012/13 and 2013/14) reflect Winstone's planned strategy of combating the dumped imports from Thailand by discounting its prices to match the price of the imported plasterboard in the New Zealand market. While the company's projected 2012/13 and 2013/14 EBIT figures (in the absence of anti-dumping duty) are above the results recorded in 2008/09, 2009/10 and 2010/11, they are still well below the EBIT figure recorded in 2007/8 (the year prior to the global financial crisis) and significantly below what the company has projected it will achieve if the duties remain in place.

Conclusions on Profit

351. Winstone has suffered a significant drop in EBIT levels since its 2007/08 financial year. This can largely be attributable to the unfavourable trading conditions in the New Zealand building and construction sector which followed the 2008 global financial crisis.

352. Winstone considers that if the anti-dumping duties are removed, it will be forced to significantly [redacted] its prices in order to retain sales volume, meaning that the impact from dumped imports will be reflected in declines in sales revenue and profits rather than in declines in volumes. This strategy to combat the dumped goods is reflected in the loss in profit in Scenario B-1 examined by the Ministry above.

353. The Ministry is satisfied that the price depression forecast by Winstone will directly result in significant losses in EBIT over its 2012/13 and 2013/14 financial years when compared with its past performance (with duties in place). Projected EBIT figures provided by the company also indicate that Winstone will achieve significant losses in profit in 2012/3 and 2013/14 (in the absence of anti-dumping duties) when compared with what the company would have expected to achieve if the anti-dumping duties remained.

Productivity

354. 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.

355. On the basis that Winstone intends to match the lower-priced Thai imports with its own price decreases (in order to maintain production and staff levels), the Ministry considers that the company's productivity level is unlikely to be adversely affected by the removal of the anti-dumping duties on Thai imports.

Return on Investments

356. Return on investments measures profit against the value of the investment in a business. 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 new investment.

357. Winstone stated that its return on investment (i.e. EBIT as a percentage of average assets) would have likely decreased considerably since 2008 due to the downturn of the market rather than any dumping. On this basis the company did not consider that its return on investments has been negatively affected by the existence of any dumped goods from Thailand.

Likely Impact of the Removal of Anti-dumping Duties

358. Winstone considers that, if the current anti-dumping duties are removed, its EBIT will decline which will negatively affect its return on investment (i.e. EBIT as a percentage of either average shareholders' funds or average assets).

Conclusion

359. The Ministry considers that a likely decline in profits should the duty be removed would indicate that there would likely be a corresponding decline in the rate of return on investments. The Ministry concluded under "Profit" above that, should duties be removed, Winstone will experience significant losses in EBIT over its 2012/13 and 2013/14 financial years when compared with its past performance (with duties in place) and when compared with what the company would have expected to achieve if the anti-dumping duties remained.

360. The Ministry concludes that there is no evidence that Winstone's return on investment has been adversely impacted by the impact of dumped goods (with the anti-dumping duties in place). However, should the current anti-dumping duties be removed, the Ministry is considers that, based on the likelihood of losses in EBIT, there will likely be a corresponding decline in return on investment.

Utilisation of Production Capacity

361. 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 consequent loss of profit.

362. Winstone has a plasterboard manufacturing facility in Auckland and in Christchurch. Using the current shift structure, Winstone believes that its capacity is around [redacted] square metres per annum (for both standard board and performance board combined). The company soon plans to upgrade the [redacted] at its Christchurch plant thereby enabling another shift which will increase the company's total production capacity to approximately [redacted] square metres per annum with both plants working [redacted] days, per week, [redacted] hrs per day.

363. Over the 2010/2011 financial year Winstone produced [redacted] square metres of plasterboard (standard and performance board) for sale in the domestic market and a further [redacted] square metres for export. This was achieved on the company's current shift structure and represents a capacity utilisation rate of [redacted]% percent for the domestic market.

364. Winstone stated that it does have the option to increase capacity at both of its plants by an additional [redacted] to [redacted] square metres per annum, by increasing the number of shifts that it operates. The present bottleneck to increasing production capacity at the Auckland plant (beyond adding a further shift) is the [redacted]

[redacted] The company stated that it had no plans in this respect.

365. Based in the information to date, and the fact that there are already anti-dumping duties in place, Winstone does not consider its production capacity utilisation rate has been materially impacted by the existence of dumped imports from Thailand.

Likely Impact of the Removal of Anti-dumping Duties

366. In terms of the likely effect on Winstone's production capacity utilisation rate should the anti-dumping duties be removed, the company considers the effect of the removal of the duties will be minor due to its intended strategy of combating the lower-priced dumped goods by reducing its prices in order to maintain market share.

Conclusion

367. On the basis that Winstone intends to match the lower-priced Thai imports with its own price decreases (in order to maintain production volume), the Ministry considers that the company's production capacity utilisation rate is unlikely to be adversely affected by the removal of the anti-dumping duties on Thai imports.

Factors Affecting Domestic Prices

368. Winstone has not raised any factors affecting domestic prices in terms of the current performance of the company (with the anti-dumping measures in place) or if the duties were to be removed.

Magnitude of the Margin of Dumping

369. The magnitude of the margin of dumping can be a useful indicator of the extent to which injury can be attributed to dumping, particularly in assessing to what extent any injury is due to dumped imports and what portion, if any, is due to other factors. In this respect, it is useful to compare the margin of dumping with the margin of injury (determined by the level of price undercutting).

370. In terms of the margin of dumping, the review has found that 100 percent of standard plasterboard imported from Thailand is entering New Zealand at dumped prices. The weighted average dumping margin established was [redacted] percent for TGP and [redacted] percent for SGI/SCG Trading. In terms of the margin of injury, the Ministry has established that Thai plasterboard is selling at [redacted] prices in the New Zealand as those charged by Winstone which would be expected as there are anti-dumping measures in place to counter any dumping from Thailand and to enable the domestic industry to compete with the Thai imports on price.

Likely Impact of the Removal of Anti-dumping Duties

371. The Ministry has concluded that dumping has occurred over the POR(D) and it is likely that dumping will continue (especially if the anti-dumping duties are removed). If anti-dumping duties were to be removed and if exporters pricing

information over the POR(D) are an indication of future pricing, the Ministry considers that the magnitude of the extent of the margin of dumping will likely be at least the same as over the POR(D) and any level of price undercutting will be attributed to the margin of dumping.

Other Adverse Effects

Cash Flow

372. Winstone could not provide information on cash flow relating to standard plasterboard because of the way in which the Fletcher Group reports on cash flow. The Ministry concludes that there is no evidence that Winstone's cash flow has been adversely impacted by the impact of dumped goods (with anti-dumping duties in place). However, should the current anti-dumping duties be removed, the Ministry is satisfied that, based on the likelihood of losses in sales revenue and EBIT, the company's cash flow will also be negatively affected.

Inventories

373. Winstone provided historical inventory figures (year-end finished stock) for standard and 10mm Wideline plasterboard over its last 4 financial years. However, as the company manufactures to order, its inventory levels are managed by its production process which enables stock levels to be kept to a minimum. On this basis, Winstone has not made any claims of injury in respect of its inventory levels.

Employment and Wages

374. Winstone provided historical employment figures over its last 4 financial years (based on staff numbers at its two plasterboard manufacturing facilities). The figures are shown in the table below:

Table 5.12: Winstone's Employment Level
(Total Staff Numbers as at 30 June)

	2007/8	*2008/9*	*2009/10*	*2010/11*
Employees	[redacted]	[redacted]	[redacted]	[redacted]
- change from previous year	-	[redacted]	[redacted]	[redacted]
- As % of 2007/8	-	[redacted]%	[redacted]%	[redacted]%

375. The company stated that it seeks to sustain both current employment and remuneration levels. Winstone did not make any claims that its ability to maintain staff numbers or the level of remuneration it is able to provide has been adversely affected due to dumped goods from Thailand. In fact, it stated that there have been [redacted] percent average incremental increases in wage rates in recent years, although the number of staff employed over the last five years had [redacted].

Likely Impact of the Removal of Anti-dumping Duties

376. In terms of the likely effect on Winstone's staff numbers and wage rates should the anti-dumping duties be removed, the company considers either the continuation or removal of the duties should not affect these factors, as its intended strategy to combat the dumped goods would be to reduce its prices in order to maintain market share rather than to cut back on production.

Conclusion

377. On the basis that Winstone intends to match the lower-priced Thai imports with its own price decreases (in order to maintain production volume), the Ministry considers that the company's employment level and wage rates are unlikely to be adversely affected by the removal of the anti-dumping duties on Thai imports.

Growth

378. In terms of Wintone's growth over the last five years and how, if at all, this had been impacted due to the existence of the Thai imports, the company does not believe that the Thai imports have had any impact upon the size of the New Zealand market. According to the company, the only effect they have had on its profitability and material injury relate to the movements in Winstone's market share and the extent it has [redacted] in order to compete with imports, but this is only to the extent that these imports are entering at dumped prices.

Conclusion

379. The Ministry concludes that there is no evidence that Winstone's growth has been adversely impacted by the impact of dumped goods. However, should the current anti-dumping duties be removed, the Ministry is satisfied that, based on the likelihood of losses in EBIT, the company will likely experience a corresponding decline in its rate of growth

Ability to Raise Capital

380. In terms of its ability to raise capital and investments, Winstone stated that any funds from FBL must be applied for and noted the upgrade of its Christchurch plant as an example.

381. The company did not consider that its ability to raise capital and investments has been negatively affected by the existence of any dumped goods from Thailand (with the anti-dumping duties in place). In terms of the likely effect on Winstone's ability to raise capital and investments should the anti-dumping duties be removed, Winstone noted that its two plants are well-established and (other than the Christchurch upgrade) it is not planning any substantial upgrades to either plant.

5.6 Other Causes of Injury

382. 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; and

ii. Contraction in demand or changes in the patterns of consumption; and

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

iv. Developments in technology; and

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.

Non-Dumped Imports

383. Both the level and frequency of non-dumped imports can be a source of potential injury to a domestic industry. In the present review, import statistics show that the vast majority of imported plasterboard entering New Zealand is sourced from Thailand. Other sources of imports include Australia, China, Malaysia, Taiwan and the United States.

384. Winstone does not believe that imports from sources other than Thailand affect plasterboard prices in the New Zealand market. Winstone stated that only Malaysia was sending any other significant volumes of standard plasterboard to New Zealand which it believed were going to one of the two current Thai importers [redacted] to supplement its imports from Thailand.

385. TGP, in its questionnaire response, noted that plasterboard imports from sources other than Thailand (e.g. Indonesia and China) sell at much lower prices than its product but have still not achieved significant growth in their share of the New Zealand market. According to the company, this is because market share in New Zealand has more to do with brand recognition, company reputation, customer support, and distribution arrangements than with price. Demand is also influenced by the ability to meet the supply expectations, standards, and regulatory requirements of the New Zealand building industry.

Conclusion

386. The Ministry notes that non-dumped imports of standard plasterboard from countries other than Thailand currently represent approximately [redacted] percent of total imports which indicates these import volumes are unlikely to be a source of injury to the domestic industry. While the unit prices of some of the other countries from

which non-dumped imports have originated are lower than those from Thailand, these imports make up a minimal percentage of the total market with the primary competition faced by Winstone being larger volumes of imports from Thai imports.

387. On this basis, the Ministry concludes that the volume and prices of goods from countries other than Thailand are not a current cause of material injury to the domestic industry nor are they likely to be a cause of injury to the industry if the anti-dumping duties were removed.

Contraction in Demand or Changes in Consumption Patterns

388. Submissions made by all parties to the review indicated that there have been some recent changes in the demand and consumption patterns for plasterboard in the New Zealand market.

Contraction in Demand

389. TGP and Element noted in their questionnaire responses that the demand for plasterboard in New Zealand has contracted since 2008, as evidenced by building consents granted by local authorities. However, both companies also noted that, if the forecasts for construction in Christchurch (related to the Canterbury Earthquake recovery and rebuild) and if the anticipated response to the Auckland housing shortage actually occurs, Fletcher Building (via Winstone) may struggle to meet demand for plasterboard from its own manufacturing facilities.

390. Winstone acknowledge that there has been a significant contraction in demand for plasterboard in New Zealand following the 2008 global financial crisis and the resulting world-wide recession. These events have led to unfavourable trading conditions in the New Zealand economy and caused demand for building materials in the building/construction sector building to drop significantly. This decrease in demand is reflected in Winstone's decreased sales for standard plasterboard board, since 2007/8 (see section 5.5 above).

Changes in Consumption Patterns

391. One change in consumption patterns identified is the increasing trend of a greater use of performance plasterboard in construction rather than using standard plasterboard. An example of this is the use of 13mm plasterboard in residential ceilings when traditionally 9.5mm or 10mm standard plasterboard would have been used.

392. In terms of the increased demand for 13mm plasterboard, Winstone stated that plasterboard of 13mm was standard in the commercial market, but other than this, there was traditionally not a high level of use of performance board. However, the company noted that changes have occurred in the building industry over the last ten years including the implementation of the new building code, more apartments being built and [redacted] which have together altered the drivers of the split between standard and performance plasterboard and resulted in increased sales of performance board.

393. In fact, the company noted that an ideal situation is to [redacted] sales being [redacted] plasterboard and that its [redacted] performance plasterboard. The company stated that it will continue to [redacted] this change, as the [redacted] these performance boards is better and it believes these products give a superior interior finish.

394. To meet the changing needs of the New Zealand market, Winstone stated that it is always looking to introduce new products (if the market conditions warrant it). However, the company stated that it is currently not planning to add any products to its standard plasterboard range and that it aims to remove one size from the product range when another is added. This policy of keeping the product range as tight as possible is driven by merchants as it limits the amount of stock that they are required to carry.

395. In order to keep pace with changing customer demands, Winstone recently introduced its NEW GIB® standard board in the market to replace its existing GIB® standard board. The new board contains a modern re-engineered composite core utilising new honeycomb technology and fibreglass, and is encapsulated in a stronger paper-liner. The company claims the product is lighter, stronger, more flexible and has a more-consistent finish. NEW GIB® standard board is available in 10mm and 13mm thickness and includes GIB Wideline®. The 13mm GIB board is recommended for use on ceilings for a better quality finish.

Conclusion

396. In terms of the contraction in the demand for plasterboard, there is no doubt that the unfavourable trading conditions in the New Zealand market since 2007/8 have led to a significant decrease in activity in the building/construction sector and a related decrease in the demand for standard plasterboard. However, the Ministry has taken into account the decrease in demand for plasterboard in its injury analysis above (section 5.5) and concluded that the large drop in demand for plasterboard has been felt by Winstone in terms of its financial performance since 2007/8.

397. The decrease in demand for plasterboard is reflected mostly in Winstone's decreased sales and profits for standard plasterboard board, since 2007/8. By the same token, the Ministry has also taken into account (in its injury analysis), the expected increase in demand for plasterboard over the coming years, due to the Christchurch earthquake rebuild. Included in this analysis (and taking into account Winstone's production capacity) is the finding that the company would unlikely have difficulties in meeting any increased demand for standard plasterboard as a result of the planned Christchurch earthquake rebuild.

398. In terms of how the increased demand for 13mm plasterboard in residential ceilings has impacted on its standard plasterboard sales Winstone provided sales statistics to show that its standard/performance board sales split has [redacted], at approximately a [redacted] split, over the last three years. While this percentage sales split (of standard as opposed to performance board) may have [redacted] in recent years (from the figure recorded during the previous decade, for example), the Ministry considers it unlikely to be a factor other

than the dumped goods which is injuring or is likely to injury the industry if the anti-dumping duties were removed. This is especially the case with the industry expecting its sales of both standard and performance board to increase over the next few years due to more favourable market conditions, especially on the back of the Christchurch earthquake rebuild.

Restrictive Trade Practices of, and Competition between, Overseas and New Zealand Producers

399. Both Element and TGP stated in their questionnaire responses that it has been difficult for new importers to enter the New Zealand market, particularly importers that offer only a small range of building material components. According to [redacted], this is because of certain trade practices adopted by Fletcher Building (Winstone's parent company), including exclusive supply arrangements with their wholesale suppliers. According to [redacted], Fletcher Building also generally offers products that can be bundled – effectively "tying" plasterboard sales to other materials demanded by distributors and merchants. [redacted] stated that, although it has been able to access Bunnings stores, [redacted], even though its prices are competitive. For example, PlaceMakers (a subsidiary of Fletcher Building), [redacted]

400. Element also stated in its questionnaire response that Winstone effectively sets the New Zealand market price for plasterboard because of its dominant market position and that the removal of the current anti-dumping duties on Thai plasterboard would not result in a significant price reduction due to Winstone's ability (through its market power) to set the wholesale price in New Zealand.

401. In response [redacted] that certain wholesale suppliers are simply not willing to stock Element products, Winstone stated that it does not have any agreements with its major customers which require Winstone [redacted] or which prevent a customer from [redacted] Winstone stated that it has competitive market-driven agreements based on price, product quality, supply arrangements and structured volume and advertising rebates which reward customers for the size of the annual values of product they purchase.

402. According to Winstone these agreements help grow or maintain its market share but they are not designed to prevent competition. Winstone further stated that it has sometimes refused to sell directly to a small volume potential customer. This was due to either existing market coverage in that geographic area or because of their size and ability to stock an adequate product range. Winstone said generally in such cases it has organised a reseller arrangement with one of its major customers so that the retailer continues to be able to sell the GIB® product at a competitive price.

403. In the case of Bunnings, Winstone noted that in the last two years Bunnings has been stocking BPB/Element board as well as GIB Board®, even though Winstone

offered a competitive pricing structure [redacted]. Nevertheless, when Bunnings did not accept this, Winstone continued to provide its products on the same terms and conditions as it had previously done. In fact, over the last two years [redacted].

404. In summary, Winstone stated that all the major merchant chains in New Zealand tend to have "Preferred Suppliers" for their various major products and product ranges. This is done to maximise buying power. For any particular product a merchant chain may have one preferred supplier, or a preferred supplier and a secondary supplier, or even more than one preferred supplier for a single product. Depending on the nature of the merchant chain (single ownership, franchised, co-operative, etc) and on the arrangements in relation to ordering practices, most or possibly nearly all of the product may be purchased from a "Preferred Supplier". This does not mean however that all product has to be purchased from the "Preferred Supplier".

405. In response to Element's claims that Winstone sets the plasterboard prices in New Zealand (because of its market dominance), the company stated that while it does set its own prices in the market, importers are free to sell at whatever price they like provided the product they import is not dumped and causing material injury. Indeed, [redacted] it is clear that the importers decide their own individual prices.

406. In addition, Winstone claimed that its pricing levels do not affect the overall demand for plasterboard in New Zealand as they are well under the cost of alternative non-plasterboard products. According to the company, the size of the New Zealand market for plasterboard is entirely dependent on the demand for housing and other buildings which use plasterboard.

407. On the basis of the above, Winstone does not consider that injury to the company results from its own market position (or that there is any evidence of this). This is because Winstone is aware that in many of its negotiations on price for [redacted] However, the company did acknowledged that there is bound to be a very small portion of the market who would buy imported product, even if there was no price differential (due, for example, to a poor experience in the past with Winstone or simply a particular preference to support a small player in the market).

408. Winstone also stated that it does not bundle its products with other products from other Fletcher Building companies, nor does it base any rebates on purchase of products other than from Winstone. The company stated that it has a high reputation in the market for quality and service, and in the last seven years has won "Supplier

of the Year" from various customer and industry groups on more than 35 occasions. Furthermore, Winstone believes that fair competition is good for business and that it will always compete with importers to maintain its market share, but it does so within the confines of New Zealand law and in particular the Fair Trading Act and the Commerce Act.

Conclusion

409. While the Ministry has received submissions from Element [redacted] on what these companies perceive as being [redacted] trade practices exhibited by the only New Zealand manufacturer of plasterboard, Winstone, neither company claimed that the practices were a factor which have injured, or are injuring, the industry.

410. Furthermore, the Ministry has found no evidence that such practices are out of the ordinary or that they are injuring the New Zealand industry. For instance, while Element [redacted] claim that certain wholesalers and distributors are prevented from trading with Element because of their supply agreements with Winstone, information sourced by the Ministry indicates that practices such as preferential supply arrangements are common in the trade and do not prevent a distributor or wholesaler from dealing with a number of suppliers including suppliers of imported plasterboard.

411. In summary, information received during the review indicates that there is competition of an ordinary nature in the New Zealand plasterboard market and that imports of plasterboard from Thailand (with anti-dumping measures in place) compete with domestically-produced plasterboard on an equal playing field.

Developments in Technology

412. The Ministry has not identified, nor has it received any submissions on any recent developments in technology that could be a potential source of injury to Winstone.

Export Performance and Productivity of the New Zealand Producers

413. In terms of the domestic industry's export performance, Winstone exports a small amount of plasterboard, mainly to the Pacific Islands, however, the majority (approximately [redacted] percent) is performance board. Winstone considers that its exports do not affect its domestic sales productivity or costs, as export sales are fully costed and, in fact, it maintains a separate profit and loss account for its export sales. In summary, the Ministry has not identified, nor has it received any submissions on Winstone's export performance that could be a potential source of injury to the company.

414. In terms of the domestic industry's productivity, Element noted that Winstone's production model is based on maintaining the production capacity needed to create a near monopoly provision of plasterboard for construction activity. This means that Winstone carries significant fixed costs and is highly exposed to the sort of demand

volatility that New Zealand has experienced as a result of events such as the global financial crisis (with associated lost business and reduced access to finance) and construction uncertainty following the Canterbury earthquakes in September 2010 and February 2011.

415. Element considers that it is not in the interests of New Zealand consumers to protect an inefficient manufacturer from making difficult decisions to rationalise production capacity and that the New Zealand market expects a better performance from its building materials industry. The company stated that it follows a different business model to Winstone which result in more efficient (lower cost) construction and improved quality of materials supplied to a large group of consumers. The company stated that its model does not require it to carry significant fixed costs and, as a result, it is able to be more price flexible, especially when adjusting to changes in market conditions.

416. In response to Element's claims that Winstone is an inefficient manufacturer, Winstone denied this allegation. The company stated that, while the total cost to manufacture plasterboard in New Zealand is greater than in Thailand, this was due to the fact that Thailand is a low labour cost economy and the Thai producers also have access to lower cost raw materials. However, according to Winstone, this is not an indication that it is an inefficient producer.

417. To highlight the fact that it continues to invest in technology in order to improve its performance (in terms of increased quality and decreased costs), Winstone provided the Ministry with a list of initiatives it has recently implemented or is currently implementing. The initiatives ranged from machinery upgrades to industrial waste recovery systems. In any event, Winstone claim that the issue of efficiency is irrelevant to whether or not the company will experience a recurrence of injury from dumped Thai imports, if the duties are removed.

Conclusion

418. While the Ministry has received submissions from Element on what it perceives as being the domestic industry's lack of efficiency, the company did not provide information to suggest that this was a factor which has injured, or is injuring, the industry. Furthermore, while Winstone may incur higher input costs than plasterboard producers in Thailand, the Ministry has found no conclusive evidence that Winstone is an inefficient producer of plasterboard or that its production costs are a source of injury to it.

419. In summary, information received during the review indicates that, in terms of New Zealand and international manufacturing standards, Winstone is at least equal to the standards set and met by other manufacturers and that it continues to look for ways of improving its performance (in terms of increased quality and efficiency).

Imports by the Industry

420. The Ministry has not identified, nor has it received any submissions on any recent imports by the industry that could be a potential source of injury to Winstone. In fact, Winstone stated that it has not imported any standard plasterboard over the

past five years and does not anticipate importing any in the future. The company stated that the only circumstances in which it would import standard plasterboard would be when there was a breakdown, accident, or some unforeseen catastrophe that meant its two plants combined were unable to meet the customer demand.

5.7 Conclusions Relating to Injury

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

Volume and Price Effects

422. The volume of imports of standard plasterboard from Thailand has increased in absolute terms and also relative to both domestic production and total New Zealand consumption.

423. With anti-dumping duties in place, Winstone's average domestic price of standard plasterboard has [redacted] undercut by imports of plasterboard from Thailand over the POR(D).

424. Winstone has not experienced price depression over the injury POR but has experience price suppression which is likely attributable to the unfavourable trading conditions following the 2008 global financial crisis.

Economic Impact

425. Even with anti-dumping duties in place, there is evidence that the domestic industry has suffered actual declines in sales volume and revenue, market share, profits, productivity (to a lesser extent), return on investment, utilisation of production capacity, cash flow, employment levels and growth. However, such declines can largely be attributable to decreased demand for plasterboard in New Zealand due to the down-turn of the market (following the 2008 global financial crisis) rather than unfairly traded imports from Thailand.

426. The industry did not raise any factors affecting domestic prices in terms of its current performance (with the anti-dumping duties in place). Factors that have affected domestic prices relate to strong import competition generally and, in any event, are unlikely to have contributed to injury with anti-dumping duties being imposed on Thai imports.

427. The Ministry found no evidence that the industry has experienced declines in inventory levels, wage rates or its ability to raise capital and investment, since 2007/8.

428. There is no conclusive evidence that factors other than dumped goods have impacted significantly on Winstone's performance.

Likelihood of Injury if Anti-dumping Duties are Terminated

429. In order to gauge the extent to which the cessation of the anti-dumping duties would cause material injury to the domestic industry, the Ministry examined projections provided by Winstone of the injury it considers it will suffer as a result of the removal of the duties and has concluded the projection in Scenario B-1 is the most reasonable.

430. The Ministry has examined the Scenario B-1 projection in light of the company's past performance (with the duties in place) and projected future performance (both in the presence and absence of the duties) in order to assist it in determining the likely consequential economic impact of the dumped goods and in making either a negative or positive recurrence of material injury determination.

431. It is likely there will be some increase in imports of standard plasterboard from Thailand, although this is likely to be limited by Winstone lowering its prices in response to lower priced imports. It is also likely that the prices of the imports would undercut the New Zealand industry's prices resulting in Winstone experiencing price depression and suppression.

432. Winstone's sales volume (and market share) of standard plasterboard will likely be maintained (due to its intended strategy of matching the lower-priced imports with its own price decreases) but as a consequence of a decline in its domestic prices, there is likely to be a material decline in its net sales revenue.

433. It is likely that there will be a material decline in Winstone's profits as a consequence of the adverse import volume, price and economic impacts set out above.

434. The domestic industry's return on investments, cash flow and growth are likely to be materially affected as a direct consequence of the company suffering decreases in its profit levels;

435. The domestic industry's productivity, utilisation of production capacity, inventory and employment levels, wage rates and its ability to raise capital and investment are unlikely to be materially affected due to Winstone's strategy of combating the lower-priced dumped imports with its own price reductions, in order to maintain sales.

436. On the basis of the totality of the information gathered, and having considered all the mandatory requirements of the Act and the Anti-dumping Agreement, the Ministry is satisfied that the domestic industry will suffer a recurrence of material injury if the anti-dumping duties on Thai standard plasterboard are removed.

6. Conclusions

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

438. As the outcome of this review indicates that anti-dumping duties should continue to be applied, the rate or amount of duty will need to be reassessed in accordance with section 14(6) of the Act. The reassessment of anti-dumping duties following the completion of a review is provided for by section 14(6) of the Act. The reassessment will be based on the information gathered during the review and will examine the proposed form and scope of the duties. A separate rate of duty will be applied to those exporters and manufacturers in respect of whom the review has concluded there is likely to be a continuation or recurrence of dumping should the duties be removed.

7. Appendix 1

439. A full copy of the Act and the WTO Agreement on the Implementation of Article VI of the GATT 1994 (the Anti-dumping Agreement) can be found at: http://www.legislation.govt.nz/act/results.aspx?search=ts_act_dumping+and+countervailing_resel&p=1

And

http://www.wto.org/english/docs_e/legal_e/legal_e.htm