

*Ministry of* **Economic  
Development**



*M a n a t ū   Ō h a n g a*

# **Non-Confidential Final Report**

## **Hog Bristle Paintbrushes from the People's Republic of China**

**Dumping and Countervailing Duties Act 1988  
Sunset Review**

**Ministry of Economic Development**

**Trade Rules, Remedies and Tariffs  
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## ABBREVIATIONS

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The following abbreviations are used in this Report:

Act (the)	Dumping and Countervailing Duties Act 1988
Ad valorem duty	Percentage duty
Anti-Dumping Agreement	WTO Agreement on Implementation of Article VI of the GATT 1994
C & F	Cost and Freight
Chief Executive (the)	Chief Executive of Ministry of Economic Development
CIF	Cost, Insurance and Freight
COP	Cost of Production
CNY	Chinese Yuan Renminbi
EBIT	Earnings Before Interest and Tax
FIS	Free Into Store
FOB	Free on Board
Haydn	Haydn Brush Company Limited
LDC	Less Developed Country
Ministry (the)	Ministry of Economic Development
NIP	Non-Injurious Price
NIFOB	Non-Injurious Free on Board [Reference Price]
NV(VFDE)	Normal Value (Value for Duty Equivalent) [Reference Price]
NZCS	New Zealand Customs Service
NZD	New Zealand Dollars
PAL	Paint Aids Limited
POR(I)	Period of Review for Injury: 1 April 2005 to 31 March 2008
POR(D)	Period of Review for Dumping : 1 July 2007 to 30 June 2008
USD	United States Dollars
USITC	United States International Trade Commission

VFD	Value for Duty
WTO	World Trade Organisation

# 1. Executive Summary

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## Introduction

1. A review of the anti-dumping duties that currently apply against imports of hog bristle paintbrushes from China was initiated by the Ministry of Economic Development on 11 July 2008. If the review had not been initiated by 14 July 2008, the anti-dumping duties would have expired. The anti-dumping duties under review have been in place in some form since 1988 when they were first imposed.

2. This sunset review was initiated on the basis of an application from Haydn Brush Company Limited (Haydn), which was considered to represent the New Zealand industry producing like goods to the Chinese hog bristle paintbrushes. This report considers the likelihood of a continuation or recurrence of dumping, which would lead to a recurrence of material injury to the domestic industry if the anti-dumping duties were removed.

## Goods Subject to the Investigation

3. The subject goods from China are described as:

*Hog bristle paintbrushes for household or industrial use\**

\* Note: This description includes hog bristle paintbrush heads

## Dumping

4. The Ministry has analysed importations of subject goods from China for the year ended 30 June 2008 which is the period of review for dumping (POR(D)), to assess whether dumping is currently taking place. The Ministry found that 93 percent of the importations from China paid anti-dumping duty. Assuming that the normal values on which the current duties are based are still representative of normal values over the POR(D), subject goods from China have been dumped over that period.

5. The Ministry has also assessed whether there would likely be a continuation of dumping if the anti-dumping duties are removed based on estimated normal values and quoted export prices from Chinese manufacturers. The normal value and export price information available to the Ministry indicates that the dumping of subject goods from China would be likely to continue if the anti-dumping duties are removed.

## Material Injury

6. Due to the lack of information from exporters and importers, the Ministry has been unable to analyse current undercutting of the domestic industry's selling prices. The Ministry has analysed a number of injury factors over the period from 1 April 2005 to 31 March 2008 which is the period of review for injury (POR(I)), which show that the domestic industry has suffered injury through price suppression, loss of sales volume and loss of market share. During the POR(I), relative to imports from other sources, import volumes from China have decreased significantly and the average Chinese import prices have increased. The Ministry concludes that the domestic industry has

suffered some injury over the POR(I), but this injury is not likely to be attributable to imports of subject goods from China.

7. The Ministry considers that the domestic industry's selling prices would be likely to suffer significant price undercutting from Chinese imports if the duties are removed. The significant undercutting margins are likely to result in the domestic industry suffering price depression by having to reduce its selling prices, which would be likely to lead to price suppression. Furthermore, the Ministry considers that these price effects would be likely to cause adverse impacts on profits, sales revenue, sales volume and have an adverse economic impact on most of the other injury factors assessed by the Ministry. The Ministry's injury analysis concludes that the New Zealand industry is likely to suffer a recurrence of material injury if the anti-dumping duties are removed.

## **Conclusion**

8. This report concludes that if the anti-dumping duties are removed, it is likely that there would be a continuation of dumping of hog bristle paintbrushes from China, which would likely cause a recurrence of material injury to the New Zealand industry.



## 2. Proceedings

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### 2.1 Proceedings

9. In May 1988, the Minister of Commerce imposed anti-dumping duties on hog bristle paintbrushes from China which were imported into New Zealand, based on an investigation which found that dumped Chinese imports had caused material injury to the domestic industry. Three subsequent reviews have concluded that if the anti-dumping duties were removed, it is likely there would be a recurrence of dumping, which would likely cause material injury to the domestic industry.

10. On 11 July 2008, 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,<sup>1</sup> on the basis of positive evidence submitted by Haydn justifying the need for the review. The Ministry considered, for the purpose of initiating a review, that Haydn's output of like goods constituted a major proportion of total New Zealand production of like goods and therefore Haydn could constitute the New Zealand industry.

11. Paint Aids Limited (PAL), the only other New Zealand manufacturer of paintbrushes, subsequent to the initiation of the review advised it is opposed to the continuation of the duties. The initiation of the review was notified in the *New Zealand Gazette* on 17 July 2008.

12. 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 consider the likelihood of a continuation or recurrence of dumping and material injury to the domestic industry if the anti-dumping duties were removed.

13. On 5 December 2008 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 19 December 2008 to make submissions based on the content of the Interim Report. The only submission from an interested party was from Haydn.

14. 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

15. In the absence of a review, the anti-dumping duties would have ceased to apply from 14 July 2008.<sup>2</sup> The existing anti-dumping duties have applied up to the release

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<sup>1</sup> Dumping and Countervailing Duties Act 1988, s14(8)

<sup>2</sup> Dumping and Countervailing Duties Act 1988, s14(9) and s14(9A)

of this Review Report and will continue to apply until the conclusion of the reassessment that will follow this report.

16. The Ministry has set the period of review for dumping (POR(D)) from 1 July 2007 to 30 June 2008, while the period of review for injury (POR(I)) involves the period 1 April 2006 to 31 March 2008 (Haydn's financial years 2005/6, 2006/7 and 2007/8). The Ministry normally prefers that each year of the POR(I) end on the same, or close to the same, month on which the POR(D) ends, but as Haydn's financial year ends 31 March, the Ministry considers that to provide information for an injury period ending June 30 would require excessive time, effort and cost for Haydn. The Ministry is satisfied that although the POR(D) is not fully covered by the POR(I), the information provided for both periods is accurate and is sufficient for this review. PAL provided some financial information for 2006, 2007 and 2008, for the years ending June.

17. The Ministry has also evaluated forecast information provided by Haydn for 2009 if the anti-dumping duties remain in place, and forecast information for 2009 if the anti-dumping duties are removed.

18. PAL is both an importer and a domestic manufacturer of paintbrushes and as noted above opposes the continuation of the duties. The Ministry received a partial response to the importer's and producer's questionnaires after the requested response dates. PAL's information and comments have been included in the relevant sections of this report.

19. The analysis of the forecast information provided by Haydn in conjunction with the analysis of the information provided by PAL provided the basis for a conclusion as to whether the domestic industry is likely to suffer material injury if the anti-dumping duties are removed.

## **2.3 Dumping and Injury for the Purposes of a Review**

### **Ministry's Approach to Sunset Reviews**

20. 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.

21. Article 11.3 infers a necessity to clearly demonstrate that, "...the expiry of the duty *would be likely* to lead to continuation or recurrence of dumping and injury" [*emphasis added*]. Some guidance regarding the interpretation of the phrase "would be likely" has been provided by the New Zealand Court of Appeal which interpreted the phrase to mean 'a real and substantial risk..., a risk that might well eventuate' (*Commissioner of Police Vs Ombudsman [1988] 1 NZLR 385*).

22. 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.

23. The Ministry notes that the consideration of whether anti-dumping duties should be removed does not exist in isolation but is dependent on whether the evidence shows that the expiry of the anti-dumping duties 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.

24. 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 duties 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.

25. 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

26. In its application Haydn provided positive evidence to support its claim that it is likely imports of hog bristle paintbrushes from China would be dumped if the anti-dumping duties were removed. Haydn also provided evidence that this dumping is likely to cause material injury to the domestic industry 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

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

## 2.5 Imported Goods

28. The goods from China which are subject to the anti-dumping duty are referred to as the “subject goods”, and are described as:

*Hog bristle paintbrushes for household or industrial use\**

*\* Note: This description includes hog bristle paintbrush heads*

29. The subject goods enter New Zealand under Tariff Item 9603.40.00 and Statistical Keys 03B ‘hog bristle paintbrushes’, 05J ‘combination of synthetic and hog bristle paintbrushes’, 08C ‘other’ and 11C ‘Distemper, varnish or similar brushes’. Imports from China of these goods are subject to the Less Developed Country (LDC) tariff of 5 percent. From July 2008 the normal rate for these goods was reduced from 7 percent to 5 percent.

30. Paintbrushes of Chinese origin which enter under statistical keys 03B and 05J are subject goods as they contain hog bristles. Paintbrushes of Chinese origin which enter under statistical keys 8C and 11C may, or may not, contain hog bristles. The Ministry has referred to the Customs’ description of the brushes in the NZCS data to determine if the brushes contain hog bristles, and if so, whether they should be included as subject goods.

## 2.6 Interested Parties

### New Zealand Industry

31. Haydn and PAL are the only manufacturers of paintbrushes in New Zealand. Haydn submitted the application for review seeking a continuation of the anti-dumping duties. PAL is both a manufacturer and an importer of the subject goods and opposes the continuation of the anti-dumping duties. A full discussion of the New Zealand industry is contained in section 3.2 of this report.

## Importers and Exporters

### Exporters

32. During the POR(D) there were no imports from China under statistical key 05J, and there were no imports under statistical keys 08C or 11C of paintbrushes containing hog bristles. Exporters were therefore identified initially from NZCS data under statistical key 03B only as exporters or intermediary suppliers of hog bristle paintbrushes. The following companies were contacted to find the manufacturers of hog bristle paintbrushes of Chinese origin to New Zealand during the POR(D), classified under statistical key 03B. The Ministry was able to identify only [REDACTED] as a manufacturer of hog bristle paintbrushes in China, but the company did not respond to requests for information by the Ministry. None of the exporters or the manufacturer referred to above provided a questionnaire response.

**Table 2.1: List of Exporters**

AGD Asia Ltd
F H Prager Pty Ltd
Fujian Fuzhou Tiandi Import & Export Co Ltd
King Brush Co Ltd
[REDACTED]
Sunnry International Ltd

### Importers

33. During the POR(D) there were no imports from China under statistical key 05J, and there were no imports under statistical keys 08C and 11C containing hog bristles. The following importers were therefore identified from NZCS data as importing hog bristle paintbrushes from China under statistical key 3B during the POR(D).

**Table 2.2: List of Importers**

Five Star Paints Limited
Magsons Hardware Limited, (Magsons, aka Magsons Mitre 10)
Paint Aids Limited, (PAL)
Ramset NZ
Uncle Bills (New Zealand) Limited

34. None of the importers provided a response to the importers' questionnaire, although PAL provided some import statistics, sales volume and cost information relating to its imported paintbrushes and comments related to the market. Magson's provided import entry details for [REDACTED] it had received during the period, but has not provided any further information.

## 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<sup>8</sup>, 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.

<sup>8</sup> 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. The exchange rates used in this report are the interbank rates recorded on the OANDA currency conversion site on the internet.<sup>3</sup> Export price information in the form of quotes has been converted to the relevant currency using the exchange rate on the date that the quote was made. The dates and exchange rates used are disclosed in the relevant sections of the report.

## 2.8 Disclosure of Information

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

38. Due to the lack of information and consequently the failure to provide the necessary information in the review, decisions relating to export prices and normal values have been made based on the best information available in accordance with the Act<sup>4</sup> and the Anti-Dumping Agreement.<sup>5</sup>

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<sup>3</sup> [www.oanda.com](http://www.oanda.com)

<sup>4</sup> Dumping and Countervailing Duties Act 1988, s6.

<sup>5</sup> WTO Agreement on Implementation of Article VI of the GATT 1994, Art 6.8

## 3. New Zealand Industry

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### 3.1 Like Goods

39. In order to establish the existence and the extent of the New Zealand industry for the purposes of an investigation, it is necessary to determine whether there are New Zealand producers of “like goods”. The term “like goods” is defined as being goods which are like the subject goods in all respects (identical), or in the absence of identical goods, goods which have characteristics closely resembling the subject goods.<sup>6</sup>

40. The original investigation and the subsequent reviews have concluded that domestically produced hog bristle paintbrushes are like goods to the subject goods. Both Haydn and PAL continue to produce hog bristle paintbrushes with the same characteristics as were produced in the original investigation. The Ministry considers that domestically produced hog bristle paintbrushes are like goods to the subject goods.

41. Since the 2003 review, Haydn has begun producing synthetic paintbrushes. PAL has also stated that it produces synthetic paintbrushes. Therefore the Ministry has considered whether domestically produced synthetic paintbrushes are also like goods to the subject goods.

42. The United States considered a similar issue for paintbrushes some years ago in the ‘Natural Bristle Paintbrushes from the People’s Republic of China’<sup>7</sup> anti-dumping investigation (see Public File Document #175). In that case, the subject goods were described as natural bristle paintbrushes from China. Natural bristle paintbrushes are made with animal hair, which is normally hog bristle. The United States International Trade Commission (USITC) defined the like goods produced by the American domestic industry as both natural bristle and synthetic paintbrushes. The Ministry has noted the comments made in the USITC report concerning like goods in the relevant sections of this report.

43. The Ministry has considered the following factors in assessing whether the synthetic brushes made in New Zealand are like goods to the imported hog bristle paintbrushes from China.

#### Physical Characteristics

44. Assessing the physical characteristics involves looking at the appearance, size and dimensions, composition of the product and the production methods and technology utilised to create it.

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<sup>6</sup> Dumping and Countervailing Duties Act 1988, s3(1)

<sup>7</sup> USITC Publication 1805, January 1986.

## Appearance

45. Locally manufactured synthetic paintbrushes have the same basic appearance as imported hog bristle paintbrushes in that they are the same basic shape. All have filaments, a ferrule and a similar shaped handle. The average consumer would not be able to easily distinguish between a hog bristle and synthetic paintbrush based on appearance, although specialised painting shops may be able to identify differences and advise customers. There are also differences among all types of paintbrushes, regardless of whether they have hog bristle or synthetic fibres and so are not identical even within each type. They can vary in appearance from any other paintbrush in terms of the colour of the filaments, the colour of the material of the ferrule (e.g. stainless steel or brass) and the material and colour of the handles (e.g. natural wood, painted wood or plastic). Synthetic filaments, however, may be shiny and/or coloured with little or no flagging as found on pure bristle brushes.

## Size and dimensions

46. Paintbrushes are often branded and there may be more than one type under one brand. Each type may come in a range of sizes, which may or may not be the same sizes as other types of brushes. For example PAL's Contract Legend Oval synthetic brush which is made in New Zealand comes in widths of 38mm, 50mm, 63mm, 75mm, 88mm and 100mm. Imported hog bristle brushes are also being imported in these sizes. Other common sizes are 12mm and 25 mm wide. Brushes also may vary in thickness.

## Components

47. Both hog bristle and synthetic paintbrushes contain the same or similar components i.e. fibres, a wedge, glue, a ferrule (e.g. stainless steel or brass), a handle (e.g. plastic or wooden), and possibly nails or screws.

48. Haydn states that "a paint brush 'first and foremost' is all about the bristle, not the handle or the ferrule or anything else" and does not consider that synthetic brushes are like goods for the purposes of this review. Haydn provided the following comparison of information based on its own experience in support of its view that the brushes are different.

**Table 3.1: Different Paintbrush Components**

<b>Hog Bristle</b>	<b>Synthetic</b>
Fibres have natural flag for paint holding ability	Fibres are shiny and have no natural flag
Bristles are glued to a wooden wedge	Different glue has to be used to bind synthetic fibres to a wooden wedge
Bristle is a natural product	Fibres are man-made

## Production Methods

49. Haydn also provided the following information in relation to differences in processes used in the production of paintbrushes.



**Table 3.2: Different Production Methods**

<b>Hog Bristle</b>	<b>Synthetic</b>
Does not produce static electricity	Production induces static electricity in the process
Machine made	Mostly hand made
flat at the and trimmed at the to obtain the required shape	from the and is not trimmed at the, which would ruin it
Bristle is variable and the fibres are mixed, not uniform	Man-made fibres are uniform
Bristle needs to be	could ruin a synthetic brush
Can straighten bristle if it became bent by steaming or boiling	Heat of this nature could ruin the fibres

50. The Ministry notes that the USITC report states that the manufacturing process for both brush types is the same, and they can be made on the same production lines, and the same machinery is used to produce both hog bristle and synthetic brushes. The USITC noted that the preparation of fibres is different. Natural bristle may have to be boiled in some instances and synthetic fibres may be flagged or tipped to improve their paint holding ability. The applicant in the US investigation stated that although these differences exist, they are not significant.

### **Technology**

51. The Ministry has not been provided with any information concerning developments in the technology of manufacturing of paintbrushes. However, the 2004 USITC report recorded that the equipment in China (presumably having large output volumes) exists which can be used to produce both synthetic filament and natural bristle paint brushes, and so production can be switched between the two types of paintbrushes on the same machinery.

52. The USITC report notes that there has been an “increasing use of water-based paints for which natural bristle brushes are not suited, as well as improvements in synthetic filament technology” (e.g. technology to improve their paint holding ability) and that these “are responsible for the relative decline in the use of natural bristle paint brushes” as a consequence, but added that “there remains a stable and significant market for natural bristle paint brushes”. For the 5 years to 2003 in the US, both types of paintbrush sales had been increasing, but the natural bristle market had been increasing at a slower rate than the synthetic market.

### **Conclusion on Physical Characteristics**

53. There are some differences in appearance between hog bristle and synthetic brushes which are no more marked than the differences in appearances among each brush type. There are differences in sizes and dimensions among individual brushes and ranges of brushes and the components that make up the brushes, other than those of the brush head fibres. There are some differences in production methods. The information suggests that both types of brushes can be made using the same brush making machinery. Haydn has advised its. The main difference in

physical characteristics appears to be the fibres used for the brush head in that the fibres and the preparation of the fibres are different in some respects. Improvements in some synthetic filaments used to make paintbrushes appears to have had some affect at the top end of the market in improving the performance of synthetic paintbrushes compared with those of hog bristle.

## Function and Usage

54. Function and usage covers consumer perceptions, expectations, and end uses, which can assist in reaching conclusions regarding substitutability where relevant.

55. Material from the internet (see Public File document numbers 180 to 182) provides information on function and usage and they agree that paintbrushes containing natural bristles, especially hog bristles, are more commonly used when applying oil-based paints. However, when hog bristle paintbrushes are used with water-based paint, the bristles may become floppy as they absorb moisture from the paint.

56. The material from the internet referred to above suggests that the paint industry developed brushes incorporating synthetic fibre for use with water-based paints. Synthetic fibre does not absorb moisture and therefore does not become floppy during use with water-based paints. Hog bristles are naturally tapered and provide excellent paint pick-up, release and paint coverage. In comparison, synthetic fibres are inferior to hog bristles with respect to paint pick-up and release and result in less surface coverage.

57. Haydn commented that the hog bristle brush is a better all round brush in terms of ability to use both water and oil based paints, whereas the synthetic brushes are not so good in applying oil based paints. The cheaper bristle “chip brushes” are often used to brush away chips and other debris from machinery, where synthetic brushes cannot be used because they are heat sensitive.

58. The USITC report noted that evidence suggested that synthetic filament brushes can be used in many of the same applications as natural bristle brushes. They are both used to apply paint, stain, and other solvents. There had also been an increase in use of water based paints and improvement in performance of synthetic brushes which pointed to the relative decline in sales of hog bristle paint brushes compared with synthetic brushes.

59. It would seem reasonable that similar drivers including access to improved synthetic filament’s performance, would be operating in the New Zealand market, where over the last three years the synthetic brush market and therefore usage has increased at a greater rate than that of hog bristle brush usage.

## Conclusion on Function and Usage

60. In many situations each brush type appears to be as least in part substitutable for the other. Developments in paint and synthetic filament technology may have had the effect of increasing the relative volume of the synthetic brush usage relative to hog bristle brush usage.

## Pricing

61. Some products are differentiated by the level at which they are priced to end users, while others are distinguished by the costs that are built into the pricing structure or the way in which prices are set.

62. From the information available, it appears that the main influence on prices is the competition among the large retail chains and DIY stores that compete against each other for customers based on price. This situation is the same for both hog bristle and synthetic paintbrushes. Costs of manufacture play a secondary role in setting the price and are often squeezed at the retail end (see comments under marketing below).

63. Haydn states that top quality synthetic raw material bristle may be [REDACTED] than pure bristle, although the pure bristle [REDACTED] synthetic bristle prices. Haydn also said that lower grade synthetic materials are much [REDACTED] than bristle. Haydn considers that these conditions reflect the cost of the materials used to manufacture the brush and so synthetic brushes can be more or less expensive than hog bristle.

64. The Ministry notes that Haydn's average ex-factory selling prices for synthetic brushes are [REDACTED] than the average selling ex-factory price of Haydn's "[REDACTED]" range of hog bristle paintbrushes. It also notes that the average FOB prices for imported synthetic brushes are often [REDACTED] than the average FOB prices for hog bristle paintbrushes.

## Conclusion on Pricing

65. The large retail chains and DIY stores are the main drivers of price. There is little difference in the range of prices of paintbrushes in the market and the way they are set. Cost is significant, but not the major influence on price setting for either type of paintbrush.

## Marketing Issues

66. Marketing considerations include: the distribution channels used; customers (both actual and targeted); branding; and advertising.

67. The majority of paintbrushes are sold to end user customers through large (often chain) DIY home decorating stores or paint stores. These stores often advertise the goods in conjunction with their own marketing programmes and in-store promotions. Haydn sells its goods through its sales people and orders are sent directly from the factory to the retail outlet or distribution warehouse. There are no distinctions made in the way hog bristle and synthetic paint brushes are distributed and sold except in the information made available at the point of sale.

68. The USITC report makes no distinction between the synthetic and the natural bristle markets. It describes the US market paintbrush market as having three quality levels, the "consumer segment", the "professional segment" and the "utility" or "chip" brushes segment. The consumer segment is the largest portion of its market and the brushes are typically sold in superstores to the DIY market. The

professional brushes contain more natural bristles or synthetic filaments and have wooden handles. The utility “chip” brushes are used to remove chips and other debris from equipment during machining operations and to apply glue, lubricants or paint (when quality of finish is not important).

69. These segments are also observable in the New Zealand market although the relative sizes of the segments may differ. Haydn categorise its brushes as “Industrial”, “Handyman”, and “Tradesman “. The distinctions have been made from the manufacturer’s point of view of quality and the categories are not absolute as there is some crossover in usage among these groups. From a consumer point of view the distinctions would be made clear through point of sale information and price differences.

### **Conclusion on Marketing Issues**

70. There appears to be no difference between hog bristle and synthetic brushes concerning their marketing, distribution, branding and advertising.

### **Other Relevant Matters**

71. Other relevant matters can include tariff classification and any other matters that may be applicable in the circumstances. Synthetic paintbrushes and bristle paintbrushes have the same tariff item but separate statistical keys. This is not significant as they were created in the Tariff of New Zealand for the purpose of collecting separate data for the different types of brushes.

### **Conclusion on Like Goods**

72. As the domestically produced hog bristle paintbrushes have not changed since the last review, the Ministry considers that they are still like goods to the subject goods. Although the domestically produced synthetic paintbrushes are not identical to the subject goods, the Ministry considers that the synthetic paintbrushes have characteristics which closely resemble the subject goods. The Ministry concludes that domestically produced hog bristle and synthetic paintbrushes are both like goods to the subject goods.

## **3.2 New Zealand Producers**

73. Section 3A provides the definition 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.

74. In considering what now constitutes the industry making like goods, the Ministry has concluded in section 3.1 that domestically produced synthetic paintbrushes should be treated as a like good to the imported Chinese hog bristle paintbrushes.

This means the manufactured volumes of both Haydn and PAL for both types of paintbrushes should be taken into account in this consideration.

75. Haydn does not record actual production figures for hog bristle or synthetic paintbrushes. Using the opening and closing hog bristle paintbrush inventory figures, the Ministry was able to estimate Haydn's production of hog bristle paintbrushes for 2007 and 2008. The Ministry calculated that hog bristle paintbrush sales were 10 percent higher than the hog bristle paintbrush production for 2007 and 2008. However, Haydn was not able to provide past inventory information of synthetic paintbrushes to enable an estimate of production of synthetic paintbrushes. The Ministry has calculated that the hog bristle paintbrush inventory as a percentage of hog bristle paintbrush sales volume for 2006, 2007 and 2008 ranged from 10 to 15 percent. This calculation confirms Haydn's statement that its sales volume of like goods is indicative of its production volume, as its inventory levels are normally around the same level each year.

76. PAL has provided its sales volume information for 2006, 2007 and 2008, but has not provided any information concerning its production volume. As PAL's response to the questionnaire was received well after the requested response date, the Ministry was not able to verify the information provided by PAL. It is not clear whether the information provided by PAL is limited to only like goods, or whether it also includes products which are not considered to be like goods.

77. The Ministry is satisfied that the 2008 sales volume for each company's 2008 financial year is representative of each company's volume of production. The sales volume figures for Haydn and PAL (31 March and 30 June respectively) are included in the table below.

**Table 3.3: New Zealand Industry Production**

	Number of Brushes
Haydn's Production Hog Bristle Brushes	10
Haydn's Production Synthetic Brushes	10
<b>Total (Haydn)</b>	20
PAL's Production Hog Bristle Brushes	10
PAL's Production Synthetic Brushes	10
<b>Total (PAL)</b>	20
Domestic Industry Production	40

78. The table indicates that Haydn has approximately 50 percent of the domestic production and PAL has the remaining 50 percent. With the provision of PAL's information the Ministry is able to conclude that although PAL is part of the domestic industry, Haydn's production volume of like goods constitutes a significant majority of the domestic industry.

### 3.3 Imports of Hog Bristle Paintbrushes

79. The table below shows import volumes of hog bristle paintbrushes to New Zealand under statistical keys 03B and 05J according to NZCS data. From 2006 to 2008, there were no brush imports under statistical keys 08C and 11C which contained hog bristles.

**Table 3.4: Imports of Hog Bristle Paintbrushes  
(Years ended 30 June)**

	2006	2007	2008
China	209,359	212,212	115,980
Other Countries	549,957	688,843	737,673
Total Imports	759,316	901,055	853,653

80. The Ministry has identified two types of brushes imported by [REDACTED], [REDACTED] brushes and [REDACTED] brushes, which were incorrectly classified under statistical key 3B. These brushes are not subject goods and the import volumes for these brushes have been removed from the totals.

### 3.4 New Zealand Market

81. The following table shows the New Zealand market for imports of hog bristle paintbrushes and like goods produced in New Zealand. The domestic sales figures in the table relate to Haydn and PAL's sales volumes in their respective financial years. Imported synthetic paintbrushes enter New Zealand under statistical key 04L. The import volumes of synthetic brushes identified from NZCS data have been included in the table below as a separate line below the main part of the table to provide a more complete picture of the total New Zealand paintbrush market.

**Table 3.5: New Zealand Market**

Imports	2006	2007	2008
Hog Bristle Paintbrushes from China	209,359	212,212	115,980
Hog Bristle Paintbrushes from Other Countries	549,957	688,843	737,673
Domestic Sales			
Haydn - Hog Bristle	[REDACTED]	[REDACTED]	[REDACTED]
- Synthetic	[REDACTED]	[REDACTED]	[REDACTED]
PAL - Hog Bristle	[REDACTED]	[REDACTED]	[REDACTED]
- Synthetic	[REDACTED]	[REDACTED]	[REDACTED]
Total NZ Market for Imported Hog Bristle brushes and NZ production of like goods	[REDACTED]	[REDACTED]	[REDACTED]
Imported Synthetic Brushes	2,122,673	2,687,739	2,254,406



82. The table shows that over the period 2006 to 2008:

- The subject goods imported from China declined significantly (by 45 percent);
- Imports of hog bristle paintbrushes from other sources increased by 34 percent;
- Total imports of synthetic paintbrushes increased by 6 percent;
- Sales of domestically manufactured hog bristle paintbrushes declined by 15 percent;
- Sales of domestically manufactured synthetic brushes increased by 10 percent;
- The total New Zealand market for imported hog bristle brushes and New Zealand production of like goods increased 10 percent in 2007, but decreased by 10 percent in 2008;
- The total New Zealand paintbrush market increased by 10 percent.





## **4. Review of Dumping**

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83. Dumping occurs when an exporter sells goods to New Zealand at a price lower than it sells goods which are like those exported, in its own domestic market.

### **4.1 Purpose of Review of Dumping**

84. 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 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:

- Whether the goods under review continue to be dumped, and if so, the extent of that dumping.
- The likelihood of the continuation of any such dumping should anti-dumping duties be removed.
- Where imports of the goods subject to anti-dumping duty have ceased or are no longer dumped, the likelihood of a recurrence of dumping should anti-dumping duty be removed.

### **4.2 Likelihood of Continuation or Recurrence of Dumping**

#### **Introduction**

85. To assess the likelihood of a continuation or recurrence of dumping if anti-dumping duties are removed, the Ministry has carried out two separate exercises. Firstly, the Ministry has analysed importations of subject goods over the POR(D), to assess whether subject goods have been dumped. Assuming that the normal values on which the current duties are based are still representative of normal values over the POR(D), any importation of subject goods over the POR(D) on which anti-dumping duty was paid is considered to be dumped.

86. Secondly, having considered whether subject goods are currently being dumped, the Ministry has then compared quoted export prices and estimated normal values in China to assess whether there is likely to be a continuation or a recurrence of dumping if the duties were removed.

#### **Comparison of Prices**

87. 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.

88. 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

89. In the present review, because there was no cooperation from the Chinese exporters, the Ministry was unable to select an appropriate Chinese domestic sale made by each of these exporters which it could compare with their export transactions, or likely export transactions should duties be removed. As a result, the Ministry was unable to conduct a transaction-to-transaction analysis for each of the exporters and has had to base decisions on the best available information.

### 4.3 Imports of Subject Goods over POR(D)

90. From the NZCS data, the Ministry has been able to identify the importations of subject goods which paid anti-dumping duty during the POR(D) which, as noted in paragraph 85 above, are considered to be dumped. NZCS data does not record the size or the type of hog bristle paintbrushes that were imported.

**Table 4.1: Imports of Subject Goods over the POR(D)**

	Volume	Value
Dumped Imports	107,240	██████████
Non-Dumped Imports	8,740	██████████
Total Imports from China	115,980	181,721

91. A reassessment of the anti-dumping duty in 2003 (which followed a sunset review) set anti-dumping duty rates on the basis of reference prices. This means that any importations of subject goods that enter New Zealand below the reference price are subject to an amount of anti-dumping duty to ensure it meets the reference price. It should be noted that the reference prices have not changed since the 2003 reassessment.

92. According to the NZCS data, 93 percent of subject goods imported during the POR(D) paid anti-dumping duty. Of the ██████████ importations over the period, ██████████ importations paid dumping duty. One other importation was required to pay anti-dumping duty, but the importer opted to abandon the goods to the Crown, after which the Ministry permitted the anti-dumping duty to be waived under the Customs

and Excise Act 1996.<sup>8</sup> The Ministry is not aware of the amount of anti-dumping duty that was payable for the importation, although the VFD per brush was extremely low compared to the VFD per brush for the other importations during the period.

93. Where duties have been imposed by means of a reference price, it is possible that an exporter may increase its export prices to New Zealand up to the reference price, therefore, no anti-dumping duty is payable. Based on the NZCS data, the Ministry concludes that the majority of the subject goods from China were dumped over the POR(D).

## 4.4 Export Prices

94. Export prices are determined in accordance with Section 4 of the Act. No exporters responded to the Ministry's questionnaire so export prices have been established using the best available information.

95. The Ministry has export price information for a range of do-it-yourself (DIY) paintbrushes provided by the applicant. Due to limited information it cannot carry out a detailed transaction to transaction comparison of export prices with normal values in each of the different quality categories of paintbrushes, which would be the preferred approach. Having established that dumping is currently taking place, the following analysis considers whether dumping is likely to continue if the anti-dumping duties are removed.

### Introduction

#### Base Export Price

96. The first step in establishing an export price is to identify a base export price, which is the price an importer has 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 free-on-board (FOB), cost insurance and freight (CIF) or cost and freight (C&F) level.

97. Haydn obtained quotes for FOB export prices for hog bristle paintbrushes from China. The FOB prices were provided in an email from [REDACTED], a bristle merchant in China, for DIY quality paintbrushes, under the brand name [REDACTED]. Prices were in United States dollars (USD) for brush sizes 25mm, 38mm, 50mm, 63mm 75mm and 100mm. According to the email correspondence, the factory producing the brushes is believed to be in [REDACTED], which is located in Hebei province. The Ministry notes that there is no indication that these prices have been affected by the existence of the anti-dumping duties, and therefore may represent likely prices in the absence of duties.

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<sup>8</sup> Customs and Excise Act 1996, s113

## Adjustments

### Introduction

98. Having established that the base export price is at the FOB level, the next step is to deduct any costs incurred by the exporter between the FOB level and ex-factory level. Costs incurred between ex-factory and FOB will usually include export packaging, export document charges, inland freight, port-handling, wharfage and containerization charges.

99. These adjustments to the base export price will result in the calculation of an ex-factory export price. Where relevant, adjustments are also made for other differences which affect price comparability, such as differences in credit terms and physical differences. Making the relevant adjustments to the export price ensures a fair comparison with the ex-factory normal value calculated in section 4.5, from which a dumping margin is calculated.

100. A deduction has been made from the FOB prices for the cost of internal cartage from the factory to the port. Haydn's application included an email received by [REDACTED], which suggests that the nearest port to the Hebei province is Xingang. The email correspondence estimated the cartage cost from Hebei to Xingang to be [REDACTED] USD for a 20 foot container.

101. In the 2003 review, Haydn estimated that 43,500 mixed brushes could be held in a 20 foot container. The Ministry has divided the [REDACTED] USD by the 43,500 brushes to estimate the cost of cartage per brush, which has been deducted from the FOB price. No evidence of other costs between FOB and ex-factory were provided in the application.

102. There are other costs that will be incurred in the export of the goods to New Zealand prior to the FOB level. These are likely to include an exporter agent margin, and costs such as cost of credit, export packaging, export document charges and or Customs charges, port-handling, wharfage and containerisation charges, loading fees and a BAF fee (which is often charged to the exporter if the goods are sold FOB). Costs such as these have not been assessed here for the purposes of establishing export prices as the information provided already shows that the goods are dumped, and these costs will only increase the dumping margins. In the absence of actual information these elements will be assessed and included in the consideration of any reassessment of the anti-dumping duty, along with any other adjustments which affect price comparability, from information the Ministry holds on similar costs incurred in China from other dumping investigations, and any other information the Ministry considers appropriate.

103. The resulting ex-factory price in USD was converted to Chinese Yuan Renminbi (CNY) to enable a comparison with the normal value in the same currency. The quote for the Chinese paintbrushes was sent to Haydn on 8 March 2008; the

USD/CNY exchange rate on that date was 1 USD:7.12 CNY.<sup>9</sup> The estimated ex-factory export prices are shown in section 4.6.

## 4.5 Normal Values

### Base Price

104. A normal value is the price of a like good to the exported product which is sold on the foreign manufacturer's domestic market. Information from which a normal value is established should ideally relate to the POR(D), which covers the period of 1 July 2007 to 30 June 2008. As was the case with establishing export prices, the Ministry has had to use the best information available in order to establish normal values.

105. In its application for a review, Haydn provided normal value price information for the DIY [REDACTED] brushes from the same email from [REDACTED] which quoted the export prices. The email provided estimated local free-into-store (FIS) prices in CNY, for DIY brushes of the same sizes identified in the export price section.

### Adjustments

106. Having established that the base normal value is at the FIS level, the next step is to deduct any costs incurred by the exporter between the FIS level and ex-factory level and to make any other relevant adjustments which affect price comparability. This allows a fair comparison as both the export price and normal value are on the same basis and at the ex-factory level.

107. A later email from [REDACTED] explained that the cost of cartage for a full truckload from ex-factory to the customers' central distribution store would be [REDACTED] percent of the value of the goods. However, delivery to the individual retail outlets would be [REDACTED] percent because the value of goods is much lower.

108. As the inland freight adjustment for the export price is based on a 20 foot container, the Ministry considers the most comparable inland freight cost adjustment for the normal value is that for delivery to central distribution stores (which would take larger volumes of paintbrushes), rather than delivery to individual stores. Therefore, the Ministry has made a deduction of [REDACTED] percent from the FIS price. The estimated ex-factory normal values are shown in section 4.6.

109. No information concerning other costs between FIS level and ex-factory, or other differences affecting price comparability, was provided to the Ministry.

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<sup>9</sup> www.onanda.com

## 4.6 Comparison of Export Price and Normal Value

110. Using the export prices and normal values calculated in sections 4.5 and 4.6, the Ministry has calculated the estimated dumping margins for the [REDACTED] hog bristle paintbrushes.

**Table 4.2: Dumping Margins for the [REDACTED] Brush**

(CNY)				
Brush	Ex-Factory	Ex-Factory	Dumping Margin	Dumping Margin
Size	Normal Value	Export Price		(% Export Price)
25	[REDACTED]	[REDACTED]	[REDACTED]	19%
38	[REDACTED]	[REDACTED]	[REDACTED]	17%
50	[REDACTED]	[REDACTED]	[REDACTED]	16%
63	[REDACTED]	[REDACTED]	[REDACTED]	16%
75	[REDACTED]	[REDACTED]	[REDACTED]	16%
100	[REDACTED]	[REDACTED]	[REDACTED]	15%

## 4.7 Conclusions Relating to Dumping

111. The Ministry concludes that its analysis of importations of subject goods over the period of review indicates that hog bristle paintbrushes from China have been dumped, assuming that the normal values on which the current duties are based are still representative of normal values over the POR(D).

112. With respect to the continuation of dumping, due to the limited price information from China, the Ministry's analysis has been limited to the DIY category. The dumping analysis indicates that the quoted DIY brushes would be dumped. The Ministry considers it reasonable to assume that the dumping margins calculated for the DIY category would be indicative of dumping margins for the other paintbrush categories, as it is likely that Chinese manufacturers' cost and price structures for those other categories are consistent with that of the DIY category. The Ministry concludes that if anti-dumping duties were removed, it is likely there would be a continuation of dumping.

## 5. Review of Injury

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### 5.1 Injury in a Review

#### Introduction

113. 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.

114. 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.

115. 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.

#### Likelihood of a Continuation or Recurrence of Injury

116. 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.

117. 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 impact on the domestic industry arising from the likely volume of the dumped goods and their likely effect on prices.

118. In considering whether the removal of the duty would likely lead to a continuation or recurrence of injury to the New Zealand industry as a whole, the Ministry has taken into account the submissions by both PAL and Haydn, while bearing in mind that in terms of the New Zealand industry's sales volume, Haydn represents a significant majority of sales at [REDACTED] percent while PAL has [REDACTED] percent.

#### Information Submitted by PAL

119. PAL states that the anti-dumping duties are no longer relevant and are ineffective. PAL advised it has already moved some of its paintbrush production offshore to remain viable. PAL has provided sales information for 2006, 2007 and 2008 for years ended June. PAL claims that it would not suffer injury if the duties were removed, but has not provided any reasons or forecast information to support this claim.

## Information Submitted by Haydn

120. The Ministry has evaluated the financial data submitted by Haydn for the period 1 April 2006 to 31 March 2008 (financial years). This information provides an indication as to the current performance of Haydn in terms of like goods. Haydn has advised it has not been injured by imports of the subject goods since the last review and reassessment and this would not be expected with the duties in place.

121. The Ministry has also evaluated forecast financial data provided by Haydn for 2009 assuming that the anti-dumping duties remain in place, and forecast financial data for 2009 should the anti-dumping duties be removed. This forecast information forms the basis of a conclusion as to whether Haydn would likely suffer injury if the anti-dumping duties were removed.

### ***Forecast for 2009 if anti-dumping duties remain in place***

122. Assuming that the anti-dumping duties remain in place, Haydn estimates that its sales volume in 2009 will remain at the same level as achieved in 2008. Haydn noted at the verification visit that it had [REDACTED], but that it had also [REDACTED], which in effect offset each other. The Ministry is satisfied that Haydn's estimate of the same sales volume in 2009 is reasonable.

123. Haydn also expects its sales revenue to [REDACTED] in 2009 [REDACTED]. At the verification visit Haydn identified the customers which have [REDACTED], and estimated an average [REDACTED] based on volume of sales of customers [REDACTED]. The Ministry considers that Haydn's forecast selling prices have been estimated on a reasonable basis.

124. Haydn stated that it [REDACTED] planned for 2009. The Ministry considers that the forecast 2009 costs remaining at the 2008 level is reasonable.

### ***Forecast for 2009 if anti-dumping duties were removed***

125. Haydn states that it would need to make significant reductions in its selling prices to compete with paintbrushes from China if the anti-dumping duties were removed. In the price undercutting section of the report beginning at paragraph 161, the Ministry has estimated the likely importer's ex-store selling prices of the paintbrushes from China in the absence of the anti-dumping duties. In order to compete with these estimated selling prices, Haydn considers that it would need to sell its hog bristle paintbrushes [REDACTED], and its synthetic paintbrushes [REDACTED]. The Ministry considers that Haydn's forecast selling prices if the duties are removed are reasonable when consideration is given to the very low importer ex-store selling prices.

126. Haydn did not forecast what would happen to its cost of production (COP) or selling, administration and other costs if the duties are removed. The Ministry has



assumed for the forecast that these costs would remain the same as the 2008 level. The Ministry notes that Haydn forecasts a significant reduction in production, and therefore some costs should decrease e.g. electricity, but also recognises that Haydn would incur additional costs for costs such as [REDACTED] and pre-ordered raw materials, and increased costs per unit for fixed costs such as rates. The Ministry considers that the 2009 costs if the duties are removed may therefore in fact be more than the 2008 costs. The Ministry considers that Haydn's forecast costs are reasonable on the basis that they are likely to be under-stated and consequently conservative in estimating the impact of the removal of the anti-dumping duties.

127. Haydn stated that it is [REDACTED]. Haydn said it would [REDACTED]. The Ministry considers that Haydn's decision to [REDACTED] is reasonable given that [REDACTED].

128. Haydn said it would attempt to [REDACTED], but considers that it would be [REDACTED] as soon as there is any indication that the duties would be removed. The Ministry considers that Haydn's statement that it would [REDACTED] is reasonable in that it would be recovering some of the costs it has incurred. The Ministry also agrees that Haydn would be [REDACTED] as soon as parties are notified of the removal of the anti-dumping duties.

129. The likely impact of the removal of the anti-dumping duties is discussed in more detail below.

## 5.2 Volume Effects

### Import Volumes

130. 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. The following table shows the import volumes of hog bristle paintbrushes into New Zealand from 2006 to 2008 for years ended June. Imports from Indonesia are shown separately as it is the largest source of hog bristle paintbrush imports.


**Table 5.1: Hog Bristle Paintbrush Imports (Volume, June Years)**



	2006	2007	2008
Imports from China	209,359	212,212	115,980
Imports from Indonesia	320,064	496,194	550,367

Imports from Other Countries	229,893	192,649	187,306
Total Imports	759,316	901,055	853,653
NZ Industry Sales			
Total Market			
Change over Period			
Imports from China			-93,379
Imports from Indonesia			230,303
Imports from Other Countries			-42,587
Total Imports			94,337
NZ Industry Sales			
Total Market			
Percentage Change over Period			
Imports from China			-45%
Imports from Indonesia			72%
Imports from Other Countries			-19%
Total Imports			12%
NZ Industry Sales			
Total Market			
Chinese Imports as % of:			
NZ Industry Sales			
Total Market			

131. Imports of the subject goods from China increased slightly in 2007, but then decreased significantly in 2008 (by 45 percent) compared to 2006.

132. Imports from countries other than Indonesia and China declined in 2007 and 2008. Imports from Indonesia increased significantly in each year. Imports from all sources other than China increased by 34 percent from 2006 to 2008. Over the three year period total imports increased in 2007 and then declined in 2008, but increased by 12 percent over the period.

133. New Zealand industry sales declined in total over the period by  percent, while the total market increased in 2007, but then declined in 2008 to a level similar to that in 2006.

134. Relative to the New Zealand industry's sales, imports from China declined by  percentage points. Relative to consumption (i.e. the total market), imports declined by  percentage points.

135. The most notable features of the imports over the three years shown in the above table are the 45 percent decline in volume of imports from China, and the concurrent 72 percent increase in imports from Indonesia. This increase is the main source for the increase in total imports of 12 percent, and has been at the expense of imports from China and industry sales in a total market which has stayed at relatively the same level over the period.

### **Comments made by Haydn**

136. In response to the Interim Report, Haydn commented that there are at least four importers of hog bristle brushes from Indonesia, which are probably manufactured by [REDACTED]. Haydn is of the view that a very large majority of the brush types from Indonesia would fall into the “industrial” category and would be of the smaller sizes up to 50mm. Haydn comments that brushes used in engineering, maritime, fibre glassing need to be of hog bristle as synthetic brushes are affected by heat and chemical compounds used in the manufacture of goods in some of the uses identified. Haydn states that there are no quality brushes from DIY through to trade manufactured by [REDACTED] “Indonesia” in the major stores in New Zealand.

### **Likely Import Volumes Should Duties be Removed**

137. 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 the duties;
- the price advantage (in the absence of duties) which such imports may hold;
- the capacity of the Chinese industry to substantially increase its exports to New Zealand;
- the ease of entry and distribution into the New Zealand market;
- exchange rates.

### **Import Volumes Before and After Imposition of Duties**

138. When the anti-dumping duties were originally imposed in 1988 imports of hog bristle paintbrushes from China were 17 percent of total imports. Imports of hog bristle paintbrushes more than halved in volume from 1989 to 1992 to 7 percent of total imports. Other imports increased by 25 percent over the same period, while the total market declined. At the time of the first review of anti-dumping duties in 1992, importers stated that if the anti-dumping duties were “reduced or eliminated they would import Chinese hog bristle paintbrushes in volume”. It was also reported that “importers of the higher quality Chinese brushes now available [had] stated that their imports would increase”.

139. Information over the last three years shows that imports from China, were still substantial, being 28 percent of total imports in 2006, declining to 14 percent of imports in 2008. At the same time, imports from sources other than China increased by 34 percent while the market remained static. Anti-dumping duties have remained in place since the first review and as no importers have supplied any information other than PAL in its capacity as an importer, it is unclear to what extent the intention about increasing the volume of imports of higher quality paintbrushes still holds should duties be removed. There would however be a price reduction in the cost of imports from China should anti-dumping duties be removed and to that extent would make current imports from China more price competitive.

### Price Advantage of Imports from China in the Absence of Anti-Dumping Duty

140. Based on average values of imports China does not have a price advantage over imports from other sources. It is other countries which have a price advantage over China while the anti-dumping duty is in place. Imports from China have declined while imports from Indonesia have increased. Historically China had a natural advantage in that it was the only significant source of raw hog bristle and therefore had easier access to the essential raw material. In considering whether Indonesia, the largest import source of hog bristle paintbrushes would lose its price advantage to China should the anti-dumping duties be removed, average CIF values have been compared for hog bristle paintbrush imports.

**Table 5.2: Average CIF Prices of Imports by Country (NZD per unit, June Years)**

	2004	2005	2006	2007	2008
China	0.72	0.91	1.50	1.74	1.60
Indonesia	0.60	0.42	0.53	0.46	0.43
Other Countries	1.20	0.84	0.88	0.73	0.67

141. From 2004 to 2008 average prices for paintbrushes from Indonesia and other sources declined while average prices for imports from China increased. Average CIF prices from China and Indonesia were considerably closer after the last review, but have diverged markedly over the last five years. There could be a number of factors influencing this change including the quality of the brushes being imported from each country, exchange rates, comparative production costs and changes in market preferences.

142. The Ministry notes that the current anti-dumping duties are set in the form of reference prices, and there is a possibility that exporters are setting export prices to meet the reference price, thereby not attracting anti-dumping duty. During the POR(D), the amount of anti-dumping duty paid on Chinese hog bristle paintbrushes which entered below the reference price was on average 5 percent of the VFD.

143. The Ministry notes that anti-dumping duty paid on Chinese paintbrushes is not included in the average CIF prices calculated above. Any anti-dumping duty payable on Chinese paintbrushes will result in a further increase in the price difference between Chinese paintbrushes and paintbrushes from other sources at the ex-wharf level, but the extent to which this occurs will depend on the extent to which they are priced up to the reference price level.

144. As stated in paragraph 97, the Ministry considers the quoted export prices provided to Haydn are indicative of the prices of brushes if the anti-dumping duties are removed. The Ministry calculated the average CIF value of the quoted DIY brushes to be NZD [REDACTED] for the [REDACTED] range, and compared this to the average CIF values from Indonesia and other sources in 2008. The comparison indicates that China would become more competitive in terms of average prices for imports from other countries if anti-dumping duties are removed. DIY brushes from China, however, would not undercut the average price of brushes from Indonesia. It is unclear, however, what quality of paintbrushes are being imported from Indonesia

and other sources, and to what extent this distorts the comparison of DIY brushes from China with average prices of brushes from Indonesia.

145. As noted in the price undercutting section of the report beginning at paragraph 161, the Ministry estimates that there is likely to be a significant price advantage held by Chinese imports over the New Zealand industry's selling prices if the duties are removed.

### **Comments made by Haydn**

146. In response to the Interim Report, Haydn commented that China is the sole supplier of quality hog bristle, and to suggest Indonesia can out price China by 300%, and "other countries" by 250% is not within the bounds of possibility. Haydn agrees that what is now paragraph 141 offers some explanation for these percentages, but the reality is that Chinese brush prices would be lower than any other [country's] major suppliers prices, providing the comparison is made with the same quality of paintbrushes.

### **Capacity of the Chinese Industry**

147. Haydn was not able to provide any current information concerning the capacity of the Chinese industry. In 2003, Haydn provided the Ministry with evidence that a manufacturer in China was producing 150,000 hog bristle brushes per day. This would equate to 54.6 million brushes annually if the plant operated 7 days a week.

148. The USITC's second sunset review of the anti-dumping duty on natural bristle paint brushes was completed in November 2004.<sup>10</sup> The actual size of the Chinese industry was not known to the USITC, but some information was produced in that review which indicates how big the industry is in China. The information indicates that Chinese producers increased from about 48 producers in 1999, to around 63 producers in 2004. In 1999, it was estimated that the 7 largest producers of the 48 producers had a capacity of 130 million paint brushes; an amount that could easily supply the entire US market.

149. The Ministry notes that New Zealand's production is a small fraction of the estimated production in China, therefore, Chinese exporters would likely have little trouble supplying the total New Zealand market.

### **The Ease of Entry and Distribution into the New Zealand Market**

150. Haydn is not aware of any barriers to entry into the New Zealand paintbrush market and considers that it is reasonably easy for new competitors to enter the market. Haydn notes that there are no limitations as to who can stock paintbrushes, for example the [redacted]. An importer does not necessarily need to have access to a distribution network, although some of the larger chains have their own. Importers could also target individual retailers. Haydn said that one sale of a [redacted] of paintbrushes is possible and could be achieved within a relatively short space of time.

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<sup>10</sup> [www.usitc.gov](http://www.usitc.gov)

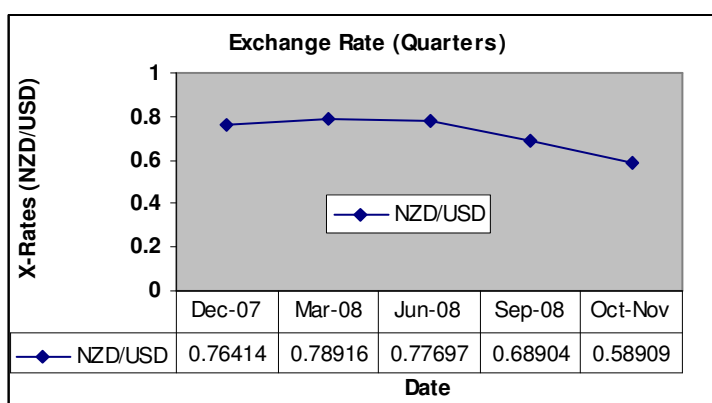
151. In its response to the questionnaire, PAL said that [REDACTED] within the retail environment and the payment of additional rebates to stores are barriers to entry in the New Zealand market.

### Exchange Rates

152. A further consideration in respect of the assessment of the likelihood of an increase in dumped import volumes from China in the absence of anti-dumping duties is the exchange rate between the foreign currency in which exports of Chinese hog bristle brushes are invoiced and the NZD. The vast majority of importations of hog bristle brushes during 2008 are in USD; and the quotes received by Haydn from three separate sources were also in USD.

153. To assess whether the exchange rates show that it is currently favourable for the New Zealand importers to increase imports from China, the Ministry has analysed changes in the exchange rate of the NZD with the USD. The exchange rates shown in table below have been taken from Oanda for the period October 2007 to November 2008.<sup>11</sup>

**Figure 5.1: Movement in Exchange Rate**



154. The figures above show that the NZD has depreciated 23 percent against the USD from the December 2007 quarter to the 2 months to November 2008, which does not favour the New Zealand importers paying for goods in USD. However, whether this in itself determines if an importer would decrease its volume of imports from China or any other source is unknown, although it does indicate that conditions for New Zealand importers are deteriorating and therefore would likely be a consideration along with other factors. The Ministry notes that the imports from Indonesia and most other sources are also made in USD, and any negative exchange rate movements for New Zealand importers would also apply to imports from these sources.

155. All indications are that this situation is likely to continue for some time, increasing quite markedly the cost of all imports, and increasing the cost of all imported content. A decline in the exchange rate will also affect the industry but not

<sup>11</sup> [www.oanda.com](http://www.oanda.com)

to the same extent, perhaps making it slightly more competitive comparative to imports, but this will depend on the extent to which the New Zealand industry imports inputs.

## Conclusion on Import Volumes

156. Import volumes of hog bristle paintbrushes from China declined from 2006 to 2008. During this time, imports from Indonesia increased substantially, while imports from other sources declined. Imports from China declined as a percentage of industry production, and also declined as a percentage of the total market (consumption). It appears that a switch in volume of sourcing from China and other sources to Indonesia has occurred over the period.

157. If anti-dumping duties are removed, the Ministry considers paintbrushes from China would become more competitive with imports from all other sources, and may recover some of the volume lost over recent years. As noted in paragraph 144, the likely average CIF value for Chinese DIY paintbrushes in the absence of duties would not give it a price advantage over the average price of imports from Indonesia and other sources, but it is not clear to what extent the prices of DIY brushes from China are comparable to the types of brushes being imported from Indonesia and other sources. Chinese imports, however, would have a significant price advantage over the domestic industry's selling prices as discussed in the price undercutting section of the report starting at paragraph 161.

158. The Ministry considers that the estimation of the capacity of the Chinese industry in the USITC report and Haydn's information supplied in 2003 indicates that Chinese exporters could easily supply the entire New Zealand market. An assessment of the current exchange rates show that New Zealand importers currently have less favourable exchange rate conditions compared to those in late 2007, and therefore less favourable conditions in which to increase imports from China. The Ministry notes that most countries exporting hog bristle paintbrushes to New Zealand use the USD (excluding Australia), and therefore the exchange rate movements impact on imports from all sources, not only imports from China.

159. Based on submissions made by the domestic industry, the Ministry considers there are no significant barriers to entry and distribution in New Zealand. Although this indicates that new comers would not have significant problems entering the market, one of the main concerns submitted by Haydn is that retailers themselves may start importing hog bristle paintbrushes from China.

160. On the totality of the information gathered during the review, the Ministry concludes that it is likely, if the anti-dumping duties are removed, that the volume of dumped imports from China would significantly increase in volume.

## 5.3 Price Effects

### Price Undercutting

#### Introduction

161. 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.

162. The Ministry will normally seek to compare prices at the first point of 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.

163. The purpose of the price undercutting comparison is to establish whether or not there is price undercutting attributable to dumping. The determination that price undercutting exists is not by itself a determination of the extent of the injury i.e. the margin of price undercutting is not a measure of the extent of the 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.

164. As the NZCS data does not disclose the type and size of hog bristle paintbrushes which have been imported, the Ministry is unable to assess whether Chinese paintbrushes are currently undercutting the New Zealand industry's selling prices. The Ministry's undercutting analysis is therefore focused on 'likely undercutting' if the anti-dumping duties are removed.

#### Price Undercutting Should Anti-Dumping Duties be Removed

##### *Level of Trade*

165. The level of trade used for the undercutting analysis in the 2003 review was Haydn's ex-factory price compared to the importer's ex-store price (PAL withdrew its participation from the 2003 review soon after it was initiated and Haydn was deemed to constitute the New Zealand industry). The Ministry has not received any information which indicates that the level of trade has changed since the 2003 review, therefore, the importer's ex-store price has been compared to Haydn's ex-factory price to assess the extent of any price undercutting likely in the absence of the duty.

166. In its response to the questionnaire, PAL provided its gross selling prices, which [REDACTED]. The Ministry was unable to calculate an ex-factory price with the information provided, and therefore the undercutting analysis of PAL's selling prices



has been done using its gross selling prices which have been compared with an importer's ex-store prices.

### **Projected Importer's Price**

167. In addition to the quoted export prices for the [REDACTED] brushes used in the Export Price section of the report, Haydn also provided quoted export prices for three other brands of Chinese hog bristle paintbrushes, [REDACTED], [REDACTED] black bristle, and [REDACTED] white bristle. These additional three quotes were not used in the dumping section of the report as there was no normal value information available for these particular brushes. All four brands are considered by Haydn to be within the DIY category of paintbrushes. The Ministry has used the quoted prices to estimate the likely importer's ex-store price for Chinese hog bristle paintbrushes. There is no indication that these prices have been affected by the existence of the anti-dumping duties, and therefore represent likely export prices in the absence of duties. All quotes were in USD, which have been converted into NZD using the Interbank rate listed on Oanda on the date that the quote was offered to Haydn.

**Table 5.3: Exchange Rates**

Brand	Quote Received	Exchange rate
[REDACTED]	8-Mar-08	0.79676
[REDACTED]	25-Mar-08	0.79288
[REDACTED]	15-Feb-08	0.78742

168. The Ministry has added a number of adjustments to the quoted export prices to calculate the importer's ex-store price, as explained in the following paragraphs.

### **Transport Costs from FOB China to CIF New Zealand**

169. The quote for [REDACTED] paintbrushes contained both FOB and CIF export prices. From this information, the Ministry was able to calculate the cost of overseas freight and insurance according to the size of the paintbrush. As the quotes for the [REDACTED] and the [REDACTED] black and white bristle paintbrushes are at an FOB level, the overseas freight and insurance costs for these brushes have been based on the freight and insurance costs of the [REDACTED] paintbrushes according to paintbrush size.

### **Customs Duty**

170. The current LDC tariff rate of 5 percent of the VFD has been used to calculate the import duty payable per paintbrush.

### **Local Costs**

171. In the 2003 review, the Ministry used information from an importer relating to customs costs, wharf fees and cartage from wharf to store and calculated that local costs were [REDACTED] percent of the FOB price. Without more recent information from importers, the Ministry considers that this is the best information available, and has

been used to calculate local costs for this review at 100 percent of the relevant FOB price.

### **Importer's Margin**

172. In the 2003 review, the Ministry calculated an importer's margin of 100 percent of the importer's into-store cost of the paintbrush. Without more recent information, the Ministry considers that this is the best information available, and has been used to calculate the importer's margin for this review.

### **Ex-Factory Prices for Haydn**

173. As the quoted prices of the imported brushes are within the DIY category, the Ministry has calculated Haydn's average selling price for the 2008 financial year for DIY hog bristle paintbrushes. The Ministry has also calculated the average selling price for Haydn's synthetic paintbrushes for the same period. Haydn produces domestically two brands of synthetic paintbrushes, which are both considered by Haydn to be at the top end of the synthetic market. Haydn's synthetic brushes are in a higher quality category than the DIY Chinese hog bristle brushes, therefore the comparison of brushes which are not within the same category may exaggerate the amount of undercutting as discussed in paragraph 178. Haydn's range of synthetic brush sizes differ slightly from the sizes of imported hog bristle paintbrushes, therefore, the undercutting analysis of Haydn's synthetic paintbrushes has been limited to synthetic brushes which are equivalent in size to the imported hog bristle paintbrushes.

174. The following tables show the undercutting analysis of Haydn's DIY hog bristle paintbrushes and synthetic paintbrushes in NZD.

**Table 5.4: Undercutting of Haydn's DIY Hog Bristle Paintbrushes**

Size	Importer's Ex-Store Price	Haydn's DIY Ex-Factory Price	Percentage Undercutting
25			
38			
50			
63			
75			
100			

Size	Importer's Ex-Store Price	Haydn's DIY Ex-Factory Price	Percentage Undercutting
25			
38			
50			
63			

75			
100			

Size (mm)	Importer's Ex-Store Price	Haydn's DIY Ex-Factory Price	Percentage Undercutting
25			
38			
50			
63			
75			
100			

Size (mm)	Importer's Ex-Store Price	Haydn's DIY Ex-Factory Price	Percentage Undercutting
25			
38			
50			
63			
75			
100			

**Table 5.5: Undercutting of Haydn's Synthetic Brushes**

Size (mm)	Importer's Ex-Store Price	Haydn's Ex-Factory Price	Percentage Undercutting
38			
50			
63			
75			

Size (mm)	Importer's Ex-Store Price	Haydn's Ex-Factory Price	Percentage Undercutting
38			
50			
63			
75			

Size		Haydn's	Percentage
(mm)	Importer's Ex-Store Price	Ex-Factory Price	Undercutting
38			
50			
63			
75			

Size		Haydn's	Percentage
(mm)	Importer's Ex-Store Price	Ex-Factory Price	Undercutting
38			
50			
63			
75			

**PAL's Selling Prices**

175. PAL provided aggregate sales revenue and sales volume figures for its hog bristle and synthetic paintbrushes, but did not identify the different categories of paintbrushes i.e. DIY, handyman etc. PAL advised the Ministry that the sales revenue figures have not been adjusted for [redacted], which the Ministry would need to take into account to calculate PAL's ex-factory price.

176. The Ministry also notes that PAL concentrates its domestic production of hog bristle brushes on [redacted]. The following tables show the undercutting analysis of PAL's gross selling prices.

**Table 5.6: Undercutting of PAL's Hog Bristle Paintbrushes**

	PAL's Hog Bristle Brushes	Percentage
Importer's Ex-Store Price	Gross Selling Price	Undercutting

	PAL's Hog Bristle Brushes	Percentage
Importer's Ex-Store Price	Gross Selling Price	Undercutting

	PAL's Hog Bristle Brushes	Percentage
Importer's Ex-Store Price	Gross Selling Price	Undercutting

	PAL's Hog Bristle Brushes	Percentage
Importer's Ex-Store Price	Gross Selling Price	Undercutting

**Table 5.7: Undercutting of PAL's Synthetic Brushes**

	PAL's Synthetic Brushes	Percentage
Importer's Ex-Store Price	Gross Selling Price	Undercutting

	PAL's Synthetic Brushes	Percentage
Importer's Ex-Store Price	Gross Selling Price	Undercutting

	PAL's Synthetic Brushes	Percentage
Importer's Ex-Store Price	Gross Selling Price	Undercutting

	PAL's Synthetic Brushes	Percentage
Importer's Ex-Store Price	Gross Selling Price	Undercutting

**Conclusion on Likely Undercutting if Anti-Dumping Duties are Removed**

177. The undercutting analysis shows that there would be significant undercutting of Haydn's DIY hog bristle paintbrushes if the anti-dumping duties were removed. The 2008 DIY hog bristle paintbrush sales made up [redacted] percent of Haydn's total sales volume of like goods in 2008.



The Ministry considers that the undercutting in the DIY category of hog bristle paintbrushes would be indicative of undercutting in the other categories of hog bristle paintbrushes assuming that the cost and price structure of the Chinese manufacturers is consistent.

178. The Ministry has calculated that there would also be significant undercutting of Haydn's synthetic paintbrushes. The Ministry recognises that caution is required in drawing conclusions from this price comparison exercise. As stated in paragraph 173, the two types of synthetic paintbrushes produced by Haydn are high quality synthetic paintbrushes. The quality difference between Haydn's synthetic paintbrushes and the Chinese DIY hog bristle paintbrushes may exaggerate the amount of undercutting. Nevertheless, the large degree of price undercutting suggests that imported trade hog bristle paintbrushes would likely undercut the price of synthetic trade brushes produced by Haydn.

179. The Ministry has calculated that there would likely be significant undercutting of both PAL's hog bristle and synthetic paintbrushes. Caution also needs to be exercised in interpreting this comparison of prices because PAL's domestic production is [REDACTED] and PAL's prices are gross selling prices. At the same time, the large degree of price undercutting suggests that imported trade hog bristle paintbrushes would likely undercut the ex-factory prices of PAL's equivalent hog bristle and synthetic brushes.

180. The Ministry concludes that the removal of the duty would likely result in significant price undercutting of the domestic industry's selling prices by imports of the subject goods from China.

## Price Depression

181. 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. 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.

182. 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. The following table shows the average ex-factory selling price from 2006 to 2008 for Haydn's hog bristle and synthetic paintbrushes.

**Table 5.8: Haydn's Average Selling Prices (2006 to 2008)**

	2006	2007	2008
Hog Bristle	[REDACTED]	[REDACTED]	[REDACTED]
Synthetic	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]

183. The table shows that Haydn's average selling prices for hog bristle and synthetic paintbrushes have [REDACTED] from 2006 to 2008, and therefore the figures suggest that Haydn's selling prices [REDACTED].

**Table 5.9: PAL's Weighted Average Selling Prices (2006 to 2008)**

	2006	2007	2008
Hog Bristle			
Synthetic			
Total			

184. The table shows that PAL's average selling prices for hog bristle and synthetic paintbrushes have [REDACTED] from 2006 to 2008, and therefore the figures suggest that PAL's selling prices [REDACTED]. As discussed in paragraph 175, PAL has provided its gross selling prices and a number of adjustments need to be made to calculate PAL's ex-factory price. PAL's ex-factory selling prices would be lower than the figures shown in the table above.

**Table 5.10: NZ Industry's Weighted Average Selling Prices (2006 to 2008)**

	2006	2007	2008
Hog Bristle			
Synthetic			
Total			

185. The Ministry has combined the information provided by Haydn and PAL and calculated the average selling prices for the New Zealand industry as a whole in the table above. The information in the table shows that the New Zealand industry's average selling prices have not been depressed. As discussed in paragraph 175, PAL has provided its gross selling prices and a number of adjustments need to be made to calculate PAL's ex-factory price. The New Zealand industry's ex-factory selling prices would be lower than the figures shown in the table above.

### Forecast Price Depression

186. The following table shows Haydn's 2009 forecast average selling price for hog bristle and synthetic paintbrushes assuming that the anti-dumping duties remain in place, and in the alternative, Haydn's average selling price if the anti-dumping duties were removed.

**Table 5.11: Haydn's Forecast Weighted Average Prices**

	With Duties	Without Duties
	2009	2009
Hog Bristle		
Synthetic		
Total		

187. If duties remain in place, Haydn has forecast that average selling prices will [REDACTED] in 2009 [REDACTED]. The Ministry considers that this forecast is reasonable as discussed in paragraph 123.

188. If anti-dumping duties are removed, Haydn stated that it would need to reduce its prices significantly to compete with the Chinese paintbrushes. Based on the estimated importer's ex-store selling prices calculated in the price undercutting section starting in paragraph 161, Haydn estimates that it would need to sell its hog bristle paintbrushes at [REDACTED] and synthetic paintbrushes at [REDACTED]. The Ministry considers that Haydn's forecast is reasonable as discussed in paragraph 125.

189. PAL has stated that it would not be injured if the anti-dumping duties were removed, but has not provided any reasons or forecast information to support this assertion. It did, however, state that it had had "to move some production off shore to remain viable" over the last five years. In addition, the price undercutting analysis indicates there is likely to be a considerable amount of price undercutting of PAL's prices should the duties be removed. Without forecast information from PAL, the Ministry has not been able to accurately assess whether PAL would suffer price depression if the anti-dumping duties were removed, but the extent of the likely price undercutting indicates that PAL would need to depress its prices in order to compete with imports from China.

### **Conclusion on Price Depression**

190. The information provided by Haydn and PAL indicates that the New Zealand industry's prices have not been depressed.

191. In the absence of the duties, Haydn forecasts that it would need to significantly reduce its selling prices to compete with the price of imported hog bristle paintbrushes from China. The Ministry considers that Haydn's forecast is reasonable as discussed in paragraph 125. There is a significant difference between Haydn's forecast average selling prices if the anti-dumping duties remain in place and if the anti-dumping duties were removed. The analysis indicates that it is likely that Haydn would suffer significant price depression in the absence of the duties.

192. The Ministry concludes that it is likely that Haydn's selling prices would be depressed if the duties are removed. The extent that PAL's gross prices would likely be undercut in the absence of the duties indicates that PAL would need to depress its prices should the duties be removed. Even if PAL's prices were not likely to be depressed in the absence of the duties, the likely depression of Haydn's prices would be significant for the New Zealand industry considered as a whole.

### **Price Suppression**

193. 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. 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.

194. The Ministry assesses the extent to which cost increases have not been recovered in prices. Cost increases which are 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, the Ministry would consider any other factors which constitute positive evidence of price suppression.

195. The following tables show Haydn's total costs (i.e. its COP and selling and administration costs) relative to its sales revenue.

**Table 5.12: Price Suppression (Haydn) - Hog Bristle Paintbrushes**

	2006	2007	2008
Sales Revenue per paintbrush			
Cost of Production (COP)			
Selling, Admin and other			
Total Costs			
COP as % of Revenue			
Selling, Admin and other as % of Revenue			
Total Costs as % of Revenue			

**Table 5.13: Price Suppression (Haydn) - Synthetic Paintbrushes**

	2006	2007	2008
Sales Revenue per brush			
Cost of Production			
Selling, Admin and other			
Total Costs			
Cost of Production as % of Revenue			
Selling, Admin and other as % of Revenue			
Total Costs as % of Revenue			

196. Haydn provided COP figures for synthetic paintbrushes in 2008. The Ministry considered that the 2006 and 2007 cost of production figures for synthetic brushes would greatly distort the analysis as this was the first full year of sales for the synthetic brushes in 2008. Haydn stated that the COP per unit for 2006 and 2007 would be approximately the same as the COP per unit for 2008. Therefore the Ministry has used the 2008 COP per unit for 2006 and 2007 in the table above.

197. The tables indicate that COP as a percentage of sales revenue [REDACTED] for hog bristle paintbrushes over the period 2006 to 2008, and selling, administration and other expenses as a percentage of revenue [REDACTED] by [REDACTED] percentage points for hog bristle paintbrushes from 2006 to 2008. Total costs for hog bristle paintbrushes as a percentage of revenue [REDACTED] from 2006 to 2008, and therefore the Ministry concludes that Haydn's hog bristle paintbrush prices [REDACTED].

198. COP as a percentage of sales revenue for synthetic paintbrushes [REDACTED] by [REDACTED] percentage points in 2007, and by [REDACTED] percentage point in 2008. Selling, administration and other expenses as a percentage of revenue [REDACTED] by [REDACTED] percentage points for synthetic paintbrushes from 2006 to 2008. Total costs as a percentage of revenue for Haydn's synthetic brushes [REDACTED] by [REDACTED] percentage points in 2007, but [REDACTED] by [REDACTED] percentage points in 2008. The Ministry concludes that Haydn has [REDACTED] in 2007, but over the three years Haydn's synthetic paintbrush prices [REDACTED].

199. PAL has provided sales information for 2006, 2007 and 2008, but as stated in paragraph 175, a number of adjustments would need to be made to the sales revenue information to calculate PAL's ex-factory selling price, therefore the revenue figures would be lower than the shown in the tables below.

**Table 5.14: Price Suppression (PAL) - Hog Bristle Paintbrushes**

	2006	2007	2008
Gross Sales Revenue per brush	[REDACTED]	[REDACTED]	[REDACTED]
Cost of Sales	[REDACTED]	[REDACTED]	[REDACTED]
COS as % of revenue	[REDACTED]	[REDACTED]	[REDACTED]

**Table 5.15: Price Suppression (PAL) - Synthetic Paintbrushes**

	2006	2007	2008
Gross Sales Revenue per brush	[REDACTED]	[REDACTED]	[REDACTED]
Cost of Sales	[REDACTED]	[REDACTED]	[REDACTED]
COS as % of revenue	[REDACTED]	[REDACTED]	[REDACTED]

200. The tables indicate that PAL's total costs for both hog bristle and synthetic paintbrushes have [REDACTED] from 2006 to 2008 relative to revenue. Based on the incomplete information provided by PAL, its selling prices [REDACTED] from 2006 to 2008.

201. The table below shows the sales and cost information for the New Zealand industry as a whole. The Ministry reaffirms that the information provided by PAL has not been adjusted for [REDACTED], therefore the revenue figures would be lower than the figures in the table.

**Table 5.16: NZ Industry Price Suppression – Like Goods**

	2006	2007	2008
Sales Revenue per brush			
Total Costs			
Cost of Sales as % of Revenue			

202. The figures in the table show that the New Zealand industry's selling prices were not suppressed from 2006 to 2007, but were slightly suppressed from 2007 to 2008.

### Forecast Price Suppression

203. The following tables show Haydn's forecast 2009 costs relative to its sales revenue if the anti-dumping duties are to remain in place, and in the alternative, if the anti-dumping duties are removed. With anti-dumping duties in place, Haydn estimates that COP and selling and admin costs will be the same as those in 2008. Haydn's [REDACTED] are expected to [REDACTED] for 2009 which the Ministry considers to be reasonable as stated in paragraph 123.

204. If anti-dumping duties were to be removed, Haydn submits that hog bristle paintbrushes [REDACTED], and synthetic paintbrushes [REDACTED], driving down the sales revenue per paintbrush. The Ministry considers that Haydn's forecast is reasonable as discussed in paragraph 125.

205. Haydn did not forecast what would happen to its COP and selling and admin costs if the duties were removed. The Ministry has assumed that if the anti-dumping duties are removed, Haydn's COP and selling and admin would remain at the same level as in 2008. The Ministry considers that the 2009 costs remaining the same as 2008 is a conservative estimate of costs that would be incurred by Haydn if the duties are removed as discussed in paragraph 126.

**Table 5.17: Haydn's Forecast Hog Bristle Paintbrush Price Suppression**

	With Duties	Without Duties
	2009	2009
Sales Revenue per paintbrush		
Cost of Production		
Selling, Admin and other		
Total Costs		
Cost of Production as % of Revenue		
Selling, Admin and other as % of Revenue		
Total Costs as % of Revenue		

**Table 5.18: Haydn's Forecast Synthetic Paintbrush Price Suppression**

	With Duties	Without Duties
	2009	2009
Sales Revenue per paintbrush		
Cost of Production		
Selling, Admin and other		
Total Costs		
Cost of Production as % of Revenue		
Selling, Admin and other as % of Revenue		
Total Costs as % of Revenue		

206. PAL states that it would not be injured if the anti-dumping duties were removed, but has not provided any reasons or forecast information to support this assertion. Without forecast information from PAL the Ministry has not been able to assess with any accuracy whether PAL would suffer price suppression if the anti-dumping duties were removed. However, compared with the quoted prices of imports with which its manufactured goods would have to compete it is very likely that it would suffer some price suppression.

### Conclusion on Price Suppression

207. The financial information provided by Haydn from 2006 to 2008 indicates that its hog bristle paintbrush selling prices [REDACTED]. As anti-dumping duties have been in place over this period, the [REDACTED] of Haydn's hog bristle paintbrushes is unlikely to be attributable to imports of the subject goods and Haydn has not claimed it has been injured by such imports. Haydn's synthetic paintbrush selling prices [REDACTED]. Information provided by PAL indicates that its selling prices for like goods [REDACTED]. Information relating to the domestic industry shows that its selling prices have been slightly suppressed from 2006 to 2008.

208. Haydn's forecast shows that its total costs as a percentage of revenue would increase significantly if the duties were removed, which is primarily due to the significant reduction in the sales revenue per paintbrush. The Ministry considers that Haydn's forecast sales revenue reduction is reasonable as discussed in paragraph 125.

209. The Ministry concludes that Haydn's prices would likely be suppressed if the anti-dumping duties are removed. The Ministry also concludes that the likely price undercutting of PAL's prices in the absence of duties indicates that its prices would also be suppressed if the duties were removed. Even if PAL's prices were not likely to be suppressed if the duties were removed, the likely suppression of Haydn's selling prices would be significant for the New Zealand industry considered as a whole.

## Conclusion on Price Effects

### Actual Price Effects

210. The Ministry has not been able to analyse actual undercutting of the domestic industry's selling prices due to the lack of information provided by importers and the limited paintbrush information contained in the NZCS data. Based on the analysis of the domestic industry's selling prices from 2006 to 2008, the Ministry concludes that the domestic industry's selling prices have not been depressed.

211. Information provided by Haydn indicates that its selling prices for hog bristle paintbrushes [REDACTED], but its selling prices for synthetic paintbrushes [REDACTED]. Information supplied by PAL indicates that its selling prices of like goods [REDACTED]. Based on the analysis of the domestic industry's selling prices from 2006 to 2008, the Ministry concludes that the domestic industry's selling prices have been slightly suppressed, but this is not likely to be attributable to imports of the subject goods from China.

### Likely Price Effects if the Anti-Dumping Duties are Removed

212. On the basis of the information gathered on price effects, the Ministry considers that in the absence of anti-dumping duties, the domestic industry would experience severe price undercutting of its selling prices for like goods. Haydn forecasts that it would need to significantly reduce its prices in order to compete with the lower-priced Chinese imports. The Ministry considers Haydn's forecast reduction of selling prices is reasonable when considering the estimated importer's ex-store selling prices. The Ministry concludes that it is likely that Haydn would suffer significant price undercutting, which would lead to price depression and price suppression, if the anti-dumping duties were removed.

213. PAL has made a general statement that it would not be injured if the duties were removed, but has not provided any reasons or forecast information to support this assertion. It is, however, unclear how it could compete with the likely lower prices in the absence of duties if it was to continue manufacturing and the Ministry considers it likely that if duties are removed PAL would suffer from price undercutting and consequent price depression and suppression. Even if it is assumed there would be no price effects impacting on PAL's operation if the duties are removed, the likely impact on Haydn's selling prices would be significant for the New Zealand industry considered as a whole.

## 5.4 Economic Impact

214. 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.

## Sales Volume and Value

215. 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.

216. The table below shows Haydn's domestic sales of like goods over the last three financial years.

**Table 5.19: Haydn's Sales of Like Goods**

	2006	2007	2008
Sales Volume			
Change from Previous year			
% change from 2006			
Sales Revenue			
Change from Previous year			
% change from 2006			

217. The figures in the table above show that sales volume has [redacted] over the period 2006 to 2008. The Ministry notes that within this overall [redacted], the sales volume of synthetic paintbrushes has [redacted], although part of the [redacted] reflects [redacted].

218. The figures in the table show that Haydn's sales revenue [redacted] in 2007, [redacted] in 2008. Haydn's sales revenue [redacted] by [redacted] percentage points from 2006 to 2008.

219. PAL has provided sales information for 2006, 2007 and 2008. PAL's revenue figures are gross rather than net and so are not on the same basis as Haydn's sales revenue figures above. As stated in paragraph 175, a number of adjustments would need to be made to the sales revenue information to calculate an ex-factory selling price, which would have the effect of reducing the sales revenue figures in the table below. The following table shows the information provided by PAL.

**Table 5.20: PAL's Sales of Like Goods**

	2006	2007	2008
Sales Volume			
Change from previous year			
% change from 2006			

Gross Sales Revenue			
Change from previous year			
% change from 2006			

220. The information in the table above shows that PAL's sales volume has [redacted] over the period. Gross sales revenue [redacted] from 2006 to 2007, [redacted] from 2007 to 2008, [redacted] the level achieved in 2006. The information shows that PAL [redacted] its gross sales revenue [redacted] sales volume over the period from 2006 to 2008.

221. The industry sales and revenue figures available have been combined, for depicting the trends only, and are as follows:

**Table 5.21: NZ Industry's Sales of Like Goods**

	2006	2007	2008
Sales Volume	[redacted]	[redacted]	[redacted]
Change from Previous year		[redacted]	[redacted]
% change from 2006		[redacted]	[redacted]
Sales Revenue	[redacted]	[redacted]	[redacted]
Change from Previous year		[redacted]	[redacted]
% change from 2006		[redacted]	[redacted]

222. The sales volume of the New Zealand industry has declined over the period from 2006 to 2008, while revenue has increased over the same period. From 2007 to 2008 there was a decline in volume and a slight decline in revenue.

223. It is noted that while the New Zealand industry sales volume declined, imports of the subject goods from China declined significantly over the same period.

### Likely Impact of Removal of Anti-Dumping Duties on Sales

224. The table below shows Haydn's forecast 2009 sales figures if the anti-dumping duties stay in place, and its forecast sales figures if the anti-dumping duties were removed. Haydn estimates that if the duties remain in place sales volume will remain at the same level as 2008, [redacted] mean that sales revenue [redacted].

225. If anti-dumping duties were removed, Haydn said it would sell its inventory on hand ([redacted]) as at 31 March 2008, its selling price for hog bristle paintbrushes [redacted], and its synthetic paintbrush inventory [redacted]. Haydn also said it would [redacted].

In total, Haydn forecasts that it would sell [redacted] paintbrushes if the duties were



removed,

**Table 5.22: Haydn's Domestic Sales With and Without Duties**

	2009	
	With Duties	Without Duties
Sales Volume (Brushes)		
Change		
% change		
Sales Revenue (NZD)		
Change		
% change		

226. The forecast indicates that Haydn would lose [redacted] percent of its sales volume if the anti-dumping duties are removed. Sales revenue would decrease significantly to \$ [redacted], which is [redacted] percent of what Haydn expects to receive if the duties remain in place. The Ministry considers that Haydn's forecast is reasonable as discussed in paragraph 128.

227. PAL has stated that it would not be injured if the anti-dumping duties are removed, but has not provided any reasons or forecast information to support this assertion, but the information available shows that PAL would suffer price undercutting, and if PAL reduces its selling prices to compete, there would likely be an impact on its sales revenue. The Ministry has not been able to assess what effect the removal of the anti-dumping duties would have on PAL's sales volume. Whether there is a loss of sales volume would depend on PAL's strategy in terms of pricing and its balance of importing versus domestic production.

### **Conclusion**

228. The information provided by the domestic industry shows that sales revenue has increased [redacted] percent from 2006 to 2008. The information also shows that sales volume has decreased by [redacted] percent from 2006 to 2008.

229. As discussed in paragraphs 141 and 139, average import prices of hog bristle paintbrushes from other sources are much lower than average import prices from China. It is unclear, however, to what extent differences in the quality of the brushes being imported from China and other sources is affecting this comparison of prices. The Ministry also notes that the price differential between paintbrushes from China and other sources will be further increased by any anti-dumping duty that Chinese paintbrushes incur upon importation. As discussed in the Volume Effects section of the report, Chinese import volumes from 2006 to 2008 have declined by 45 percent, whereas imports from other sources have increased by 34 percent over the same period. This information suggests that any injury suffered by the domestic industry during the POR(I) is not likely to be attributable to imports of subject goods from China.



230. The Ministry concludes that the domestic industry's decline in sales volume is not likely to be attributable to imports of the subject goods from China, and therefore there has not been a continuation of injury to the domestic industry attributable to the imports of subject goods from China.

231. The Ministry concludes that if the anti-dumping duties were removed there would likely be a significant adverse impact on Haydn's domestic sales volume and sales revenue. This would primarily be due to Haydn having to reduce its selling prices [REDACTED] which would have a significant impact on Haydn's sales revenue. Haydn said it is [REDACTED]

[REDACTED]. Even if the removal of the duties did not have any impact on PAL's sales volume or revenue, the impact on Haydn's sales volume and revenue would still be significant for the New Zealand industry considered as a whole.

## Market Share

232. 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.

233. The following table shows the market share and changes in market share from 2006 to 2008.

**Table 5.23: New Zealand Paintbrush Market (Years ended June)**

	2006	2007	2008
<b>Imports</b>			
- Hog Bristle Paintbrushes from China	209,359	212,212	115,980
- Hog Bristle Paintbrushes from Other Countries	549,957	688,843	737,673
Total Imports of Hog Bristle Brushes	759,316	901,055	853,653
<b>Domestic Sales</b>			
- Haydn - Like Goods	[REDACTED]	[REDACTED]	[REDACTED]
- PAL - Like Goods	[REDACTED]	[REDACTED]	[REDACTED]
<b>NZ Industry Sales</b>	[REDACTED]	[REDACTED]	[REDACTED]
<b>NZ Market for Imported Hog Bristle brushes and NZ production of like goods</b>	[REDACTED]	[REDACTED]	[REDACTED]
<b>% change from 2006:</b>			
- Hog Bristle Paintbrushes from China		1%	-45%
- Hog Bristle Paintbrushes from Other Countries		25%	34%
- Total Imports of Hog Bristle Brushes		19%	12%
- Haydn - Like Goods		[REDACTED]	[REDACTED]

- PAL - Like Goods			
- NZ Industry Sales			
- NZ Market for Imported Hog Bristle brushes and NZ production of like goods			
% Market Share of NZ market for Imported Hog Bristle Brushes and NZ production			
- Hog Bristle Paintbrushes from China			
- Hog Bristle Paintbrushes from Other Countries			
- Total Imports of Hog Bristle Brushes			
- Haydn - Like Goods			
- PAL - Like Goods			
- NZ Industry Sales			

234. The above table shows that the share of the market for imports of hog bristle paintbrushes increased by █ percentage points from 2006 to 2008. The market share for imports from China over the period decreased by █ percentage points, while the market share for imports from other sources increased by █ percentage points.

235. New Zealand industry's share of the market declined over the period by █ percentage points, of which Haydn's market share █ by █ percentage points while PAL's █ by █ percentage points.

236. The loss of market share by the New Zealand industry occurred at the same time as the decline in the market share of the subject goods from China, and so these imports are not likely to have been a cause of the industry's decline.

### Likely Impact of Removal of Anti-Dumping Duties on Market Share

237. PAL has not provided any forecast information about the impact of removing the anti-dumping duties. The Ministry has already concluded that PAL would suffer price effects if the duties are removed, but the Ministry is unable to draw any conclusions on the likelihood of loss of sales volume for PAL as discussed in paragraph 227, and therefore cannot comment on the likelihood of a loss of market share.

238. Haydn did not make any forecasts of the effect the removal of the duties would have on its market share. The Ministry has already concluded in this report that it is likely there would be a significant impact on Haydn's sales volume if the anti-dumping duties are removed and consequently there would be an adverse impact on its market share.

### Conclusion

239. The market share information in table 5.23 shows that the domestic industry's sales and imported Chinese paintbrushes have lost market share of █ and █ percentage points respectively from 2006 to 2008. Over the same period, the market share held by imports from other sources has increased by █ percentage points. The Ministry concludes that the loss of market share suffered by the

domestic industry is not likely to be attributable to the imports of subject goods from China, and therefore there has not been a continuation of injury to the domestic industry caused by imports of subject goods from China.

240. The Ministry considers that the likely significant reduction in Haydn's sales volume if the duties are removed would as a consequence negatively impact on Haydn's market share. Even if the removal of the duties did not have any impact on PAL's market share, the impact on Haydn's market share would still be significant for the New Zealand industry considered as a whole.

## Profits

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

242. The table below shows Haydn's earnings before interest and tax (EBIT) from 2006 to 2008 from the sale of like goods.

**Table 5.24: Haydn's EBIT**

	2006	2007	2008
EBIT			
Change on previous year			
% change from 2006			
As a % of sales revenue			
EBIT per brush			
Change on previous year			
% change from 2006			

243. The figures in the table show that Haydn's EBIT [REDACTED] in 2007, [REDACTED] in 2008.

244. Imports of the subject goods from China declined in volume and increased in average price over the same period as Haydn's EBIT [REDACTED]. It is not likely that the [REDACTED] in EBIT can be attributable to the subject goods.

245. PAL provided sales volume, sales revenue, cost of sales and gross margin figures for its hog bristle and synthetic paintbrushes for 2006, 2007 and 2008. PAL did not provide details of its EBIT over this period. The information PAL has provided is included in the table below.

**Table 5.25: PAL's Gross Margin**

	2006	2007	2008
Gross Margin			
Change from previous year			
% change from 2006			

as a % of sales revenue			
Gross Margin per brush			
Change from previous year			
% change from 2006			

246. The figures in the table show that PAL’s total gross margin has [redacted] from 2006 to 2008. PAL’s gross margin per paintbrush has [redacted] over the same period.

247. Normally the domestic industry’s profit is analysed at the EBIT level, but the Ministry has not amalgamated Haydn and PAL’s profit information because PAL’s gross margin figures include [redacted] amounts. The Ministry considers that combining PAL’s gross margin figures with Haydn’s EBIT figures would not provide any valuable information for the purposes analysing the domestic industry’s profit from 2006 to 2008.

**Likely Impact of Removal of Anti-Dumping Duties on Profits**

248. The table below shows Haydn’s forecast 2009 EBIT for like goods assuming that the anti-dumping duties stay in place, and assuming that anti-dumping duties were removed. Haydn’s forecast EBIT if the duties remain in place is based on the assumption that its sales volume will be the same as that achieved in 2008 and its sales revenue [redacted].

249. If the duties were removed, as noted in paragraph 225, Haydn said its sales would be [redacted].

**Table 5.26: Haydn’s Forecast EBIT**

	2009	
	With Duties	Without Duties
EBIT	[redacted]	[redacted]
Difference		[redacted]
As a % of sales revenue	[redacted]	[redacted]
EBIT per brush	[redacted]	[redacted]
Difference		[redacted]

250. The figures in the table show, if duties are removed, Haydn projects that it would suffer a significant loss, primarily due to the significant reduction in sales volume and the sales revenue per paintbrush. The Ministry notes that if anti-dumping duties remain in place, Haydn forecasts [redacted] increase its

EBIT from that achieved in 2008. The Ministry considers that Haydn's forecast is reasonable as discussed in paragraph 125.

251. PAL has not provided any forecast information on the impact of the removal of the anti-dumping duties. As discussed in paragraph 213, the Ministry considers that if the duties are removed, it is likely that PAL's selling prices would suffer price undercutting, price suppression and depression. The information available suggests that there would be an adverse impact on PAL's EBIT if the duties were removed.

### **Conclusion**

252. The analysis shows that Haydn has [REDACTED] in its EBIT from 2006 to 2008, PAL has [REDACTED] its gross margin over the same period. As the EBIT and gross margin figures are not at the same level and are not comparable, it was not possible to combine the profit figures provided by Haydn and PAL in a meaningful way. Based on the relative production volumes of Haydn and PAL, the Ministry concludes that the domestic industry as a whole has [REDACTED] of EBIT from 2006 to 2008, but this is not likely to be attributable to imports of subject goods from China as discussed in paragraph 229. The Ministry concludes that the domestic industry is not suffering a continuation of injury caused by the imports of subject goods from China.

253. The Ministry concludes that consequent upon the likely adverse price, sales volume and revenue effects should the duties be removed, Haydn would suffer a significant adverse impact on its profit, [REDACTED]. As the Ministry has concluded that it is likely that PAL would suffer price undercutting, price depression and price suppression if the duties are removed, the Ministry considers that it likely that PAL's profit would also be negatively affected. The Ministry concludes that if the duties are removed, it is likely that there would be a adverse impact on the domestic industry's profit caused by the resumption of dumping of the subject goods.

### **Utilisation of Production Capacity**

254. 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.

255. Haydn stated that its production capacity has [REDACTED] since [REDACTED]. The [REDACTED] is capable of producing [REDACTED] (of an average sized brush up to [REDACTED]) although Haydn noted that the [REDACTED] and [REDACTED] brushes were [REDACTED] rather than using the [REDACTED] to avoid quality problems with larger sizes. If the [REDACTED] is in operation [REDACTED] the production capacity would be [REDACTED] units.

256. Top quality paintbrush heads, and the larger sizes which are [REDACTED], can be [REDACTED] by [REDACTED] equivalent employees making [REDACTED] x [REDACTED] or [REDACTED]

x [REDACTED] per day. Other than normal maintenance and the [REDACTED] over the Christmas break, down time of about [REDACTED] is required to change the [REDACTED] of the [REDACTED] on the [REDACTED].

257. Haydn's annual capacity without working overtime or hiring extra staff could potentially be between [REDACTED] and [REDACTED] brushes, which would be [REDACTED] brushes on average. On this basis, the Ministry notes that Haydn's capacity utilisation for 2006, 2007 and 2008 was approximately [REDACTED] percent, [REDACTED] percent and [REDACTED] percent respectively.

258. Imports of the subject goods from China have declined in volume and increased in price over the same period and it is not likely that they have been a cause of the [REDACTED] in capacity utilisation.

259. PAL has not provided any information regarding its production capacity.

### ***Likely Impact of Removal of Duties on Capacity Utilisation***

260. As concluded in paragraph 177, the Ministry considers that if the duties were removed, it would be likely that Haydn would suffer significant price undercutting, and would in turn [REDACTED]

[REDACTED]. The Ministry considers that Haydn's forecast is reasonable as discussed in paragraph 127.

261. PAL stated that the removal of the anti-dumping duties would have no effect on its business, and the Ministry interprets this to also mean that there would be no effect on its capacity utilisation. However, PAL has not supplied any information to support this assertion. The Ministry has already concluded that it is likely that PAL would suffer price effects if the duties are removed, but as noted in paragraph 227, the Ministry is unable to draw any conclusions concerning any effects on PAL's sales volume. Therefore the Ministry is unable to draw any conclusions on what effects this is likely to have on PAL's capacity utilisation.

### ***Conclusion***

262. The Ministry is unable to make any comments concerning PAL's level of capacity utilisation due to lack of information. Haydn's capacity utilisation has [REDACTED] percentage points from 2006 to 2008, but this [REDACTED] in capacity utilisation is not likely to be attributable to imports of subject goods from China as discussed in paragraph 229. The Ministry concludes that the domestic industry is not suffering a continuation of injury caused by the imports of subject goods from China.

263. The Ministry concludes that Haydn's capacity utilisation [REDACTED]. The Ministry therefore concludes that Haydn's capacity utilisation would likely be adversely affected if the duties were removed. Even if the removal of the duties did not have any impact on PAL's capacity

utilisation, the impact on Haydn's capacity utilisation would still be significant for the New Zealand industry considered as a whole.

### Productivity

264. 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 level of capacity utilisation.

265. Haydn estimated the amount of time each worker spent on the production of hog bristle paintbrushes, but was not able to do this for synthetic paintbrushes. The table below shows Haydn's productivity for 2007 and 2008. The production volume has been estimated by taking the sales volume for the year, subtracting opening inventory, and then adding the closing inventory. The figures in the table indicate that Haydn's productivity per employee [REDACTED] from 2007 to 2008.

266. Imports of the subject goods from China have declined in volume and increased in price over the same period and it is not likely that they have been a cause of the [REDACTED] productivity.

**Table 5.27: Haydn's Hog Bristle Brush Productivity**

	2007	2008
Production Volume	[REDACTED]	[REDACTED]
No. of Staff	[REDACTED]	[REDACTED]
Productivity per Employee	[REDACTED]	[REDACTED]

267. No information was provided by PAL concerning its current level of productivity.

### **Likely Impact of Removal of Duties on Productivity**

268. Haydn forecasts that it would [REDACTED]

The Ministry considers Haydn's forecast to be reasonable as discussed in paragraph 127.

269. PAL stated that the removal of the duties would have no effect on its business, and the Ministry infers that PAL considers there would not be any effect on its productivity. PAL has not supplied any information to support this assertion. The Ministry has concluded that it is likely that PAL would suffer price effects if the duties are removed, but the Ministry is unable to draw any conclusions on whether there is likely to be an impact on PAL's productivity.

## Conclusion

270. The Ministry is unable to comment on PAL's level of productivity due to lack of information. The information provided by Haydn shows that its productivity per worker for production of hog bristle paintbrushes has [REDACTED] from 2007 to 2008, but this is not likely to be attributable to imports of subject goods from China as discussed in paragraph 229. The Ministry concludes that the domestic industry is not suffering a continuation of injury caused by the imports of subject goods from China.

271. The Ministry concludes that if the duties are removed dumping of the subject goods is likely to resume, and Haydn's productivity is likely to be severely affected [REDACTED]. Even if the removal of the duties did not have any impact on PAL's productivity, the impact on Haydn's productivity would still be significant for the New Zealand industry considered as a whole.

## Return on Investments

272. Movements in the return on investments affect the ability of the industry to retain and attract investment.

273. The Ministry apportioned average assets and average shareholders funds to like goods according to the proportion that like goods sales revenue represents of Haydn's overall sales revenue from the business.

274. The tables below shows Haydn's return on average assets and return on shareholders funds for 2007 and 2008.

**Table 5.28: Return on Average Assets**

	2007	2008
Apportioned Average Assets	[REDACTED]	[REDACTED]
EBIT	[REDACTED]	[REDACTED]
EBIT as % of Average Assets	[REDACTED]	[REDACTED]

**Table 5.29: Return on Shareholders Funds**

	2007	2008
Apportioned Average Share holders Funds	[REDACTED]	[REDACTED]
EBIT	[REDACTED]	[REDACTED]
EBIT as % of Average Shareholders Funds	[REDACTED]	[REDACTED]

275. The figures in the table show that the return on average assets [REDACTED] by [REDACTED] percentage points from 2007 to 2008. Table 5.29 shows that EBIT as a



percentage of average shareholders funds has [REDACTED] by [REDACTED] percentage points from 2007 to 2008.

276. The decline in the volume of the subject goods from China and the increase in average price over the same period indicates that Chinese imports are not likely to have been a cause of the [REDACTED] in return on investments.

277. PAL did not provide any information concerning average total assets or average shareholders' funds, therefore, the Ministry is not able to comment on trends in returns on investment for PAL.

### Likely Impact of Removal of Duties on Return on Investment

278. The tables below show Haydn's forecast for 2009 for its return on average assets and return on shareholders funds if the anti-dumping duties remain in place and if the anti-dumping duties were removed.

**Table 5.30: Forecast Return on Average Assets**

	2009	
	With Duties	Without Duties
Apportioned Average Assets	[REDACTED]	[REDACTED]
EBIT	[REDACTED]	[REDACTED]
EBIT as % of Average Assets	[REDACTED]	[REDACTED]

**Table 5.31: Forecast Return on Shareholders Funds**

	2009	
	With Duties	Without Duties
Apportioned Average Share holders Funds	[REDACTED]	[REDACTED]
EBIT	[REDACTED]	[REDACTED]
EBIT as % of Average Shareholders Funds	[REDACTED]	[REDACTED]

279. If the anti-dumping duties were removed it is likely that dumping by the subject goods would resume. Haydn has projected that its return on investment will decrease significantly from what the company has experienced previously. Haydn considers that [REDACTED]

280. PAL did not make any specific comments regarding the return on investment if the anti-dumping duties were removed. PAL has stated that the removal of the anti-dumping duties would not affect PAL, and the Ministry infers from this statement that PAL believes that their return on investment would not be affected. However, PAL

has not provided any reasons or forecast information to support this assertion. As discussed in paragraph 250, the Ministry considers it likely that there would be a negative impact on PAL's profit, and therefore it is likely there would be a following negative impact on PAL's return on investments.

## Conclusion

281. The Ministry is unable to comment on PAL's return on investments due to lack of information. Haydn's return on assets has [REDACTED] percentage points and its return on shareholders funds has [REDACTED] percentage points, but this is not likely to be attributable to imports of subject goods from China as discussed in paragraph 229. The Ministry concludes that the domestic industry is not suffering a continuation of injury caused by the imports of subject goods from China.

282. As concluded in paragraph 252, it is likely that Haydn would suffer significant losses if the anti-dumping duties were removed and dumping by the subject goods resumed. These losses would mean that Haydn would be making negative returns on its investment in the industry. Haydn has stated that [REDACTED]. The Ministry concludes that it is likely that PAL's return on investments would be adversely impacted if the duties are removed due to the impact on its profits. Even if the removal of the duties did not have any impact on PAL's return on investment, the impact on Haydn's return on investment would still be significant for the New Zealand industry considered as a whole.

## Magnitude of the Margin of Dumping

283. 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. In this review, the level of undercutting is substantially higher than the margin of dumping.

284. While the Ministry has concluded that dumping is likely to recur if the anti-dumping duties were 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

285. The paintbrush market is very competitive in relation to price. The major factors affecting domestic prices appear to be the prices at which both hog bristle and synthetic paintbrushes can be imported, the power of the chain stores in controlling a large volume of the retail sales, and the competition among the chains for the DIY market.

286. Hog bristle and synthetic paintbrushes compete over a similar price range and at similar price points. Haydn, as a major manufacturer, has been able to compete in this environment for many years with the assistance of an anti-dumping duty on hog bristle brushes sourced from China. Over the last few years Haydn has also [REDACTED] and to manufacture synthetic paintbrushes to supplement

its range, which has increased its ability to compete more effectively with import and domestic competition.

287. Haydn does not own any retail outlets and so is reliant on its wholesale customers to stock its products at the point of sale. The price that wholesalers are prepared to pay for domestically produced paintbrushes is likely driven by the prices they can negotiate for similar quality imports. Haydn has been [REDACTED] in price with the wholesalers for the [REDACTED], but has [REDACTED]. Haydn notes that [REDACTED] costs over the period.

288. PAL does not support the continuation of the duties and is predominantly an importer of paintbrushes. PAL has stated it manufactures [REDACTED] paintbrushes in New Zealand. As noted in paragraph 179 in the price undercutting section, it is likely that there would be a large degree of price undercutting of [REDACTED] brushes if the anti-dumping duties are removed.

289. China remains the world's major source of natural hog bristle and one of the three major sources of imports of hog bristle paintbrushes into New Zealand, despite the anti-dumping duties currently in place. Hog bristle brushes compete directly with synthetic paintbrushes on price.

## 5.5 Other Adverse Effects

### Cash Flow

290. The Ministry has estimated Haydn's cash flow from the sale of like goods by adjusting its EBIT for depreciation charges, as shown in the table below.

**Table 5.32: Cash Flow**

	2006	2007	2008
EBIT	[REDACTED]	[REDACTED]	[REDACTED]
Plus: Depreciation	[REDACTED]	[REDACTED]	[REDACTED]
Cash Flow	[REDACTED]	[REDACTED]	[REDACTED]

291. The table shows that Haydn's cash flow [REDACTED] in 2007, but was followed by a [REDACTED] in 2008.

292. The decline in the volume of the subject goods from China and increase in average price over the same period indicates that such imports are not likely to have had a negative effect on cash flow.

293. PAL did not provide information regarding its current cash flow.

## Likely Impact of Removal of Duties on Cash Flow

294. On the basis of its analysis and conclusions reached under the “Profits” section of this report, the Ministry considers that if Haydn was forced to reduce its prices in order to compete with dumped imports from China, in the absence of anti-dumping duties, it is likely that the company would suffer significant adverse effects in relation to its cash flow.

295. PAL has stated that the removal of the anti-dumping duties would not affect its business, and presumably its cash flow would not be affected. However, PAL has not provided any forecast information to support this assertion. The Ministry has concluded that there is likely to be a negative impact on PAL’s sales revenue and profit, and therefore it is likely that there would be a consequent impact on PAL’s cash flow.

## Conclusion

296. The Ministry is unable to comment on PAL’s cash flow due to lack of information. Haydn has [REDACTED] in its cash flow from 2006 to 2008, but this is not likely to be attributable to imports of subject goods from China as discussed in paragraph 229. The Ministry concludes that the domestic industry is not suffering a continuation of injury caused by the imports of subject goods from China.

297. As concluded in paragraph 252, it is likely that Haydn would suffer significant losses if the duties were removed and dumping of the subject goods resumed. This in turn would negatively impact on the cash flow from the sale of like goods. The Ministry concludes that the Haydn’s cash flow would be negatively affected by the removal of the duties. The Ministry concludes that it is likely that there would be an adverse impact on PAL’s cash flow if the duties are removed due to the negative impact on its sales revenue and profit. Even if the removal of the duties did not have any impact on PAL’s cash flow, the impact on Haydn’s cash flow would still be significant for the New Zealand industry considered as a whole.

## Inventories

298. Haydn provided its hog bristle paintbrush inventories for 2006 to 2008 and synthetic paintbrush inventory for 2008. Haydn separated this information into [REDACTED]. Haydn’s hog bristle inventory levels ranged from [REDACTED] to [REDACTED] percent of sales from 2006 to 2008, which it considers to be a reasonable level. Haydn’s synthetic brush inventory level for 2008 was [REDACTED] percent of synthetic paintbrush sales. Haydn forecasts inventory levels for 2009 to remain at the same levels if anti-dumping duties remain in place.

299. PAL has not provided information regarding its inventory levels.

## Inventory should anti-dumping duties be removed

300. Haydn considers that if the anti-dumping duties were removed, the company would [REDACTED]

[REDACTED]. Haydn would [REDACTED] if the anti-dumping duties were removed and dumping of the subject goods were to resume.

301. PAL has stated that the removal of the anti-dumping duties would not affect its business. However, PAL has not provided any forecast information to support this assertion. Without further information from PAL, the Ministry is unable to assess any impact that the removal of the anti-dumping duties would have on PAL's inventory.

## Conclusion

302. The Ministry concludes there is no evidence of an adverse impact on inventories attributable to imports of the subject goods from China and therefore the domestic industry is not suffering a continuation of injury caused by the imports of the subject goods from China.

303. The Ministry further concludes that [REDACTED] if the anti-dumping duties are removed. There is therefore unlikely to be an adverse effect on inventories through the removal of the duties, rather the adverse effects arise in other areas as a result of the costs of clearing out inventory.

## Employment and Wages

304. Haydn has a very stable workforce. Over the last three financial years staff involved in the manufacture of hog bristle paintbrushes [REDACTED]. For those involved in hog bristle brush production this equates to [REDACTED] full time equivalents (FTE's) in the year to March 2006 and [REDACTED] FTE's in the year to March 2008. The figures for FTE's involved in synthetic paintbrush manufacture were not available.

305. Over the last three years with the anti-dumping duties in place, wages on average have [REDACTED]. Total staff numbers over the last three years [REDACTED], and the total wage bill has [REDACTED] over the same period by [REDACTED] percent from \$ [REDACTED] to \$ [REDACTED]. Wages as a percentage of revenue [REDACTED] by [REDACTED] percent over the last three years. The decline in the volume of the subject goods from China and the increase in average price over the same period indicate that such imports are not likely to have been a cause of changes in employment and wages.

306. PAL has not provided information regarding employment or wages.

## Likely Impact of Removal of Duties on Employment and Wages

307. In respect of the likely impact on Haydn's employment and wages levels if the anti-dumping duties were removed and dumping of the subject goods were to resume, Haydn considers that its [REDACTED]

[REDACTED]. Haydn has stated that it is [REDACTED]

. Haydn said it would

308. PAL has stated that the removal of the anti-dumping duties would not affect its business. However, PAL has not provided any forecast information to support this assertion. The Ministry is unable to make any comments on whether there is likely to be any negative impact on PAL's employment and wages if the duties are removed.

## Conclusion

309. The Ministry concludes there is no evidence of an adverse impact on employment and wages attributable to imports of the subject goods from China and therefore the domestic industry is not suffering a continuation of injury caused by the imports of subject goods from China.

310. The Ministry concludes that there would likely be an adverse impact on Haydn's employment and wage levels if the anti-dumping duties are removed. Even if the removal of the duties did not have any impact on PAL's employment and wages, the impact on Haydn's employment and wages would still be significant for the New Zealand industry considered as a whole.

## Growth, Ability to Raise Capital and Investments

311. Haydn's customer base has since the last review, while its total sales of hog bristle paintbrushes have been over the last three years. Production and sales of synthetic paintbrushes is

312. The effect on sales of Haydn's recent contract with which has stores nation-wide, is likely to contribute to Haydn's growth, but the effect on

313. Although Haydn does not consider that synthetic paintbrushes are a significant threat in terms of replacing hog bristle paintbrushes, it has started to produce synthetic paintbrushes. Haydn's figures show that while total paintbrush sales have, the, the commenced the production of synthetic paintbrushes. It is not clear whether synthetic brushes are hog bristle paintbrush sales.

314. On the basis of its business prospects, Haydn has. The decline in the volume of

the subject goods from China and increase in average price over the same period do not appear to have affected the industry's growth and ability to raise capital.

315. PAL has not provided any detailed information regarding its growth and investment. PAL has stated that it believes it can compete with global players in New Zealand by [REDACTED] and so is of the opinion that it does not need the anti-dumping duties to compete. These comments suggest that even if the duties were removed, PAL considers this would not inhibit it from growing or limit its ability to grow or to raise capital and investments. PAL has commented that it is committed to manufacturing in New Zealand and exporting more of its paintbrushes.

## Conclusion

316. The Ministry concludes there is no evidence of an adverse impact on growth and ability to raised capital and investments attributable to imports of the subject goods from China, and therefore the domestic industry is not suffering a continuation of injury caused by the imports of subject goods from China.

317. 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 has concluded that if the anti-dumping duties were removed and dumping of the subject goods were to resume, Haydn's sales, profit and return on investment would likely be adversely affected. The Ministry consequently concludes that there would likely be a subsequent adverse impact on the domestic industry's growth and prospect for growth and its ability to raise capital and investments, if the anti-dumping duties are removed.

318. The Ministry has concluded that it is likely that there would be a negative impact on PAL's sales revenue and profit if the duties are removed. The Ministry concludes that such negative effects on these factors, in particular profits, would make it more difficult for growth, ability to raise capital and investments.

## 5.6 Other Causes of Injury

319. 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

320. 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.

321. 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 anti-dumping 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 anti-dumping duties are set at the appropriate level and are not out of date (due to, for example, exchange rates), 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.

322. The Ministry has considered a number of factors that may have affected the industry's performance other than those caused by dumped goods. Haydn was asked to comment about other possible causes of injury which may have affected its performance since 2003 and its comments are included in the relevant sections below.

## Non-Dumped Imports

323. All imports from China can be considered non-dumped because of the anti-dumping duties, but for the purposes of this analysis non-dumped goods are those hog bristle paintbrushes imported into New Zealand from exporting countries other than China. The New Zealand industry has been competing with non-dumped imports for many years. Haydn considers that non-dumped imports have not had a significant effect on its business.

324. If the anti-dumping duties are removed, imports from all sources will have to compete with imports from China, and as a consequence the volume from China is likely to increase at the expense of sources other than China and the New Zealand industry. (The volumes from China can be seen in Table 5.1) There continues to be a significant volume of low priced imports available in the New Zealand market, although it is unclear the extent to which the New Zealand manufactured product competes with these directly because of e.g. quality differences. If the other



exporting countries reduce their prices to compete with lower priced Chinese imports to retain market share, the New Zealand industry may face increased price competition from imports from all sources if the duties were removed.

325. The following table shows the imports of hog bristle from countries other than China over the last five years.

**Table 5.33: Imports of Hog Bristle Paintbrushes from Other Sources**  
(Year ended June)

	2004	2005	2006	2007	2008
Indonesia	223,174	713,254	320,064	496,194	550,367
Taiwan	156,432	300,476	105,258	102,816	72,288
Australia	216	101,318	53,723	36,817	20,954
Malaysia	9,300	-	6,060	8,544	30,000
Vietnam	93,324	60,992	64,752	42,768	63,552
Other	3,199	123,319	100	1,704	512
Total	485,645	1,299,359	549,957	688,843	737,673

326. Indonesia and Taiwan are the other main sources of significant volumes of hog bristle paintbrushes. Over the period from 2004 to 2008 imports from Indonesia increased by 147 percent, imports from Taiwan declined by 54 percent, and total imports from sources other than China increased by 52 percent.

327. NZCS data shows the VFD and the number of paintbrushes for each importation, but the data does not identify the size or type of paintbrush. The price information from the data is limited to the average cost per paintbrush of the importation. As discussed in paragraph 140, the average CIF prices of Chinese hog bristle paintbrushes have been significantly higher than average prices from Indonesia and other countries over the last five years, which suggests that price competition facing the domestic industry over this period has been from sources other than China, although the quality of the brushes being imported may impact on the degree of the competition.

### Imported Synthetic Paintbrushes

328. Imported synthetic paintbrushes are another competitive pressure in the New Zealand paintbrush market. Synthetic paintbrushes made up the majority of the New Zealand market for four of the last 5 years. The following table shows the imported volume of synthetic and hog bristle paintbrushes from 2004 to 2008.

**Table 5.34: Imported Paintbrushes**  
(year ended June)

	2004	2005	2006	2007	2008
Total Hog Bristle	720,611	1,495,227	759,316	901,055	853,653

% of Imports	24%	40%	36%	25%	28%
Total Synthetic	2,245,509	2,274,100	2,122,673	2,687,739	2,254,406
% of Imports	76%	60%	64%	75%	72%
Total Paintbrushes	2,966,120	3,769,327	2,881,989	3,588,794	3,108,059

329. As can be seen from the table above synthetic paintbrushes constituted the majority of imported paintbrushes from 2004 to 2008.

330. It is notable that over the five years, the volumes of both the hog bristle and synthetic paintbrush imports increased. The table shows synthetic imports have been at about the same level (apart from a blip in 2007) over this period. The volume of hog bristle paintbrushes increased by 18 percent and the volume of synthetic paintbrush imports increased by 0.4 percent.

331. As a percentage of total imports, imports of hog bristle paintbrushes increased 4 percentage points over the 5 year period and synthetic paintbrushes declined by 4 percentage points, while the total import volume of paintbrushes grew by 5 percent. The import statistics also show that, although total imports increased over from 2004 to 2008, they declined by 13 percent from 2007 to 2008.

332. The information indicates that imports of hog bristle paintbrushes have increased at a faster rate than synthetic paintbrushes, and the total number of imported paintbrushes has grown over the period.

### **Conclusion**

333. Total imports of paintbrushes have increased over the period from 2004 to 2008. Imports of hog bristle paintbrushes have grown faster than imports of synthetic paintbrushes, but hog bristle paintbrushes have remained less than a third of all imported paintbrushes over the period.

### **Contraction in Demand and Changes in the Pattern of Consumption**

334. Haydn has stated that paintbrush sales are directly influenced by demand in the paint market. Haydn keeps abreast of paint sales (and hence demand for paintbrushes) as it acts as an agent selling high performance paint and spray cans, and therefore it is in a position to be aware of a current decline in the paint market. Haydn said there could be multiple reasons for fluctuations in the paintbrush market including:

- Changes in demand in the building market and the economy generally;
- A move away from materials that need to be painted, to more permanent materials;
- Changes in longer term fashion trends in building and decorating products. This includes both interior and exterior products;
- A shift away from paintbrushes to other types of applicators; and

- Weather conditions.

335. Import statistics suggest a contraction in the paintbrush market as over the last year, as the volume of imported hog bristle and synthetic paintbrushes has declined by 13 percent.

## **Restrictive Trade Practices and Competition**

336. The Ministry has not found any evidence of restrictive trade practices in operation by either the New Zealand industry or overseas producers.

## **Customer Purchasing Power and Competition in the Market**

337. The paintbrush market is characterised by a number of large DIY chain stores, and several specialist chains of paint shops. These stores all have comparatively easy access to imported and domestically produced paintbrushes. The paintbrush market is relatively easy for companies to enter on an ad hoc or on an ongoing basis. The way the goods are distributed around New Zealand does not appear to be a major impediment to entering the market, as it can be for some products. The choice of distribution providers is not limited as there are no special requirements to enable distribution, for example refrigeration, and therefore distribution can be achieved by any number of freight operators. Some of the large chains, however, do have their own distribution centres.

338. It is clear that the paintbrush market is highly competitive on price. The large wholesale customers who dominate the volume end of this market, sell the products through mainly their own retail stores, and have considerable purchasing power as they set the end user prices in competition with each other. Paintbrushes are usually sold as part of a whole range of home handyman type products which complement each other, and are often categorised together and sold in close proximity to each other.

339. The Ministry considers competition is intense among the main players in the DIY market (e.g. The Warehouse, Mitre 10, Resene) for the retail customer, and the positioning or image of the retail company in the market is a key determinant of the level of the wholesale prices the New Zealand industry can achieve for its products.

340. Haydn states that it [REDACTED] retail prices. Sales and discounting by the retail stores for categories of DIY products, which may include paintbrushes, are not uncommon. Haydn has found that [REDACTED], as these companies can easily access supply lines of low priced imported paintbrushes.

## **Developments in Technology**

341. Haydn has stated that it is not aware of any developments in paint brush technology per se. Haydn notes that brush making machines have limitations and that there was [REDACTED] when such machines are used.

342. The Ministry notes that there have been developments globally in technology in exterior coatings such as paint, with “compliance with up-coming environmental standards...a key issue” particularly in the highly regulated mature markets of Europe and North America (see Coatings World, October 2007, Public File document No. 183). It states that there has been an increasing “trend toward LEEDS (Leadership in Energy and Environmental Design) certified buildings and Green Seal (at the coatings level) leading to an additional customer demand for environmentally friendly paints”. The development in water based paints has been in response to such environmental concerns and is likely to have impacted on synthetic paintbrush development relative to hog bristle paintbrushes.

## Export Performance

343. Haydn exports both hog bristle and synthetic brushes to [REDACTED]. Total exports [REDACTED] from [REDACTED] percent of total revenue in 2006 to [REDACTED] percent in 2008. This equated to [REDACTED] in revenue from exports of [REDACTED] percent over the period 2006 to 2008. Haydn’s exported products are sold at prices above cost and are not adversely impacting on Haydn’s profitability. The table below shows the value of Haydn’s exports over the past three years.

**Table 5.35: Value of Paintbrush Exports**

	2006	2007	2008
Hog Bristle and Synthetic (NZD)	[REDACTED]	[REDACTED]	[REDACTED]

344. PAL has stated that it is currently exporting and [REDACTED] exports. PAL has not provided any information regarding the volume, value or profitability of its exports.

## Nature and Extent of Importations by Domestic Industry

345. Haydn does not import hog bristle paintbrushes from China but it does import [REDACTED] and [REDACTED]. Haydn imports [REDACTED]. Haydn started importing these brushes in 2005 when it considered the [REDACTED]. Haydn states that it is [REDACTED].

346. PAL imported [REDACTED] hog bristle paintbrushes from China with a total value of NZD [REDACTED]. The average value of these goods was NZD [REDACTED]. It paid NZD [REDACTED] anti-dumping duty for these goods, increasing the average value of these goods to NZD [REDACTED]. PAL manufactures four ranges of paintbrush, out of the 17 advertised on its website, one of which is of hog bristle. It has stated that it manufactures [REDACTED] hog bristle brushes in New Zealand and imports the remainder of its hog bristle brushes. PAL does not support the anti-dumping

duty remaining in place and presumably it considers that it can compete with imports at this price level without anti-dumping duties in place.

## Conclusion on Other Causes of Injury

347. The Ministry concludes that:

- Indonesian hog bristle paintbrush imports have increased significantly indicating there may be a significant switch of sourcing of imports from China to Indonesia;
- Total imports of hog bristle paintbrushes have increased by 18 percentage points over the 5 years to 2008;
- Total imports of hog bristle paintbrushes have increased at a faster rate than synthetic paintbrushes from 2004 to 2008;
- There appears to be the beginnings of a contraction in demand over the last year; and
- Retail prices are mainly controlled by the specialist and DIY chain stores which have access to prices at non-dumped import levels, making it difficult to increase wholesale domestic prices.

348. In summary, the Ministry concludes that non-dumped hog bristle paintbrushes and imported synthetic paint brushes hold a significant share of the market and have a strong influence on the prices that can be obtained for locally manufactured paintbrushes. In addition, there may be some recent contraction in demand which may be impacting on the industry's prices.

## 5.7 Conclusions Relating to Injury

349. The Ministry's injury analysis is required to assess the likelihood of a continuation or recurrence of material injury to the domestic industry if the duties were removed. In this review, the two New Zealand manufacturers have different views on whether the duties should continue. PAL, which made up ███ percent of the production of like goods in New Zealand in 2008, is of the opinion that it would not be injured if the duties were removed. PAL has not supplied the Ministry with forecast information to support its opinion that it would not be injured.

350. Haydn, which produced ███ percent of the like goods in New Zealand in 2008, is of the opinion that the duties should remain in place. Haydn has provided detailed forecast information which supports its view that it is likely that they would suffer significant injury if the duties were removed.

351. From the information made available during the review, the Ministry has reached the following conclusions in relation to material injury suffered by the New Zealand industry.

## Volume and Price Effects

- In absolute terms, the volume of imports of hog bristle paintbrushes from China has decreased significantly from 2006 to 2008.
- The limited information regarding types and sizes of imported brushes in the NZCS data prevented the Ministry from establishing whether actual price undercutting is currently taking place.
- There is no evidence of price depression. There is some evidence that Haydn's hog bristle paintbrush selling prices [REDACTED] its synthetic brush selling prices [REDACTED]. PAL's average prices [REDACTED], although this is in relation to PAL's gross selling prices only. The domestic industry's selling prices have been slightly suppressed.

## Economic Impact

- Over the period 2006 to 2008, the domestic industry's sales volume decreased and the sales revenue increased, but these changes are not attributable to imports from China..
- The domestic industry's market share decreased from [REDACTED] percent in 2006 to [REDACTED] percent in 2007, and remained at close to this level in 2008, but this is not attributable to imports from China.
- The domestic industry's profit has decreased from 2006 to 2008, but this is not attributable to imports from China.
- No positive evidence has been provided that shows any injurious effects attributable to hog bristle paintbrushes from China on productivity, return on investments, capacity utilisation, factors affecting domestic prices, cash flow, inventories, employment and wages, growth and ability to raised capital investments.
- The Ministry has been unable to make any useful conclusions about whether the magnitude of the margin of dumping is likely to have caused any price undercutting.
- Factors other than dumped goods are likely to have been a cause of injury to the domestic industry, however, these factors have been present for a number of years and will continue to affect the industry regardless of whether or not anti-dumping duties have been imposed.

352. The Ministry concludes that the domestic industry has suffered some injury over the POR(I), but this injury is not likely to be attributable to imports of subject goods from China.

## Likelihood of Injury if Anti-Dumping Duties are Removed

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

- It is likely that there would be a significant increase in import volumes of the hog bristle paintbrushes from China.
- It is likely that there would be price undercutting, price depression and price suppression due to dumped imports from China.
- Consequent upon the likely volume and price effects, it is likely there would be an adverse effect on domestic sales volume and revenue.
- As a result of volume and price effects, there is likely to be a negative impact on the domestic 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 will suffer a loss in profits.
- There is likely to be an adverse effect on the domestic industry's capacity utilisation, employment and wages, return on investment, growth and its ability to raise capital and investments. It is not likely that there would be an adverse effect on inventory levels.
- Factors other than dumped imports are likely to continue in the same way to be a cause of injury to the domestic industry and can therefore be distinguished from the injurious effects likely to result from dumped imports from China.

354. Based on these considerations, the Ministry concludes that if anti-dumping duties are to be removed, material injury to the New Zealand industry from dumped imports of Chinese hog bristle paintbrushes is likely to recur.





## 6. Conclusions

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355. On the basis of the information available, the Ministry concludes that if the anti-dumping duties are removed, it is likely that there would be a continuation of dumping of hog bristle paintbrushes from China, which is likely to cause a recurrence of material injury to the New Zealand industry. Therefore the Ministry concludes that anti-dumping duties should remain in place



## 7. Recommendations

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356. On the basis of the information obtained during the review, the review team recommends:

1. that the Chief Executive of the Ministry determine pursuant to section 14(8) of the Act that in relation to the importation or intended importation into New Zealand of hog bristle paintbrushes of the type under review from China, that if anti-dumping duties be removed:
  - (a) there is a likelihood of dumping recurring; and
  - (b) by reason thereof material injury to the New Zealand industry is also likely to recur.
2. The Chief Executive initiate a reassessment of the rate of the anti-dumping duties pursuant to section 14(6)(c) of the Act.
3. The Chief Executive sign the attached *Gazette* notice publicly notifying the completion of this review and the initiation of a reassessment of the anti-dumping duty rates that currently apply to imports of hog bristle paintbrushes from China.

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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.

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### 8.1 Introduction

357. The Act allows the Chief Executive to initiate a reassessment of the anti-dumping duty following a “sunset” review that concludes there is the need for a continuation of the anti-dumping duties.<sup>12</sup> 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 this 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 proposed duties. Interested parties have until 12 February 2009 to make submissions.

### 8.2 Methods of Imposing Duties

358. 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.<sup>13</sup> 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.<sup>14</sup> This consideration is known as the “lesser duty rule”.

359. There are numerous considerations that are taken into account when deciding on the form of the anti-dumping duty. Factors such as the ability to ensure the dumping margin is not exceeded, the ability to maintain fairness between parties, the predictability of the duty payable and the ease of administration, are all important aspects of an anti-dumping duty.

360. 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.

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<sup>12</sup> Dumping and Countervailing Duties Act 1988, s14(6)(c)

<sup>13</sup> Dumping and Countervailing Duties Act 1988, s14(4)

<sup>14</sup> Dumping and Countervailing Duties Act 1988, s14(5)

## A Specific Duty

361. 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.

362. 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.

363. 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.

364. A specific duty approach can be implemented 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.

## Ad Valorem Rate Duty

365. An *ad valorem* duty is a duty based on the margin of dumping or the margin of injury (if the margin of injury is less than the margin of dumping), 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 concerning the manipulation of the invoice value of the goods.

366. 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.

367. 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.

## Reference Price Duty

368. 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 FOB level. A non-injurious free-on-board (NIFOB) price is the price at which the imports would not cause injury to the New Zealand industry, calculated at the 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) amounts) or the currency of the NIP (in the case of NIFOB prices). For example, in the present review, the NV(VFDE) amounts have been based on the normal value in China, which is set in CNY, while the NIFOB prices have been based on Haydn's NIP, which is in NZD. A full discussion of both reference price methods is set out below.

369. 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.

370. One of 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.

## Developing Country Considerations

371. For the purposes of dumping investigations and reviews and the imposition of anti-dumping duties, China 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.

372. 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..."<sup>15</sup> Price undertakings offered in relation to an initial investigation are

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<sup>15</sup> WT/DS141/R, Appellate Body report, paragraph 6.229.

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 Chinese exporters.

373. 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

374. Anti-dumping duties have been in place on hog bristle paintbrushes from China since 1987, as the result of successive reviews determining that dumping and injury would recommence if the anti-dumping duties were removed. The Ministry has assessed and collected anti-dumping duties on the basis of three categories of paintbrush that are distinguished by different cubic volumes of bristle contained in a brush. The volumes of bristle increase from the industrial category, to the handyman category, to the tradesman category.

375. The volume of bristle for the different brush sizes in the three categories is shown in the following table.

**Table 8.1: Range of Cubic Volume of Bristle (mm<sup>3</sup>)**

Size (mm)	Industrial	Handyman	Tradesman
25	0 - 11,500	11,501 - 15,000	>15,000
38	0 - 20,000	20,001 - 25,000	>25,000
50	0 - 33,500	33,501 - 36,000	>36,000
63	0 - 38,000	38,001 - 44,000	>44,000
75	0 - 45,000	45,001 - 55,000	>55,000
100	0 - 65,000	65,001 - 90,000	>90,000

376. In the 2003 review, the Ministry calculated NV(VFDE) amounts and NIFOB prices for each size and category of hog bristle paintbrush. These two types of reference prices were compared and the lesser of the two adopted, in accordance with the lesser duty rule. The reference prices apply on a country wide basis, meaning that there are no exporter specific reference prices and they apply to all Chinese exporters.

377. As noted in paragraph 368, NV(VFDE) amounts are set in CNY and NIFOB prices are set in NZD. Most of the duties are set as NV(VFDE) amounts, but where a reference price was set as a NIFOB price, there was also an alternative duty rate set in the form of a NV(VFDE) amount, which was to ensure that the amount of anti-dumping duty does not exceed the margin of dumping.

378. The Ministry also established separate rates of anti-dumping duty for paintbrush heads based on the average production costs of the New Zealand industry in the 2003 review. From the information supplied by the domestic industry in that review, the Ministry applied 71 percent of the full reference price of a paintbrush, to be the reference price of a paintbrush head.



379. The reference prices which currently apply to Chinese hog bristle paintbrushes and paintbrush heads are set out in the following tables.

**Table 8.2: NIFOB and NV(VFDE) Amounts, Complete Paintbrushes (per unit)**

Size (mm)	Industrial	Handyman	Tradesman
25	CNY 4.40	CNY 4.40	CNY 4.49
38	CNY 6.19	CNY 6.28	CNY 6.37
50	CNY 9.25	CNY 9.52	CNY 9.52
63	NZD 2.89*	CNY 11.85	CNY 11.94
75	CNY 13.65	CNY 13.91	CNY 14.18
100	NZD 4.88*	CNY 18.76	CNY 19.39
Alternative Duty*			
63	CNY 11.49*		
100	CNY 18.58*		

**Table 8.3: NIFOB and NV(VFDE) Amounts, Paintbrush Heads (per unit)**

Size (mm)	Industrial	Handyman	Tradesman
25	CNY 3.12	CNY 3.12	CNY 3.19
38	CNY 4.39	CNY 4.46	CNY 4.52
50	CNY 6.57	CNY 6.76	CNY 6.76
63	NZD 2.05*	CNY 8.41	CNY 8.48
75	CNY 9.69	CNY 9.88	CNY 10.07
100	NZD 3.46*	CNY 13.32	CNY 13.77
Alternative Duty*			
63	CNY 8.16		
100	CNY 13.19		

380. The 'alternative duty' in the tables above is applied when it is lower than the NZD NIFOB price (when converted by the relevant exchange rate). Hog bristle paintbrushes of sizes which are not specified in the tables above are assigned the reference price of the nearest brush size allocated a reference price.

## 8.4 Reassessed Amount of Anti-Dumping Duty

### Specific Duty

381. The Ministry has considered whether a specific duty should be applied. The Ministry does not hold any current information on which to establish a specific duty. There are a range of sizes and quality of goods imported and potentially many suppliers with different cost structures and dumping margins. There is also no information available to show that prices are stable, and exchange rates are not stable at the present time. This method of imposing anti-dumping duty is therefore not considered to be appropriate in this instance.

## Ad Valorem Duty

382. An alternative method of setting anti-dumping duties is to apply an *ad valorem* duty to all Chinese exporters. An *ad valorem* duty can be set at the margin of dumping or at the margin of injury. In accordance with the lesser duty rule, the lower of the two margins would be used as the *ad valorem* duty rate. Lower priced goods would attract a lower amount of duty and higher priced goods attract a higher amount of duty, which would not necessarily address the amount of injury caused in the relevant paintbrush category.

383. As discussed in section 4.7, the information estimating export prices and normal values sourced in the present review relates to only one brand of DIY hog bristle paintbrushes, which are categorised in the industrial brushes group for duty collection purposes. As noted in paragraph 86, the assessment of the likelihood of a continuation or recurrence of dumping should duties be removed, was unable to be based on a comparison of transaction-to-transaction prices as is this Ministry's normal approach. An assessment of whether there was likely to be dumping was made from the information that was available, that is, from a Chinese bristle merchant's estimate of domestic and export selling prices for one brand and type of paintbrush. These prices were not supported with any evidence so were unable to be verified. Even though there was no information on the actual prices and costs (see *inter alia* paragraphs 97, 102, 105 and 109) and therefore the actual level of dumping, the information was considered to be sufficient to indicate that there would likely be a continuation of dumping should the duties be removed. The information used in the dumping section of the report is therefore a conservative estimate of the likely dumping margins if the duties are removed, given that these estimated prices on the Chinese domestic market are well below prices estimated by up-dating the normal values established in the last review by an index (see paragraph 400 to 404 below).

384. The Ministry considers that because of the lack of supporting information and the availability of other verified information from past cases, using an *ad valorem* rate of duty is not appropriate in this instance.

## Reference Prices

385. The Ministry's normal practice regarding reference prices is to calculate both NIFOB and NV(VFDE) amounts and in accordance with the lesser duty rule, apply the lower of the two reference prices. The following section discusses this approach to setting reference prices.

## Calculation of Non-Injurious Prices (NIPs)

386. A NIP is an unsuppressed selling price at which a domestic producer can sell its products in its domestic market and is the basis on which a NIFOB reference price is calculated. An unsuppressed selling price is one that is achievable in the absence of competition from dumped product in the New Zealand market.

387. The Ministry has found evidence of some injury to the industry over the POR(I), but this injury is not likely to be attributable to imports of hog bristle paintbrushes from China (given there is an anti-dumping duty currently in place). In this situation,

and taking account of the information available, the review team considers the industry's NIPs to be the net selling prices achieved by the industry over the POD(R). The relevant level of trade for the industry is the ex-factory level (see paragraph 165).

388. PAL provided its gross selling prices for its domestically produced hog bristle and synthetic paint brushes, but the Ministry does not have sufficient information to calculate ex-factory prices (as discussed in paragraph 175). The Ministry has therefore based the industry's NIPs on Haydn's ex-factory selling prices.

389. To calculate Haydn's average ex-factory selling price, a deduction was made for the [REDACTED]. The Ministry has calculated Haydn's average ex-factory selling prices of the like goods (hog bristle paintbrushes and synthetic paintbrushes) for the year ended 30 June 2008. As discussed in section 3.1, domestically produced synthetic paintbrushes are considered to be like goods to the subject goods.

390. The Ministry considers that synthetic paintbrushes produced by Haydn are at the top of the range, and should therefore be classified within the tradesman category of paintbrushes. The Ministry has calculated a weighted average selling price for the hog bristle Trade and Elite brushes, and the synthetic paintbrushes to establish a NIP for the tradesman category. The NIPs for the industrial and handyman categories are the average net selling prices achieved by Haydn over the year ended 30 June 2008 for its DIY and Handyman brushes respectively.

391. The following table shows Haydn's NIPs calculated using the method described above.

**Table 8.4: Haydn's NIPs (per Unit)**

Size	Industrial	Handyman	Tradesman
25	[REDACTED]	[REDACTED]	[REDACTED]
38	[REDACTED]	[REDACTED]	[REDACTED]
50	[REDACTED]	[REDACTED]	[REDACTED]
63	[REDACTED]	[REDACTED]	[REDACTED]
75	[REDACTED]	[REDACTED]	[REDACTED]
100	[REDACTED]	[REDACTED]	[REDACTED]

### Calculation of NIFOB Reference Prices

392. The purpose of a NIFOB price is to ensure that the price of imported product, when considered at the FOB level, is such that when the paintbrushes are sold at the relevant level of trade in the New Zealand domestic market, the sale price is not lower than the NIP. As stated in paragraph 165, the first point of competition and relevant level of trade is at the importer's ex-store level. NIFOB prices are calculated by taking the industry's NIP at the ex-factory level and deducting costs and margins

that would be incurred by importers between the FOB level and the importer's ex-store level.

393. The costs between FOB and importer's ex-store price include ocean freight, insurance, customs duty, local costs and importer's margin and were calculated on the basis set out in the price undercutting section of the report starting at paragraph 169.

394. The following table shows the NIFOB prices for the three categories of paintbrushes.

**Table 8.5: Industrial NIFOB per Unit**

	25mm	38mm	50mm	63mm	75mm	100mm
NIP Ex-Factory						
Less: Costs and Margins after FOB to Ex-Store						
Ocean Freight/Insurance						
Local Fees						
Import Duty						
Total Deductions						
Margin %						
NIFOB (NZD)						

**Table 8.6: Handyman NIFOB per Unit**

	25mm	38mm	50mm	63mm	75mm	100mm
NIP Ex-Factory						
Less: Costs and Margins after FOB to Ex-Store						
Ocean Freight/Insurance						
Local Fees						
Import Duty						
Total Deductions						
Margin %						
NIFOB (NZD)						

**Table 8.7: Tradesman NIFOB per Unit**

	25mm	38mm	50mm	63mm	75mm	100mm
NIP Ex-Factory						
Less: Costs and Margins after FOB to Ex-Store						
Ocean Freight/Insurance						
Local Fees						

Import Duty						
Total Deductions						
Margin %						
NIFOB (NZD)						

### NV(VFDE) Reference Prices

395. NV(VFDE) amounts are calculated by adding to the Chinese normal value, all costs incurred by the exporter up to the FOB level. The NV(VFDE) amounts therefore represents an un-dumped price at the FOB level.

396. As discussed in the dumping section of this report (section 4.5) the Ministry received limited normal value information in this review which relates only to hog bristle paintbrushes, which are included within the industrial category of paintbrushes for duty collection purposes. This normal value information has not been supported with any evidence.

397. As stated in paragraph 383, the Ministry considers that the normal value information sourced in this review is a conservative estimate of the current selling prices of hog bristle paintbrushes within the industrial category in China. The Ministry considers the normal value information provides enough information to conclude that there is likely to be dumping if the anti-dumping duties are removed. However, the Ministry considers that the normal value information obtained in this review may not be most appropriate information to be used when setting anti-dumping duties. The information obtained relates to a bristle merchants estimate of the price of a model of industrial brush and what it would sell for on the Chinese domestic market, but the estimate has not been accompanied with any supporting evidence and has not been verified. Costs from ex-factory to the FOB level have not been based on actual transactions but taken from the 2003 Review. There is also a question mark about the veracity of the information, as in the 2003 Review Report an estimate of prices provided for the Chinese domestic market when compared with normal values updated from the Chinese retail index, supported the level of prices provided for the Chinese market. Here the price levels provided are substantially lower when compared with updated normal values. This could be due to the limitations of the data which did not cover the range of brushes being imported, being information for only one type of brush from the lowest price category, and an absence of cost information.

398. The Ministry considers that because there is insufficient data available, information which was used in previous reviews is the best available information for the purposes of setting anti-dumping duties because the information has previously been verified by the Ministry and it also relates to all three categories of hog bristle paintbrushes.

399. For the reasons stated above, the Ministry has updated normal value and other relevant cost and margin information from the 2003 review with a relevant Chinese price index to establish NV(VFDE) amounts in this review.

### Updated 2003 NV(VFDE) using an Index

400. In the 2003 review, in order to establish up to date normal values, the Ministry updated normal value information obtained in 1991 by the Chinese retail index due to a lack of information provided by Chinese exporters. The Ministry then added 8 percent to the updated normal values to account for all costs and margins between ex-factory and FOB to establish the NV(VFDE) amounts.

401. For this review, the Ministry has only been able to obtain Chinese retail index information up to 2006. The Ministry considers that this information is not recent enough for the purpose of updating the 2003 reference prices and a more up to date Chinese price index is appropriate.

402. The Ministry has obtained statistical information concerning the Chinese Producer Price Index (PPI) up to June 2008. This statistical information is contained in the October 2008 edition of "*International Monetary Fund: International Financial Statistics*" which states that the PPI is designed to monitor changes in prices of items at the first important commercial transaction. In principle, the PPI should include service industries, but in practice it is limited to the domestic agricultural and industrial sectors. Of particular note is that the industrial sector prices should be at the ex-factory level. The total percentage increase in the NV(VFDE) amount over the period 2003 to 2008 calculated on this basis is 30 percent.

403. In order to establish updated NV(VFDE) amounts, the Ministry has updated the normal values and costs established in 2003 by the Chinese PPI up to 2008. As the 2008 PPI information is limited to the first two quarters, the Ministry has used the average percentage increase in the first two quarters of 2008 (compared to the same two quarters in 2007) as the percentage increase for the 2008 year.

404. The following table shows the NV(VFDE) amounts calculated using the method described above.

**Table 8.9: NV(VFDE) updated by the Chinese PPI (CNY per Unit)**

Size	Group 1	Group 2	Group 3
(mm)	Industrial	Handyman	Tradesman
25	5.73	5.73	5.85
38	8.06	8.18	8.29
50	12.04	12.40	12.40
63	14.96	15.43	15.55
75	17.77	18.11	18.46
100	24.19	24.43	25.25

### Comparison of NIFOB and NV(VFDE) Amounts

405. To establish whether a lesser duty should apply, NIFOB and NV(VFDE) amounts have been calculated to check whether the NIFOB prices have exceeded the margin of dumping. If a NIFOB price is less than the NV(VFDE) amount, then

the NIFOB price (which is a form of lesser duty) will apply. If the NIFOB price is greater than the NV(VFDE) amount then the NV(VFDE) amount will apply, i.e. duty will be imposed at the full margin of dumping.

406. The Ministry has converted the NIFOB prices, which are normally set in NZD into CNY to compare the NIFOB prices and NV(VFDE) amounts in the same currency to identify the lower of the two. The Ministry has used the average exchange rate for the year ended 30 June 2008, which is Haydn's 2008 financial year from which financial information was used to calculate the NIPs as discussed in paragraph 387 .

407. The following table shows the comparison of reference prices.

**Table 8.10: Industrial Reference Price Comparison (CNY)**

Size (mm)	NIFOB	NV(VFDE)	Lowest Reference Price
25		5.73	NV(VFDE)
38		8.06	NV(VFDE)
50		12.04	NV(VFDE)
63		14.96	NV(VFDE)
75		17.77	NV(VFDE)
100		24.19	NV(VFDE)

**Table 8.11: Handyman Reference Price Comparison (CNY)**

Size (mm)	NIFOB	NV(VFDE)	Lowest Reference Price
25		5.73	NV(VFDE)
38		8.18	NV(VFDE)
50		12.40	NV(VFDE)
63		15.43	NV(VFDE)
75		18.11	NV(VFDE)
100		24.43	NV(VFDE)

**Table 8.12: Tradesman Reference Price Comparison (CNY)**

Size (mm)	NIFOB	NV(VFDE)	Lowest Reference Price
25		5.85	NV(VFDE)
38		8.29	NV(VFDE)
50		12.40	NV(VFDE)
63		15.55	NV(VFDE)
75		18.46	NV(VFDE)
100		25.25	NV(VFDE)

408. The NV(VFDE) amounts are significantly lower than the corresponding NIFOB prices, ranging from [redacted] percent to [redacted] percent. Therefore the Ministry proposes that the reference prices are all set as NV(VFDE) amounts.

## Effect of Exchange Rates on Anti-Dumping Duties

409. The Ministry considers that where an anti-dumping duty is imposed as a NV(VFDE) reference amount, it is appropriate that the duty should be established in CNY. The reason for this is that the NV(VFDE) amounts are established using a normal value, which is the price of a like good in the domestic market of the exporting country, would normally be in the local currency. Due to exchange rate fluctuations, there is a risk of collection of anti-dumping duty which is above or below the margin of dumping if NV(VFDE) amounts are set in a currency other than the country of origin. For instance, if NV(VFDE) amounts are set in NZD, any appreciation of the NZD against the CNY would result in anti-dumping duty being paid in excess of the margin of dumping, and the opposite would occur if the exchange rate depreciated. Fluctuations in exchange rates which may affect the amount of anti-dumping duty payable in relation to the margin of dumping are avoided by setting NV(VFDE) amounts in CNY.

410. The Ministry recognises the problem of exchange rate movements concerning the lesser duty rule where reference prices have been established. In the comparison of NIFOB prices with NV(VFDE) amounts exchange rate movements can result in NIFOB prices identified as being the lesser duty, later becoming higher than the corresponding NV(VFDE) amounts, which would be contrary to the requirement that anti-dumping duties do not exceed the margin of dumping. Exchange rate movements relating to NIFOB prices are not an issue for the proposed reference prices as there are no NIFOB prices which are lower than the NV(VFDE) amounts.

## Proposed Anti-Dumping Duties

411. The Ministry considers that anti-dumping duties should be imposed in the form of reference prices as set out in the table below. All of the proposed reference prices are in the form of NV(VFDE) amounts, and have therefore been set in CNY for the reasons discussed in paragraph 368 and paragraph 409.

412. As stated in paragraph 378, in the 2003 review the Ministry used 71 percent of the reference price established for a complete paintbrush to calculate reference prices for imports of paintbrush heads. The Ministry considers that this approach is still reasonable and therefore the same percentage has been applied in this review to establish reference prices for paintbrush heads.

**Table 8.15: Proposed Reference Prices (CNY)**

Size	Group 1	Group 2	Group 3
(mm)	Industrial	Handyman	Tradesman
25	5.73	5.73	5.85
38	8.06	8.18	8.29



50	12.04	12.40	12.40
63	14.96	15.43	15.55
75	17.77	18.11	18.46
100	24.19	24.43	25.25

**Table 8.16: Proposed Reference Prices – Paintbrush Heads (CNY)**

Size	Group 1	Group 2	Group 3
(mm)	Industrial	Handyman	Tradesman
25	4.07	4.07	4.15
38	5.72	5.81	5.89
50	8.55	8.80	8.80
63	10.62	10.96	11.04
75	12.62	12.86	13.11
100	17.18	17.34	17.93

## 8.5 Opportunity for Comment

413. Interested parties have until **12 February 2009** to make submissions on this Interim Reassessment Report. All submissions must be accompanied by a non-confidential version.

414. A Final Reassessment Report will be completed as soon as practicable after receiving submissions on the Interim Reassessment Report. 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 recommendations are made to the Minister of Commerce.



## Appendix One

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415. 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](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](http://www.wto.org/english/docs_e/legal_e/19-adp.pdf) or [www.wto.org/english/docs\\_e/legal\\_e/19-adp.doc](http://www.wto.org/english/docs_e/legal_e/19-adp.doc)