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Non-Confidential: Initiation of Review

Application by Pacific Steel for a Review of the Anti-Dumping Duties on Reinforcing Steel Bar and Coil from Thailand

Summary

1. This report assesses an application made by Pacific Steel (a division of Fletcher Steel Ltd) on 8 December 2008 for a review of anti-dumping duties that currently apply to imports of reinforcing steel bar and coil from Thailand.
2. The report recommends that the Manager, Trade Rules, Remedies and Tariffs Group, acting under delegated authority from the Chief Executive of the Ministry of Economic Development, should initiate a review.

Background

3. Anti-dumping duties were first imposed on reinforcing steel bar and coil from Thailand in March 2004. The anti-dumping duties that currently apply will expire on 5 March 2009, being 5 years from the date of the final determination, unless a review is initiated prior to this date. Reviews that are initiated prior to the expiry of anti-dumping duties are also known as 'sunset' reviews. If a review is initiated, the duties would remain in place pending the outcome of the review.
4. The description of the reinforcing steel bar and coil that would be subject to any review that is initiated is the same as that which applies to the goods which are subject to anti-dumping duty as described below:

Reinforcing steel bar and coil with a diameter equal to or greater than 5mm and less than or equal to 40mm

5. Reinforcing steel bar and coil imported from Thailand enters New Zealand under the following tariff items and statistical keys:

7213.10.90.01E 7213.10.90.09L 7213.91.90.01J 7213.91.90.05A 7213.91.90.09D
7213.99.90.01E 7213.99.90.5H 7213.99.90.09L 7214.20.90.01G 7214.20.90.05K
7214.99.90.01C 7214.99.90.03K 7214.99.90.11L 7214.99.90.13G 7214.99.90.21H
7227.90.00.19H 7227.90.00.11B 7228.30.00.19D 7228.30.00.11J 7228.50.00.19A

7228.60.00.19E

6. During the original investigation, initiated in 2003, the New Zealand Customs Service advised that certain goods subject to the duty could potentially be classified under tariff items and statistical keys 7228.30.00 11J and 7227.90.00 11B. After interested parties expressed views that those two tariff items and statistical keys did not seem to cover the goods under investigation and the invoices available for goods entered under those two tariff items and statistical keys did not describe the goods under investigation, the investigating team excluded those two tariff items and statistical keys from the investigation. They will also be excluded from this review unless new information requires a reconsideration of this matter.

7. Reinforcing steel bar and coil originating from Thailand is subject to a Normal tariff rate of 5 percent except for tariff items 7227.90.00, 7228.30.00, 7228.50.00 and 7228.60.00, which are free of duty. Under the New Zealand and Thailand Closer Economic Partnership Agreement, the 5 percent tariff rates on the subject goods will be reduced to Free from 1 January 2010. Thailand is a member of the Association of Southeast Asian Nations (ASEAN), but no earlier elimination of tariff rates for the subject goods is scheduled under the ASEAN Australia New Zealand Free Trade Agreement.

Sunset Reviews

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

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

10. The application for a review was submitted by Pacific Steel on 8 December 2008, which is 88 days prior to the expiry of the anti-dumping duties that it seeks to have considered in the review. The assessment team is satisfied that Pacific Steel's

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

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

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

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

request for a sunset review was submitted within a reasonable period of time prior to the expiry of the duties.

Consideration of Evidence Presented

11. The Ministry interprets the requirement of section 14(8) of the Dumping and Countervailing Duties Act 1988 for an interested party to submit “positive evidence justifying the need for a review” as being a requirement for positive evidence, but not evidence to the same extent as that required under section 10(2) of the Act in respect of new investigations. This interpretation is supported by the international jurisprudence relating to the Anti-dumping Agreement³ and the WTO Agreement on Subsidies and Countervailing Measures⁴, which has evidentiary provisions that are very closely aligned with those of the Anti-Dumping Agreement.

12. The Ministry considers, therefore, that while an application for the initiation of a sunset review may cover the information on the factors outlined in section 10(2) of the Act and paragraph 2 of Article 5 of the Anti-dumping Agreement it is not necessary that all of these matters are addressed or addressed in full for an application to constitute “positive evidence justifying the need for a review” and to be duly substantiated.

New Zealand Industry and ‘Like Goods’

13. The Anti-dumping Agreement states that a request for a sunset review “must be made by or on behalf of the domestic industry” (Article 11.3).

14. Section 3A⁵ of the Act defines an “industry” as the New Zealand producers of like goods and section 3⁶ of the Act defines “like goods”.

15. Pacific Steel has advised that it continues to produce reinforcing steel bar and coil and its status at the time of the original investigation as sole New Zealand producer of these products has not changed.

16. The original investigation found that Pacific Steel produced goods that were like those under investigation. Pacific Steel has not provided an analysis which relates

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

⁴ World Trade Organisation Dispute Settlement Panel United States – Countervailing Duties On Certain Corrosion-Resistant Carbon Steel Flat Products From Germany WT/DS213/R 3 July 2002, paragraph 8.42.

⁵ 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.

⁶ 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

the types of reinforcing steel bar and coil it produces to the goods subject to the duty. On the basis of the findings of the original investigation, however, and Pacific Steel's confirmation that it still produces this product, the assessment team considers that for the purposes of initiating a review there is adequate evidence that Pacific Steel is producing goods that are like the goods subject to the duty. The Ministry is not aware of any other New Zealand producers of reinforcing steel bar and coil.

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

Continuation or Recurrence of Dumping

Export Price

18. Pacific Steel has estimated ex-factory export prices based on statistical data for Thai exports in 2007. The base prices have been adjusted using evidence supplied to the Ministry in 2003 to initiate the original dumping investigation and in some instances contained in the Ministry's 2004 final report of the investigation, which has been updated to an equivalent 2007 amount by the Thai inflation rate.

19. Pacific Steel has been unable to provide New Zealand based statistical information to estimate export prices because import statistics on two tariff items and three statistical keys (7213.91.90.09, 7214.20.90.01 and 7214.20.90.05) are suppressed by Statistics New Zealand. Pacific Steel was also aware, from information provided by the Ministry, that across all relevant tariff items there have been no exports of reinforcing steel bar and coil from Thailand to New Zealand since October 2006. Pacific Steel has used data relating to Thailand's other export markets to estimate export prices.

20. Pacific Steel has sourced information on Thailand's exports from an online international trade database, TradeMap⁷. TradeMap has been developed by the International Trade Centre UNCTAD/WTO (ITC).

21. Pacific Steel has provided the export statistics to all destinations in 2007 for one tariff reference, namely 7214.20, at the six digit level. A major proportion of reinforcing steel bar and coil from all sources has entered New Zealand under this tariff subheading over the past three years. The statistical data shows, in addition to other data, the importing country, annual export volume and the Free on Board (FOB) value in United States Dollars (USD). Pacific Steel has converted the export volume of short tons to metric tonnes and converted the USD value to Thai Baht (THB) to establish FOB values per metric tonne for all export destinations and seven individual export destinations (these being the only recorded export destinations during 2007).

⁷ <http://www.trademap.org/>

22. The table showing TradeMap data provided by Pacific Steel has been checked against Trademap's website database. At the time this check was made the latest yearly statistical data on TradeMap was for the calendar year 2007. An inquiry on quarterly data revealed statistical data is available from the third quarter 2007 to the third quarter of 2008 but the data is too sparse to provide any particularly more meaningful figures than those provided by Pacific Steel.

23. The TradeMap data is expressed in US dollars (USD). Pacific Steel has used an exchange rate of USD1: THB32.31325 to convert values to Thai baht (THB). The explanatory notes on TradeMap state that exchange rates are sourced from Oanda⁸. A check on the Oanda website shows an average exchange rate for 2007 of USD1: THB32.53008 which is not too dissimilar to that used by Pacific Steel.

24. Pacific Steel has assumed the term 'tons' refers to short tons and on this basis has recalculated the export volume figures to express metric tonnes. The recording of volumes on TradeMap has been questioned in the past by the Ministry and TradeMap has confirmed that the statistical data on steel refers to metric tonnes not short tons. No conversion is therefore required and the assessment team has removed Pacific Steel's conversion calculation from its calculation of export price, resulting in a reduced base price.

25. Pacific Steel provided a line graph of world steel prices from January 2006 to November 2008 based on data sourced from *Steel Business Briefing*. The line graph shows a steady increase in prices from January 2006 to January 2008, then a sharp increase peaking around July 2008 followed by a sharp decrease to November 2008. Pacific Steel has considered the significant rise and fall of world steel prices in 2008 and industry comments relating to these changes. Pacific Steel is of the opinion that since prices have recently moved back to 2007 levels, and 2007 was relatively stable for prices, it would be sensible and reasonable to use data from 2007 for its application, which it claims is in any case the latest available data. Since a review is a forward looking exercise and investigates whether dumping would recur if the anti-dumping duties were removed, the assessment team considers it is reasonable to use the average price in 2007 for purposes of an application for a review.

26. To establish ex-factory export prices, Pacific Steel has reduced the FOB values per tonne by a cost of credit (calculated as **xxxx** days at **xxxx** percent), customs costs, terminal handling charges, lift off at port charges, transport to port costs, lift on at works charges, equipment hire costs, export labelling and bar marking costs. Pacific Steel has calculated total adjustments as THB**xxxx** which is equivalent to **xxxx** percent of the FOB value. Pacific Steel has used the adjustments it provided in the original dumping investigation initiated in 2003, which have been adjusted to 2007 by the Thai inflation rate between 2003 and 2007 of 15 percent⁹.

27. In the original investigation actual adjustments were made for cost of credit (**xxxx** days at **xxxx** percent), customs costs, terminal handling, container handling, bill of lading costs, bar markings and transport to the port which equated to between **xxxx** and **xxxx** percent of the FOB value per tonne.

⁸ www.oanda.com

⁹ [http://www.indexmundi.com/thailand.inflation_rate_\(consumer_prices\).html](http://www.indexmundi.com/thailand.inflation_rate_(consumer_prices).html)

28. The assessment team has checked Pacific Steel's information on adjustments with that provided in the application for the original investigation and can confirm the figures provided are the same. It is noted, however, that the Ministry applied in some instances, for initiation purposes, estimations provided to Pacific Steel by **{deleted due to confidentiality}** which differ slightly from the figures provided by Pacific Steel. An example is terminal handling and port charges where the Ministry used THBxxxx per container rather than THBxxxx submitted by Pacific Steel. In addition the assessment team has noted that the equivalent THB of its estimates in NZD, for example, equipment hire cost (from 2003) has been updated by the inflation rate rather than applying an updated exchange rate to its estimated NZD cost then applying the inflation rate.

29. The assessment team's recalculation of ex-factory export prices uses an inflation rate figure sourced from a publication of the International Monetary Fund and an exchange rate average for 2007 sourced from Oanda of NZD1:THB23.9213. Total adjustments equate to between THBxxxx to THBxxxx which is xxxx to xxxx percent of the FOB value per tonne. The team's calculation of ex-factory export prices per tonne is less than those provided by Pacific Steel due mainly to removal of the unnecessary volume conversion factor.

30. When considering the evidence provided by Pacific Steel to establish an ex-factory export price and information used in the original investigation the assessment team is satisfied that Pacific Steel has provided reasonable information for the estimation of base export prices and the costs that would be incurred in preparing the reinforcing steel bar and coil for shipment to New Zealand which would be additional to those costs incurred on domestic sales in Thailand to arrive at ex-factory export prices.

31. The ex-factory export prices recalculated by the assessment team are THBxxxx to THBxxxx per tonne, with an average for Thai exports to all sources of THBxxxx.

Normal Value

32. Pacific Steel has estimated a normal value based on financial performance information of **{deleted due to confidentiality}**¹⁰. The base normal value has been adjusted for the differences that affect price comparability with export prices.

33. An online search of **{deleted due to confidentiality}** reveals that it is a Thailand based company which produces and distributes steel bars **{deleted due to confidentiality}** in Thailand. **{deleted due to confidentiality}** products include round steel bars and deformed steel bars and it has a full production capacity of xxxx tons per annum¹¹. The published financial information of **{deleted due to confidentiality}** has been supplied to **{deleted due to confidentiality}**.

34. The assessment team could not find the exact web reference to **{deleted due to confidentiality}** prices referred to by Pacific Steel but it has found a publication

¹⁰ **{deleted due to confidentiality}**

¹¹ **{deleted due to confidentiality}**

{deleted due to confidentiality}¹² which includes {deleted due to confidentiality} operating performance based on company reports and {deleted due to confidentiality} from first quarter 2007 to the fourth quarter of 2008. This data includes a quarterly domestic sale price per tonne. The assessment team has checked the sale price figures disclosed in this document against those provided by Pacific Steel and they are the same.

35. Pacific Steel considers that {deleted due to confidentiality} sale price refers to the price of deformed bars of 16mm as a graph on {deleted due to confidentiality} publication shows the price of deformed bars in Bangkok at a similar level as the average price it has calculated.

36. Pacific Steel has calculated an average price per tonne based on {deleted due to confidentiality} sale price of the last three quarters of 2007 to establish a normal value. Pacific Steel has not commented on why it has chosen the later three values of 2007. It is observed that the published {deleted due to confidentiality} sale price in the first quarter of 2007 is less than prices in the second, third and fourth quarter of 2007 and may reflect a 2006 price when the prices were much lower, therefore it is reasonable to choose the later three quarters of 2007 as an estimation of an average price that is more closely representative of future values.

37. Pacific Steel is of the opinion that {deleted due to confidentiality} price is most probably at the ex-works level and therefore it has estimated adjustments for cost of credit (xxxx days at xxxx percent), volume discount of xxxx percent and short length premium of THBxxxx per tonne. Pacific Steel provided evidence regarding these adjustments in the original investigation and it maintains that the same terms of trade would continue to apply. Pacific Steel believes that {deleted due to confidentiality} customers would be large distributors therefore the sale price should be adjusted upwards for the difference between the volume of domestic sales compared to the volume of export sales as it is most likely that the volume of export sales (if made to New Zealand) would be less than domestic sales. In relation to the short length premium Pacific Steel has updated the adjustment value by the inflation rate. In the original investigation a negative adjustment was made for a cost of credit (xxxx days at xxxx percent), and positive adjustments were made for volume discount and short length premium in instances only where short lengths of six metres were exported. Pacific Steel has taken the same approach in its recent calculations.

38. The assessment team has considered the adjustments made by Pacific Steel and agree that it is reasonable to adjust for a cost of credit, volume discount and short length premium given that evidence in support of these adjustments was accepted in the original investigation and actual adjustments were made for these costs.

39. The normal value is calculated as THBxxxx per tonne.

Comparison of Export Price and Normal Value (Dumping Margin)

40. The following table illustrates the estimated export prices and normal value and the resulting dumping margins.

¹² {deleted due to confidentiality}

Importing country	Ex-Factory Export Price	Ex-Factory Normal Value	Dumping Margin	DM as % of EP
World	xxxx	xxxx	xxxx	37%
USA	xxxx	xxxx	xxxx	39%
UAE	xxxx	xxxx	xxxx	37%
Laos	xxxx	xxxx	xxxx	23%
Cambodia	xxxx	xxxx	xxxx	59%
Mauritius	xxxx	xxxx	xxxx	23%
Myanmar	xxxx	xxxx	xxxx	9%
F. Polynesia	xxxx	xxxx	xxxx	18%

41. Pacific Steel has commented that due to the difficulties in providing the information on export price and normal value there is one aspect that may have a considerable bearing on the prices i.e. whether they relate to reinforcing steel bar and coil of the micro-alloyed type or the quench and tempered type. The assessment team understands that micro-alloyed product is more expensive than the quench and tempered type. The assessment team notes, however, that dumping margins are significant and that **{deleted due to confidentiality}** website does not indicate that its product is micro-alloyed, meaning that estimated normal values should be conservative. Pacific Steel has reserved its right to make further representations on this matter.

Conclusion on Dumping

42. Pacific Steel has provided evidence of estimated export prices and a normal value based on online references together with evidence used in the original dumping investigation, which has been updated by the Thai inflation rate. The information has been checked and is considered to be reasonable.

43. The information indicates that reinforcing steel bar and coil from Thailand has been exported at dumped prices to countries other than New Zealand and therefore it is likely that should exportation to New Zealand of reinforcing steel bar and coil of Thai origin recommence there would be a continuation or recurrence of dumping. The information provided by Pacific Steel constitutes positive evidence of a continuation or recurrence of dumping should the anti-dumping duties be removed that is sufficient to justify the initiation of a review.

Continuation or Recurrence of Material Injury

Import Volume

44. Pacific Steel submits that there is likely to be a recurrence of dumped imports because:

- Thailand currently exports the subject goods with substantial dumping margins to its three major export destinations (as shown in the previous section of this report);
- Manufacturing capacity in Thailand for reinforcing steel bar is significant and exceeds Thai domestic demand;
- There is ease of access to the New Zealand market;
- Exporters have historically exported dumped reinforcing steel bar to New Zealand; and
- Exporters will likely increase dumping activities as they seek export sales at marginal cost.

Production Capacity

45. Pacific Steel considers that the major steel manufacturer in Thailand, Tata Steel Thailand Public company Limited (TSTH), formerly Millennium Steel Public Company Limited (MS), has excess production capacity over domestic demand to send its surplus product to other export markets, such as New Zealand.

46. TSTH operates through three subsidiary companies; NTS Steel Group (NTS), The Siam Iron and Steel (2001) Co (SISCO) and The Siam Construction Steel Co (SCSC). SCSC was an interested party in the original investigation in 2003. According to TSTH's acquisition document of MS dated December¹³ the three companies have the annual capacity to produce 900,000 tonnes of reinforcing steel bar and coil.

47. Pacific Steel has provided data sourced from the Thailand Steel Institute¹⁴ that shows if the Thai steel industry was operating at full capacity through 2007 and up to August 2008 then the September 2008 production figure would mean the industry utilised only 53 percent of its production capacity in that month. Pacific Steel claims that this capacity utilisation rate "indicates that Thailand now has a very strong, structural, incentive to vigorously seek export markets". Pacific Steel contends that the looming decline in steel demand will "stimulate steel makers to seek any export market opportunity in order to keep their high fixed cost plants running efficiently". Pacific Steel has provided a sample of comments from the daily *Steel Business Briefing* that it considers supports its contention that the "deep recession is likely to

¹³ http://www.tatasteel.com/investorrelations/Acquisition_of_Millennium_Steel_22Dec2005.ppt

¹⁴ <http://www.isit.or.th> at page 12.

increase dumping activities as the steel makers seek to produce marginally costed products for sale”.

Market Access

48. Pacific Steel refers to previous exports to New Zealand and to the Ministry's findings in its previous investigation reports regarding reinforcing steel bar and coil from Thailand where it was concluded that there were well developed distribution channels in New Zealand for the imported product. Pacific Steel is of the opinion that these channels still remain active.

49. Pacific Steel has noted that BRP Steel of Thailand holds a current certification with the Australian Certification Authority which **{deleted due to confidentiality}** Australian/New Zealand Standard (AS/NZS4671) for selling reinforcing steel bar and coil to New Zealand. **{deleted due to confidentiality}** two other Thai companies have applied for certification for reinforcing steel **{deleted due to confidentiality}**.

Exports from Thailand

50. Pacific Steel has estimated that, should anti-dumping duties be removed, 5,584¹⁵ tonnes of reinforcing steel bar and coil from Thailand will be imported into New Zealand at dumped prices and such a volume would likely lead to the continuation or recurrence of injury. In estimating the import volume Pacific Steel considered the export volume from Thailand in 2007 and the volume of imports prior to the original dumping investigation in 2003 and believes it is most probable that the volume of imports would return to the position prior to the imposition of anti-dumping duties. Pacific Steel argues that the figure of 5,584 is at the low end of a possible volume of imports taking into consideration that Thailand exported in 2007 134,589 tonnes of steel products.

51. In considering whether this estimation is reasonable and likely to be injurious to the New Zealand industry, the assessment team has looked at the findings of the original investigation in 2003. In the investigation the Ministry assessed the volume of imports from 1999 to 2003. Over the five year period New Zealand imported on average 4,799 tonnes of dumped product of Thai origin which was found to be injurious to the New Zealand industry. In 2003 4,496 tonnes of reinforcing steel bar and coil had been imported at dumped prices from Thailand which equated to **xxxx** percent of the industry sales in that year. If this percentage is applied to Pacific Steel's financial performance of 2008 the volume of injurious imports, all other things being equal, would be in the vicinity of **xxxx** tonnes. The assessment team considers that the estimation of import volume is reasonable and on the basis of the findings in 2003 there is evidence for purposes of initiation of a review that it could cause a continuation or recurrence of injury.

Price Effects

52. Based on the FOB value of exports of 2007 to all destinations of THB18,222 per tonne, Pacific Steel has estimated a likely Free-Into-Store (FIS) price of imported

¹⁵ Average of imports into New Zealand for years 2000, 2001, 2002 and 2003

reinforcing steel bar and coil from Thailand. Pacific Steel has converted the FOB price to NZD using the exchange rate of NZD1:THB20.924 (as at October 2008) and added costs incurred for overseas freight, overseas insurance, tariff duty of 5 percent and local costs in New Zealand. The adjustments are evidenced by Pacific Steel's email summaries it has received from an independent freight forwarding company. The FIS value has been estimated as NZDxxxx per tonne.

53. The assessment team has considered the evidence and checked Pacific Steel's workings in its estimation of an FIS value. The assessment team considers the source of information on adjustments as reliable but has re-calculated the figures. The recalculation has established an ex-wharf cost of NZDxxxx per tonne, a lower FIS cost of NZDxxxx per tonne and an ex-store price of NZDxxxx per tonne. These figures differ from the figure provided by Pacific Steel because the base price is lower, due to no conversion being necessary from short tons to metric tonnes, the exchange rate is an average for 2007 (as the base price relates to 2007), the cost of delivery has not been included when calculating an ex-wharf cost per tonne and Pacific Steel's estimation of an importer's margin has been added to calculate an importer's ex-store price per tonne.

Price Undercutting

Level of Trade

54. Pacific Steel submits that the level of trade at which its goods first compete with the imported reinforcing steel bar and coil is at the ex-wharf level. The appropriate level of trade was extensively discussed in the original investigation and it was decided for purposes of that investigation that some importers competed at the ex-wharf level while others competed at the ex-store level, as not all of the importers were able to purchase domestically manufactured product under Pacific Steel's customer criteria. Any review investigation will need to consider any changes and any new evidence since the conclusion of the investigation.

Extent of Price Undercutting

55. Pacific Steel has provided an extract of its historical financial performance information on domestic sales of reinforcing steel bar and coil for the financial years 2007, 2008 and the four months to October 2008. The average selling price over this period was NZDxxxx, NZDxxxx and NZDxxxx per tonne respectively. Pacific Steel has chosen to demonstrate the likely extent of price undercutting by comparing the estimated FIS value against its 4 months to October 2008 average selling price. This comparison shows a likely price undercutting of NZDxxxx per tonne or xxxx percent. Pacific Steel notes that its average price {deleted due to confidentiality} likely price undercutting of NZDxxxx per tonne or xxxx percent.

56. For this exercise the assessment team considers that a comparison of prices should be based on the same period of data. The FIS value is based on 2007 data therefore it would be equitable to establish, to the extent possible, an ex-factory price for Pacific Steel for 2007. Pacific Steel's financial year ends 30 June therefore the 2007 figures include the first half year of 2007 and the 2008 figures include the last half year of 2007. An average of Pacific Steel's prices for 2007 and 2008 is NZDxxxx per tonne which is NZDxxxx less than Pacific Steel's {deleted due to

confidentiality} estimated price of NZDxxxx per tonne. The assessment team has re-calculated the extent of price undercutting and established likely price undercutting at the ex-wharf cost and ex-store price. The price undercutting is NZD xxxx per tonne (xxxx percent) or NZD xxxx per tonne (xxxx percent) respectively of Pacific Steel's ex-factory price per tonne. The use of an FIS price for the Thai steel is conservative, given the level of trade in the original investigation was at either the ex-wharf or ex-store levels.

Price Depression and Suppression

57. The financial information provided by Pacific Steel indicates that the average price per tonne has increased by xxxx percent from 2007 to 2008 and xxxx percent from 2008 to period ended October 2008.

58. Pacific Steel considers that if the anti-dumping duties were removed and imports of dumped product from Thailand recommenced, to maintain its sales volume it would be forced to reduce its prices to meet the prices of the imported dumped product. Alternatively if it chose to maintain its prices it foresees that the volume of sales would reduce and Pacific Steel's prices would be suppressed.

59. Pacific Steel's historical financial information shows a reduction in the volume of sales from 2007 to 2008 and an increase in the cost of sales (total costs) as a proportion of sales revenue, mainly through an increase in the cost of production on a per unit basis. One would expect an increase in the cost of production on a per unit basis if the sales volume decreases, due to the allocation of fixed costs in the production of reinforcing steel bar and coil. This change cannot be attributed to goods of Thai origin as there have been no imports since 2006. Any review would need to consider additional historical financial information as well as forecast financial information for the two scenarios of retention of the anti-dumping duties and removal of the anti-dumping duties.

Economic Effects

Output and Sales

60. Pacific Steel forecasts that, based on maintaining an average sales price of NZDxxxx per tonne and a loss of sales volume of xxxx percent or xxxx tonnes per annum (i.e. **{deleted due to confidentiality}** dumped imports), its sales revenue would reduce by NZDxxxx per annum. If its sales volume reduced by the **{deleted due to confidentiality}** estimation of dumped imports of 5,584 tonnes, its sales revenue would reduce by NZDxxxx per annum.

61. Pacific Steel's **{deleted due to confidentiality}** maintains its market share therefore should the anti-dumping duties be removed it would be forced to reduce the price of its goods to meet the likely importer's ex-store price of NZDxxxx but such a pricing strategy would result in a substantial revenue reduction of NZDxxxx per annum.

62. Based on Pacific Steel's estimated sales revenue per unit of NZDxxxx and the assessment team's recalculation of an estimated importer's ex-store price of NZDxxxx per unit, as discussed in paragraph 52, it is forecast that there is a

potential loss of revenue of NZDxxxx if Pacific Steel were to reduce its prices to an equivalent importer's ex-store price to maintain its market share.

Profits

63. Pacific Steel has explained that if the anti-dumping duties were to be removed it would either maintain its prices and lose sales volume or reduce its price to maintain its market share. Both actions would reduce sales revenue by either xxxx, xxxx or xxxx but Pacific Steel has not quantified its effect upon its profit margin other than to say that the "impact of profits will closely mirror the sales effect as the price effect is so significant. Pacific Steel will have limited ability to reduce costs".

Other Economic Effects

64. Pacific Steel maintains the loss of volume, sales revenue and profits from the recurrence of dumped imports would also have significant adverse effects upon its return on investments, utilisation of production capacity, cash flow, inventories and employment and growth, however Pacific Steel has not quantified these effects.

Causal Link

65. Pacific Steel has noted that the original investigation established a causal link between dumped imports and material injury to the New Zealand industry. It is not aware of any changes to commercial activities and practices since that time and notes that New Zealand importers and Thai exporters remain active. Pacific Steel considers that, in the absence of anti-dumping duties, in order to meet dumped Thai prices and retain market share it would be forced to reduce its selling price to meet that of an importer's equivalent price leading to loss of earnings.

Conclusion on Injury

66. Pacific Steel has provided reasonable evidence of the likely import price into New Zealand of reinforcing steel bar and coil from Thailand in the absence of anti-dumping duty. The information has shown that the estimated import price for the Thai reinforcing steel bar would undercut Pacific Steel's likely average selling price leading to lower prices and price suppression. Pacific Steel has made reasonable assumptions that the level of price undercutting and suppression of prices would have an adverse effect on its profits, return on investments, utilisation of capacity, cash flow, inventories, employment and growth. The assessment team considers this information constitutes positive evidence of a likely recurrence of material injury should anti-dumping duties be removed and justifies the initiation of a review.

Conclusion

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

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

Recommendation

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

- a. formally initiate a review of the imposition of anti-dumping duty on reinforcing steel bar and coil from Thailand; and
- b. sign the attached notice of the initiation of the review for publication in the *Gazette*.

Martin Garcia
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Competition, Trade and Investment Branch

Agreed

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