Non-Confidential Final Report

Galvanised Wire from Malaysia

Dumping and Countervailing Duties Act 1988

Sunset Review

Ministry of Economic Development

Trade Rules, Remedies and Tariffs Group
October 2009

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Table of Contents

Abbreviations

The following abbreviations are used in this Report:

Act (the)	Dumping and Countervailing Duties Act 1988
Anti-Dumping Agreement	WTO Agreement on Implementation of Article VI of the GATT 1994
Chief Executive (the)	Chief Executive of Ministry of Economic Development
CIF	Cost, Insurance and Freight
C&F	Cost and Freight
EBIT	Earnings Before Interest and Tax
Euro Corp	Euro Corporation Limited
FOB	Free on Board
GUR(D)	Goods under review (Dumping)
GUR(I)	Goods under review (Injury)
GUR	Goods under review
[redacted]	[redacted]
Maccaferri NZ	Maccaferri NZ Limited
Ministry (the)	Ministry of Economic Development
MITI	Ministry of International Trade and Industry
MYR	Malaysian Ringgit
NIFOB	Non-Injurious Free-on-Board
NV (VFDE)	Normal Value (Value for Duty Equivalent)
NZCS	New Zealand Customs Service
NZD	New Zealand Dollar
POR(D)	Period of Review for Dumping (1 April 2008 to 31 March 2009)
POR(I)	Period of Review for Injury (1 July 2004 to 31 December 2008)
PW	Pacific Wire
SBB	Steel Business Briefing
USD	United States Dollars
VFD	Value for Duty

WTO	World Trade Organisation

1. Executive Summary

Introduction

1. A review of the anti-dumping duties that currently apply against imports of galvanised wire from Malaysia was initiated by the Ministry of Economic Development on 24 April 2009.

2. The review was initiated upon the receipt of an application from Pacific Wire (PW), the sole New Zealand producer of galvanised wire, for a review of the present anti-dumping duties. The duties under review have been in place since April 2004 and would have expired on 27 April 2009. PW claimed that the expiry of the duties would lead to a recurrence of dumping and material injury to the industry.

Goods Subject to the Investigation

3. The goods under review (GUR) from Malaysia are described as follows:

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

Dumping

4. On the basis of the information gathered during the review, including Malaysian export prices of galvanised wire to other export destinations and Malaysian domestic prices for galvanised wire, the Ministry has concluded that should the duties be removed from the GUR, there is likely to be a recurrence of dumping of galvanised wire imported into New Zealand.

Material Injury

5. The domestic industry, PW, does not claim that it is currently suffering material injury due to imports of galvanised wire from Malaysia. This review has concentrated on the likelihood of a recurrence of material injury to the domestic industry, should the present anti-dumping duties be removed. In this respect the Ministry has examined information gathered during the course of the review in order to assist it in its analysis. This information includes past and current pricing behaviour of the market participants both in New Zealand and in Malaysia and information on the level of production and capacity of the Malaysian galvanised wire industry in order to gauge the Malaysian producers' ability to supply New Zealand importers with significant volumes of galvanised wire. On the basis of the totality of the information gathered during the review, the Ministry has concluded that should the duties be removed from imports of galvanised wire from Malaysia there is likely to be a recurrence of the material injury suffered by the New Zealand industry.

Conclusion

6. This report concludes that if the current anti-dumping duties are removed there is a likelihood of a recurrence of dumping and that this would likely cause material injury to the New Zealand industry.

2. Proceedings

2.1 Proceedings

7. On 27 April 2004, the Minister of Commerce imposed anti-dumping duties on galvanised wire from Malaysia imported into New Zealand, because an investigation had established that the goods were being dumped and by reason thereof were causing and threatening to cause material injury to PW, a wholly owned division of Fletcher Steel Limited, and the sole New Zealand producer of galvanised wire. The rates of duty were reassessed by the Minister of Commerce on 15 November 2005. This had been at the request of PW which provided sufficient evidence for that reassessment to be initiated.

8. On 24 April 2009, the Chief Executive of the Ministry of Economic Development (the Chief Executive) initiated a review of the continued need for the imposition of the anti-dumping duties, pursuant to section 14(8) of the Dumping and Countervailing Duties Act 1988 (the Act), on the basis of positive evidence submitted by PW justifying the need for the review. A notice advising the initiation of the review was published in the New Zealand *Gazette* dated 30 April 2009.

9. 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 (Anti-Dumping Agreement), the purpose of the Ministry of Economic Development's (the Ministry) review is to examine whether dumping and injury would be likely to continue or recur if the duties were removed.

10. On 18 September 2009 an Interim Report for this review was provided to all interested parties being written advice of the essential facts and conclusions that will likely form the basis for any final determination to be made. All interested parties were given until 2 October 2009 to make submissions based on the content of the Interim Report. Submissions were received from PW and the Malaysian Ministry of International Trade and Investment (MITI).

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

2.2 Reviews

12. In terms of section 14(9)(a) of the Act, anti-dumping duties relating to galvanised wire originating from Malaysia would, in the absence of a review, have ceased to apply as from 27 April 2009. The existing anti-dumping duties will continue to apply pending the outcome of this review and any reassessment that may follow it.

13. The period of review for dumping (POR(D) is from 1 April 2008 to 31 March 2009), while the period of review into injury (POR(I)) involves an evaluation of the data submitted by PW for the period 1 July 2004 to 31 December 2008 (PW's financial years 2004/5, 2005/6, 2006/7, 2007/08 and 6 months of 2008/09). The Ministry has also evaluated forecast information provided by the domestic industry

for 2010 and projections regarding the impact on its domestic operation should the anti-dumping duties be removed.

14. 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 Customs purposes.

15. Interested parties to the original dumping investigation were advised of the initiation of this review 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

16. The Ministry carries out sunset 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.

17. Article 11.3 infers a necessity to clearly demonstrate that, "…the expiry of the duty *would be likely t*o 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).*

18. For further guidance on the level of evidence that is required to meet the "would be likely" criteria of Article 11.3, 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,* and to the approaches taken by the European Union, United States, Canada and Australia to sunset reviews.

19. 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.

20. 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:

- 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.

21. 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.

2.4 Grounds for the Review

22. PW provided evidence that material injury will likely recur should galvanised wire originating from Malaysia recommence being imported into New Zealand without the imposition of adequate anti-dumping duties. PW claimed that imports of galvanised wire will be dumped with the removal of anti-dumping duties and that material injury to PW 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

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

2.5 Interested Parties

New Zealand Industry

24. PW submitted the application for a review. PW is the sole New Zealand producer of galvanised wire, and therefore in accordance with section 3A of the Act constitutes the New Zealand industry.

Importers and Exporters

Exporters

25. The following exporters and/or producers were involved in the original investigation and did not export the subject goods during the POR(D):

Table 2.1: Exporters and/or Producers Involved in Original Dumping Investigation

Aspac Alliance Steel Sdn Bhd (Aspac)
RCI Wire Sdn Bhd (RCI)

26. The companies in Table 2.1 were advised of the initiation of the review and were provided with a copy of the initiation gazette notice, initiation memorandum and PW's application for the review. In the original investigation RCI Wire was exempt from anti-dumping duties and therefore has been excluded from consideration in the review. RCI Wire and Aspac were, however, invited to make submissions on the review if they wished but were not sent questionnaires. No submissions were received.

27. The following exporters and/or producers were identified as having exported the subject goods during the POR(D).

Table 2.2: Exporters and/or Producers which Exported over POR(D)

[redacted]
Southern Wire Industries (Malaysia) Sdn Bhd (Southern Wire).
Maccaferri (Gabions) Malaysia Sdn Bhd (Maccaferri Malaysia)

28. Questionnaires were sent to the companies listed in Table 2.2 above along with a copy of the initiation gazette notice, initiation memorandum and PW's application for the review. None of these companies provided any response to the Ministry's correspondence.

Importers

29. There was only one company which was involved in the original investigation that did not import during the period of investigation for this review, Olex New Zealand Ltd. This company was advised of the initiation of the review and was provided with a copy of the initiation gazette notice, initiation memorandum and PW's application

for the review. Olex was invited to make submissions on the review if they wished but was not sent a questionnaire. No submissions were received from Olex.

30. The following companies were identified as having imported the subject goods during the POR(D).

Table 2.3: Companies Which Imported Over the POR(D)

Euro Corporation Limited (Euro Corp)
Judea Holdings Ltd (Judea Holdings)
Maccaferri NZ Limited (Maccaferri NZ)

31. The companies listed in Table 2.3 were sent an importers questionnaire along with a copy of the initiation gazette notice, initiation memorandum and PW's application for the review and they responded as follows:

- Euro Corp advised that it would not be completing a questionnaire, but did provide copies of invoices for its imports of the subject goods over the POR(D).
- Judea Holdings advised that it would not be completing a questionnaire.
- Maccaferri NZ did not respond to the Ministry's correspondence.

2.6 Imported Goods

32. The goods which are the subject of the anti-dumping duty originate in Malaysia and are referred to as "galvanised wire" or "goods under review" (GUR) being:

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

33. The GUR enter under the following tariff items and statistical keys:

7217			Wire of iron or non-alloy steel
7217.20			- Plated or coated with Zinc:
7217.20.10			- - Containing by weight less than 0.6% carbon
			. . . Containing by weight less than 0.25 % carbon:
			. . . . Fencing Wire:
			. . . . . 1.6 mm or more, but less than 2.5 mm in diameter:
	05L	kg	. . . . . . Coils, not exceeding 50 kg
	07G	kg	. . . . . . Other
			. . . . . 2.5 mm or more, but less than 4 mm in diameter:
	08E	kg	. . . . . . Coils, not exceeding 50 kg

	09C	kg	. . . .	Other
			. . . . . .	4 mm or more in diameter:
	11E	kg	. . . .	Coils, not exceeding 50 kg
	13A	kg	. . . .	Other
			. . . . .	Other:
	15H	kg	. . . . . .	1.6 mm or more, but less than 2.5 mm in diameter
	16F	kg	. . . . . .	2.5 mm or more, but less than 3.55 mm in diameter
	17D	kg	. . . . . .	3.55 mm or more, but less than 4.5 mm in diameter
	18B	kg	. . . . . .	4.5 mm or more, but less than 5.5 mm in diameter
			. . . .	Other:
			. . . . .	Fencing Wire:
			. . . . . .	1.6 mm or more, but less than 2.5 mm in diameter:
	25E	kg	. . . .	Coils, not exceeding 50 kg
	27A	kg	. . . .	Other
			. . . . . .	2.5 mm or more, but less than 4 mm in diameter:
	28K	kg	. . . .	Coils not exceeding 50 kg
	29H	kg	. . . .	Other
			. . . . . .	4 mm or more in diameter:
	31K	kg	. . . .	Coils, not exceeding 50 kg
	33F	kg	. . . .	Other
	35B	kg	. . . . . .	1.6 mm or more, but less than 2.5 mm in diameter
	36L	kg	. . . . . .	2.5 mm or more, but less than 3.55 mm in diameter
	37J	kg	. . . . . .	3.55 mm or more, but less than 4.5 mm in diameter
	39E	kg	. . . . . .	4.5 mm or more in diameter
7217.20.90			- -	Other
			. . . .	Fencing Wire:
			. . . . .	1.6 mm or more, but less than 2.5 mm in diameter:
	05D	kg	. . . . . .	Coils, not exceeding 50 kg
	07L	kg	. . . . . .	Other

		. . . .	2.5 mm or more, but less than 4 mm in diameter
08J	kg	. . . . .	Coils, not exceeding 50 kg
09G	kg	. . . . .	Other
		. . . .	4 mm or more in diameter:
11J	kg	. . . . .	Coils, not exceeding 50 kg
13E	kg	. . . . .	Other
		. . .	Other:
15A	kg	. . . .	1.6 mm or more, but less than 2.5 mm in diameter
16K	kg	. . . .	2.5 mm or more, but less than 3.55 mm in diameter
17H	kg	. . . .	3.55 mm or more, but less than 4.5 mm in diameter
18F	kg	. . . .	4.5 mm or more in diameter

34. The normal rate of 5 percent applies to imports of galvanised wire from Malaysia. Malaysia is a member of the Association of Southeast Asian Nations (ASEAN) and under the ASEAN-Australia-New Zealand Free Trade Area which was signed in February 2009, this tariff will be progressively phased out by 2017. New Zealand expects the Agreement to enter into force on 1 January 2010, once New Zealand, Australia and four ASEAN country parties have concluded their ratification procedures. The implementation date, however, has not yet been confirmed.

2.7 Exchange Rates

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

> When the comparison under paragraph 4 *[of Article 2]* 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.

36. In the current review, when establishing export prices in Malaysian ringgit (MYR), the Ministry used current Malaysian Free-On-Board (FOB) export prices to New Zealand. Because these FOB prices were expressed in United States Dollars (USD), the Ministry made a conversion of currencies under Article 2.4.1 of the Anti-Dumping Agreement at the date of invoice for all but one of the shipments, for which (in the absence of an invoice) the date of import was used.

2.8 Disclosure of Information

37. The Ministry makes available all non-confidential information to any interested party through its public file system.

38. A verification visit was carried out at PW's premises and a copy of the verification report was provided to PW. A non-confidential version was placed on the Public File.

39. As noted above, the only information provided by interested parties were invoices provided by an importer relating to its imports of the subject goods over the POR(D). In view of the failure by importers and exporters to provide the necessary information in the review, decisions relating to export prices and normal values 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.

40. 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.

41. 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.

42. Details of the information used, in the absence of information from the companies, and the conclusions drawn by the Ministry, are shown in sections four and five of this report.

Submission by MITI on Insufficient Disclosure of Information

43. In response to the Interim Report MITI stated that sufficient information was not provided to enable interested parties to have a clear understanding of the likelihood of recurrence of dumping and material injury to the New Zealand domestic industry. It stated that the extensively blacked out information and the absence of a summary made it impossible for interested parties to make a proper assessment of how the Ministry arrived at its conclusion.

44. In this regard MITI referred to Article 6.5.1 of the Anti-Dumping Agreement that "the authorities shall require interested parties providing confidential information to furnish non-confidential summaries thereof. These summaries shall be in sufficient detail to permit a reasonable understanding of the substance of the information submitted in confidence." MITI stated that in its opinion this lack of detailed

information has deprived interested parties the full opportunity to defend their interests as provided in Article 6.2 of the Anti-Dumping Agreement.

45. Following MITI's submission on the Interim Report, PW commented that, in its opinion, there were only a limited number of confidential markings in the Interim Report. According to PW's calculations, only approximately 2 percent of words were marked as confidential in the sections on the likely recurrence of dumping and material injury. PW considered that the amount of information which was marked as confidential was "less than negligible".

46. The Ministry takes the issue of the release of non-confidential information seriously, and endeavours to release as much information as possible while at the same time protecting confidential information. With regard to Article 6.5.1 of the Anti-Dumping Agreement, the Ministry has reviewed the report and considers that where confidential information has been removed there is sufficient context and indication of the trends where applicable (e.g. increase or decrease) to permit a reasonable understanding of the substance of the information submitted in confidence.

47. The Ministry disagrees with MITI's submission that interested parties have been deprived of a full opportunity to defend their interests. All importers and exporters have been fully informed by the Ministry throughout the review. The Ministry notes that the only participation from these parties has been from one New Zealand importer, which provided information concerning its imports during the POR(D). No submissions were received from importers or exporters in relation to the review despite the Ministry's request for their participation. The Ministry considers that all interested parties have been provided a full opportunity to defend their interests in the current review as required under the Anti-Dumping Agreement. With respect to the obligation on authorities under Article 6.2 of the Anti-Dumping Agreement to provide an opportunity, upon request, for interested parties with adverse interests to meet in order to present their views and rebut arguments offered, the Ministry notes that no such requests were made by interested parties.

3. New Zealand Industry

48. 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.

3.1 Like Goods

49. 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, and having identified the GUR, it is necessary to determine whether there are New Zealand producers of goods which are like those goods in all respects, and if not, whether there are New Zealand producers of other goods which have characteristics closely resembling the GUR.

50. In the original investigation it was determined that the galvanised wire produced by PW, while not like in all respects, had characteristics that closely resembled the goods under investigation. The like goods produced by PW were galvanised steel wire of high, medium and low tensile strength between 1.6mm and 5.00mm in diameter.

51. Since the original investigation PW has changed the wire coating only. At the time of the original investigation PW’s entire range of galvanised wire was coated with 100 percent zinc. Currently [redacted] of PW’s galvanised wire is produced with a coating of [redacted] percent zinc and [redacted] percent aluminium. PW has found that the small addition of aluminium [redacted] and cost while achieving a comparable or better product performance than 100 percent zinc coated wire.

52. PW stated that when comparing zinc coated and zinc/aluminium coated wire:

- the bright wire, tensile strength and sizes are identical;
- the production method is the same;
- the end use is for the same purpose;
- the price difference is negligible;
- the distribution channels are the same; and
- the same tariff classifications would apply.

53. On this basis, the Ministry does not consider that the change of coating from 100 percent zinc to a mixture of zinc and aluminium constitutes a departure from producing a like good to Malaysian imported galvanised wire and therefore the Ministry considers that PW continues to produce a like good.

54. A search by the Ministry of businesses operating in New Zealand has not shown that there are any other companies manufacturing galvanised wire, so PW remains the sole manufacturer in New Zealand.

55. PW therefore continues to represent the New Zealand industry in terms of section 3A of the Act.

3.2 Imports of Galvanised Wire

56. Table 3.1 below shows import volumes of galvanised wire, in tonnes. The figures have been taken from New Zealand Customs Service (NZCS) data that covers goods imported into New Zealand under the tariff items and statistical keys shown in paragraph 33 above. The Customs tariff classification shows that galvanised wire as described at paragraph 32 could enter New Zealand under two tariff items and 30 statistical keys.

57. The Ministry has noted that the tariff items and statistical keys may include imports of diameters less than 2mm and greater than 4.5mm. In the original dumping investigation the Ministry removed from the NZCS data relating to imports from Malaysia, galvanised wire less than 2mm and greater than 4.5mm in diameter. In this review, adjustments to this effect have been made where the description of the goods in the Customs data and access to invoices makes it possible.

58. The Ministry notes from the goods description in NZCS data relating to imports from countries other than Malaysia that such imports may include products that do not necessarily fit within the description of goods. These products are pigtail fence posts, bailing wire, annealed wire, tie wire, stitching wire, staple wire, armouring wire and wire mesh. The Ministry considers that as the data covers these goods this may affect the reported import volumes and pricing information derived for imports from `other´ countries, however, it does not hold sufficient information to make appropriate adjustments.

59. The Table below shows the amount of galvanised wire imported into New Zealand from 1 July 2005 to 31 December 2008.

Table 3.1: Imports of Galvanised Wire (tonnes)
(Years ended 30 June)

	2006	2007	2008	2009 (to 31 Dec)
Malaysia	1,033	110	[redacted]	[redacted]
Australia	5,909	9,699	[redacted]	[redacted]
Other countries	3,641	4,247	[redacted]	[redacted]
Total imports	10,584	14,056	[redacted]	[redacted]

60. The Table shows that total imports increased in the year 2007 but declined in 2008, but were still at a level above that of 2006.

3.3 New Zealand Market

61. The following Table shows the New Zealand market for galvanised wire, in tonnes. Import figures used in this Table are as per Table 3.1 above. PW's provided its sales data.

Table 3:2: New Zealand Market (tonnes)
(Year ended 30 June)

	2006	2007	2008	6 Months (to 31 Dec 08)
Malaysia	1,033	110	[redacted]	[redacted]
Australia	5,909	9,699	[redacted]	[redacted]
Other countries	3,641	4,247	[redacted]	[redacted]
PW sales	[redacted]	[redacted]	[redacted]	[redacted]
NZ Market	[redacted]	[redacted]	[redacted]	[redacted]

62. Table 3.2 shows that the size of the New Zealand market has increased in each of the three full years covered by the table. A simple doubling of the New Zealand market 6 month figure to estimate the 2009 year would indicate a decline to about the level of 2007.

4. Dumping Investigation

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

4.1 Findings of Original Investigation

64. The original investigation concluded that 66 percent of the galvanised wire imported from Malaysia was dumped. Dumping margins differed depending on the different types of galvanised wire exported and the particular Malaysian exporter which was involved in the export transaction.

4.2 Purpose of Review of Dumping

65. The general principles concerning the Ministry's approach to "sunset" reviews are set out in section 2.3 of this report. The Ministry's "sunset" reviews are intended to determine whether the expiry of the existing anti-dumping duties after five years would likely lead to a continuation or recurrence of dumping and injury and therefore whether there is a continued need for the imposition of anti-dumping duties. In respect of dumping, the Ministry's approach is to establish if the GUR are currently being dumped into New Zealand, the extent of any dumping and then analyse whether there is a likelihood of a continuation or recurrence of dumping, if the duties are removed.

4.3 Likelihood of Continuation or Recurrence of Dumping

Introduction

66. To establish whether or not the goods are currently being dumped the Ministry will examine the imports during the POR(D) which in the present review is 1 April 2008 to 31 March 2009. There have been some imports of Malaysian galvanised wire into New Zealand in 2008. The Ministry has determined that some of the imports which are GUR have been dumped during the period, not withstanding that a duty is in place. The Ministry has then considered whether or not there is a likelihood of a recurrence of dumping, if the anti-dumping duties are removed. This section of the report first shows (a) the dumping calculations and then (b) sets out how the Ministry established whether or not there is a likelihood of a recurrence of dumping should the duties be removed.

Comparison of Prices

67. 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,

seeking to find sales of the same type and size of good as that exported and as near as possible to the same point in time and making any adjustments for differences that affect price comparability. The Ministry is then able to compare the two values to establish whether or not each transaction was dumped and the extent of any dumping.

68. The Ministry uses a transaction-to-transaction basis for comparing export prices and normal values, rather than a weighted average-to-weighted average method, because this method identifies the individual transactions that are dumped. The Ministry considers this provides a more accurate representation of the extent of any dumping and is particularly suited to a small economy such as New Zealand where the number of transactions is relatively small.

Use of Facts Available

69. In this review, because there was no cooperation from the Malaysian exporters that participated in the original investigation or those exporting in the POR(D), the Ministry was unable to select an appropriate Malaysian domestic sale made by each of the exporters which it could compare with their export transactions.

70. The Ministry has therefore compared the export transactions during the period of investigation, adjusted with the best information available and compared these with a constructed normal value calculated from the best available information.

71. The sources available included export invoices provided by an importer, and adjustment information provided by the applicant and other sources, and normal values provided by the applicant with some amendment to these. Other information has also been used to test the assumptions made. The Ministry considers these sources were the best information to fill the gaps and has done so under the provisions of section 6 of the Act and Article 6.8 of the Anti-Dumping Agreement which allows for a decision to be made having regard to all available information.

72. Sources of information taken into account;

- Export invoices from an importer;
- New Zealand Customs Service data;
- Information submitted during the review by PW;
- International Monetary Fund, International Statistics; Malaysian Producer Price Index (PPI)and Consumer Price Index (CPI);
- Information available on Malaysian business and government websites; and
- MEPS: World and Asian Carbon Steel Prices, and Steel Business Briefing (SBB) Steel prices.

Conclusion

73. On the basis of a comparison of likely export prices to New Zealand and normal values in Malaysia, the Ministry concludes below that dumping would likely recur in relation to the galvanised wire under review if the current anti-dumping duties are removed. Sections 4.4 to 4.7 below describe how the Ministry came to this conclusion including the method it used to establish likely export prices and normal values should anti-dumping duties be removed.

4.4 Export Prices

Introduction

74. Export prices are the prices at which the goods are exported from Malaysia to New Zealand, adjusted to allow a fair comparison with the prices of goods sold in the country of manufacture, as required by section 4 of the Act.

Base Prices

Period of Dumping

75. In its application for a review, PW observed that mid to late 2008 was a difficult period in which to determine export prices and normal values because of significant movements in the world price of steel, and thus wire, prices. PW provided a graph to illustrate the trends in world steel prices which was sourced from the SBB world price tracker[1] which shows a sharp increase in prices from about January 2008 to July 2008 and then an equally sharp decline in prices thereafter until about November 2008. PW consequently considered it reasonable to base comparative prices on the most recent relatively stable period of prices which it considered to be the year ended 30 June 2008. PW commented that it "[h]as no reason to believe cost and price patterns and behaviour in this period is not a sensible predictor in this case". This period for dumping was accepted for the purposes of the initiation of this Review.

76. PW has submitted that the trend has been for an increase in price over the last 3 years to June 2008 and that the price trending down in the year to June 2009 goes against what would normally be expected, as it is the result of the unusual prices in 2008.

77. The Ministry accepts that the trend is different from previous years but would prefer to use the most recent information available when considering likely prices in 2009 and beyond.

Ministry's Approach

78. The Ministry is required in accordance with Article 3.1 of the Anti-Dumping Agreement to conduct an investigation that is based on positive evidence and

[1] See www.steelbb.com

involves an objective examination of the volume of dumped imports and the effect on prices in the domestic market for like products and the consequent impact of these imports on domestic producers of such products.

79. The WTO Committee on Anti-Dumping Practices recommends that the period for determining dumping shall normally be the 12 months immediately preceding initiation and the period for determining material injury shall normally be at least three years[2]. Any departure from investigating a twelve month period immediately preceding initiation would require justification to ensure that an objective examination is undertaken as required by Article 3.1 of the Anti-Dumping Agreement.

80. The Ministry notes that the period over which the export price was calculated (the year ended 30 June 2008) for initiation purposes, includes a period over which there was a particularly sharp increase in world steel prices and therefore only partially represents a period of relatively stable prices. The anti-dumping duties have had little or no effect on the prices paid for imports of galvanised wire during practically the whole of the 2008 year because they were set as a Normal Value, Value for Duty Equivalent (NV(VFDE)) amount so that when the world steel prices rose above this level of duty, no duty was required to be paid.

81. If the year ending 31 March 2009 is taken as the POR(D), the VFD unit prices of imports compared with the relevant NV(VFDE) amounts shows that goods imported during the period were entering above the level of the current anti-dumping duty. The following Table shows this comparison.

Table 4.1 Imported Galvanised Wire Compared with Duty Level

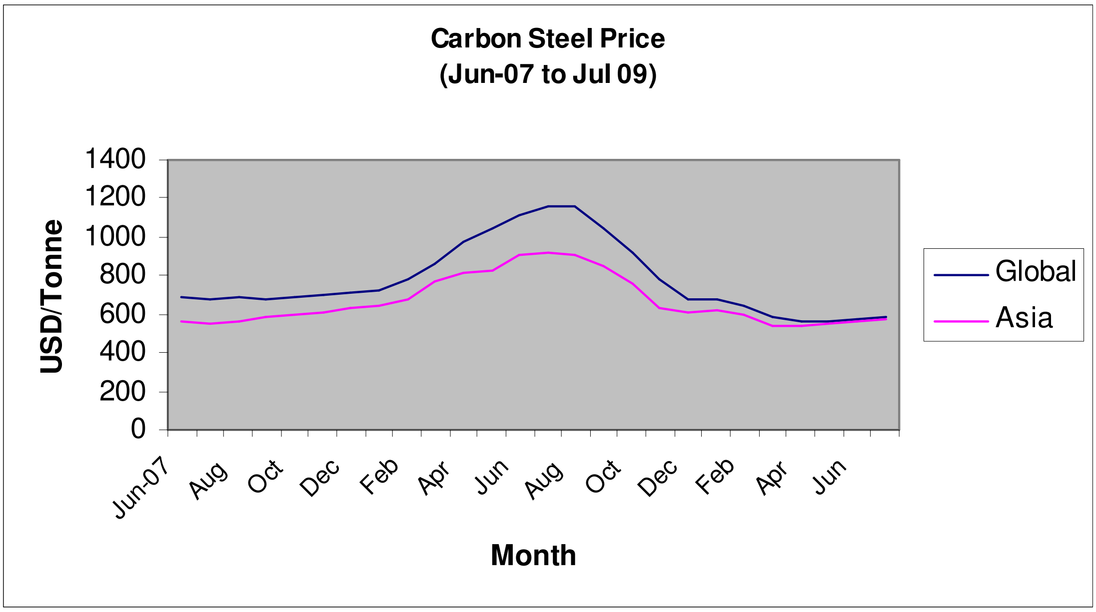
Export FOB Price (MYR)	NV(VFDE) (MYR)	% Difference
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

82. The export prices paid for imports of galvanised wire in the POR(D) ranged from [redacted] to [redacted] percent higher than the NV(VFDE) amounts currently in place. The

[2] G/ADP/6, adopted 5 May 2000 by the Committee on Anti-Dumping Practices

average was [redacted] percent. This result reflects the large price increases in the global price of carbon steel in 2008 as a result of the increase in world demand for steel generally, which caused these temporary but major price increases. The market prices have abated considerably since 2008 as shown by a World (and Asian) steel prices graph[3].

Figure 4.1: Carbon Steel Price – Global and Asia (June 2007- July 2009)



83. During the year ended 31 March 2009, it is clear that the level of the duty itself would not have been a factor in the decision of whether or not to import the goods from Malaysia. There are likely, however, to have been other factors involved in the importers decision about where to source wire, as the volume of imports from Malaysia did not increase during this time. With regard to price, this situation was unusual in that the carbon steel price moved to such a degree that the duties very likely became irrelevant throughout 2008.

84. Normal values would likely have increased apace with the export prices, so a price comparison for the purposes of assessing whether dumping has been occurring during this time is still relevant. The Ministry considers that carrying out a dumping analysis over the year ending June 2008 has no advantage over the 12 months immediately preceding the initiation of the review, that is, the year to 31 March 2009. The latter year is more up to date and world steel prices have declined to pre-2008 levels, so the year to 31 March 2009 has been taken as the period over which to calculate whether there has been dumping.

[3] MEPS – All Carbon Steel Products Composite Price and Index (based on USD/Tonne) see www.meps.co.uk.

Export Price Information from PW

85. PW in its application provided estimated ex-factory export prices based on statistical data for Malaysian exports for the year ended 30 June 2008 for the HS code 721720000 which it said represents the majority of galvanised wire exports. PW calculated an average FOB price in Malaysian ringgit (MYR) per tonne over this period for Malaysia's total exports and its exports to the top five destinations by volume, the prices being MYR[redacted] and MYR[redacted] respectively. These prices were adjusted using evidence supplied to the Ministry in 2003 to initiate the original dumping investigation to which an inflation adjustment has been applied to calculate estimated ex-factory prices of MYR[redacted] (total exports) and MYR[redacted] (top five destinations).

Ministry's Approach

86. In a "sunset" review, when assessing the likelihood of a recurrence of dumping, the Ministry will consider the likely export prices to New Zealand in the absence of anti-dumping duties. Where duties have been imposed by means of reference prices (as in this case), the Ministry will usually base this analysis on the exporters' export prices to markets other than New Zealand, rather than export prices to New Zealand, because of the effect of the current anti-dumping duties on export pricing to New Zealand i.e. the exporter has likely increased its export prices to New Zealand up to the NV(VFDE) amounts or non-dumped amounts or up to the Non-Injurious FOB (NIFOB) amounts. With the current anti-dumping duties being in place there is an incentive for the exporters to sell their goods at non-dumped prices because the payment of an anti-dumping duty is legitimately avoided.

87. The above conditions do not appear to apply in this case where the level of the duty has not been impacting on the price of imports. The presence of the duty will still have had an effect over the longer term but it is not likely to have affected price over the POR(D).

Conclusion on Base Prices

88. The Ministry is mindful of the recommendation by the WTO Committee on Anti-Dumping Practices that the period for determining dumping should normally be the 12 month period immediately prior to initiation. PW put forward, with reservations, the year to June 2008, however, that period is no less problematic than if the more recent 12 month period to 31 March 2009 is taken. The world price of steel has created an environment to some extent similar to that of a period free of duties over both of these periods.

89. There does not appear to be any advantage in taking an earlier period (the year ending June 2008) as opposed to a more up-to-date 12 months (the year ending 31 March 2009). As there is information on export prices available from import invoices, in the absence of co-operation from the exporters, the Ministry considers this is the best information available to calculate export prices.

90. Base export prices are therefore those of the exports of the subject goods from Malaysia during the year ended 31 March 2009.

Base Export Price

Introduction

91. The first step in establishing an export price is to identify a base export price, which is the price that has been paid for the product. The price paid for the goods could be at a number of different levels, for example the purchase price may be at FOB, Cost Insurance and Freight (CIF) or Cost and Freight (C&F) level.

Import Data

92. Information on current import prices from Malaysia was available for a comparatively small volume ([redacted] tonnes) of the subject goods which were imported during the POR(D). The Ministry took the FOB prices from the invoices for [redacted] shipments. NZCS data was used for the remaining shipment.

93. Base prices have been taken as those at the FOB level and range from MYR[redacted] to MYR[redacted] per kg.

Adjustments

Introduction

94. Having established the FOB base export prices, the next step is to deduct any costs between the FOB level and ex-factory level incurred by the exporter in preparing the goods for shipment to New Zealand and to make any other relevant adjustments required in order to ensure a fair comparison with normal values. Because the base price is FOB, such costs will usually include export packaging, export document charges, inland freight, port-handling, wharfage and containerization charges and inland freight. These adjustments to the base export price will result in the calculation of an ex-factory export price. This ensures a fair comparison with the ex-factory normal value, from which a dumping margin is calculated.

PW's Application

95. In its application, PW included an amount for adjustments to the FOB export price. The company based its estimate on the information it supplied in its 2003 application for an investigation adjusted for inflation between 2003 and 2007.

96. The amount provided by PW for adjustment costs covered the cost of credit, Customs costs, terminal handling, lift off at port, transport to port, lift on at port, equipment hire and export packaging. This amount was adjusted for inflation for the period between 2003 and 2007 (using inflation figures from a Malaysian government

website which publishes inflation data)[4]. The adjusted amount was subtracted from base prices.

Ministry's Consideration

97. In the absence of any up to date data from the exporters, the Ministry considers that the information provided by PW is the best available information with which to adjust the export price.

98. The Ministry has taken PW's estimate in its application of the costs from ex-factory to FOB ex-Malaysia (relating to the average of exports to the world) MYR[redacted] per tonne ([redacted] per kg) for the year 2007 and updated this as described below.

Updating the Adjustments

99. The adjustment was for an amount for 2007. As the exports were made in 2008 a further adjustment has been made to reflect price movements since 2007. This has been done by updating the amount for the year 2008 using the IMF International Financial Statistics Consumer Price Index (CPI). The CPI for 2008 for Malaysia moved from 105.7 in 2007 to 111.5 in 2008 giving an increase of 5 percent.

100. The amount of adjustment has therefore been increased by 5 percent to give a total adjustment amount for costs from FOB to ex-factory of MYR[redacted] per tonne ([redacted] per kg) and this has been subtracted from the base export prices to give an ex-factory export price.

Export Price Calculation

101. Export prices range from MYR[redacted] to MYR[redacted] per kg.

4.5 Normal Values

Introduction

102. A normal value is the price of the like good to the exported product which is sold on the foreign manufacturer's domestic market. The types of sales that can be used to determine normal values are set out in section 5 of the Act. In the absence of relevant sales, section 5 of the Act allows normal values to be constructed on the basis of production plus reasonable amounts for selling and administration expenses and profit. Section 5 also allows normal values to be established on the basis of sales to third countries, but the Ministry does not normally use this method. A number of adjustments are made to the normal value to reflect any differences which affect price comparability between the product sold on the domestic market (or the constructed normal value) and that which is exported to New Zealand. This enables a fair comparison to be made between the normal value and the export price.

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[4] Malaysian inflation data http://www.bnm.gov.my/files/publication/msb/2008/9/xls/5.14.xls at column E. Sum is 13.1% in the period 2003 to 2006 and 18.3% in the period 2003 to 2007.

103. In any investigation or review, where sufficient information has not been provided by the foreign exporter, or is not available, normal values can be established under section 6 of the Act. The provisions of section 6 allow the Ministry to ascertain normal values having regard to all available information. In the present review, as a result of having no information supplied by the Malaysian exporters or producers the Ministry has had to derive normal values on the basis of the best information available. Details of the information used in conducting this analysis are set out below.

2003 Investigation

104. In 2003 the normal values for all exporters and producers were established on the basis of domestic price information provided by one Malaysian manufacturer.

Current Review

105. In the current review, none of the Malaysian exporters or producers chose to participate in the review and therefore no information was obtained by the Ministry on these producers' domestic market selling prices.

Base Price

106. Information from which a normal value is established should ideally relate to the POR(D), which covers the period of 1 April 2008 to 31 March 2009.

107. As discussed above, PW considered that the magnitude of the price changes in the latter part of 2008 made the use of data in that period problematic. In addition, PW commented that none of the Malaysian producers of galvanised wire publish information on their domestic selling prices. In its application, PW therefore estimated a normal value using two methodologies: one based on a wholesale price and the other on a constructed value.

108. The Ministry has taken the lowest calculated base normal value from PW's information, which was based on [redacted] company that purchases about [redacted] tonnes of galvanised wire per annum. PW stated [redacted] indicates that the price from a local Malaysian wire mill is MYR[redacted] per tonne as of late February 2009. This price was for low carbon manufacturing wire. There is no documented evidence to substantiate this price, but the way in which it was obtained would make any such evidence inherently difficult to obtain.

Premium Adjustment for Physical Difference

109. PW then adjusted this price upwards on the basis that it relates to a low carbon manufacturing wire and that a high carbon high tensile fence wire sells at a premium to such a product. In the initial application the amount of this premium was calculated in two ways. The first method was through [redacted] interview with a person involved in the [redacted] steel industry who advised that in [redacted] the premium is approximately [redacted] percent. The second method was based on the premium PW achieves on the New Zealand market. PW calculated a simple

average of the premium amounts obtained under each method to derive an adjustment of MYR[redacted] per tonne.

110. In the Initiation report the Ministry adjusted this amount after PW provided further information from a person involved in the [redacted] steel industry who had advised that only about [redacted] percent of the Malaysian galvanised wire exported to Australia was of the high carbon high tensile type. PW amended its adjustment to an amount of [redacted] percent of MYR[redacted] or MYR[redacted] per tonne, because it was being compared with exports in that comparison that were considered to be predominantly of the low tensile type.

111. Because the exports prices in the POR(D) are based on actual exports to New Zealand the full adjustment for the high carbon high tensile type has been made to the base normal value for the physical difference adjustment. The Ministry has therefore made an upward adjustment of MYR[redacted].

Adjustment for Timing Difference between Export Prices and Normal Values

112. PW in its application adjusted the price upwards to account for the difference in the date at which the normal value was established (February 2009) and the period over which the export price was established (the year ended 30 June 2008). The adjustment was based on the movement in the "East Asian Long Products Import" price index published by the Steel Business Briefing[5]. At initiation the base price of MYR[redacted] plus the MYR[redacted] adjustment in the paragraph above was adjusted upwards by 57 percent to give an adjustment of MYR[redacted] per tonne. This method was considered reasonable for the Initiation Report and the Ministry has therefore used this method again to adjust for the difference in the dates on which the export price and normal value are based.

113. Because export prices are based on imports into New Zealand over the year ending 31 March 2009, the Ministry has based the adjustment on the SBB Index for February 2009 (which was 228), and applied the percentage difference in the Index in the months in which the goods were invoiced (473 and 393), giving adjustments of 52 and 42 percent respectively. The adjustments have been applied to the base price plus the physical difference adjustment (MYR[redacted]) to give an adjustment for timing of MYR[redacted] and MYR[redacted].

Freight and Handling

114. PW said it understood that the base price includes freight and handling and has made an adjustment based on its estimate of these costs in New Zealand and converted it to MYR to give a downwards adjustment of MYR[redacted] per tonne. The cost was not adjusted to reflect any difference in costs between Malaysia and New Zealand. An adjustment was made to the base normal value in the original investigation for freight from works to customer of MYR[redacted] per tonne, which adjusted for inflation, is about MYR[redacted] per tonne. The difference between this figure and that calculated by PW makes no material difference to the normal value calculation and

[5] See www.steelbb.com/steelpricetrackers

in the absence of any actual information from exporters MYR[redacted] per tonne has been taken as the level of adjustment.

Cost of Credit

115. An adjustment was also made by PW for credit terms based on [redacted] that suggest Malaysian mills normally offer about [redacted] weeks credit. PW therefore made a downwards adjustment for [redacted] weeks credit at an interest rate of eight percent to give an adjustment of MYR[redacted] per tonne. In its initial application, PW did not provide any evidence or comment on the credit terms provided on the export sales from which the export prices were derived. When queried about the credit terms on export sales PW said that as an experienced steel exporter and importer it considers it is unlikely that Malaysian export sales receive credit terms.

116. In the original investigation there were credit terms on export sales and adjustments were made by deducting the value of the credit terms from both export and normal value sales. The adjustment on export sales ranged from MYR[redacted] to MYR[redacted] per tonne and on normal value sales from MYR[redacted] to MYR[redacted] per tonne. The adjustment made by PW is in the range of the net adjustments made in the original investigation. Any reasonable adjustment for differences in credit terms is unlikely to have any material effect on the calculation of dumping margins. As credit terms were shown to exist in the original investigation, and in the absence of any actual information from the exporters, the Ministry has made a downward adjustment of MYR[redacted] per tonne.

Volume Discount

117. An upwards adjustment for differences in volume has been made. PW has noted that the normal value is based on the price to a buyer who purchases about [redacted] tonnes per annum who could expect a [redacted] percent discount compared to a much smaller buyer of about [redacted] tonnes per annum, which is the volume it expects New Zealand importers would purchase if the duties were removed. In its initial application PW therefore made an upwards adjustment of [redacted] percent or MYR[redacted] per tonne.

118. PW made the adjustment with export volumes to Australia in mind, however, it also supported its calculation of an adjustment by referring to its own discounts which are largely related to volume and said that the difference in volumes would justify a volume discount of about [redacted] percent. In calculating this adjustment PW took into account the reduction in the high tensile high carbon premium adjustment to give an adjustment of MYR[redacted] per tonne.

119. As the export prices now considered are those for exports to New Zealand, the quantities are small enough for the Ministry to consider that an upward adjustment of the normal value of [redacted] percent is justified. This has been made on the sum of the base price plus the physical and timing differences and equates to MYR[redacted] to MYR[redacted] per tonne.

PW's Submission on the Interim Report

120. In response to the interim report PW submitted that the [redacted] percent volume adjustment did not sufficiently reflect the difference in size of the annual sales volumes between the customers on the domestic and export markets for which the comparison of prices was being made. PW noted that the normal value sale price which it had provided in the application was based on a buyer who purchases about [redacted] tonnes p.a. on the Malaysian domestic market. It noted that the annual sales volume to New Zealand was a total of [redacted] tonnes [the actual amount from Custom's data was [redacted] tonnes but it was of a similar order].

121. To support its view PW noted that its sales of high tensile galvanised fence wire to [redacted] were [redacted] times greater than to [redacted] which in August 2008 were NZD[redacted] (FIS) and NZD[redacted] (FIS) per tonne respectively, a difference of [redacted] percent. PW stated that the difference between the sales volume to the Malaysian domestic customer and the total exports to New Zealand was even greater than this (at [redacted] times). It stated that a premium of at least [redacted] percent should replace the [redacted] percent made when calculating the normal value. PW calculated the amount of the adjustment to be [redacted] and [redacted] per kg.

Ministry View

122. It is common practice both in New Zealand and abroad for discounts to be given based on the annual volume of sales to a customer. Also, volume discounts tend to take into account the total sales volume/value to a customer rather than being specific to one product range, although there may be further additional discounts given on individual lines of product. In its experience the Ministry has found that domestic market customers usually cost considerably more to service because of the significantly higher frequency of sales transactions than is the case for export customers, which can make a significant difference to sales costs and therefore the price of the goods. The cost of sales to a domestic customer is therefore often higher than for export customers.

123. The Ministry notes that PW, in its application stated that from its experience a buyer in the vicinity of [redacted] tonnes p.a. might expect a [redacted] percent volume discount over and above a purchaser of an estimated [redacted] tonnes p.a. but is advocating a further [redacted] percent discount adjustment based on the sales volume difference of a domestic market customer which purchased approximately [redacted] tonnes per annum and another domestic market customer which purchased a volume [redacted] times greater than this. [redacted] in this case imported an annual total of approximately [redacted] tonnes [redacted]. It is clear, however, that some discount adjustment should be made (as it has been).

124. Applying the same scheme of domestic market discounts to export sales should be treated with caution. Any additional adjustment would only affect the calculation of the level of current dumping found while the duties have been in place.

125. The analysis of the likelihood of the continuance or recurrence of dumping has been based on other information comparing similar volumes (a sale on the

Malaysian domestic market ([redacted] tonnes versus exports from Malaysia to Australia). In this respect the Ministry notes that should duties be removed significantly larger volumes such as those that [redacted], are comparable to the likely import volume scenario of 1750 tonnes that is forecast by PW should duties be removed.

126. The Ministry has taken a conservative approach to the calculations and has still found current dumping. It acknowledges the point on volume discounts that PW makes, but as the analysis of the likelihood of a continuation or recurrence of dumping causing injury should duties be removed is based on a comparison of the prices of more similar volumes, no further adjustment for differences in volume is considered to be necessary.

Complexity Cost

127. PW contends that a further upwards adjustment should be made for additional costs that would be incurred by a Malaysian exporter to New Zealand [redacted] for galvanised wire. PW has estimated this would cost MYR[redacted] per tonne.

128. [redacted] this adjustment when comparing actual exports to New Zealand with sales on the Malaysian domestic market and [redacted] it because it considered it was unlikely that any additional costs would be passed on to New Zealand importers.

129. PW claims an adjustment should be made for the cost of the [redacted] required to [redacted], because it says that the importer Euro Corporation has in the past sold the subject goods exported from [redacted], and therefore would have incurred the [redacted] costs.

130. In this review the Ministry does not have any evidence that the companies exporting goods to New Zealand in the POR(D) are claiming to [redacted]. PW noted in its application that Southern Wire's website states that its High Carbon product [redacted] and that its Heavily Galvanised wire has [redacted]. No mention is made of the [redacted].

131. It is not known whether the subject goods are [redacted]. The [redacted] heavily galvanised wire products may be sold in New Zealand [redacted]. The Ministry would not, therefore, automatically assume that the [redacted] have been incurred and therefore make an adjustment for them.

132. The reassessment in 2005 did not make an adjustment for this cost. There were some differences between the goods supplied to New Zealand and the goods sold on the Malaysian domestic market but it was uncertain how the costs of these

could be identified and whether they affected the price of the specific exports to New Zealand. There was no information available to show that the costs of the [redacted] (if they were incurred) meant that the goods sold to New Zealand incur complexity costs that other sales, domestic or otherwise, did not. It was noted that most manufacturing facilities schedule a wide range of different products and production runs are organised to minimise downtime and unnecessary expense.

133. On the basis of the information available there is insufficient evidence to conclude that the costs [redacted] would be specifically charged to individual export shipments to New Zealand over and above any other complexity costs that might be incurred by sales to other customers in export or domestic markets. No adjustment has therefore been made.

PW's Submission on the Interim Report

134. PW disagrees with the Ministry's interim decision not to allow a complexity cost adjustment.

135. It considered that the matter was not sufficiently examined in the original investigation in 2003 and that the Ministry should not rely on that report. It stated that the Ministry did not verify the nature [redacted] for the domestic Malaysian market and relied on representations from a Malaysian vested interest and did not retain [redacted] NZ-destined goods.

136. PW says that the Ministry does not have any information contrary to that provided by itself which it stated is consistent with that previously provided. In addition to PW's previous comments on this issue, PW stated in its submission that if evidence of previous behaviour such as proven market access to an export market and ability to grow volume in an export market, is acceptable, then it is also acceptable to believe that previous behaviour indicates that future goods sold to New Zealand will also [redacted], and should therefore have this extra cost taken into account as an adjustment. PW added that there is no information to the contrary that this will not happen, and that this adjustment should be made because the normal values of the Malaysian domestic market do not include [redacted] costs.

Ministry View

137. The Ministry notes that in the 2003 Report the Ministry noted in the section on [redacted] but no interested party provided further information about these or their costs and they were not raised as an issue. In the 2005 Reassessment, [redacted], in response to questions about [redacted] of wire stated that it was mandatory in Malaysia for its wire products [redacted] and that it [redacted] and the [redacted] which exceeds the [redacted]. It also advised that all wire, whether for domestic or export sale was [redacted]. The Report also said that the [redacted] are audited annually by [redacted]

[redacted]. [redacted] said it did not need to [redacted] for the products it supplies to New Zealand as [redacted] would show that it exceeds and therefore conforms to [redacted]. The Ministry notes that it recorded in that Report that PW had provided [redacted].

138. The Ministry notes that to be sold on the New Zealand market galvanised wire does not have to [redacted], and that other Malaysian companies exporting wire to New Zealand may carry other [redacted]. From the information available from [redacted] it appears that complexity costs are incurred by both domestic and export products and there is insufficient evidence that an additional charge or premium to recover such costs, over and above costs incurred by products destined for the domestic market, would be passed on to the New Zealand importer. The Ministry confirms its view that no adjustment should be made.

Normal Value Calculation

139. The following table summarises the calculation of the normal value.

Table 4.2: Normal Value Calculation

Item	MYR Per KG
Malaysian company’s purchase price (base price)	[redacted]
Plus: high carbon high tensile premium	[redacted]
Plus: timing difference between dates of export prices and normal value	[redacted]
Plus: volume differences ([redacted]%)	[redacted]
Less: freight and handling	[redacted]
Less: cost of credit	[redacted]
Normal Value	[redacted]

140. PW also provided a constructed normal value based on its own cost of production plus a reasonable profit margin to test the above methodology. The constructed normal value yielded a normal value significantly higher than that obtained under the above methodology. While the normal value calculated under the above methodology rests on an unsubstantiated base price, the alternative normal value indicates that it is conservative and the Ministry considers it is sufficient evidence of a normal value.

4.6 Comparison of Export Price and Normal Value

141. Using the export prices and normal values calculated in sections 4.4 and 4.5 above, the Ministry has calculated dumping margins for Malaysian export sales of galvanised wire to New Zealand. The results are shown in the table below:

Table 4.3: Comparison of Export Price and Normal Value

Export Price (Ex-Factory)	Normal Value (Ex-Factory)	Dumping Margin (MYR)	Dumping Margin (% of EP)
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

142. The figures in the table above show that the dumping margins from 5 percent (dumped) to -36 percent (not dumped). In relation to the total volume of imports from Malaysia, 59 percent of the galvanised wire imported during the POR(D) was dumped.

4.7 Likelihood of the Continuation or Recurrence of Dumping

143. In order to assess the likelihood of a continuation or recurrence of dumping in the future should the duties be removed, the Ministry usually bases its analysis on the export prices to markets other than New Zealand, rather than export prices to New Zealand because of the effect of the anti-dumping duties on the pricing of the exports i.e., exports could legitimately be priced up to the level of the NV(VFDE) amounts to avoid paying the anti-dumping duty, and thereby show raised export prices to New Zealand.

144. The unusual set of market circumstances over the POR(D) which had consistently raised the export price above the level of the NV(VFDE) amounts for an extended period of time, created circumstances where it is likely that export prices were not influenced by the existence of the duty.

145. Steel prices have now declined to pre-2008 levels from their peak in mid 2008 and it is likely that the level of the duty in place will now interact with import prices.

146. In considering the likelihood of a continuation or recurrence of dumping should the duties be removed, it is considered that the relativity between export prices and normal values in 2009 will be similar to that in 2007 in a period where prices were more stable. The Ministry has therefore also considered other information on export prices to assess the likelihood of a recurrence of dumping should duties be removed.

Malaysian Export Statistics

147. PW provided Malaysian export volumes and values to other countries which could be used to calculate likely export prices to New Zealand. The Malaysian export statistics are recorded in the Malaysian Tariff to a 6-digit level, under Tariff heading “Wire of iron or non-alloy steel” and sub-heading “zinc plated or coated”. The export values are recorded in MYR at the FOB level. These statistics were provided for the period January 2006 to August 2008. PW noted that it considered the period of late 2008 to be a difficult one in which to examine Malaysia’s export price, normal value and dumping margins, and likely injury to PW.

148. The Ministry notes that because of the rapid increase and decrease in prices in calendar year 2008, export prices and normal values over this period should be treated with caution. The Ministry has therefore considered the Malaysian galvanised wire export data provided by PW for export prices for calendar year 2007 to Australia, which are from a more stable period of steel prices. As prices in 2009 are at more realistic levels, the comparison of export prices and normal values in 2007 is likely to be indicative of the relative prices of these goods in 2009, and should give an indication of whether dumping is likely.

Export Price

149. The Ministry has selected export prices from Malaysia to Australia for the basis on which to establish likely export prices in the absence of anti-dumping duties because of its economic similarities to New Zealand, and because there are no anti-dumping duties in place on galvanised wire from Malaysia in Australia.

150. PW has said that exports to Australia would be predominantly goods of low tensile more similar to the mix of galvanised wire that would be sold on the Malaysian domestic market. No adjustments have therefore been made for physical differences.

151. The average FOB export price for the year ended December 2007 has therefore been adjusted back to an ex-factory level by subtracting an amount of MYR[redacted] which was provided by PW for the costs of exporting the goods. These costs are incurred between the factory and the wharf (FOB level) and have been adjusted to 2007 values.

Normal Value

152. The Ministry has used the ex-factory normal value calculated on the basis set out in paragraphs 106 to 139 from February 2009 as the best available information, and has adjusted this back to the year ending December 2007 using the change in the SBB Steel Price Tracker Index (10.3 percent) over this period.

Submission by MITI on Timing of Export Price and Normal Value

153. MITI noted that the comparison for a likely level of dumping made between average FOB prices for the year ended December 2007 and an adjusted February 2009 normal value would have been more accurate if the normal values had been for the same period as the exports.

154. Following MITI's submission on the Interim Report, PW stated that the Ministry had made appropriate adjustments for the timing differences between the normal value and the export price to ensure a fair comparison.

155. The Ministry notes the point made and would have used the same period to compared the data if the information had been available. In the absence of the actual information on normal values the Ministry has used the best information available to it as allowed under WTO rules.

Comparison of the Export Price and Normal Value

156. The following table shows a comparison of the export price and normal value calculated on the basis set out above.

Table 4.4: Likely Dumping Margins

Comparison of Export Price and Normal Value				
FOB (MYR/KG)	Export Price (Ex-factory)	Normal Value (Ex-factory)	Dumping Margin	Dumping Margin (% of EP)
[redacted]	[redacted]	[redacted]	[redacted]	16%

157. The information shows that the goods are likely to be dumped on the basis of the average export price in 2007 from Malaysia to Australia.

4.8 Conclusions Relating to Dumping

158. There have been few exports of galvanised wire from Malaysian to New Zealand since 2006, and an analysis of the goods exported over the POR(D) year to 31 March 2009 shows that 59 percent of the volume of goods were dumped over that period, which was a period of unusually volatile world prices.

159. The likelihood of there being a continuation of dumping was assessed on the basis of Malaysian FOB export prices of galvanised wire for 2007, which was a period of more stable prices. The Malaysian export price statistics were taken at the 6 digit tariff item level and related to the exports to Australia, a market which is free of anti-dumping duties. The average export price was compared with the average Malaysian domestic price for galvanised wire, adjusted by a steel price index to 2007 prices. The goods were found to be dumped by 16 percent.

160. The Ministry considers that the prices in the 2007 calendar year were sufficiently stable to allow a comparison of export prices and normal values to be made which is likely to be indicative of dumping margins should the duties be removed. The Ministry considers that there is sufficient positive evidence to conclude that there will likely be a continuation or recurrence of dumping of galvanised wire into New Zealand, should the anti-dumping duties be removed.

161. The Ministry, in reaching its conclusions, has had regard to all available information in accordance with section 6 of the Act and Article 6.8 of the Anti-

Dumping Agreement and has come to the conclusions on the basis of its analysis of that information as set out above.

5. Injury Investigation

5.1 Findings of the Original Investigation

162. The original dumping investigation found that:

- The import volume of the subject goods from Malaysia had increased significantly in absolute terms and in relation to production and consumption in New Zealand.
- There was evidence of price undercutting, price depression and price suppression which could be attributed to dumped imports from Malaysia.
- There was evidence of an adverse economic impact in a decline in profit and return on investment. There was no evidence of an adverse economic impact on output, market share, productivity or utilisation of production capacity.
- Factors other than the dumped imports from Malaysia may have had an adverse impact on PW.

163. The Ministry consequently found that the dumped galvanised wire from Malaysia had caused material injury to the domestic industry.

5.2 Injury in a Review

Introduction

164. The basis for considering material injury is set out in section 8(1) of the Act. The Ministry interprets section 8 to mean that injury is to be considered in the context of the impact on the industry arising from the volume of the dumped goods and their effect on prices.

165. Section 8 of the Act also sets out a number of factors and indices which the Chief Executive shall have regard to, although noting that this is without limitation as to the matters the Chief Executive may consider. These factors and indices are considered under the relevant headings below.

166. 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.

167. In the present review the Ministry has evaluated the financial data submitted by PW for the period 1 July 2006 to 31 December 2008, which is also referred to as the period of review for injury (POR(I)). At the time of the verification visit, PW's financial results for its 2009 financial year were not complete, and it could only provide the first 6 months data. Following the release of the Interim Report, PW provided its average selling price for its full 2009 financial year.

168. The Ministry has also evaluated forecast financial data for the 2010 financial year based on the assumptions that the anti-dumping duties remain in place, and alternatively, that the anti-dumping duties are removed.

Likelihood of Continuation or Recurrence of Injury

169. The Ministry's approach to sunset reviews is recorded in section 2.3 above. In considering the likelihood of a continuation or recurrence of injury, the Ministry has applied the general principles set out in that section of the report.

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

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

The Injury Information Submitted by PW

Financial Information

172. PW provided financial information on its domestic sales of galvanised wire for the years ended 30 June 2006 (2006), 30 June 2007 (2007), 30 June 2008 (2008) and up to 31 December 2008 (6 months 2009). Each period includes details of domestic sales volume, net sales revenue, cost of production, gross profit, and selling and administration costs and Earnings Before Interest and Tax (EBIT). As noted in paragraph 167, PW also provided its average selling prices for its full 2009 financial year after the release of the Interim Report.

Forecast Financial Information

173. PW provided forecast financial information for the year ended 30 June 2010 (2010) based on the assumptions that the anti-dumping duties remain in place, and alternatively, that the anti-dumping duties are removed. Both forecast scenarios are explained in detail below.

Forecast for 2010 (Anti-Dumping Duties Remain in Place)

174. PW's provided a forecast for 2010 assuming that the duties remain in place. The forecast is based on PW's current year's budget, [redacted]. The PW budget is developed in conformance with the Fletcher Building Limited process which runs through the first quarter and into the second quarter every year. The process involves several iterations and reviews, based each time on the latest available market information and insight, together with some of the

Fletcher Building Limited set assumptions on exchange rates and other relevant factors. The current budget forecast selling price in 2010 is $[redacted] per tonne, which PW considered is conservative as its high tensile galvanised fence wire price was $[redacted] per tonne in August 2009.

175. The forecast sales volume for 2010 is [redacted] tonnes, which the Ministry notes is less than the 2008 sales volume of [redacted] tonnes. Compared with its 2008 results, PW's forecast for 2010 shows [redacted] in average revenue from [redacted] to [redacted] per tonne, [redacted] in the cost of production from [redacted] to [redacted] per tonne and [redacted] in selling and administration expenses from [redacted] to [redacted] per tonne.

176. PW's forecast total revenue figure if the duties remain in place is [redacted] compared to [redacted] in 2008. PW's forecast total EBIT figure if the duties remain in place is [redacted] compared to [redacted] in 2008.

177. On the basis of the information provided by PW to support its forecast, the Ministry considers that PW's forecast for 2010 if the duties remain in place is reasonable.

Forecast 2010 (If the Duties are Removed)

178. PW provided its likely forecast scenario of the impact it would suffer if the duties are removed. PW considered that a reasonable estimate of the likely import volume to New Zealand would be approximately one third of the volume of Malaysian exports to Australia, which equates to 1,750 tonnes, which PW noted was approximately the same volume of imports from Malaysia into New Zealand before the duties were imposed. PW considered that the import volumes would directly impact on its sales volume in 2010, therefore PW's forecast sales volume if the duties are removed is [redacted] tonnes, which is 1,750 tonnes less the forecast sales volume if the duties remained in place.

179. PW estimated a likely ex-wharf price for galvanised wire from Malaysia of [redacted] per tonne if the duties are removed, which is an average of PW's cost of production per tonne and an estimated ex-wharf price based on the average export price from Malaysia to Australia. PW's pricing strategy if the duties are removed is [redacted] of sales volume and market share.

180. PW forecast significant price undercutting, price depression and price suppression in 2010 based on the likely imported price of galvanised wire from Malaysia if the duties are removed and PW's strategy to meet the imported price. These negative price effects, coupled with the estimated loss of sales volume, would result in a decline in EBIT and negative impacts on a number of other economic factors.

Ministry's Comments on PW's Injury Scenario (If the Duties are Removed)

181. The Ministry considers it is unlikely that Malaysian exporters would have knowledge of PW's cost of production and would therefore be unable to target an

export price to New Zealand with respect to PW's cost of production. For this reason, the Ministry has not included PW's cost of production in the calculation of a likely export price in the absence of duties.

182. The Ministry considered a number of factors to assess the reasonableness of PW's submission on using the Malaysian export price to Australia as indicative of the likely price to New Zealand in the absence of the duties. A description of the reasons why the Ministry considers the export price from Malaysia to Australia to be the best available information from which to estimate the likely export price to New Zealand are stated in paragraphs 241 to 245 of the likely price undercutting section of the report.

183. The Ministry considers that PW's estimate of a likely import volume of 1,750 tonnes is reasonable for a number of reasons. Firstly, the estimated volume is similar to the volume of imports from Malaysia before the duties were imposed. Secondly, the Ministry concluded in paragraph 200 below that the likely imported price of galvanised wire from Malaysia would be likely to have a price advantage over PW's selling price, which would provide a price incentive for PW customers, or potential customers to import galvanised wire from Malaysia.

5.3 Volume Effects

Import Volumes

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

185. As noted in paragraphs 57 to 58, a number of products which are outside the description of the subject goods may be included in the import figures recorded in the table.

186. Table 5.1 shows the amount of galvanised wire products imported from 1 July 2006 to 31 December 2008 together with PW's domestic sales volume.

Table 5:1: Import Volume (Tonnes)
(Year Ended 30 June)

	2006	2007	2008	6 Months 2009
Malaysia	1,033	110	[redacted]	[redacted]
Australia	5,909	9,699	[redacted]	[redacted]
Other countries	3,641	4,247	[redacted]	[redacted]
Total imports	10,584	14,056	[redacted]	[redacted]
NZ Industry Sales	[redacted]	[redacted]	[redacted]	[redacted]
NZ Market	[redacted]	[redacted]	[redacted]	[redacted]
Change on Previous Year:				
Malaysia		-924	[redacted]	n/a

Australia		3,790	[redacted]	n/a
Other countries		606	[redacted]	n/a
Total imports		3,472	[redacted]	n/a
NZ Industry Sales		[redacted]	[redacted]	n/a
NZ Market		[redacted]	[redacted]	n/a
Percentage Change:				
Malaysia		-89%	[redacted]	n/a
Australia		64%	[redacted]	n/a
Other countries		17%	[redacted]	n/a
Total imports		33%	[redacted]	n/a
NZ Industry Sales		[redacted]	[redacted]	n/a
NZ Market		[redacted]	[redacted]	n/a
Malaysian Imports as % of:				
NZ Industry Sales	[redacted]	[redacted]	[redacted]	[redacted]
NZ Market	[redacted]	[redacted]	[redacted]	[redacted]

187. The figures in Table 5.1 show that the volume of galvanised wire from Malaysia decreased [redacted] percent from 2006 to 2008, although the Ministry notes that there was a small increase in the first 6 months of 2009. Import volumes from Malaysia have not increased in absolute terms or in relation to production or consumption in New Zealand since 2006.

188. The import volume from Australia and other countries has increased from 2006 to 2008 by [redacted] percent and [redacted] percent respectively.

Likely Import Volumes if the Duties are Removed

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

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

Import Volumes Before and After the Imposition of the Duty

190. The original investigation found that import volumes from Malaysia increased significantly in absolute terms and in relation to production and consumption in New Zealand. NZCS data showed that imports from Malaysia increased from zero in 1999 to 1,723 tonnes in 2004.

191. The Ministry notes that provisional measures were imposed during the investigation and the final anti-dumping duties were imposed on 24 April 2004 following the completion of the investigation. The anti-dumping duties were set in the form of reference prices, which act as a minimum export price, whereby anti-dumping duty is collected if the exported price is below the reference price. Despite the imposition of duties, imports of galvanised wire from Malaysia increased to 1,990 tonnes in the year ended June 2005.

192. A reassessment of the duties was initiated in March 2005 on the basis that the duties had become ineffective due to the significant increase in the world price of raw materials, which flowed through to the price of galvanised wire. These price increases resulted in the export prices of galvanised wire from Malaysia to New Zealand being significantly higher than the reference prices set in 2004. The anti-dumping duties were reassessed in November 2005 following the completion of the March reassessment. Import volumes from Malaysia decreased 48 percent in the year ended June 2006, which was the year in which the duties were reassessed. The volume of imports from Malaysia decreased significantly thereafter to very small volumes as indicated in Table 5.1 above.

193. As the volume of galvanised wire imported from Malaysia decreased significantly following the reassessment of the duties, the Ministry considers that this indicates that the reassessment of the duties had a negative effect on import volumes from Malaysia, which suggests (given the factors outlined in the remainder of this section) that the removal of the duties would likely lead to an increase in imports from Malaysia.

Submission by MITI on Interim Report

194. MITI said that as there had been a declining trend in imports since 2006 (and an overall decline of the Malaysian share of imports from 18 percent to 0.8 percent since the original investigation) imports from Malaysia were not a threat to the New Zealand industry. It said that Malaysia had lost its market share and its competitiveness since the measures were imposed. MITI claimed that PW had stated that the decline in import volumes from Malaysia was due to decreased demand in New Zealand.

195. Following MITI's submission on the Interim Report, PW said it disagreed with MITI's claim that it had said that Malaysian import volumes had decreased due to decreased demand in New Zealand. PW commented that neither MITI nor any other interested parties had provided any evidence which showed that there is not likely to be a recurrence of dumping or injury if the duties are removed. PW stated that observations made by MITI such as the current low import volumes of galvanised wire from Malaysia, and the negligible market share of Malaysian imports, is not positive evidence which shows there is not likely to be a recurrence of dumping or

injury. PW noted that the review investigation had a significant amount of evidence which it considered was relevant for the purpose of assessing whether there was likely to be a recurrence of dumping and injury if the duties are removed.

196. The Ministry notes that the duties imposed in 2004 were not particularly effective as Malaysian imports continued to rise after they were imposed, due to prices rising above the duty reference price levels, as noted in paragraph 192 above. The decline in imports from Malaysia only occurred after the duties were reassessed in November 2005 as evidenced by the volumes from 2006. The Ministry considers that should the duties be removed or be ineffective for an extended period there would likely be a continuation or recurrence of injury to the industry.

Price Advantage held by the Imported Products

Malaysian imported price compared to PW's selling price

197. The Ministry assessed whether PW's selling prices were being undercut by the imported price of galvanised wire from Malaysia during the POR(D) in section 5.4 of this report. This analysis compared PW's ex-factory selling price to the ex-wharf price of galvanised wire from Malaysia, which is considered to be the first point of competition between the domestically produced and imported wire as described in paragraph 219 below. The price comparison indicated that PW's selling prices were not being undercut by the imported price of galvanised wire from Malaysia during the POR(D).

198. In addition to the current price undercutting analysis in section 5.4 of this report, the Ministry also analysed the likely price undercutting if the duties are removed. For this exercise, the Ministry compared PW's ex-factory selling price with the estimated imported price of galvanised wire from Malaysia at the ex-wharf level in both 2007 and 2008 (years ended June) which is described in detail in the likely price undercutting section of the report below. The Ministry notes that the estimated imported prices of galvanised wire from Malaysia in 2007 and 2008 established below differ from those established in the Interim Report. The reasons for the differences are explained in the likely undercutting analysis in section 5.4 below.

199. The estimated ex-wharf prices of galvanised wire from Malaysia in 2007 and 2008 are compared to PW's actual average selling prices in the table below.

Table 5:2: Malaysian Price Advantage over PW's Selling Price

Year	PW Selling	Estimated	Price Advantage of
	Price	Malaysian Price	Malaysian Imports
2007			
2008			

200. The figures in the table above show that the estimated imported price of galvanised wire would have a price advantage over PW's selling prices if galvanised wire was imported into New Zealand from Malaysia at export prices similar to those made to Australia during 2007 and 2008. The Ministry concludes that on the basis of

the undercutting analysis, the estimated imported price of galvanised wire from Malaysia is likely to have a price advantage over PW's selling prices.

Capacity of the Malaysian Industry

201. In the original dumping investigation the Ministry carried out a verification visit to Southern Wire, which is a Malaysian manufacturer. SWI stated at the visit that it had a production capacity of [redacted] tonnes per annum for galvanised wire. The Ministry notes that this manufacturer alone has the capacity to supply the entire New Zealand market.

202. PW observed that prior to the imposition of anti-dumping duties Malaysian exporters were growing their export volume to New Zealand and that it "[d]oes not consider that there is a production cap in Malaysia that would prevent shipments to New Zealand."

203. PW provided various reports, largely from the SBB web site, on the impact of the global financial crisis and the resulting impact of a declining demand for steel and the policies of other countries to boost steel exports, particularly India and China. This information also includes a report that Perwaja Steel in Malaysia has signed a contract to significantly increase capacity through the building of a new electric arc furnace which is due to come on stream by October 2009. PW submitted this is evidence of the likelihood of increased export pressure from Malaysia. PW also provided various reports and statements which comment on the conditions of the world steel market. PW has also submitted that the decline in demand in Malaysia will free up capacity for exports.

The Ease of Entry and Distribution into the New Zealand Market and the Ability of Importers to Handle a Significant Increase in Imports from Malaysia

204. The Ministry notes that two of the Malaysian exporters, which were also manufacturers, involved in the original investigation, RCI and Southern Wire, are still producing and exporting galvanised wire from Malaysia. Aspac was the other Malaysian exporter involved in the original investigation, which sourced its galvanised wire from Southern Wire, and is still exporting galvanised wire from Malaysia. The Ministry also notes that most of the importers involved in the original dumping investigation have been importing galvanised wire into New Zealand from a range of sources over recent years.

205. PW submitted that the New Zealand galvanised wire market is attractive and is relatively close to Malaysia and there is therefore a reasonable likelihood that the Malaysian producers would make sales visits to New Zealand to re-establish previous channels and/or establish new channels if the duties are removed.

206. There are two distinct channels of distribution in New Zealand for galvanised wire i.e. from the exporter or New Zealand manufacturer to a distributor who sells their products to retailers for sale to end users, or from the exporter or New Zealand manufacturer to manufacturers who further process the wire for sale to end users. These channels of distribution were in operation before the original dumping investigation.

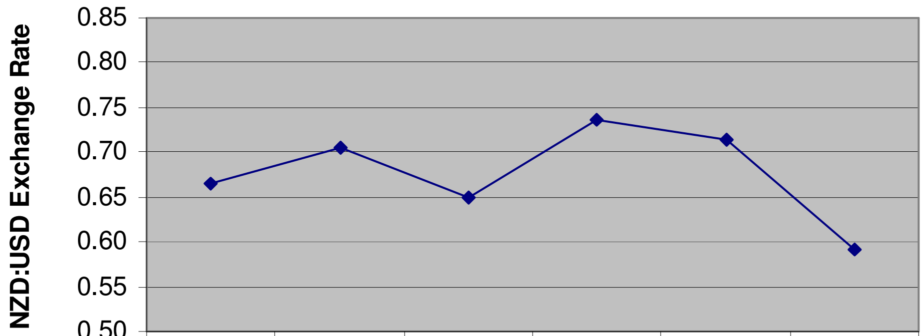
207. The 2007 review of anti-dumping duties on galvanised wire from South Africa concluded that there were few changes in the New Zealand market since 2002 with respect to the ease of entry and distribution of galvanised wire in the New Zealand market. The Ministry also concluded in that review that importers which previously sourced galvanised wire from South Africa, which includes importers involved in this review, had the ability to increase the volume of imports into the New Zealand market.

Exchange Rates

208. The exchange rate is a further consideration in respect of the likelihood of an increase in import volumes of galvanised wire from Malaysia in the absence of anti-dumping duties. Imports of galvanised wire from Malaysia during the POR(D) were invoiced USD, and this has been the only foreign currency used to invoice imports of galvanised wire from Malaysia since 2006 according to NZCS data.

209. Based on information sourced from the Oanda website, Figure 5.1 below shows the average exchange rates of the NZD with respect to the USD for each year since the duties were imposed in 2004.[6]

Figure 5.1: Exchange Rate – NZD:USD



	2004	2005	2006	2007	2008	2009
Series1	0.6645	0.70487	0.64995	0.73648	0.71461	0.59102

210. Figure 5.1 above shows that the NZD:USD exchange rate has fluctuated from 2004 to 2009. Overall, the NZD has depreciated by 11 percent against the USD, which means that the current exchange rate conditions are less favourable for New Zealand importers compared to the exchange rate conditions in 2004.

211. The extent to which exchange rate movements determine whether importers would resume importing significant volumes of galvanised wire from Malaysia is uncertain, although the analysis shows that the exchange rate conditions for New Zealand importers are less favourable than in 2004.

[6] www.oanda.com

Conclusion on Import Volumes

212. The Ministry concludes that imports of galvanised wire from Malaysia have decreased significantly over the POR(I), and are now only being imported in very small volumes.

213. In respect of the likely import volumes from Malaysia if the anti-dumping duties are removed, the Ministry concludes that:

- The volume of galvanised wire imported from Malaysia decreased significantly following the reassessment of the duties which indicates that reassessed duties had some impact on import volumes from Malaysia, and which suggests that the removal of the duties may lead to a resumption of significant import volumes from Malaysia.

- The likely price undercutting analysis indicates that galvanised wire imported from Malaysia would have a price advantage over the domestically produced galvanised wire, which suggests that there is a price incentive to import from Malaysia.

- There are no significant barriers to entry into the New Zealand market and the existing import and distribution systems would be able to cope with a significant increase in import volume from Malaysia.

- Malaysian manufacturers continue to have the capacity to significantly increase exports of galvanised wire to New Zealand.

- The depreciation of the NZD against the USD means that exchange rate conditions are currently less favourable for New Zealand importers compared to the exchange rate conditions in 2004.

214. The Ministry concludes on the totality of the information sourced during the review there is likely to be a significant increase in import volumes of galvanised wire from Malaysia if the anti-dumping duties are removed.

5.4 Price Effects

Price Undercutting

Introduction

215. 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.

216. In considering price undercutting, the Ministry will normally seek to compare prices at the point of first competition in New Zealand. This will normally be the ex-factory price for goods produced in New Zealand and the importer's ex-store price for imports. This approach ensures that differences in distribution costs and margins do not confuse the impact of dumping. This approach therefore compares importers'

prices, including relevant selling and administration costs, which involve similar cost elements to those in the New Zealand manufacturer's selling price, but not including cost elements relating to the distribution of goods.

217. 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. This impact is to be measured in terms of the factors and indices set out in section 8(2)(d) of the Act.

218. The original investigation found that galvanised wire from Malaysia was significantly undercutting the New Zealand industry's actual selling prices and non-injurious selling prices (NIPs). The amount of price undercutting ranged from [redacted] percent to [redacted] percent of PW's actual selling prices, and [redacted] percent to [redacted] percent of PW's NIP's.

Level of Trade

219. In the original investigation, the Ministry determined that the relevant level of trade was PW's ex-factory selling price against the importers' ex-wharf selling price. The Ministry has not obtained any information during the review which indicates that the level of trade has changed since the original investigation. The level of trade for this review is therefore PW's ex-factory selling price against the importers' ex-wharf selling price.

Price Undercutting in the Present Review

220. The Ministry has undertaken two separate undercutting analyses for this review. Firstly, the Ministry has assessed whether galvanised wire imported from Malaysia during the POR(D) is currently undercutting PW's selling prices. Secondly, the Ministry has assessed whether there is likely to be price undercutting if the anti-dumping duties are removed by comparing PW's selling price against the likely imported price of galvanised wire from Malaysia if the duties were removed.

Current Price Undercutting

Importers' Ex-Wharf Selling Price

221. Over the POR(D), [redacted] tonnes of galvanised wire was imported into New Zealand, all of the imports arriving in September and October 2008, according to NZCS data. The galvanised wire imported from Malaysia was classified as medium to high tensile strength with diameters between 2.5mm and 4mm diameter as described in the NZCS data. There is no evidence that indicates the exported price of the galvanised wire was influenced by the duties, and the Ministry notes that the export prices of all [redacted] shipments were significantly higher than the relevant reference prices.

222. The Ministry used the amounts listed in the NZCS data for the FOB price, freight and insurance cost and customs duty for the calculation of the ex-wharf price. Port service charges are costs which are normally incurred by importers at the ex-

wharf level of trade. PW estimated $[redacted] per tonne for port service charges based on its own cost of importing. The Ministry notes that the amount sourced from an importer in the original investigation was $[redacted] per tonne. The Ministry considers that PW's estimate is reasonable as it is sufficiently close enough to the figure established in the original investigation.

223. From this information, the Ministry established an importers ex-wharf price of $[redacted] per tonne, which is compared to PW's ex-factory price in Table 5.3 below.

PW's Ex-Factory Price

224. PW provided its selling prices to [redacted] during the POR(D), which were updated in April 2008, July 2008, August 2008 and March 2009. PW separately listed the selling prices for its high and low tensile galvanised wire for diameters ranging from 1.60mm to 5.00mm.

225. [redacted] is one of PW's largest customers and [redacted]. The Ministry notes that a price undercutting analysis using PW's prices to [redacted] would in effect reduce the amount of undercutting (or conversely, increase the negative amount of price undercutting) than would be the case if a price to one of PW's smaller customers was used. For this reason, PW also provided its selling price to [redacted], which purchases approximately [redacted] tonnes of galvanised wire per year.

226. To ensure a fair price comparison, the Ministry has selected PW's high tensile strength galvanised wire with a diameter of 2.5mm to 4mm as it is the most similar product produced by PW to the galvanised wire imported from Malaysia.

227. NZCS data shows that galvanised wire from Malaysia over the POR(D) was imported into New Zealand in September and October 2008. The Ministry has used PW's selling prices effective from August 2008 to both [redacted] and [redacted], which were PW's selling prices to these customers when the galvanised wire from Malaysia was imported into New Zealand. The selling price to [redacted] and [redacted] in August 2008 was $[redacted] per tonne and $[redacted] per tonne respectively.

228. As PW sells on an FIS basis, the Ministry has made an adjustment for freight to customer of $[redacted] per tonne for its selling prices to [redacted] and [redacted], which is its cost for freight to customers in the North Island. PW also advised the Ministry that [redacted] receives a [redacted]. These adjustments were made to the list price to calculate PW's ex-factory price to [redacted]. PW noted that [redacted] does not receive any [redacted] on its purchases, and therefore no further adjustments were made for the selling price to [redacted].

229. From this information the Ministry established an ex-factory price to [redacted] and [redacted] of $[redacted] per tonne and $[redacted] per tonne respectively, which are compared to the importers' ex-wharf price in Table 5.3 below.

Price Undercutting Comparison

230. The table below shows the level of undercutting when PW's ex-factory prices are compared to the estimated importers' ex-wharf selling prices.

Table 5.3: Current Price Undercutting (per Tonne)

	PW's Selling Price	Imported Selling Price	% Undercutting
	Ex-Factory	Ex-Wharf	
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

231. The figures in the table above indicate that the imported price of galvanised wire from Malaysia did not undercut PW's selling prices to either [redacted] or [redacted] during the POR(D).

Conclusion on Current Undercutting

232. Based on the current price undercutting analysis above, the Ministry concludes that PW's selling prices were not undercut by the imported price of galvanised wire from Malaysia during the POR(D). Although there was no undercutting during the POR(D), the Ministry considers that this finding is unlikely to be indicative of likely undercutting in the future if the duties are removed due to the significant movements of world steel prices during the POR(D). For instance, the significant price movements throughout the period may have affected Malaysian export prices and PW's selling prices at different times, i.e. PW uses [redacted] method to price its galvanised wire, whereas [redacted], a Malaysian manufacturer involved in the original investigation, stated that its domestic and export prices both changed according to world steel scrap prices. The Ministry recognises that although timing differences are also likely to occur in periods of relatively stable world steel prices, the Ministry considers that the effects of the price movements in such times are not likely to materially affect an undercutting analysis. For the above reasons, the Ministry considers that the finding of a lack of undercutting during the POR(D) is unlikely to be indicative of future undercutting if the duties are removed due to the significant movements of world steel prices.

PW's Submission on the Interim Report

233. PW considered that the lack of price undercutting during the POR(D) is unlikely to be indicative of future undercutting if the duties are removed due to the significant movements in world steel prices. It maintained its view that the price comparison with the small volume of goods imported in September and October 2008, was not useful in the injury analysis because the prices were not capable of being relied on. PW's reasons for this were the small volume of goods imported; prices set at a time of the most unstable steel prices in the history of steel prices; export prices out of step with the domestic markets due to the volatility as shown by the difference in average prices of each month's (September and October) shipments, and that PW's prices in the New Zealand domestic market were more constrained than the spot prices on the export market because of longer term price arrangements with its

customers which have an aspect of [redacted] review, as opposed to one off sales.

Ministry's Comment

234. The Ministry notes that in a review, where duties are in place, the amount of any price undercutting on current prices is normally a likely consequence of the effectiveness or otherwise of the duties. The period for price undercutting is normally taken to be around the time that the dumping comparison is made, so that the impact of those export prices can be assessed for the New Zealand domestic market. However, the extraordinary circumstances of prices in the steel market has meant that the form of the duty had little or no impact on export prices. In these circumstances any lag in the rise in New Zealand market prices compared with export prices would likely decrease or remove any price undercutting that may have been present. These circumstances were taken into account in the Ministry's conclusion that there was little significance in the fact that current price undercutting was not found.

Likely Price Undercutting if the Anti-Dumping Duties are Removed

235. The Ministry considers that if the imported price of galvanised wire from Malaysia was found to be undercutting PW's selling prices in a particular period, it would be reasonable to assume that such undercutting would be likely to continue, all other things being equal. The Ministry notes that the most recent year which was not affected by significant fluctuations of world steel prices was the year ended December 2007.

236. However, PW's financial year ends in June, and therefore the likely undercutting analysis has compared PW's prices for the year ended June against imported prices for the same period. The Ministry notes that the year ended June 2008 was partly affected by increasing world steel prices, but not to the same extent as the POR(D). Due to the year ended June 2008 being partly affected by increasing world prices, the Ministry has assessed the June 2008 year in conjunction with the year ended June 2007, which was a period not affected by significant movements in world steel prices.

237. In its response to the Interim Report, PW submitted that the Ministry should also consider likely undercutting based on more recent Malaysian export data. PW submitted that Australian Customs data, which records all imports of galvanised wire from Malaysia into Australia up to June 2009, should be considered in the likely undercutting analysis. According to PW's calculations, the average undercutting margin for the second half of PW's 2009 financial year is significantly higher than the likely undercutting margins established by the Ministry in 2007 and 2008.

238. The Ministry considers that analysis of the 2009 data submitted by PW is not necessary for the purpose of the likely undercutting analysis as it would not affect the Ministry's conclusion that there is likely to be undercutting if the duties are removed. Although the 2009 data provided by PW has not been considered in the likely undercutting analysis within the injury section of this Final Report, this information has been considered in the Interim Reassessment Report which is included at the end of this Final Report.

Likely Export Price

239. The Ministry has used Malaysian export data for the years ended June 2007 and 2008 to establish a likely export price to New Zealand in the absence of duties. The Ministry notes that no other countries currently have anti-dumping duties imposed on galvanised wire from Malaysia, and export prices to these markets are therefore not influenced by anti-dumping duties. The Ministry analysed Malaysian export volumes and export prices to the main Malaysian export markets in 2007, and also the export volumes and prices to the same markets in 2008.

240. The tables below show Malaysian export volumes and export prices to the main Malaysian export markets and also to the world in 2007 and 2008.

Table 5.4: Malaysian Export Volumes and Values in 2007

Country	Volume	FOB Value	FOB per Tonne
	(Tonnes)	(MYR)	(MYR)
United Arab Emirates	9,738	31,550,202	3,240
Australia	9,035	23,668,018	2,620
Oman	6,664	23,003,574	3,452
Saudi Arabia	5,148	19,347,927	3,758
India	4,454	12,228,514	2,746
Taiwan	3,215	8,069,740	2,510
United States of America	1,526	6,038,214	3,956
Sri Lanka, Republic of	1,139	4,037,893	3,545
All Eight Countries	40,919	127,944,082	3,127
World	45,035	142,613,028	3,167

Table 5.5: Malaysian Export Volumes and Values in 2008

Country	Volume	FOB Value	FOB per Tonne
	(Tonnes)	(MYR)	(MYR)
United Arab Emirates	10,575	42,040,743	3,975
Oman	8,892	34,122,491	3,837
Australia	5,996	17,653,138	2,944
India	4,777	16,008,552	3,351
Taiwan	3,749	12,524,245	3,341
Saudi Arabia	3,599	13,781,857	3,829
Sri Lanka, Republic of	579	1,308,687	2,259
United States of America	305	1,456,162	4,779
All Eight Countries	38,473	138,895,875	3,610
World	41,736	151,050,347	3,619

241. The Ministry notes that the figures in the tables above show that there is no correlation between the export volume and the export price in either 2007 or 2008. As the export volume does not appear to have any relationship with the export price, the Ministry considers that it is not necessary to make any adjustment for a

difference in volume of imported galvanised wire from Malaysia if it differs from what was imported into New Zealand before the duties were imposed and also in relation to the estimated volume of exports to New Zealand if the duties are removed.

242. The Malaysian export data is likely to include a wide range of galvanised wire products, as is the case in New Zealand under these tariff codes, which in turn is likely to affect the average export prices depending on the type and price of galvanised wire exported to the particular markets. For example, the Ministry notes that although the export volume to Taiwan and Saudi Arabia were relatively similar in 2008, the average export price per tonne is significantly higher to Saudi Arabia. The main problem with the Malaysian export data is that it does not specifically identify the type of galvanised wire exported. For instance, this type of information may shed some light on the reasons for the significant differences in export prices to the main export markets.

243. In relation to establishing a likely export price to New Zealand, this information is of particular importance because there was a mix of low, medium and high tensile strength galvanised wire imported from Malaysia before the imposition of the duties. More specifically, it would be an unfair to establish a likely export price to New Zealand based on an export price which relates mainly to high tensile galvanised wire, which is normally more expensive than low tensile, and compare this price to the domestic industry's selling price which is an average of both low and high tensile galvanised wire. This type of analysis would not be comparing the price of like products with like products.

244. The Ministry has a range of information relating to the type of galvanised wire imported into Australia. As noted in paragraph 110, PW provided the Ministry with a statement from a person in the [redacted] steel industry who estimated that approximately [redacted] percent of galvanised wire imported from Malaysia into Australia was of low tensile strength. The Ministry notes that this statement may indicate why the Malaysian export price to Australia was relatively lower than to most other markets. The Ministry also referred to Australian Customs data of imports of galvanised wire from Malaysia from August 2004 to June 2009. The data showed that all of the galvanised wire imported from Malaysia during the period had a carbon content of below 0.6 percent. The Ministry notes that galvanised wire with a carbon content of 0.6 percent or higher would be considered to be high tensile, but the Ministry also recognises that some wire with a higher carbon content but still below 0.6 percent may also be considered to be high tensile wire.

245. The Ministry does not have any information relating to the types of wire exported from Malaysia to any of the other markets. Given the similarity of the New Zealand and Australian markets and the information available about the type of wire imported into Australia, the Ministry considers that the best information available for the purpose of determining the likely export price to New Zealand in the absence of duties is the Malaysian export price to Australia. As the information sourced during the review indicates that a significant majority of the galvanised wire exported from Malaysia to Australia was of low tensile strength, the Ministry considers that the export price should be adjusted to reflect a likely export price of an equal mix of low and high tensile galvanised wire from Malaysia to New Zealand in the absence of duties.

246. The Ministry adopted a conservative approach in the Interim Report by assuming that the export price to Australia was indicative of the likely export price of low tensile galvanised wire to New Zealand, although it was noted that some of the wire exported to Australia would in fact have been high tensile, which would normally have a higher price than low tensile wire. The Ministry considers that the conservative approach used in the Interim Report does not fully utilise all of the information available concerning the mix of wire exported from Malaysia to Australia. Based on the information available, the Ministry estimated the low and high tensile export prices on the basis of an [redacted]/[redacted] mix of low and high tensile wire included within the average export price by using a formula.[7]

247. The simple average of the export prices for low and high tensile wire is considered to be the likely export price from Malaysia to New Zealand in the absence of the duties. The Ministry considered that a simple average of the prices was appropriate because it ensures a fair comparison with PW's average selling price, which includes both low and high tensile galvanised wire. On the basis of the method described above, the likely export prices from Malaysia to New Zealand in the absence of the duties were MYR[redacted] and MYR[redacted] per tonne for 2007 and 2008 respectively.

Estimated Importers' Ex-Wharf Price

248. As noted in paragraph 219, the relevant level of trade for the purpose of the price undercutting analysis is the ex-wharf level of trade for the importer and ex-factory level of trade for PW.

249. Based on information from the Oanda website, the Ministry converted the 2007 and 2008 export prices from MYR to NZD using the average exchange rate for the years ended 30 June of NZD1: MYR0.41308 and NZD1: MYR0.3942 respectively.[8]

250. From the above information, the Ministry calculated the estimated average FOB prices to New Zealand in 2007 and 2008 of NZD[redacted] and NZD[redacted] per tonne respectively.

Freight and Insurance

251. In the Interim Report, the Ministry used the actual freight and insurance costs incurred on the shipments of galvanised wire exported from Malaysia to New Zealand in 2007 and 2008 for the purpose of the likely undercutting analysis because they were actual costs incurred and the information was relatively recent. The amounts for freight were $[redacted] and $[redacted] per tonne for 2007 and 2008 respectively.

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[7] Total FOB value of exports = (volume of low tensile * x) + (volume of high tensile * (x + high tensile premium)). x equals the export price of low tensile wire, and (x + the high tensile premium) equals the export price of high tensile wire.

[8] www.oanda.com

252. PW submitted that the freight costs incurred during these periods related to very small quantities of galvanised wire, and would not be indicative of freight costs for the likely volume of imports from Malaysia if the duties are removed. The Ministry notes that the likely volume of imports if the duties are removed is 1,750, whereas the import volumes in 2007 and 2008 were [redacted] and [redacted] tonnes respectively. PW provided further details of its estimated cost of freight from Malaysia to New Zealand in 2008 of USD[redacted] per tonne. The information provided by PW included a number of quotes from freight forwarding companies for the cost of freight from Malaysia to New Zealand based on an ongoing flow of goods of approximately [redacted] tonnes per year. Based on the further information provided by PW, the Ministry considers that PW's estimated freight cost is reasonable. The Ministry has converted the USD freight cost to NZD using the average exchange rate from the Oanda website for the month of November 2008 of USD1:NZD1.77254, the month in which the quote for the freight cost was obtained by PW. The estimated freight cost for 2008 which has been used in the estimated importers' ex-wharf price calculation is NZD[redacted] per tonne.

253. To estimate a 2007 freight cost from Malaysia to New Zealand, PW submitted that the 2008 freight cost should be adjusted by the movement of the Malaysian Consumer Price Index, or any other relevant index, from 2007 to 2008. The Ministry notes that the PPI was considered to be an appropriate index to update freight costs in the 2007 review of galvanised wire from South Africa, therefore, the 2008 freight cost in this review has been adjusted by the movement of the Malaysian PPI from 2007 to 2008 to estimate the 2007 freight cost. According to statistics recorded in the June 2009 edition of the "International Monetary Fund: International Financial Statistics", the Malaysian PPI increased 8.5 percent from 2007 to 2008, therefore, a downward adjustment of 8.5 percent has been made to the 2008 freight cost to estimate the 2007 freight cost. The estimated freight cost for 2007 which has been used in the estimated importers' ex-wharf price calculation is NZD[redacted] per tonne.

254. PW has not submitted any information relating to the cost of insurance, and the Ministry considers that the best available information is the actual cost of insurance incurred by importers of NZD[redacted] and NZD[redacted] per tonne for 2007 and 2008 respectively.

Customs Duty

255. Galvanised wire imported into New Zealand from Malaysia in 2008 was subject to customs duty of 5 percent of the value for duty of the galvanised wire, which NZCS recognises as the FOB price. The Ministry has included 5 percent of the FOB price for import duty in the calculation of the estimated 2008 ex-wharf price.

256. Galvanised wire imported into New Zealand from Malaysia in 2007 was subject to Customs duty of 6.5 percent of the FOB price. The Ministry has included 6.5 percent of the FOB price for import duty in the calculation of the estimated 2007 ex-wharf price.

Port Services Charges

257. As described in paragraph 222, the Ministry considers that PW's estimate of $[redacted] per tonne for port services charges is reasonable, and this amount has been included in the calculation of the estimated ex-wharf prices for 2007 and 2008.

Estimated Importers' Ex-Wharf Price per Tonne

258. From the information above, the Ministry estimated the importers' ex-wharf prices in 2007 and 2008 in the table below.

Table 5.6: Importers' Ex-Wharf Prices (NZD per Tonne)

	2007	2008
Average Price	[redacted]	[redacted]

259. The Ministry notes that the estimated ex-wharf prices for galvanised wire in 2007 and 2008 are significantly lower than the estimated ex-wharf price of the galvanised wire imported during the POR(D). The Ministry considers that there are two main reasons for the significant difference. Firstly, the galvanised wire imported into New Zealand from Malaysia during the POR(D) was within the peak of the world price for carbon steel. The peak of the world price for carbon steel was between July and September 2008, which is shown graphically in Figure 4.1 in section 4 of this report. Invoices provided by one of the New Zealand importers show the dates of sale were in August and September 2008. The Malaysian export data, from which the likely imported price was calculated, is based on the average export price from Malaysia to Australia for the year ended June 2007 and 2008, periods in which the Ministry notes do not include the period of peak world prices, although prices had begun to rise significantly from about January 2008 to June 2008.

260. The Ministry also notes that the galvanised wire imported into New Zealand during the POR(D) was of medium to high tensile strength and of 2.5mm and 4mm diameters, whereas the estimated export price to New Zealand in 2007 and 2008 in the absence of the duties is an average of low and high tensile export prices. As noted in paragraph 242 above, high tensile galvanised wire is normally more expensive than low tensile wire.

261. The Ministry considers that the timing differences between the POR(D) and the periods used by the Ministry to estimate likely undercutting in 2007 and 2008 and the different mix of tensile types of wire on which the export prices were based are the main reasons for the significant difference in the estimated ex-wharf prices.

PW's 2007 and 2008 Ex-Factory Selling Prices

262. To ensure a fair comparison with the estimated imported price of galvanised wire from Malaysia, the Ministry has used PW's average ex-factory selling prices for 2007 and 2008, which relates to the same periods covered by the Malaysian export statistics on which the likely imported prices are based.

263. The Ministry notes that PW's ex-factory selling prices are net of freight and [redacted]. PW's 2007 and 2008 ex-factory prices are shown in the table below.

Table 5.7: PW's Ex-Factory Selling Prices (per Tonne)

	2007	2008
Average Price	[redacted]	[redacted]

Likely Price Undercutting Comparison

264. PW's ex-factory selling prices in 2007 and 2008 are compared to the estimated importers' ex-wharf selling prices during the same periods in the table below.

Table 5.8: Estimated Price Undercutting if the Duties are Removed (per Tonne)

	Likely Imported Ex-Wharf Price	PW's Selling Price Ex-Factory	% Undercutting
2007	[redacted]	[redacted]	[redacted]
2008	[redacted]	[redacted]	[redacted]

265. The figures in the table above show that PW's 2007 and 2008 ex-factory selling prices would have been undercut by the estimated imported price of galvanised wire from Malaysia if it was exported to New Zealand at prices similar to those to Australia. The Ministry considers that the undercutting margins in 2007 and 2008 are indicative of the likely undercutting if the duties are removed.

Conclusion on Price Undercutting

266. The Ministry concludes that the imported price of galvanised wire from Malaysia during the POR(D) was not undercutting PW's average selling prices for the same type of galvanised wire. The Ministry considers that the significant movements of world steel prices during this time means that the absence of price undercutting during this period is not representative of whether there is likely to be undercutting if the duties are removed for the reasons stated in paragraph 232.

267. On the basis of Malaysian export prices to Australia in 2007 and 2008, the Ministry concludes that it is likely that the price of galvanised wire from Malaysia would undercut PW's 2007 and 2008 selling prices if exports to New Zealand were made at prices similar to those to Australia. The Ministry concludes that undercutting in these periods is indicative of likely undercutting in future periods if the duties are removed.

Price Depression

268. 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 goods is or is likely significantly to depress prices for like goods of New Zealand producers.

269. 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 that have been made by domestic producers in order to deal with competition from prices of dumped goods.

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

271. In the original investigation, it was found that PW had suffered price depression during the period investigated for injury. The Ministry concluded that given the dumped imports from Malaysia were undercutting PW's selling price, it was likely that some of the price depression was attributable to dumped imports from Malaysia.

272. In the present review, PW's average selling price (exclusive of [redacted] and inland freight) for the POR(I) are shown in the table below.

Table 5.9: Average Price (per Tonne)

	2006	2007	2008	6 Months 2009
Average Selling Price	[redacted]	[redacted]	[redacted]	[redacted]
As % of 2006		[redacted]	[redacted]	[redacted]

273. The figures in the table show that PW's average selling price increased each year from 2006 to 2008, and also increased [redacted] in the first half of 2009. The Ministry notes that the increases in PW's selling prices mirror the changes in world steel prices, which is to be expected as PW's uses an import parity pricing method to set its own selling prices.

Conclusion on Price Depression over the POR(I)

274. There has been an increase in PW's average selling price each year during the POR(I) and the Ministry therefore concludes that there is no evidence that PW's selling prices have been depressed.

Price Depression if Anti-Dumping Duties are Removed

275. PW provided a forecast of its average selling price for 2010 if the duties remain in place and if the duties are removed. As outlined in section 5.2 above, PW's forecast for 2010 if the duties remain in place is based on its 2010 budget.

276. If the duties are removed, PW considered it would [redacted] the Malaysian galvanised wire. The Ministry concluded in paragraph 267 above that PW's selling prices are likely to be undercut if the duties are removed. On the basis of the conclusions reached in the likely undercutting analysis, the Ministry considers that PW's forecast 2010 selling price if the duties are removed would be [redacted] percent lower than what it forecasts it could achieve if the duties remain in place. The figure of [redacted] percent is a simple average of the likely undercutting found in 2007 and 2008, which the Ministry considers is indicative of future undercutting if the duties are removed.

277. On the basis of the comments above, the following table shows PW's forecast 2010 average selling price if the duties remain in place and if the anti-dumping duties are removed.

Table 5.10: Forecast Average Price (per tonne)

	Forecast 2010	
	With Duties	**Without Duties**
Average Selling Price	[redacted]	[redacted]
% Change		[redacted]

278. The figures in the table show that the forecast selling price in 2010 if the duties are removed would be depressed by [redacted] percent compared to PW's forecast selling price if the duties remained in place.

Conclusion on Likely Price Depression

279. The Ministry considers that on the basis of the information gathered in the review, PW's average selling price would likely be depressed by dumped imports from Malaysia if the anti-dumping duties are removed.

Price Suppression

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

281. Price suppression occurs when price increases that would have otherwise occurred, are prevented due to the dumped imports. Such price increases could be in response to increases in costs, or changes in supply or demand of a product.

282. The Ministry generally bases its assessment of price suppression on positive evidence, in particular the extent to which cost increases have not been recovered in prices. Cost increases not able to be recovered by price increases will be reflected by an increased ratio of costs to sales revenue. Where cost savings have been made, the lack of any price increase will not normally be regarded as price suppression. While the inability to recover cost increases in prices is the main indicator of price suppression, any other factors which are regarded as positive evidence of price suppression will be considered by the Ministry.

283. In the original investigation, there was evidence which showed that PW had suffered price suppression during the period investigated for injury.

284. The following table shows PW's cost of sales, which includes its cost of production and selling and administration costs, relative to its sales revenue over the POR(I).

Table 5.11: Price Suppression (per tonne)

	2006	2007	2008	6 Months 2009
Revenue	[redacted]	[redacted]	[redacted]	[redacted]
Cost of Production	[redacted]	[redacted]	[redacted]	[redacted]
Selling & Administration	[redacted]	[redacted]	[redacted]	[redacted]
Cost of Sales	[redacted]	[redacted]	[redacted]	[redacted]
Cost of Production as % of Revenue	[redacted]	[redacted]	[redacted]	[redacted]
Selling & Admin as % of Revenue	[redacted]	[redacted]	[redacted]	[redacted]
Cost of Sales as % of Revenue	[redacted]	[redacted]	[redacted]	[redacted]

285. The figures in the table show that the cost of production as a percentage of sales revenue increased from 2006 to 2008. Selling and administration expenditure as a percentage of sales revenue has decreased from 2006 to 2008. The Ministry notes that there has been a [redacted] reduction of cost of sales as a percentage of revenue in the first half of 2009 compared to previous years, but the Ministry notes that this is in relation to a half year result and may not therefore be comparable with the previous full year results.

286. Cost of sales has increased each year as a percentage of sales revenue from 2006 to 2008, and the Ministry therefore concludes that there is evidence of price suppression from 2006 to 2008.

Conclusion on Price Suppression over the POR(I)

287. There has been an increase in the cost of sales as a percentage of revenue each year during the POR(I), which has resulted in PW experiencing some price suppression over that period. However, as the anti-dumping duties are currently in place and there have been minimal amounts of galvanised wire imported from Malaysia during the POR(I) any price suppression is unlikely to be attributable to dumped galvanised wire from Malaysia.

Price Suppression if Anti-Dumping Duties are Removed

288. PW provided a forecast of its average selling price and cost of sales information for 2010 if the duties remain in place and if the duties are removed. As outlined in section 5.2 above, PW's forecast for 2010 if the duties remain in place is based on its budget 2010.

289. If the duties are removed, PW considered it would [redacted] the Malaysian galvanised wire. The Ministry concluded in paragraph 267 above that PW's selling prices are likely to be undercut if the duties are removed. On the basis of the conclusions reached in the likely undercutting analysis, the Ministry has considers that PW's forecast 2010 selling price if the duties are removed would be [redacted] percent lower than what it forecasts it could achieve if the duties remain in place. The figure of [redacted] percent is a simple average of the likely undercutting found in 2007 and 2008, which the Ministry considers is indicative of future undercutting if the duties are removed.

290. The following table shows PW's forecast cost of sales relative to its sales revenue for the 2010 financial year if the duties remain in place and if the duties are removed.

Table 5.12: Forecast Price Suppression (per Tonne)

	Forecast 2010	
	With Duties	**Without Duties**
Revenue	[redacted]	[redacted]
Cost of Production	[redacted]	[redacted]
Selling & Administration	[redacted]	[redacted]
Cost of Sales	[redacted]	[redacted]
CoP as % of Average Price	[redacted]	[redacted]
Selling & Admin as % of Revenue	[redacted]	[redacted]
Cost of Sales as % of Revenue	[redacted]	[redacted]

291. The figures in the table show a projected [redacted] percentage point increase in the cost of sales per tonne as a percentage of revenue if the anti-dumping duties are removed compared to what PW is forecast to achieve if the duties remain in place.

292. The Ministry notes that the cost figures if the duties are removed differ from the cost figures if the duties remain in place. The reason for the difference is that PW has forecast a decrease of its production volume of 1,750 tonnes in 2010 if the duties are removed, which is a result of the increase in imports from Malaysia. This means that fixed costs are spread over a lower production volume and results in an increase in the fixed cost per tonne.

Conclusion on Likely Price Suppression

293. The Ministry considers that on the basis of the information gathered in the review, PW's average selling price is likely to be suppressed by dumped imports from Malaysia if the anti-dumping duties are removed.

Conclusion on Price Effects

294. The Ministry's current price undercutting analysis indicates that the imported price of galvanised wire from Malaysia did not undercut PW's selling price during the POR(D), although the Ministry considers that this finding is unlikely to be indicative of likely undercutting due to the significant movements of world steel prices during the period for the reasons set out in paragraph 232.

295. PW's average selling price has increased each year from 2006 to 2008, which indicates that it has not suffered price depression during the POR(I). PW's cost of sales as a percentage of revenue has increased each year from 2006 to 2008, which indicates it has suffered price suppression during the POR(I). However, the small volumes of galvanised wire imported from Malaysia during the POR(I) and the absence of any undercutting of PW's selling price during the POR(D), indicates the price suppression is not likely to have been caused by dumped imports of galvanised wire from Malaysia.

296. The Ministry concluded that the likely import price of galvanised wire from Malaysia in the absence of duties would have been likely to undercut of PW's selling prices in 2007 and 2008 by [redacted] and [redacted] percent respectively. Based on PW's pricing strategy of [redacted], the Ministry concludes that the company would likely suffer price depression of [redacted] percent and price suppression of [redacted] percent if the anti-dumping duties are removed.

297. The Ministry concludes on the basis of the information gathered in the review and its analysis of that information, that the likely imported price of galvanised wire from Malaysia in the absence of anti-dumping duties would likely result in the New Zealand industry experiencing price undercutting. PW's strategy to [redacted] galvanised wire from Malaysia, PW would [redacted] to prevent a significant loss of sales volume and market share. The Ministry concludes that the New Zealand industry would also therefore likely suffer price depression and price suppression if the anti-dumping duties are removed.

5.5 Economic Impact

298. 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 (Domestic Production)

299. Dumped imports can affect a domestic industry's production volume through increased competition on the domestic market.

300. In the original investigation it was found that PW had not suffered a decline in output during the period investigated for injury.

301. PW provided its domestic sales figures of galvanised wire for the POR(I). PW stated that it does not record production figures relating to domestic galvanised wire, but noted that its production is on a made to order basis, and for this reason, its production volume closely follows its sales volume. The Ministry has analysed PW's domestic sales performance below.

Sales Volume and Value

302. Movements in sales revenue reflect changes in volume 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.

303. The original investigation concluded that there was evidence of a reduction of sales revenue during the period investigated for injury, but that there was insufficient evidence of a decline in sales volume over that period.

304. The table below shows PW's domestic sales figures during the POR(I).

Table 5.13: Domestic Sales of Galvanised Wire

	2006	2007	2008	6 months 2009
Sales Volume (tonnes)	[redacted]	[redacted]	[redacted]	[redacted]
Change from previous year		[redacted]	[redacted]	n/a
% Change from 2006		[redacted]	[redacted]	n/a
Sales Revenue ($000's)	[redacted]	[redacted]	[redacted]	[redacted]
Change from previous year		[redacted]	[redacted]	n/a
% Change from 2006		[redacted]	[redacted]	n/a

n/a = not applicable

305. The figures in the table above show that PW's sales volume increased [redacted] percent from 2006 to 2008 and its sales revenue increased [redacted] percent from 2006 to 2008.

Conclusion

306. The Ministry concludes that PW has not suffered a loss of sales volume or sales revenue over the POR(I).

Likely Impact of Removal of Duties on Sales Volume and Revenue

307. PW forecast its sales volume and sales revenue for 2010 if the anti-dumping duties remain in place and if the duties are removed. As outlined in section 5.2 above, PW's forecast for 2010 if the duties remain in place is based on its budget 2010.

308. If the duties are removed, PW considered it would be forced to [redacted] the imported price of the Malaysian galvanised wire. The Ministry concluded in paragraph 267 above that PW's selling prices are likely to be undercut if the duties are removed. On the basis of the conclusions reached in the likely undercutting analysis, the Ministry has considers that PW's forecast 2010 selling price if the duties are removed would be [redacted] percent lower than what it forecasts it could achieve if the duties remain in place. The figure of [redacted] percent is a simple average of the likely undercutting found in 2007 and 2008, which the Ministry considers is indicative of future undercutting if the duties are removed.

309. PW estimated that the likely import volume from Malaysia would be 1,750 tonnes if the duties were removed, which PW considered would impact directly on its sales volume. The Ministry considered that PW's estimate is reasonable for the reasons described in paragraph 183.

310. The table below shows PW's forecast 2010 sales figures if the duties remained in place and also if the duties are removed, calculated on the basis set out above.

Table 5.14: Forecast Domestic Sales Volume and Revenue

	Forecast 2010	
	With Duties	**Without Duties**
Sales Volume (tonnes)	[redacted]	[redacted]
Change		[redacted]
% Change		[redacted]
Sales Revenue ($000's)	[redacted]	[redacted]
Change		[redacted]
% Change		[redacted]

311. The figures in the table shows there would be a negative impact on sales volume and sales revenue of [redacted] percent and a [redacted] percent respectively if the duties are removed, compared to what PW forecast it could achieve if the duties remain in place.

Conclusion

312. The Ministry concluded in section 5.4 above that the New Zealand industry is likely to suffer negative price effects if the anti-dumping duties are removed. The Ministry also concluded in section 5.3 above that there would be a significant increase in import volumes from Malaysia if the duties are removed. The Ministry concludes that the volume and price effects would be likely to materially impact on PW's sales revenue and sales volume which is quantified in the analysis above.

Market Share

313. 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 or is threatened to the domestic industry, particularly if the domestic industry's sales are also growing. The Ministry takes the position that there is no entitlement to a particular market share.

314. The market for galvanised fencing wire is seasonal and changes month by month. Farmers tend to do maintenance work during the winter and so the demand for fencing wire peaks in winter. In the latter part of winter and spring the market shifts to vineyards as end users, and the market size decreases. Historically, the vineyard market has not been as large as the rural fencing market, and predominantly uses coils of 39kg.

315. For the rural market, demand starts growing sharply just after January and peaks around May/June, tapering off by September and consists of sales 25kg (650metre) wire coils. The vineyard market picks up around the end of June, peaks in the July-September period and starts slowing down in the December–January period. PW stated that recently the vineyard market has been expanding as more land is converted to vines.

316. The original investigation did not find any evidence of a loss of market share during the period investigated for injury, which PW submitted was due to [redacted].

317. The following table shows the market share and changes in market share during the POR(I).

Table 5.15: Market for Galvanised Wire (tonnes)

	2006	2007	2008	6 Months 2009
Malaysia	1,033	110	[redacted]	[redacted]
Australia	5,909	9,383	[redacted]	[redacted]
Other countries	3,713	4,250	[redacted]	[redacted]
Total imports	10,655	13,743	[redacted]	[redacted]
PW sales	[redacted]	[redacted]	[redacted]	[redacted]
Total market	[redacted]	[redacted]	[redacted]	[redacted]
Change in previous year:				
Malaysia		- 924	[redacted]	n/a
Australia		3,474	[redacted]	n/a
Other countries		537	[redacted]	n/a
Total imports		3,088	[redacted]	n/a
PW sales		[redacted]	[redacted]	n/a
Total market		[redacted]	[redacted]	n/a
Percentage share held by:				
Malaysia	[redacted]	[redacted]	[redacted]	[redacted]
Australia	[redacted]	[redacted]	[redacted]	[redacted]
Other countries	[redacted]	[redacted]	[redacted]	[redacted]
Total imports	[redacted]	[redacted]	[redacted]	[redacted]
PW sales	[redacted]	[redacted]	[redacted]	[redacted]

n/a = not applicable

318. The figures in the table above show that the domestic market for galvanised wire increased each year from 2006 to 2008. Only very small volumes of galvanised wire were imported from Malaysia during the POR(I), which is reflected in its negligible share of the market.

319. PW's market share fluctuated from 2006 to 2008, but overall its market share did not change over the period. The Ministry notes that PW's market share in the first 6 months of 2009 has [redacted] percent, but the Ministry notes that this is in relation to the company's half year result and may not therefore be comparable with the previous full year results.

Conclusion

320. The Ministry concludes that PW has not suffered a loss of market share over the POR(I).

Likely Impact of Removal of Duties on Market Share

321. PW forecast its sales volume for 2010 if the anti-dumping duties remain in place and if the duties were removed. As outlined in section 5.2 above, PW's forecast a decrease of sales volume from [redacted] tonnes in 2008 to [redacted] in 2010 if the anti-dumping duties remain in place. PW noted that the forecast reduction of sales volume is attributable to a decrease in demand in the market.

322. If the duties are removed, PW considered it would [redacted] the Malaysian galvanised wire to prevent a significant loss of sales volume and market share. Despite [redacted] galvanised wire from Malaysia, PW estimated that the likely import volume of galvanised wire from Malaysia would be approximately 1,750 tonnes, which PW submitted would directly impact on its sales volume and market share. PW sales volume is forecast to decrease from [redacted] tonnes in 2008 to [redacted] tonnes in 2010 if the duties are removed.

Conclusion

323. The Ministry concluded in paragraph 312 that there is likely to be a negative impact on PW's sales volume if the duties are removed, despite its strategy to [redacted] galvanised wire from Malaysia to prevent a significant loss of sales volume and market share. The Ministry considers that the reduction of sales volume would be likely to lead to a negative impact on PW's market share, although the Ministry notes that any change in PW's market share would also be conditional upon any change in the size of the market.

324. The Ministry concludes that the removal of the duties would negatively impact on PW's market share compared to its forecast market share if the duties remain in place.

Profits

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

326. The original investigation found that PW's earnings before interest and tax (EBIT) declined during the period investigated for injury, which was likely to be partly attributable to dumped imports from Malaysia.

327. The table below shows PW's EBIT during the POR(I).

Table 5.16: Earnings Before Interest and Tax

	2006	2007	2008	6 months 2009
EBIT($000's)	[redacted]	[redacted]	[redacted]	[redacted]
Change on Previous Year		[redacted]	[redacted]	n/a
% Change from 2006		[redacted]	[redacted]	n/a
As % of Sales Revenue	[redacted]	[redacted]	[redacted]	[redacted]
EBIT per kg	[redacted]	[redacted]	[redacted]	[redacted]
Change on Previous Year		[redacted]	[redacted]	n/a
% Change from 2006		[redacted]	[redacted]	n/a

n/a = not applicable

328. The figures in the table show that EBIT, EBIT per kilogram and EBIT as a percentage of sales revenue decreased each year from 2006 to 2008. The figures improved in the first 6 months of 2009, but the Ministry notes that this is in relation to the company's half year result and may not therefore be comparable with the previous full year results.

Conclusion

329. The Ministry concludes that PW's EBIT decreased [redacted] from 2006 to 2008. As anti-dumping duties are currently in place and only small volumes of galvanised wire have been imported from Malaysia during this period, it is unlikely that any decline in profits is attributable to galvanised wire from Malaysia.

Likely Impact of Removal of Duties on Profits

330. PW forecast its EBIT for 2010 if the anti-dumping duties remain in place and if the duties are removed. As outlined in section 5.2 above, PW's forecast for 2010 if the duties remain in place is based on its budget 2010.

331. If the duties are removed, PW considered it would [redacted] the Malaysian galvanised wire. The Ministry concluded in paragraph 267 above that PW's selling prices are likely to be undercut if the duties are removed. On the basis of the conclusions reached in the likely undercutting analysis, the Ministry has considers that PW's forecast 2010 selling price if the duties are removed would be [redacted] percent lower than what it forecasts it could achieve if the duties remain in place. The figure of [redacted] percent is a simple average of the likely undercutting found in 2007 and 2008, which the Ministry considers is indicative of future undercutting if the duties are removed.

332. PW estimated that the likely import volume from Malaysia would be 1,750 tonnes if the duties were removed, which PW considered would impact directly on its sales volume. The Ministry considered that PW's estimate is reasonable for the reasons described in paragraph 183.

333. The table below shows PW's forecast 2010 EBIT figures if the duties remained in place and also if the anti-dumping duties are removed.

Table 5.17: Forecast 2010 EBIT

	Forecast 2010	
	With Duties	**Without Duties**
EBIT($000's)	[redacted]	[redacted]
Change		[redacted]
As % of Net Revenue	[redacted]	[redacted]
EBIT per kg	[redacted]	[redacted]
Change		[redacted]

334. The figures in the table above quantify the assumptions referred to above. The reduction in its selling price and the loss of 1,750 tonnes of sales volume would result in an EBIT figure of -[redacted] in 2010 if the duties are removed, compared to a an EBIT figure of approximately [redacted] if the duties remain in place. EBIT as a percentage of revenue is forecast to be [redacted] percentage points lower if the duties are removed compared to what PW's forecasts it would achieve if the duties remain in place. EBIT per kilogram is forecast to be significantly lower if the duties are removed compared to what PW forecast it would achieve if the duties remain in place.

Conclusion

335. The Ministry concluded in section 5.4 above that the New Zealand industry is likely to suffer negative price effects if the anti-dumping duties are removed. The Ministry concluded in section 5.3 above that there is likely to be a significant increase in import volumes from Malaysia if the duties are removed. The Ministry concluded in paragraph 312 above that these volume and price would be likely to materially impact on PW's sales revenue and sales volume.

336. The Ministry concludes that the reduction of PW's selling price and loss of sales volume would lead to a negative impact on PW's EBIT which is quantified in analysis above.

Utilisation of Production Capacity

337. 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.

338. The original investigation concluded that there was insufficient evidence of a decline in utilisation of production capacity during the period investigation for injury.

339. PW noted that the product mix determines the production capacity of galvanised wire. For instance, smaller diameter wire takes longer to produce than

larger diameter wire, and the thickness of the wire therefore determines the speed for total production of a product. The utilisation of production capacity has been assessed in terms of total galvanised wire produced by PW, which includes both the galvanised wire sold on the domestic market and PW's exported galvanised wire.

340. The table below shows PW's production volume and capacity for galvanised wire from 2006 to 2008.

Table 5.18: Utilisation of Production Capacity (tonnes)

	2006	2007	2008
Galv Wire Capacity	[redacted]	[redacted]	[redacted]
Galv Wire Production *	[redacted]	[redacted]	[redacted]
Galv Wire Utilisation	[redacted]	[redacted]	[redacted]

* Includes exports.

341. Utilisation of production capacity fluctuated from 2006 to 2008, but did not change overall. The Ministry notes that the galvanised wire capacity remained at [redacted] tonnes per year, but the production volume fluctuated over the period, which resulted in the fluctuating utilisation during the period.

Conclusion

342. The Ministry concludes that PW has not suffered a loss of utilisation of production capacity over the POR(I).

Likely Impact of Removal of Duties on Production Capacity

343. PW forecast its expected production capacity and galvanised wire production if the anti-dumping duties remain in place and if the duties are removed. As outlined in section 5.2 above, PW's forecast for 2010 if the duties remain in place is based on its budget 2010. The Ministry notes that PW's galvanised wire production capacity is forecast to decrease from [redacted] tonnes in 2008 to [redacted] tonnes in 2010 because the company has moved from operating 7 days week to 5 days a week operation.

344. The table below shows PW's forecast 2010 EBIT figures if the duties remain in place and its forecast if the duties are removed.

Table 5.19: Likely Utilisation of Production Capacity (tonnes)

	Forecast 2010	
	With Duties	Without Duties
Galv Wire Capacity	[redacted]	[redacted]
Galv Wire Production	[redacted]	[redacted]
Galv Wire Utilisation	[redacted]	[redacted]

345. PW forecast a decrease in its utilisation of production capacity from [redacted] percent in 2008 to [redacted] percent in 2010 if the duties remain in place. Although the capacity

has decreased [redacted] tonnes from the capacity in 2008, the Ministry notes that the reason for the reduction in utilisation of production capacity is due to the significant reduction in production volume from [redacted] tonnes in 2008 to [redacted] tonnes in 2010.

346. PW also forecast a decrease in its utilisation of production capacity from [redacted] percent in 2008 to [redacted] percent in 2010 if the duties were removed. The Ministry notes that the decrease in the utilisation of production capacity if the duties are removed is larger than if the duties remain in place is because of the lower production volume.

347. The Ministry notes that the galvanised wire capacity remains the same regardless of whether the duties remain in place or are removed.

Conclusion

348. PW estimated this import volume would likely be 1,750 tonnes, which would impact directly on its sales volume and production volume. Although PW forecast a reduction in utilisation of production capacity if the duties remain in place, the Ministry notes that the reduction in utilisation of production capacity is significantly larger if the duties are removed.

349. The Ministry concludes that the removal of the duties would be likely to negatively impact on PW's utilisation of production capacity which is quantified in the analysis above.

Productivity

350. 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.

351. Productivity has been assessed in terms of total galvanised wire produced by PW, which includes both the galvanised wire sold on the domestic market and PW's exported galvanised wire.

352. The table below shows PW's productivity figures for galvanised wire per employee from 2006 to 2008.

Table 5.20: Productivity

	2006	2007	2008
Production Volume (Tonnes) *	[redacted]	[redacted]	[redacted]
No. of Staff	[redacted]	[redacted]	[redacted]
Productivity per Employee	[redacted]	[redacted]	[redacted]

* Includes exports.

353. Productivity per employee fluctuated from 2006 to 2008, but did not change overall. The Ministry notes that the number of employees did not change over the period.

Conclusion

354. The Ministry concludes that PW has not suffered a loss of productivity from 2006 to 2008.

Likely Impact of Removal of Duties on Productivity

355. PW forecast its expected galvanised wire production and staff numbers if the duties remain in place and if the duties are removed. As outlined in section 5.2 above, PW's forecast for 2010 if the duties remain in place is based on its budget 2010. The Ministry notes that the number of staff is forecast to decrease from [redacted] in 2008 to [redacted] in 2010 because the company has moved from operating 7 days a week to 5 days a week.

356. The table below shows PW's forecast 2010 productivity figures if the duties remain in place and if the duties are removed.

Table 5.21: Likely Productivity

	Forecast 2010	
	With Duties	**Without Duties**
Production Volume (Tonnes)	[redacted]	[redacted]
No. of Staff	[redacted]	[redacted]
Productivity per Employee	[redacted]	[redacted]

357. The figures in the table above show that the decrease in production volume, caused by the loss of sales volume to imported galvanised wire from Malaysia, would reduce productivity from [redacted] tonnes per employee to [redacted] tonnes per employee in 2010. The Ministry notes that the forecast number of employees is expected to be the same regardless of whether the duties remain in place or are removed.

Conclusion

358. The Ministry concludes that the negative impact on PW's sales volume caused by import volumes from Malaysia would also negatively affect PW's production volume because PW produces galvanised wire on a made to order basis. As the number of employees is forecast to remain the same regardless of whether the duties remain in place or are removed, the reduction in throughput would result in a reduction in productivity per employee.

359. The Ministry concludes that there would be a negative impact on PW's productivity if the duties are removed which is quantified in the above analysis.

Return on Investments

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

361. PW provided EBIT and average assets figures for the purpose of assessing its return on investment. The table below shows PW's EBIT as a percentage of average assets (for domestic galvanised wire) from 2006 to 2008.

Table 5.22: Return on Assets

	2006	**2007**	**2008**
Average Assets ($000's)	[redacted]	[redacted]	[redacted]
EBIT ($000's)	[redacted]	[redacted]	[redacted]
EBIT as Percentage of Average Assets	[redacted]	[redacted]	[redacted]

362. The figures in the above table show that that PW's return on assets declined in 2007, and was followed by a [redacted] decline in 2008. The Ministry notes that average assets and EBIT both decreased during the period.

Conclusion

363. The Ministry concludes that PW's return on assets decreased [redacted] from 2006 to 2008. As anti-dumping duties are currently in place and only small volumes of galvanised wire have been imported from Malaysia during this period, it is unlikely that any decline in the return on assets is attributable to galvanised wire from Malaysia.

Likely Impact of Removal of Duties on Return on Assets

364. PW provided a forecast of its average assets and forecast EBIT if the duties remain in place and also if the duties are removed. As outlined in section 5.2 above, PW's forecast for 2010 if the duties remain in place is based on its 2010 budget. The forecast EBIT without duties in place is explained in paragraphs 331 to 332 above.

365. The table below shows the forecast 2010 EBIT as a percentage of average assets (for domestic galvanised wire) if the duties remain in place and if the duties are removed.

Table 5.23: Likely Return on Assets

	Forecast 2010	
	With Duties	**Without Duties**
Average Assets ($000's)	[redacted]	[redacted]
EBIT ($000's)	[redacted]	[redacted]
EBIT as Percentage of Average Assets	[redacted]	[redacted]

366. The Ministry notes that the forecast average asset figures differ if the duties remain in place and if the duties are removed. The reason for the difference is that PW's average assets have been apportioned on the basis of production volume, and due to the lower forecast production volume in 2010 if the duties are removed, a lesser amount of PW's average assets have been apportioned to galvanised wire.

367. PW projected that its return on assets would be likely to decrease by [redacted] percentage points if the duties are removed compared to its forecast if the duties remain in place. Although PW forecast a [redacted] percent return on average assets if the duties are removed, the Ministry notes that this is [redacted] from its return on assets of [redacted] percent in 2008.

Conclusion

368. The Ministry concluded in paragraph 335 that PW would be likely to suffer a negative impact on its EBIT if the duties are removed due to its reduction in selling price and loss of sales volume. The Ministry concludes that the negative impact on PW's EBIT is also carried through to a negative impact on its return on investment which is quantified in the analysis above.

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 when it is compared with the level of price undercutting.

370. In the original investigation, it was found that galvanised wire was dumped with margins ranging from zero to 26 percent. The original investigation also found that galvanised wire from Malaysia was significantly undercutting the New Zealand industry's actual selling prices and non-injurious selling prices (NIPs). The amount of price undercutting ranged from [redacted] percent to [redacted] percent of PW's actual selling prices, and [redacted] percent to [redacted] percent of PW's NIP's. A comparison of these figures indicates that not all of the undercutting caused by imports from Malaysia was attributable to dumping.

371. As established in section 4.3 of this report, the Ministry concluded that galvanised wire from Malaysia was likely to be dumped by 16 percent if the duties are removed. As established in section 5.4 of this report, the Ministry concluded that the imported price of galvanised wire from Malaysia would be likely to undercut PW's selling price by [redacted] percent if the duties are removed. A comparison of these percentages indicates that the amount of likely injury caused by imports from Malaysia is attributable to dumping.

372. While the Ministry has concluded that dumping is likely to recur if the duties are removed, given the uncertainties involved in quantifying the extent of the likely dumping margins, the Ministry considers that it is unable to draw any useful conclusions on this issue.

Factors Affecting Domestic Prices

373. In the original investigation, the Ministry noted that the world price of scrap metal, which is used to produce wire rod, had increased significantly in the recent period before the investigation. PW considered that this may have impacted on the pricing in the New Zealand market, although it was also noted that the strength of the New Zealand dollar may have offset this increase to some extent.

374. In the present review, PW submitted that the world price of wire rod in the production of galvanised wire has fluctuated since the original investigation. PW commented that fluctuations of the cost of production also affect selling prices. With respect to selling prices in the New Zealand market, PW uses [redacted], therefore fluctuations of [redacted], and therefore also [redacted], are factored into PW's selling prices in the New Zealand market.

375. Given the uncertainties involved in identifying and quantifying the extent of any likely adverse affect on domestic prices in a review, by imports from Malaysia if the duties are removed, the Ministry considers that it is unable to draw any useful conclusions on this issue.

5.6 Other Adverse Effects

Cash Flow

376. PW calculates net cash flow by adding depreciation, a non-cash expense, to its EBIT. The table below shows PW's cash flow in relation to galvanised wire from 2006 to 2008.

Table 5.24: Operating Cash Flow from Galvanised Wire

	2006	2007	2008
EBIT ($000's)	[redacted]	[redacted]	[redacted]
Plus: Depreciation	[redacted]	[redacted]	[redacted]
Operating Cash Flow ($000's)	[redacted]	[redacted]	[redacted]

377. The figures in the above table show that PW's operating cash flow decreased each year from 2006 to 2008. The Ministry notes that cash flow decreased [redacted] in 2008 as a result of the [redacted] EBIT for that year.

Conclusion

378. The Ministry concludes that PW's cash flow decreased [redacted] from 2006 to 2008. As anti-dumping duties are currently in place and only small volumes of galvanised wire were imported from Malaysia during this period, it is unlikely that any decline in cash flow is attributable to galvanised wire from Malaysia.

Likely Impact of Removal of Duties on Cash flow

379. PW did not provide a forecast depreciation amount for 2010, and the Ministry was therefore not able to calculate the forecast cash flow for 2010. The Ministry notes however that the forecast EBIT for 2010 is approximately [redacted], and after depreciation has been added, the resulting figure would be a [redacted] of positive cash flow.

380. The significantly lower EBIT figure of [redacted] if the duties are removed would mean that the resulting cash flow figure after adding depreciation would be significantly lower than the amount of cash flow if the duties remain in place.

Conclusion

381. On the basis of the analysis and conclusions reached under the "Profits' section of this report, the significant decrease in EBIT caused by the price and volume effects would result in the company suffering an adverse effect in relation to its cash flow if the duties are removed compared to the cash flow it could achieve if the duties remain in place.

Inventories

382. PW values inventory using the standard cost method. Every item, including the coils of galvanised wire has a `lot´ number. Labour, variable and fixed cost components are reviewed annually and material cost is reviewed monthly. Most of PW's production is on a "made to order" basis, meaning stock is not intended to stay on the factory floor for a long period.

383. The table below shows PW's finished goods on hand (tonnes) at year end for galvanised wire from 2006 to 2008.

Table 5.25: Inventory

	2006	2007	2008
Finished Goods at Balance Date	[redacted]	[redacted]	[redacted]

384. The figures show that PW's inventory levels fluctuated from 2006 to 2008, but decreased overall. The Ministry notes PW's policy of producing to order and [redacted].

385. PW considered that the removal of the duties would not result in a material difference in inventory if the duties remain in place or are removed because it produces on a made to order basis.

Conclusion

386. On the basis of PW's company policy of producing galvanised wire on a made to order basis, the Ministry concludes that PW's inventory levels would not likely be adversely affected if the duties are removed.

Employment and Wages

Employment

387. PW provided the number of employees in the company during the POR(I). The Ministry notes that the total number of employees decreased from [redacted] in 2006 to [redacted] in 2008. PW currently has a total of [redacted] employees and did not expect this figure to change in 2010 if the duties remain in place. PW noted that if the duties are

removed, it expected that there would be pressure to reduce costs and other overheads. PW considered that [redacted].

388. The Ministry notes that [redacted] is in relation to the whole company, and does not relate specifically to employees involved in the production of galvanised wire. As noted in paragraph 357, PW's forecast number of employees involved in the production of galvanised wire is forecast to be [redacted] regardless of whether the duties are removed or remain in place.

Conclusion

389. In respect of the likely impact on employment, PW has already forecast in 2010 that the number of employees involved in the manufacture of galvanised wire would remain the same whether the duties remain in place or are removed. The Ministry concludes that there is unlikely to be a negative impact on the number of employees involved directly in the manufacture of galvanised wire.

Wages

390. PW provided the total amount of wages, salaries and overtime paid to its employees over the POR(I). The total amount spent on remuneration increased from [redacted] in 2006 to [redacted] in 2008. The average remuneration per employee increased from [redacted] in 2006 to [redacted] in 2008.

391. PW forecast average remuneration for all employees of the company in 2010 would be [redacted] per annum if the duties remain in place. PW commented that the forecast [redacted] of remuneration per employee from 2008 to 2010 is due [redacted].

392. PW did not consider that there would be a material impact on average remuneration if the duties are removed because of the collective bargaining power of employees.

Conclusion

393. The Ministry concludes that it is unlikely that there would be a material impact on employee wages due to collective bargaining power of employees.

Growth, Ability to Raise Capital and Investments

394. PW classifies capital expenditure as either development or stay-in-business. PW stated that stay-in-business expenditure is for maintaining the base business or to comply with legal requirements such as safety. Development expenditure is likely to be available to companies whose profitability is sound, has a strong growth path and has low identifiable risks. PW has stated that [redacted] it is difficult for growth and capital investment. PW stated that it would make the situation [redacted] difficult for its growth and ability to acquire capital investment if the duties are removed.

Conclusion

395. The Ministry considers any detrimental effects on growth will be reflected in other injury indicators such as sales, profit and return on investment. The Ministry concluded above that PW's sales volume and revenue, profit and return on investment would likely be adversely affected if the duties are removed. Based on these negative impacts, the Ministry consequently concludes that there would likely be a subsequent adverse impact on the company's growth and prospect for growth if the duties are removed.

396. With respect to PW's ability to raise capital and investments, the Ministry notes that PW is currently experiencing [redacted] profitability with duties currently in place, but has forecast a [redacted] improvement in 2010 if the duties remain in place. Due to PW's likely strategy of [redacted] Malaysian imports, the company would not be able to achieve the performance it forecasts if the duties remain in place. On this basis, the Ministry considers there is likely to be an adverse impact on PW's ability to raise capital and investments if it has to compete with dumped products from Malaysia.

5.7 Other Causes of Injury

397. 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.

Introduction

398. In dumping investigations, where economic indicators show that an industry has suffered injury, if factors other than dumping have been the real cause of the injury, it is important that such injury not be attributed to dumping. However, a finding that one or a number of factors other than the dumped goods have adversely affected the industry would not necessarily preclude a finding of material injury caused by the dumped goods. If it is claimed that factors other than dumping are the cause of that injury then those other factors could be expected to have had a particular impact within the period when the economic indicators show the onset of injury. If there are factors other than dumping causing injury to an industry, but those other factors have

been constant over the period of investigation, then it is unlikely that the onset of injury could be attributed to those other factors.

399. In a dumping review (as opposed to an investigation) it is more difficult to analyse the extent to which factors other than the dumped goods have caused injury to the domestic industry since the duties were first imposed because the imposition of duties would normally result in the removal of injury to the domestic industry. With the anti-dumping duties in place, the industry would not normally be suffering injury from the dumped goods. However, if the industry is still suffering injury, and the original duties are set at the appropriate level, it could reasonably be assumed that there are factors other than the dumped goods that are continuing to have an adverse affect of the industry's performance.

400. PW made a number of comments in relation to possible causes of injury other than dumping which may have affected its performance over the POR(I) and these are discussed below under each of the relevant headings.

Non-dumped Imports

Australian Imports

Volume and Price

401. Australia is the largest source of imports of galvanised wire into New Zealand. The following Table shows the volume of imports from Australia and other countries. Imports from Malaysia are also included to show the volume of non-dumped imports relative to total imports.

Table 5.26: Imports of Non-dumped Goods (Year ending June 2008)

	2006	2007	2008
Malaysia	1,033	110	[redacted]
Australia	5,909	9,699	[redacted]
Other Countries	3,641	4,247	[redacted]
Total	10,584	14,056	[redacted]
% of total			
Malaysia	10%	1%	[redacted]
Australia	56%	69%	[redacted]
Other Countries	34%	30%	[redacted]
% Change from 2006 to 2008			
Malaysia			[redacted]
Australia			[redacted]
Other Countries			[redacted]

402. In the year ending June 2008, there was [redacted] tonnes of galvanised wire imported from Australia. Australian imports accounted for [redacted] percent of the total imports by volume to New Zealand in the year ending June 2008. Over the past 3 years imports from Australia have increased by [redacted] percent.

403. The NZCS data used in these calculations indicates that numerous types of galvanised wire products are being imported under the tariff items and statistical keys identified in section 2.6 of this report. Some of these products may not be competing directly with PW's manufacturing and fencing wire. For instance, the Ministry identified importations of mesh wire, spring wire and brush wire as being included in the NZCS data.

404. The data shows that Australia remains the major source of imports into New Zealand and a significant source of competition for the industry. PW noted in the verification report that most competition came from imports from Australia produced by the Australian company OneSteel. PW also said that there had been no real change in that level of competition in the last few years, although the NZCS data shows that there has been a significant increase in imports from Australia from 2006 to 2008.

405. In the absence of imports from South Africa and minimal imports from Malaysia, Australia is the predominant source of imports of galvanised wire competing with the New Zealand industry's products. Australian imports which compete with PW for their share of the New Zealand market were [redacted] percent of the market in 2008.

406. An Australian ex-wharf price has, therefore, been calculated to compare with the PW's average ex-factory price. An average CIF price has been calculated for imports from Australia for the year ended June 2008 from NZCS data. In its application PW provided an average cost from CIF level to ex-wharf. This combined amount covered Customs clearance, port service charge, agency fee, international shipping and port security fee, cartage ex-wharf to distribution centre and a number of other smaller fees and costs. These costs are collectively referred to as port clearance fees in the table below.

Table 5.27: Ex-Wharf Price for Australian Imports (Year ending June 2008)

Ex-Wharf Price (NZD/per Tonne)	
CIF	[redacted]
Port Clearance Fees	[redacted]
Ex-Wharf Price	[redacted]

407. The table above shows the year ending June 2008 Australian ex-wharf price to be $[redacted] per tonne. This competes with PW's 2008 ex-factory price of $[redacted] per tonne.

408. The extent to which PW's ex-factory selling prices are likely to be undercut by the price of the Australian imports if the current anti-dumping duties were removed from the Malaysian imports is an inherently uncertain exercise, and in a review must take into account PW's likely pricing strategy in the face of renewed competition from Malaysian imports.

409. Based on the 2008 average ex-wharf price of the Australian imports, PW's selling prices would be undercut by [redacted] percent. However, whether Australian prices would increase or decrease in line with PW's prices is uncertain and faced with this

situation, Australian exporters may reduce their prices to protect their market share. A lower Malaysian import price would likely precipitate a shift in supply in the New Zealand market from the Australian product to the cheaper Malaysian product.

Imports Countries Other than Australia

410. Other than Australia, the main source of competition has in the past come from Malaysia and South Africa (both of which have anti-dumping duties in place against them). The next largest source of any volume is the Peoples Republic of China (China).

411. During the year to June 2008, [redacted] tonnes of galvanised wire was imported from China. The goods description in the NZCS data shows that imports from China include a number of imported wire products, which are listed in paragraph 58, which may not be competing with PW's fencing and manufacturing wire. These products make up a significant volume of imported products from China and other countries other than Australia. Galvanised wire included in the import data which may be outside the GUR may affect the reported import volumes, estimated ex-wharf price calculation, market size and market share analysis. The following table shows the ex-wharf price for goods from China.

Table 5.28: Ex-Wharf Price for Chinese Imports (Year ending June 2008)

Ex-Wharf Price (NZD/per Tonne)	
CIF	[redacted]
Customs Duty	[redacted]
Port Clearance Fees	[redacted]
Ex-Wharf Price	[redacted]

412. The price calculated in the table above is considerably higher than that for imports from Australia and PW's ex-factory price for that period and so is not likely to be a cause of injury to PW.

Conclusion

413. Based on the information available, the Ministry concludes that imports from countries other than Australia are not likely to be a cause of injury to PW. However, Australian imports are competitively priced and hold a significant share in the New Zealand market. Imports from Australia are likely to be another cause of injury to PW.

Contraction in demand or changes in the patterns of consumption

414. There has been a strong contraction in demand in New Zealand and globally which has been directly reflected in the world price of steel and the prices paid for steel products including galvanised wire. The decline of global steel prices can be seen in the graph of these prices in Figure 4.1 (paragraph 82). The graph shows a sharp decline in the steel price from the third quarter in 2008 to the second quarter in 2009.

415. Evidence of this in New Zealand can be seen in the PW's prices over that period which declined to [redacted] in the 8 months between August 2008 and March 2009 by between [redacted] percent per tonne. PW noted that it had [redacted]. PW stated that the [redacted] demand in New Zealand and noted that the [redacted] New Zealand's domestic wire demand is [redacted] and the strength of the New Zealand dollar, and the exchange rate on its own was a factor in influencing the demand for imports. PW said, however, that [redacted].

416. Another factor the Ministry has considered is the purchasing power of PW's customers. PW stated during the verification visit that it reviews [redacted] on a [redacted] basis, which is [redacted] the conditions that exist in the market at that time. The fact that PW [redacted] customers, making up around [redacted] percent of total sales, indicates that those [redacted] are likely to have leverage when negotiating prices.

417. PW stated that the principal factor affecting domestic prices is the cost of alternative imported goods and that it is [redacted]. PW said that [redacted]. PW said that retailers set the prices at the retail level [redacted] and often use loss leaders to attract business.

Conclusion

418. The Ministry considers it likely that the negative economic effects felt in the down stream markets into which PW's goods are sold, and the intense competition in those markets, are causing injury to PW.

Restrictive Trade Practices

419. The Ministry does not have any information which indicates that restrictive trade practices of, and competition between, overseas and the New Zealand producer have been a cause of injury to PW.

Exports

420. PW said that it had [redacted].

Developments in Technology

421. Since the original investigation, PW has changed the coating of its galvanised wire from 100 percent zinc to a combination of zinc and aluminium. The change to a

zinc/aluminium mix coating results in approximately [redacted] of the 100 percent zinc coated wire and achieves comparable or better product performance than the 100 percent zinc coated wire resulting in cost savings for PW.

422. PW has also abolished its chemical de-scaling process and moved to full mechanical de-scaling, which provides for greater efficiency in the drawing process. The decommissioning of acid baths used in the chemical de-scaling process has removed the associated environmental concerns.

Conclusion

423. The Ministry concludes that the developments that PW have put into place to improve its production facilities and processes for galvanised wire have not been a cause of injury to the company. The Ministry does not have any information which indicates that developments in technology by PW's overseas competitors have been a cause of injury to PW.

Nature and Extent of Importations

424. The Act requires that the Ministry is to consider imports of the dumped goods by the New Zealand producers of like goods. PW does not import any galvanised wire from Malaysia. In the POR(D) [redacted] has imported a small amount ([redacted] tonnes) of mainly [redacted]. The Ministry concludes that the small amount of imported galvanised wire is not likely to have been a cause of injury to PW.

Conclusion on Other Causes of Injury

425. The Ministry concludes that there are a number of factors that are likely to have caused injury to PW over the POR(I). Australian imports, customers' purchasing power and a decline in demand due to general economic conditions are factors which will continue to affect PW, regardless of whether the duties remain or are removed.

5.8 Conclusions Relating to Injury

426. From information made available during the review, the Ministry has reached the following conclusions in relation to material injury suffered by the New Zealand industry over the POR(I):

Volume and Price Effects

- In absolute terms, the volumes of dumped imports have remained negligible in relation to both New Zealand production and consumption.
- The prices of the domestically produced galvanised wire are not currently being undercut by imports of galvanised wire from Malaysia.
- There is evidence of price suppression but this is unlikely to be attributable to dumped imports from Malaysia.

- There is no evidence of price depression.

Economic Impact

- The industry's output has fluctuated but this cannot be attributed to dumped imports from Malaysia.
- The industry's sales volume and sales revenue increased.
- The market share held by the domestic industry has remained the same.
- Industry profit levels have decreased, but this is unlikely to be attributable to dumped imports from Malaysia.
- No positive evidence has been provided that shows any injurious effects due to dumped imports from Malaysia on productivity, return on investments, utilisation of production capacity, factors affecting domestic prices, cash flow, inventories, employment, wages, growth and ability to raise capital and investments.
- Factors other than dumped goods are likely to have been a cause of injury to the industry, however, these factors will continue to affect PW in the same way regardless of whether duties remain in place or are removed.

427. The Ministry concludes that there is no current material injury that is attributable to dumped imports from Malaysia.

Submission by MITI on Substantiation of Evidence

428. MITI noted that in its view some of the adjustments in the Interim Report have not been substantiated with evidence. It noted that some of the arguments in the original application were used again by MED at arriving at the conclusion on injury. MITI stated that there should be clear justification to form the basis of the review, and in its view the likelihood of continuation or recurrence of dumping had not been substantially analysed and the measure should be terminated.

429. Following MITI's submission on the Interim Report, PW commented that the Interim Report is sufficiently clear and contains sufficient information on the likelihood of recurrence of dumping and injury if the duties are removed. In PW's opinion, all the adjustments made in the Interim Report were evidenced and verified in the current review, or were based on material evidenced and verified during the original investigation and updated by a relevant publically available index.

430. The Ministry agrees that the most accurate information should be used in the analysis of any review. However, in the absence of information requested, the Ministry is entitled to use the facts available under Article 6.8 of the Anti-Dumping Agreement. In the Ministry's view the use of previous arguments by the applicant to support a position - if appropriate to the circumstances - does not preclude there use again. The Ministry considers it has considered all the available information to come to reasoned conclusions and in the absence of information to the contrary, considers that there is not sufficient evidence to terminate the review.

Likelihood of Injury if Anti-Dumping Duties are Removed

431. In relation to the likelihood of a recurrence of material injury if the anti-dumping duties are removed, the Ministry concludes that:

- It is likely that there would be price undercutting, price depression and suppression due to dumped imports from Malaysia.
- It is likely that there would be a significant increase in import volumes from Malaysia.
- Consequent upon the likely price and volume effects, it is likely there would be an adverse effect on domestic sales volume and sales revenue.
- As a result of the likely price and volume effects, there is likely to be a negative impact on the industry's market share.
- Based on the findings of the likely volume and price effects and consequent impact on sales volume and revenue, it is likely that the industry would suffer a loss in profits.
- There is likely to be an adverse effect on the industry's productivity, utilisation of production capacity, return on investments, growth and its ability to raise capital and investments.
- There is not likely to be an adverse effect on the industry's cash flow, inventories and employment and wage.
- There is insufficient evidence available to come to a conclusion on the extent to which the magnitude of the margin of dumping is likely to contribute to injury and on any factors affecting domestic prices.
- Factors other than dumped imports are likely to continue in the same way to be a cause of injury to the industry and can therefore be clearly distinguished from the injurious effects likely to result from dumped imports from Malaysia.

432. On the basis of these considerations, the Ministry concludes that if anti-dumping duties are removed, material injury to the New Zealand industry due to dumped imports from Malaysia is likely to recur.

6. Conclusions

433. On the basis of the information available, it is concluded that the continued imposition of anti-dumping duties is necessary to prevent the recurrence of material injury to the New Zealand industry caused by dumped imports from Malaysia.

7. Recommendations

434. It is recommended that the Chief Executive initiates a reassessment of the anti-dumping duty rates and amounts pursuant to section 14(6)(c) of the Act, on the basis that the review has been completed and has concluded that there is likely to be a recurrence of dumping and injury if the anti-dumping duties expire.

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Review Team

Trade Rules, Remedies and Tariffs Group

Recommendation Accepted/Not Accepted

………………………………………

Robin Hill
Chief Advisor, Trade Rules, Remedies and Tariffs Group (*Acting under delegated authority from the Chief Executive of the Ministry of Economic Development)*
Ministry of Economic Development.

8. Reassessment of Anti-dumping Duties

8.1 Introduction

435. The Act allows the Chief Executive to initiate a reassessment of the anti-dumping duty following a “sunset” review.[9] Anti-dumping duty continues to be payable until either:

- The duty is reassessed and a new rate notified; or

- The duty is terminated by notice under section 14(7) of the Act.

436. Following the completion of the reassessment, the Chief Executive of the Ministry will report to the Minister on the review and make a recommendation to the Minister on the new rates or amounts of anti-dumping duty it considers appropriate.

437. The Minister has the power to either:

- Set a new rate or amount of duty in accordance with section14(4) of the Act; or

- Terminate the anti-dumping duty, in whole or in part, under section 14(7) of the Act.

438. This section of the report provides the basis for a recommendation to the Chief Executive to initiate a reassessment of the anti-dumping duties immediately following the completion of the review. This section of the report also forms an Interim Report for that reassessment and provides interested parties with the opportunity to comment on the recommendations. Interested parties have until **5 November 2009** to make submissions.

8.2 Method of Imposing Duties

439. The objective of an anti-dumping duty is to remove injury attributable to dumping, and is not to punish the exporter or to provide protection to an industry beyond the impact of the dumping. The Act prevents the Minister from imposing a duty that exceeds the margin of dumping.[10] Furthermore, the Act requires that the Minister have regard to the desirability of ensuring the amount of duty is not greater than is necessary to prevent material injury to the New Zealand industry.[11] This consideration is known as the “lesser duty rule”.

440. There are many considerations that are taken into account when deciding on the form of the anti-dumping duty. Factors such as the ease of administration, the

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[9] Dumping and Countervailing Duties Act 1988, s14(6)(c)

[10] Dumping and Countervailing Duties Act 1988, s14(4)

[11] Dumping and Countervailing Duties Act 1988, s14(5)

ability to ensure the dumping margin is not exceeded, the ability to maintain fairness between parties, and the predictability of the duty payable are all important aspects of an anti-dumping duty.

441. Anti-dumping duties can be applied in a number of different ways. The three basic approaches are:

- a specific duty approach;
- an *ad valorem* rate approach; and
- a reference price approach.

A Specific Duty Approach

442. A specific duty is a set amount of duty payable per unit of product imported. This specific amount of duty is based on the monetary value of a margin of dumping. The approach is convenient to apply, impossible to evade by incorrectly stating the value for duty, and it clearly indicates to the importer the amount of duty payable on the product.

443. Some problems with a specific duty approach may occur if there are a wide range of goods involved, exchange rates may fluctuate to the extent that the margin of dumping will be exceeded without constant reassessments of the specific amount, or where an exporter manipulates prices so that the duty is either greater than the margin of dumping or less than the margin of dumping previously established.

444. A specific duty, expressed as a monetary amount, can only operate effectively when two conditions are present. The first is that prices and exchange rates are consistent and stable. The second is that the transaction-to-transaction comparison does not result in a range of different dumping margins.

445. A specific duty approach can be used as a formula, being the difference between equivalent prices to the normal value and the export price of a particular shipment, with the values for the normal value and export price being fixed. When those elements of the formula are expressed in terms of the currency of each transaction, the problem of exchange rate movements can be dealt with. However, a formula approach does not deal with the problem of changes in export prices for reasons other than exchange rate movements or movements in normal values such as a price change.

Reference Price Duty

446. Under the reference price approach, the duty payable is the difference between the transaction price and a reference price. A reference price can be based on either a normal value or the domestic industry's non-injurious price (NIP). A Normal Value (Value for Duty Equivalent) or NV(VFDE) amount represents the un-dumped value of the goods at the Malaysian FOB level. A Non-injurious Free-on-Board (NIFOB) is the price at which the imports would not cause injury to the New Zealand industry, calculated at the Free-on-Board (FOB) level. The Ministry prefers to set reference prices in the currency that the reference price calculations have been

worked, that being either the currency of the normal value (in the case of NV(VFDE)s) or the currency of the NIP (in the case of NIFOBs).

447. A reference price has advantages in that it is best able to deal with movements in the export price and exchange rates (if expressed in the currency of the normal value), and is particularly appropriate for dealing with situations where a lesser duty is applicable. However, it has been argued that it is more easily evaded than the other forms of duty by overstating the VFD of the goods. Nevertheless, a reference price does have the advantage of clearly signalling to exporters and importers what price is un-dumped or non-injurious. In addition, a reference price duty only collects duty when the goods are priced below the non-injurious or un-dumped reference price, therefore duty is collected only to the extent necessary to remove injurious dumping.

448. One of the main problems with reference prices is that the information they are based on represents a snapshot of prices and costs at a particular point in time. If these prices or costs change, the reference prices may no longer be accurate although significant changes in prices or costs can be addressed by way of a reassessment of the reference prices.

Ad Valorem Rate Duty

449. An *ad valorem* duty is a duty based on the margin of dumping or the margin of injury and is expressed as a percentage of the value for duty (VFD). An *ad valorem* duty is convenient to apply and is unlikely to be substantially affected by exchange rate movements. *Ad valorem* rates are often appropriate where there are a large range of goods or where new models appear, provided that the transaction-to-transaction comparison does not result in a range of different dumping margins. As with the other approaches, there is the possibility of collusion between an exporter and importer to manipulate the invoice value of the goods subject to duty, particularly when similar goods are bundled with the subject goods.

450. Under this approach, a particularly low export price (and therefore a potentially more injurious export price) would result in a lower amount of duty, which may not be sufficient to remove injurious dumping. Conversely, a particularly high export price (and therefore likely to be less injurious), would attract a higher amount of duty, which may be higher than is necessary to remove injurious dumping.

451. An *ad valorem* rate gives an indication of the impact of the duty, but is not as clear an indication as the other forms of duty, although the rate can usually be provided to all parties and therefore is very transparent.

Developing Country Considerations

452. For the purposes of dumping investigations and reviews and the imposition of anti-dumping duties, Malaysia is considered to be a developing country and therefore Article 15 of the Anti-dumping Agreement applies. Article 15 requires that special regard must be given by developed country members to the special situation of developing country members when considering the application of anti-dumping measures. The possibility of constructive remedies is to be explored before applying

anti-dumping duties where they would affect the essential interests of a developing country member.

453. The WTO Dispute Settlement Panel in *European Communities - Cotton-Type Bed Linen from India* was of the view that “the imposition of a “lesser duty” or a price undertaking would constitute “constructive remedies” within the meaning of the Article 15…”[12] Price undertakings offered in relation to an initial investigation are covered in section 15 of the Act but do not explicitly extend to reassessments of current anti-dumping duties in place. In addition, no offers of price undertakings were received from Malaysian exporters.

454. The Ministry considers that, given the above, its consideration of a lesser duty (as discussed below) fulfils its obligation under Article 15 of the Agreement to give special regard to constructive remedies.

8.3 Present Anti-dumping Duties

455. Anti-dumping duties have been in place on galvanised wire from Malaysia since 27 April 2004. The rates were reassessed on 15 November 2005 and are currently applied to two companies in the form of NV(VFDE) amounts in the currency of the country of origin. An ad valorem (percentage) rate applies to other suppliers/exporters and is capped by an NV(VFDE) amount.

456. The separate rates of duty established for the two suppliers are for each type of wire (high tensile (HT) and low tensile (LT)) and for the different wire diameters. For imports of medium tensile (MT) galvanised wire, the appropriate category for determining duties is LT.

457. The following are current company specific anti-dumping duty (NV(VFDE)s for which anti-dumping duty is payable if the FOB price is lower than the relevant amount:

Table 8.1: Present Anti-dumping Duties (MYR/kg)

Diameter (mm)	**2.00**	**2.50**	**3.15**	**3.40**	**4.00**
Southern Wire					
Armouring Wire				N/A	N/A
Galvanised Wire (LT)				N/A	
Galvanised Wire (HT)				N/A	
SMI					
Galvanised Wire (LT)	N/A	N/A	N/A		
Galvanised Wire (HT)	N/A	N/A	N/A		

12 WT/DS141/R, Appellate Body report, para 6.229.

458. The rate for all other exporters (for all categories of wire) is an ad valorem rate of 11 percent, but the amount of anti-dumping duty payable per kilogram is capped by the NV(VFDE) amounts in the table below.

Table 8.2: NV(VFDE) Caps on Other Exporters' Rate (MYR/kg)

Diameter in mm	**2.00**	**2.50**	**3.15**	**3.40**	**4.00**
- Armouring Wire (ARM)					
- Low Tensile (LT or LC)					
- High Tensile (HT or HC)					

Pacific Wire's Submission

459. PW submits that there is good cause to depart from the use of reference prices for anti-dumping duties on galvanised wire from Malaysia as reference prices are:

- Static, in that the information that reference prices are based on represents a snap shot of prices and costs at a particular point in time and if these prices and costs change the reference price becomes outdated and therefore inaccurate;

- Not transparent because reference prices are confidential and therefore PW finds it difficult to make informed decisions;

- Not timely because reference prices become inaccurate and unless a reassessment is initiated the reference prices are unlikely to prevent imports entering New Zealand at dumped prices, which would injure PW.

460. PW also states that an application for a reassessment to update reference prices is burdensome. PW states that it can cost a considerable amount of money and there is also a time delay between the application and changes being implemented, which could be injurious to it. PW states that it faces difficulty in making use of trade remedy action that is available because of the use of confidentiality orders over New Zealand import statistics. As a result of the confidentiality orders PW says it is forced to use statistics from exporting countries, which are often considerably less timely and there may be categorisation difficulties. PW considered the application of a specific duty but because of the price and exchange rate fluctuations it did not consider that a specific duty would be suitable.

461. Considering the matters identified above, PW is of the opinion that an *ad valorem* duty rate based on the lower of the margin of dumping or the margin of injury should apply as it is convenient to apply, is easy to understand, and is not substantially affected by exchange rate changes.

8.4 Amount of the Reassessed Anti-dumping Duty Rates

Exemption from Anti-dumping Duties

462. The original investigation concluded that the Malaysian company RCI was not dumping and its exports to New Zealand were therefore exempted from the anti-dumping duties. There cannot be a recurrence or a continuation of dumping by exporters who were found not to be dumping in the original investigation. Therefore, RCI will continue to be exempt from the proposed reassessed anti-dumping duties.

Specific Duty

463. The Ministry has considered whether a specific duty should be applied. There are a range of goods being imported which fall under the description of the subject goods and a specific duty does not lend itself to this type of situation nor does the Ministry hold any current information on the full range of goods on which to establish a specific duty.

464. The cost of steel products can be subject to large fluctuations, most recently and memorably was the large fluctuation in raw material prices globally, and as these circumstances exist in this industry, any specific duty rate could easily become quickly outdated. Constant reassessments of a duty are neither a practical nor an economic solution for those involved.

465. For the reasons above, as well as the risk that the duty may not be sufficient over time to remove injury, or alternatively may be greater than the margin of dumping over time, it is not appropriate to apply a specific duty to galvanised wire from Malaysia.

466. The Ministry therefore considers in this instance that a specific duty would not be able to take account of the major problem of cost fluctuations in this industry and therefore should not be used in these circumstances.

Reference Prices

467. The Ministry's normal practice regarding reference prices is to calculate both NV(VFDE) and NIFOB amounts with the lower of the two anti-dumping duties being used as the reference price.

468. However, due to a lack of detailed Malaysian export price and normal value information sourced in the present review, the Ministry has only been able to calculate a dumping margin for the subject goods as a whole only, rather than for each exporter and for each type of subject good. This is a limitation in the possible use of references prices.

469. The current reference price duty is an extreme example of how quickly the prices can become out of date in relation to costs, in a highly volatile period of trading. In 2008, raw material costs rose and then declined so quickly that the reference prices which are fixed values, could not reflect these underlying cost changes and were therefore ineffective for a period.

470. In deciding on the most effective type of anti-dumping duty to apply, the market conditions in which the goods are traded need to be considered. Steel, the major raw material for galvanised wire is traded daily on world markets. International commodity traders use a number of tools, including steel indexes, to track steel prices and when the price rises in one market (e.g. Europe) the increase flows through to other markets (e.g. Asia) very quickly. If an anti-dumping duty is in the form of an NV(VFDE) an increase in the steel price may, as occurred in 2008, increase the cost of the goods above the duty threshold, making the duty ineffective. At the same time the dumping margin, however, may not have changed as the Malaysian domestic and export price on which the duty is based will likely both have increased to the same extent. Establishing a NIFOB is problematic for the same reason in that the industry's NIP will also change with the steel price and therefore a NIFOB, which is a fixed amount, would also become ineffective very quickly in such circumstances. A more effective form of duty for this market would be one that is not affected by changes in the cost and therefore the price of the goods.

471. The Ministry considers that it is not appropriate in the case of galvanised wire to impose a static reference price which would normally apply for five years and which could quickly become outdated over that period, and which could require frequent reassessments.

Ad Valorem Rate Duty

472. An alternative method of setting anti-dumping duties is to apply an *ad valorem* duty to imports from all exporters of the subject goods. An *ad valorem* duty is easy to apply, it is transparent and can be set at the margin of dumping or at a margin of injury, whichever is the lesser amount, to remove the injurious effects of dumping.

473. An *ad valorem* rate is not affected by changes in prices over the period to which it applies and would be imposed on all imports of galvanised wire from Malaysia. The amount of anti-dumping duty payable, however, would change as prices change. If prices increase or decrease in the circumstances outlined above in paragraph 470, the amount of anti-dumping duty payable would change as the VFD changes. Any changes to export and domestic sale prices can be assumed to affect the costs in both these markets to a similar degree and therefore price changes in the goods would reflect these changes, and the margin between the prices would remain at a similar level and therefore the duty would remain relevant to the level of dumping. If this is not the case, then interested parties can apply for a reassessment.

474. When the VFD in NZD increases due to exchange rate changes or increases in the price of steel, the amount of anti-dumping duty increases. If both normal values and export prices change at the same rate, the percentage margin of dumping will remain the same, so the margin of dumping is not exceeded. If a lesser duty is applied by way of an *ad valorem* rate, the same margin of duty will also be applied regardless of changes in the cost of steel.

475. On the basis of the discussion above the Ministry considers that it is appropriate to apply an anti-dumping duty in this case in the form of an *ad valorem* rate.

8.5 Calculation of Proposed Anti-dumping Duties

Introduction

476. To establish the appropriate *ad valorem* duty rate to be applied to imports of galvanised wire from Malaysia, the Ministry has first considered whether the rate should be set at a lesser rate to remove only the injury likely to be caused by dumping or at a rate representing the full margin of dumping. The duty payable using an *ad valorem* rate is calculated as a proportion of the Customs VFD (usually the transaction value at the FOB level). A comparison of the un-dumped price at the VFD (FOB) point, namely the NV(VFDE) amount, and the non-injurious price at the VFD (FOB) point, namely the NIFOB amount, will show whether the rate of duty at the VFD point should be at the full margin of dumping or at a lesser rate to remove injury. If the NIFOB amount is lower than the NV(VFDE), a lesser duty is appropriate. If the NV(VFDE) amount is lower, a rate at the full margin of dumping is appropriate.

477. A comparison of the Ministry's calculation of a dumping margin as a percentage of the FOB price to a calculation of a non-injurious margin as a percentage of the FOB price should also reveal which margin is lower and therefore which rate should be used as the *ad valorem* duty rate. This conclusion should of course be consistent with that reached when comparing the NV(VFDE) and NIFOB amounts. The following paragraphs outline these calculations.

Ad Valorem Rate at the Full Margin of Dumping

478. A dumping margin for the purpose of establishing an *ad valorem* duty rate is the difference between the price of galvanised wire on the domestic market in Malaysia (normal value) and an export price. The *ad valorem* rate is the dumping margin expressed as a percentage of the FOB value.

479. The dumping margin was calculated by using the likely normal value and export price established in the dumping section of the Final Report. This exercise was conducted in section 4.7 of this report and the dumping margin calculated was MRY (or 16 percent as a percentage of the export price). For the purpose of calculating the dumping margin ad valorem percentage, the dumping margin has been divided by the FOB price to ensure that the dumping margin is expressed as a percentage of the same value as the non-injurious margin for the purpose of calculating the "lesser duty rule" (see below).

480. The Ministry notes that both the likely normal value and export price were calculated using 2007 calendar year values. This period was considered by the Ministry to be a relatively stable period of world steel prices and not affected by significant fluctuations of world steel prices as was the year that followed. As concluded in paragraph 160 of the Final Report, although the dumping margin related to the 2007 calendar year, the Ministry considered that this period is likely to be indicative of the dumping margin in future periods if the duties are removed.

481. The table below shows the dumping margin *ad valorem* rate calculation as a percentage of the FOB price.

Table 8.3: Dumping Margin (MYR/kg)

Normal Value	[redacted]
Export Price	[redacted]
Dumping Margin	[redacted]
FOB Price	[redacted]
Dumping Margin (as % of FOB)	15%

Lesser Duty Calculated as an Ad Valorem Rate

482. An *ad valorem* rate can be calculated by taking the NIFOB amount, calculated in Table 8.4 below, and subtracting the FOB price from Malaysia to New Zealand. The difference is then divided by the FOB price, and the resulting percentage is the non-injurious ad valorem duty rate. In accordance with the lesser duty rule, the non-injurious *ad valorem* duty rate will be used where it is lower than the dumping margin *ad valorem* duty rate.

Non-Injurious Price (NIP)

483. A NIP is an unsuppressed selling price at which a domestic producer can sell its products and is the basis on which a NIFOB amount is calculated. An unsuppressed selling price is one that is achievable in the absence of competition from dumped product in the New Zealand market. Anti-dumping duties have been in place on Malaysian galvanised wire since 2004 and there have been few imports since 1 June 2006. It is considered that PW's present prices have been unaffected by goods of Malaysian origin. The Ministry concluded that the New Zealand industry's prices are suppressed but this is not due to the presence of dumped imports from Malaysia and therefore most likely due to other causes.

484. PW provided its sales volume and sales revenue figures for its full 2009 financial year, broken down on a month by month basis. PW's sales revenue figures are net of freight and [redacted] This information did not separately identify the type or diameter size of the galvanised wire, therefore the Ministry has had to calculate an average selling price for galvanised wire. The Ministry considers that the most appropriate period on which to establish PW's NIP is the second half of PW's 2009 financial year because it is relatively unaffected by significant fluctuations of world steel prices. For this reason, PW's NIP is a weighted average selling price for its 2009 financial year, which equated to $[redacted] per kilogram.

Calculation of NIFOB

485. The purpose of the NIFOB is to ensure that the price of the imported product, when considered at the FOB level, is such that when it is sold at the relevant level of trade, the sale price is not lower than the NIP.

486. The calculation of a NIFOB is achieved by deducting from PW's NIP all costs that arise after FOB up to the level of trade at which the imported product first competes with PW's products. The first point of competition between the imported product and PW's product is at the ex-wharf level. Individual NIFOBs for each exporter have not been calculated due to the lack of up-to-date information sourced

from these exporters on their costs arising after FOB. As such, one NIFOB amount has been calculated using information sourced in the review and it applies to all exporters. A full description of the calculation and source information used to establish the costs incurred from FOB to ex-wharf and are provided in section 5.4 of the Final Report.

Table 8.4: NIFOB (NZD/kg)

PWs NIP	[redacted]
Less: Costs after FOB to Ex-Wharf	
Freight	[redacted]
Insurance	[redacted]
Customs Duty (5%)	[redacted]
Port Services	[redacted]
NIFOB	[redacted]

Calculation of Malaysian FOB Price

487. The NIFOB is based on the second half of PW's 2009 financial year covering the period from 1 January 2009 to 30 June 2009. To ensure a fair comparison, the Ministry considers that the Malaysian FOB price should be based on data covering the same period. The Ministry has used Australian Customs data which recorded all imports from Malaysia into Australia from 1 January 2009 to 30 June 2009 as base data from which an up-to-date FOB price could be constructed. For the reasons noted in paragraphs 244 to 247 of the Final Report, the Ministry considers that the Malaysian export price to Australia is the best available information from which to estimate an export price from Malaysia to New Zealand.

488. The Australian Customs data valued the imports from Malaysia in Australian dollars (AUS), and therefore the Ministry converted this value to NZD using the average exchange rate for the 6 month period ending June 2009 of NZD1:AUS0.79966 from the Oanda website. The value of the imports was also at the CIF level, and therefore the Ministry deducted the estimated freight and insurance from Malaysia to Australia of NZD[redacted] and NZD[redacted] per tonne respectively. The estimated freight figure was based on PW's estimate of freight to New Zealand of NZD[redacted] per tonne, minus NZD[redacted] per tonne, which it considered would be the extra cost of freight from Australia to New Zealand. The Ministry used the insurance cost incurred on imports from Malaysia to New Zealand in 2008 of NZD[redacted] per tonne. On the basis of the method described above, the Ministry calculated the average FOB price of galvanised wire from Malaysia to Australia of NZD[redacted] per tonne.

489. As noted in paragraph 110 of the Final Report, [redacted] estimated that [redacted] percent of galvanised wire imported into Australia from Malaysia was likely to be low tensile strength. Based on this information, the Ministry estimated the low and high tensile export prices based on an [redacted]/[redacted] mix of low and high tensile wire included within the average export

price by using a formula.[13] The simple average of the export prices for low and high tensile wire is considered to be the likely export price from Malaysia to New Zealand in the absence of the duties. The Ministry considered that a simple average of the prices was appropriate because it ensures a fair comparison with PW's average selling price, which includes both low and high tensile galvanised wire. On the basis of the method described above, the Ministry calculated a likely FOB price to New Zealand of NZD[redacted] per tonne.

490. The table below shows the non-injurious margin *ad valorem* rate calculation.

Table 8.5: Non-injurious Margin (NZD/kg)

NIFOB	[redacted]
Less: FOB Price	[redacted]
Undercutting	[redacted]
Injury Margin (as % of FOB)	29%

Comparison of Dumping Margin and Non-injurious Margin Ad Valorem Rates

491. The non-injurious margin *ad valorem* rate is 29 percent, which is higher than the dumping margin FOB *ad valorem* rate of 15 percent. The *ad valorem* duty rate would be therefore be set at the margin of dumping and be 15 percent of the VFD of the goods.

Proposed Levels of Anti-dumping Duty

492. The Ministry considers that a single *ad valorem* anti-dumping duty rate should be imposed on imports of Malaysian galvanised wire from all Malaysian exporters (with the exception of RCI), rather than the present exporter-specific reference prices and the all other exporters ad valorem rate. The exporters of galvanised wire involved in the original investigation and the current review did not provide any information during the review, and consequently the Ministry has had to use the best available information, which is not exporter-specific.

493. The Ministry prefers to impose an *ad valorem* anti-dumping duty rate because:

- The Ministry is mindful that a duty is normally imposed for five years. With the significant fluctuations in world steel prices, there is the possibility that a reference price could become outdated and ineffective, and therefore would not provide an effective remedy against dumped imports from Malaysia;
- An *ad valorem* rate is administratively easy to impose and thereby reduces compliance costs and provides certainty to the market that can be built into pricing strategies;

[13] Total FOB value of exports = (volume of low tensile * x) + (volume of high tensile * (x + high tensile premium)). x equals the export price of low tensile wire, and (x + the high tensile premium) equals the export price of high tensile wire.

- It is transparent and therefore all parties know of the rate that is to be paid.

8.6 Impact of Anti-dumping Duty

494. It is difficult to gauge the extent to which the proposed level of duty has changed when compared with the duty rates set in 2005 because those rates were mainly set through the use of reference prices whereas the proposed duty rate is a single *ad valorem* (percentage) rate. Only a small amount of anti-dumping duty has been collected since it was implemented which means that wire was being priced at or above the references prices from the time that they were imposed although volumes declined significantly from 2007. The current residual *ad valorem* rate of 11 percent cannot be compared directly with the proposed *ad valorem* rate of 15 percent but does give an indication that the amount of dumping has not changed markedly.

495. The impact on importers will be different however. Previously anti-dumping duty would have to be paid on every shipment that was below the reference price set, and when the VFD of the goods rose above this amount no duty was payable. The proposed *ad valorem* rate means that every shipment will pay duty at the rate of 15 percent regardless of the VFD of the goods. When the steel price rises or falls the duty will keep in step with it.

496. The transparency of the *ad valorem* duty allows a wider range of importers to assess the price competitiveness of Malaysian galvanised wire in the New Zealand market and this may mean that some importers will choose to import galvanised wire from Malaysia. The purchase price for importers may increase from previous prices but it would be the importer's decision as to whether they choose to pass the extra cost on to fabricators, distributors or building supply merchants. As the *ad valorem* duty rate is based on the full margin of dumping, the duty will ensure that the increase in the price removes any injurious price effects that may be caused to PW by dumped imports.

497. The proposed rate therefore, will at least maintain the effective level of remedy so that the conditions in the New Zealand market should not change in terms of the amount of anti-dumping duty payable by the New Zealand importers.

498. The proposed *ad valorem* duty rate is based on the full margin of dumping, and is therefore intended to remove any injurious effects caused by dumping. Should the *ad valorem* rate of duty be considered by interested parties to be no longer relevant, for example if export prices have increased at a greater rate than normal values, an interested party may apply for a reassessment of the rate of duty by providing evidence justifying the need for a reassessment.

8.7 Opportunity for Comment

499. Interested parties are invited to make submissions on this interim assessment report by **5 November 2009**. All submissions must be accompanied by a non-confidential version.

500. Depending on the nature of the submissions received and the content thereof, it may be necessary to lengthen the reassessment process in order to include new

information in the Ministry’s analysis. If submissions result in significant changes to the proposals contained in this interim reassessment report, the Ministry would consider issuing another interim report to allow parties to defend their interests before final representations are made to the Minister of Commerce.

501. A final reassessment report will be completed and referred to the Minister of Commerce as soon as practicable after receiving submissions on the interim reassessment report.

Appendix One

502. A full copy of the Act and the WTO Agreement on Implementation of Article VI of the GATT 1994 (the Anti-dumping Agreement) can be found at:

- http://www.legislation.co.nz/act/public/1988/0158/latest/DLM137948.html?search=ts_act_dumping+and+countervailing+duties&sr=1

- www.wto.org/english/docs_e/legal_e/19-adp.pdf or www.wto.org/english/docs_e/legal_e/19-adp.doc