Non-Confidential Final Report

Galvanised Wire
from South Africa

Dumping and Countervailing Duties Act 1988

Sunset Review

Ministry of Economic Development

Trade Rules and Remedies
July 2008

ISBN 978-0-478-31682-7 (PDF)
ISBN 978-0-478-31683-4 (HTML)

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Abbreviations

The following abbreviations are used in this Report:

Act (the)	Dumping and Countervailing Duties Act 1988
African Gabions	African Gabions (Pty) Ltd
Anchor	Anchor Wire Limited
Anti-Dumping Agreement	WTO Agreement on Implementation of Article VI of the GATT 1994
Cape Gate	Cape Gate Export Division (Pty) Ltd
Chief Executive (the)	Chief Executive of Ministry of Economic Development
CIF	Cost, Insurance and Freight
Consolidated	Consolidated Wire Industries (Pty) Ltd
EBIT	Earnings Before Interest and Tax
Euro Corp	Euro Corporation Limited
Finmesa	Finmesa Investment Corporation
FOB	Free on Board
GUR	Goods under review
HWP	Hurricane Wire Products
Independent	Independent Galvanising (Pty) Ltd
Maccaferri	Maccaferri NZ Limited
Ministry (the)	Ministry of Economic Development
NZCS	New Zealand Customs Service
NZD	New Zealand Dollar
POR(I)	Period of Review for Injury: 1 July 2004 to 30 June 2007
POR(D)	Period of Review for Dumping : 1 December 2006 to 30 November 2007
Ullrich	Ullrich Machinery Corporation Limited
VFD	Value for Duty
WTO	World Trade Organisation
ZAR	South African rand

1. Executive Summary

Introduction

1. A review of the anti-dumping duties that currently apply against imports of galvanised wire from South Africa was initiated by the Ministry of Economic Development on 18 December 2007.

2. The review was initiated upon the receipt of an application from Pacific Wire (PW), the sole New Zealand producer of galvanised wire, for a review of the present anti-dumping duties. The duties under review have been in place since December 2002 and would have expired in December 2007. PW claimed that the expiry of the duties would lead to a recurrence of dumping and material injury to the industry.

Goods Subject to the Investigation

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

> *Galvanised steel wire of high, medium and low tensile strength between 2mm and 4.5mm in diameter, but EXCLUDING the following:*
>
> *Galvanised steel spring wire AS1472 exceeding 4mm in diameter.*

Dumping

4. There have been no exports of galvanised wire from South Africa to New Zealand since 2004, therefore, the Ministry was unable to analyse if the goods continue to be dumped into New Zealand since the imposition of anti-dumping duties in 2002. However, on the basis of the information gathered during the review, including current South African export prices of galvanised wire to other export destinations and South African domestic prices for galvanised wire, the Ministry has concluded that that should the duties be removed from the GUR, there is likely to be a recurrence of dumping of galvanised wire into New Zealand.

Material Injury

5. The domestic industry, PW, does not claim that it is currently suffering material injury due to imports of galvanised wire from South Africa as there have been no imports from this source since 2004. This review has concentrated on the likelihood of a recurrence of material injury to the domestic industry, should the present anti-dumping duties be removed. In this respect the Ministry has examined information gathered during the course of the review in order to assist it in its analysis. This information includes past and current pricing behaviour of the market participants both in New Zealand and in South Africa and information on the level of production and capacity of the South African galvanised wire industry in order to gauge the South African producers' ability to supply New Zealand importers with significant volumes of galvanised wire. On the basis of the totality of the information gathered during the review, the Ministry has concluded that should the duties be removed from imports of galvanised wire from South Africa there is likely to be a recurrence of the material injury suffered by the New Zealand industry.

Conclusion

6. This report concludes that if the current anti-dumping duties are removed there is a likelihood of a recurrence of dumping and that this would likely cause material injury to the New Zealand industry. It has been found necessary to revisit the anti-dumping duty and the initiation of a reassessment of the rate or amount of anti-dumping duty is recommended.

2. Proceedings

2.1 Proceedings

7. On 21 December 2002, the Minister of Commerce imposed anti-dumping duties on galvanised wire from South Africa imported into New Zealand, because an investigation had established that the goods were being dumped and by reason thereof were causing and threatening to cause material injury to Pacific Wire (PW).

8. On 18 December 2007, the Chief Executive of the Ministry of Economic Development (the Chief Executive) initiated a review of the continued need for the imposition of the anti-dumping duties, pursuant to section 14(8) of the Dumping and Countervailing Duties Act 1988 (the Act), on the basis of positive evidence submitted by PW justifying the need for the review. A notice advising the initiation of the review was published in the New Zealand *Gazette* dated 20 December 2007.

9. In accordance with Article 11 of the World Trade Organisation (WTO) Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (Anti-dumping Agreement), the purpose of the Ministry of Economic Development's (the Ministry) review is to examine whether dumping and injury would be likely to continue or recur if the duties were removed.

10. On 5 June 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 June 2008 to make submissions based on the content of the Interim Report. No substantive submissions were received.

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

2.2 Reviews

12. In terms of section 14(9)(a) of the Act, anti-dumping duties relating to galvanised wire originating from South Africa would, in the absence of a review, would have ceased to apply as from 21 December 2007. The existing anti-dumping duties have applied pending the outcome of this review and the reassessment follows it.

13. The period of review for dumping is from 1 December 2006 to 30 November 2007 (POR(D)), while the period of review into injury (POR(I)) involves an evaluation of the data submitted by PW for the period 1 July 2004 to 30 June 2007 (PW's financial years 2004/5, 2005/6 and 2006/7). The Ministry has also evaluated forecast information provided by the domestic industry for 2008 and projections regarding the impact on its domestic operation should the anti-dumping duties be removed.

14. In this report, unless otherwise stated, years are years ending 30 June and dollar values are in New Zealand dollars (NZD). In tables, column totals may differ from

individual figures because of rounding. The term VFD refers to value for duty for Customs purposes.

15. Interested parties to the original dumping investigation were advised of the initiation of this review in writing and provided with the opportunity to make written submissions to the Ministry.

2.3 Dumping and Injury for the Purposes of a Review

Ministry's Approach to Sunset Reviews

16. The Ministry carries out sunset reviews on the basis of Article 11 of the Anti-Dumping Agreement. In interpreting Article 11, the Ministry takes guidance from New Zealand legal reports, WTO Panel reports and approaches taken by other WTO member countries.

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

18. For further guidance on the level of evidence that is required to meet the "would be likely" criteria of Article 11.3, the Ministry also referred to the findings of the WTO panel report, *United States Anti-Dumping Duty on Dynamic Random Access Memory Semi Conductors (DRAMS) from Korea,* and to the approaches taken by the European Union, United States, Canada and Australia to sunset reviews.

19. The Ministry notes that the consideration of whether duties should be removed does not exist in isolation but is dependent on whether the evidence shows that the expiry of duty would be likely to lead to a continuation or recurrence of dumping and injury. In determining "likelihood", it is considered that regard should be had to the timeframe within which an event may occur. Article 11.3 of the Agreement makes no express reference to the length of time within which a continuation or recurrence of injury has to take place.

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

- The Ministry is required to establish whether the expiry of the anti-dumping duty would be likely to lead to a continuation or recurrence of dumping and injury.

- The test to be applied in respect of the likelihood of a continuation or recurrence of dumping and material injury is a positive one, i.e., the Ministry needs to be satisfied, based on positive evidence, that certain events are likely to occur, and that those events will cause dumping and material injury to the industry to continue or recur in the absence of anti-dumping duties.

- Interpretation of the phrase “would be likely” is guided by a court judgement referring to “a real and substantial risk…, a risk that might well eventuate”.

- In considering the likelihood of injury, the Ministry may refer for guidance to provisions in the Anti-Dumping Agreement that may be helpful in assessing that likelihood and those provisions may include, if appropriate, the factors used in Article 3.7 in assessing a threat of injury. The test to be applied, however, is not that for establishing whether there is a threat of injury.

21. In considering whether removal of the duty *would be likely to lead* to a recurrence of dumping and injury, the Ministry considers what is likely to happen in the foreseeable future. The extent to which the Ministry is able to make judgements on the likelihood of events occurring in the foreseeable future will depend on the circumstances of each case and, therefore, the foreseeable future will range from the imminent to timeframes longer than imminent.

2.4 Grounds for the Review

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

- Price undercutting; price depression; and price suppression,

resulting in:

- a decline in output and sales;

- a decline in market share;

- a decline in profits and return on investments;

- a decline in utilisation of production capacity; and

- adverse effects upon cash flow, inventories, employment and growth.

Reassessment of Anti-Dumping Duties

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

2.5 Interested Parties

New Zealand Industry

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

Importers and Exporters

Exporters

25. The following exporters and/or producers were involved in the original investigation:

Table 2.1: List of Exporters Involved in Original Dumping Investigation

African Gabions (Pty) Ltd (African Gabions)
Cape Gate Export Dvn (Pty) Ltd (Cape Gate)
Consolidated Wire Industries (Pty) Ltd (Consolidated)
Independent Galvanising (Pty) Ltd (Independent).

26. Finmesa Investment Corporation was also identified as an exporter in the original investigation but before the initiation of the dumping investigation in 2002 it closed its business.

27. Questionnaires were sent to the companies listed in Table 2.1 above. The following is a summary of the responses received by the Ministry:

- Cape Gate advised that it would not complete the questionnaire as it did not intend exporting galvanised wire to New Zealand.
- Consolidated advised that it would not complete the questionnaire and that it was not interested in participating in the review.
- Independent stated that it had ceased to supply galvanised wire to New Zealand and declined to provide a questionnaire response.
- African Gabions did not respond to the Ministry's correspondence.

28. The Ministry also inquired of an Australian supplier, Smorgen Steel, after the Ministry had received information from an importer that it had imported South African steel from this Australian supplier. However, Smorgen Steel replied that it was a manufacturer and that it had not supplied New Zealand with galvanised wire of South African origin.

Importers

29. Since the imposition of the duties in December 2002, imports of galvanised wire from South Africa decreased significantly to the point where there have been no imports from South Africa since April 2004. The following importers were involved in the original investigation:

Table 2.2: List of Importers Involved in Original Dumping Investigation

Anchor Wire Limited (Anchor)
Euro Corporation Limited (Euro Corp)
Hurricane Wire Products, a division of Steel and Tube New Zealand (HWP).
Maccaferri NZ Limited (Maccaferri)
Paul Industries
Ullrich Machinery Corporation Limited (Ullrich)

30. The Ministry also identified Kim Rapley Fencing Ltd (Kim Rapley) from the New Zealand Customs Service (NZCS) data as a company that had imported galvanised wire from South Africa since the start of the original investigation (2002).

31. The companies listed in Table 2.2, along with Kim Rapley, were sent an importers questionnaire and they responded as follows:

- Anchor stated that it had not imported galvanised wire from South Africa for many years and had no intention of recommencing therefore it would not be completing a questionnaire.

- Euro Corp advised that it would not be completing a questionnaire.

- HWP advised that Steel and Tube New Zealand would respond on its behalf but the Ministry did not receive a questionnaire response.

- Maccaferri stated that it had not imported any galvanised wire from South Africa over the past five years. The company was of the view that as its imports were exempt from the duties established in the original investigation, it did not intend to complete the questionnaire.

  The Ministry concluded in the 2002 dumping investigation that Maccaferri's suppliers, African Gabions and Finmesa were not dumping galvanised wire into the New Zealand market therefore no anti-dumping duty was imposed on the products that these two firms exported.

- Paul Industries did not complete a questionnaire response but did advise that it had not imported galvanised wire from South Africa in the past year.

- Kim Rapley advised of its supplier located in Australia but did not provide a questionnaire response.

- Ullrich advised of its supplier located in Australia but did not provide a questionnaire response.

2.6 Imported Goods

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

> *Galvanised steel wire of high, medium and low tensile strength between 2mm and 4.5mm diameter but EXCLUDING the following:*
>
> *Galvanised steel spring wire AS1472 exceeding 4mm in diameter.*

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

7217			Wire of iron or non-alloy steel
7217.20			- Plated or coated with Zinc:
7217.20.10			- - Containing by weight less than 0.6% carbon
			. . . Containing by weight less than 0.25 % carbon:
			. . . . Fencing Wire:
			. . . . . 1.6 mm or more, but less than 2.5 mm in diameter:
	05L	kg	. . . . . . Coils, not exceeding 50 kg
	07G	kg	. . . . . . Other
			. . . . . 2.5 mm or more, but less than 4 mm in diameter:
	08E	kg	. . . . . . Coils, not exceeding 50 kg
	09C	kg	. . . . . . Other
			. . . . . 4 mm or more in diameter:
	11E	kg	. . . . . . Coils, not exceeding 50 kg
	13A	kg	. . . . . . Other
			. . . . Other:
	15H	kg	. . . . . 1.6 mm or more, but less than 2.5 mm in diameter
	16F	kg	. . . . . 2.5 mm or more, but less than 3.55 mm in diameter
	17D	kg	. . . . . 3.55 mm or more, but less than 4.5 mm in diameter
	18B	kg	. . . . . 4.5 mm or more, but less than 5.5 mm in diameter
			. . . Other:
			. . . . Fencing Wire:
			. . . . . 1.6 mm or more, but less than 2.5 mm in diameter:

	25E	kg	. . . . Coils, not exceeding 50 kg
	27A	kg	. . . . Other
			. . . . . . 2.5 mm or more, but less than 4 mm in diameter:
	28K	kg	. . . . Coils not exceeding 50 kg
	29H	kg	. . . . Other
			. . . . . . 4 mm or more in diameter:
	31K	kg	. . . . Coils, not exceeding 50 kg
	33F	kg	. . . . Other
	35B	kg	. . . . . . 1.6 mm or more, but less than 2.5 mm in diameter
	36L	kg	. . . . . . 2.5 mm or more, but less than 3.55 mm in diameter
	37J	kg	. . . . . . 3.55 mm or more, but less than 4.5 mm in diameter
	39E	kg	. . . . . . 4.5 mm or more in diameter
7217.20.90			- - Other
			. . . Fencing Wire:
			. . . . 1.6 mm or more, but less than 2.5 mm in diameter:
	05D	kg	. . . . . . Coils, not exceeding 50 kg
	07L	kg	. . . . . . Other
			. . . . . 2.5 mm or more, but less than 4 mm in diameter
	08J	kg	. . . . . . Coils, not exceeding 50 kg
	09G	kg	. . . . . . Other
			. . . . . 4 mm or more in diameter:
	11J	kg	. . . . . . Coils, not exceeding 50 kg
	13E	kg	. . . . . . Other
			. . . . Other:
	15A	kg	. . . . . 1.6 mm or more, but less than 2.5 mm in diameter
	16K	kg	. . . . . 2.5 mm or more, but less than 3.55 mm in diameter
	17H	kg	. . . . . 3.55 mm or more, but less than 4.5 mm in diameter
	18F	kg	. . . . . 4.5 mm or more in diameter

34. The normal rate of customs duty of 6.5 percent applied to imports of galvanised wire from South Africa up to 30 June 2008. On 1 July 2008 this rate went down to 5 percent.

2.7 Exchange Rates

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

> When the comparison under paragraph 4 *[of Article 2]* requires a conversion of currencies, such conversion should be made using the rate of exchange on the date of sale[8], provided that when a sale of foreign currency on forward markets is directly linked to the export sale involved, the rate of exchange in the forward sale shall be used. Fluctuations in exchange rates shall be ignored and in an investigation the authorities shall allow exporters at least 60 days to have adjusted their export prices to reflect sustained movements in exchange rates during the period of investigation.
>
> [8] Normally, the date of sale would be the date of contract, purchase order, order confirmation, or invoice, whichever establishes the material terms of sale.

36. In the current review, when establishing export prices in South African rand (ZAR), the Ministry used current South African Free On Board (FOB) export prices to a number of different export destinations. Because these FOB prices were already expressed in ZAR, the Ministry had no need to make a conversion of currencies under Article 2.4.1 of the Anti-dumping Agreement.

2.8 Disclosure of Information

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

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

39. As noted above, over the POR(D) there were no imports of galvanised wire originating from South Africa. The Ministry invited those exporters and importers that were interested parties in the original investigation in 2002 to participate in this review. The Ministry requested information regarding domestic and export sales as well as likely domestic selling prices in New Zealand should the companies consider resuming exporting to New Zealand. None of the interested parties provided a questionnaire response.

40. In view of 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 having regard to all available information, that is, on the basis of the best information available in accordance with section 6 of the Act and Article 6.8 and Annex II of the Anti-dumping Agreement.

41. Section 6 of the Act states that:

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

42. Article 6.8 of the Anti-dumping Agreement provides as follows:

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

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

3. New Zealand Industry

44. Section 3A of the Act provides the definition of “industry”:

> **3A. Meaning of “industry”—**For the purposes of this Act, the term "industry", in relation to any goods, means—
>
> (a) The New Zealand producers of like goods; or
>
> (b) Such New Zealand producers of like goods whose collective output constitutes a major proportion of the New Zealand production of like goods.

3.1 Like Goods

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

46. In the original investigation it was determined that the galvanised wire produced by PW, while not like in all respects, had characteristics that closely resembled the GUR. The like goods produced by PW are galvanised steel wire of high, medium and low tensile strength between 1.6mm and 5.00mm in diameter but excluding galvanised steel spring wire AS1472 exceeding 4mm in diameter.

47. Since the original investigation PW has changed the wire coating only. At the time of the original investigation PW’s entire range of galvanised wire was coated with 100 percent zinc. Currently all of PW’s galvanised wire is produced with a coating of 95 percent zinc and 5 percent aluminium. PW has found that the small addition of aluminium [redacted] and cost while achieving a comparable or better product performance than 100 percent zinc coated wire.

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

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

49. On this basis, the Ministry does not consider that the change of coating from 100 percent zinc to a mixture of zinc and aluminium constitutes a departure from producing a like good to South African imported galvanised wire, therefore the Ministry considers that PW continues to produce a like good and as a consequence remains the New Zealand industry in terms of section 3A of the Act.

3.2 Imports of Galvanised Wire

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

51. The Ministry observed that some NZCS import entries have been entered incorrectly in respect of the quantity. The New Zealand Tariff's statistical unit of galvanised wire is a kilogram whereas in some instances it clearly showed that the quantity was entered as a tonne, on the basis of the value per unit. In these instances the Ministry has made an adjustment. The adjustment ranged from an additional one to 121 tonnes.

52. The Ministry has noted that the tariff items and statistical keys may include imports of diameters less than 2mm and greater than 4.5mm. In the original dumping investigation the Ministry adjusted NZCS data on imports from South Africa on the basis that some imports had been misclassified[1]. In this review, in the absence of any information that would allow possible galvanised wire imports of less than 2mm and greater than 4.5mm to be identified, no adjustment has been made.

53. The Ministry has noted from the NZCS description on imported goods for 2007 that the imports (`other´ sources) may include products that do not necessarily fit within the description of goods. These products are pigtail fence posts, bailing wire, annealed wire, tie wire, stitching wire, staple wire, armouring wire and wire mesh. The Ministry considers this may affect the reported import volumes and pricing information derived for imports from `other´ sources, however, it does not hold sufficient information to make an appropriate adjustment.

54. The table below shows the amount of galvanised wire imported into New Zealand from 2003 to 2007.

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

	2003	2004	2005	2006	2007
South Africa	646	129	0	0	0

[1] Paragraph 107: Final Report Galvanised Wire from South Africa at: http://www.med.govt.nz/templates/MultipageDocumentPage____13518.aspx#P803_37399

Malaysia	843	1,723	1,990	1,033	110
Australia	5,112	3,647	7,623	5,909	9,383
Other	3,332	4,074	5,781	3,713	4,250
Total Imports	9,933	9,572	15,394	10,655	13,743

3.3 New Zealand Market

55. The following table shows the New Zealand market for galvanised wire, in tonnes. Import figures used in this table are as per table 3.1 above. PW's sales were provided by that company.

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

	2005	2006	2007
South Africa	0	0	0
Malaysia	1,990	1,033	110
Australia	7,623	5,909	9,383
Other	5,781	3,713	4,250
Total PW Sales	[redacted]	[redacted]	[redacted]
NZ Market	[redacted]	[redacted]	[redacted]

56. Table 3.2 shows that the size of the New Zealand market has fluctuated over the period and that overall there has been a small decrease in the size of the New Zealand market over the last three years.

4. Dumping Investigation

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

4.1 Findings of Original Investigation

58. The original investigation concluded that 88 percent of the galvanised wire imported from South Africa was dumped. Dumping margins differed depending on the different types of galvanised wire exported and the particular South African exporter which was involved in the export transaction.

4.2 Purpose of Review of Dumping

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

4.3 Likelihood of Continuation or Recurrence of Dumping

Introduction

60. To establish whether or not the goods are currently being dumped the Ministry will examine the imports during the POR(D) which in the present review is 1 December 2006 to 30 November 2007. In the present review there have been no imports of South African galvanised wire into New Zealand since 2004, therefore, the Ministry was unable to analyse the extent to which the GUR are currently being dumped and the likelihood of there being a continuation of that dumping. The Ministry's analysis therefore concentrated on assessing whether or not there is a likelihood of a recurrence of dumping, if the duties were removed. This section of the report explains how the Ministry established whether or not that likelihood exists.

Comparison of Prices

61. 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.

62. 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

63. In the present review, because there was no cooperation from the South African exporters that participated in the original investigation, the Ministry was unable to select an appropriate South African 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 these exporters.

64. Instead, the Ministry chose to base its dumping analysis on information sourced during the review from a variety of other sources including the information on export prices and normal values provided by PW in its Application for a Review. The Ministry considered this was the best information to fill in this information gap and did so under the provisions of section 6 of the Act and Article 6.8 of the Anti-dumping Agreement which allows for a decision to be made having regard to all available information.

65. Due to there being no co-operation from the South African exporters, likely export prices and normal values have been established based on the following sources of information:

- PW’s application for a review;
- Information obtained and verified from exporters involved in the original investigation and updated to 2007 values using the South African Producer Price Index (PPI);
- Information available on South African business and government websites.

Conclusion

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

4.4 Export Prices

Introduction

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

68. In a "sunset" review, when assessing the likelihood of a recurrence of dumping, the Ministry will consider the likely export prices to New Zealand in the absence of anti-dumping duties. Where duties have been imposed by means of reference prices (as in this case), the Ministry will usually base this analysis on the exporters' export prices to markets other than New Zealand, rather than export prices to New Zealand, because of the effect of the current anti-dumping duties on export pricing to New Zealand i.e. the exporter has likely increased its export prices to New Zealand up to the Normal Value – Value for Duty Equivalent (NV(VFDE)) or non-dumped amounts or up to the Non-Injurious FOB (NIFOB) amounts. With the current anti-dumping duties being in place there is an incentive for the exporters to sell their goods at non-dumped prices because the payment of an anti-dumping duty is legitimately avoided. An additional factor in this case as noted previously, is that there have been no exports to New Zealand since 2004. Therefore, the Ministry considers that the South African export prices to markets that do not have anti-dumping duties in place provides a useful basis for estimating likely prices to New Zealand should duties be removed.

69. The South African exporters which were involved in the 2002 review were asked for pricing information for sales of galvanised wire to markets that do not have anti-dumping duties in place and for their likely prices to New Zealand should duties be removed, but none of the exporters chose to participate in the review.

Base Export Price

Introduction

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

Export Statistics

71. South African export volumes and values to other countries are considered to be the best information available from which to calculate a likely export price to New Zealand. As part of its application for a review, PW provided South African export statistics recorded at a 6-digit level, under the tariff heading "Wire of Iron or non-alloy steel, zinc plated or coated". These export statistics relate to exports for the year ended 30 June 2007. The export values are recorded in South African rand at the FOB level. The Ministry checked these figures against the export statistics available

from the South African Department of Trade and Industry (DTI) website.[2] The two sets of statistics correspond and confirmed to the Ministry that the information provided by PW is accurate.

72. As an additional source of statistics, the Ministry accessed the Trademap[3] database. The Trademap database is operated by the International Trade Centre which records the trade statistics of over 220 countries for the last five years. The Trademap database showed export volumes and values of galvanised wire from South Africa at the 6 digit level for each calendar year. The values were recorded at FOB prices in US dollars. When the South African statistics from the DTI website and PW's application for a review were arranged into calendar years, the volume amounts reconciled with those recorded in the Trademap database.

73. The Trademap database provides import statistics of South Africa's trading partners, which record their imports of galvanised wire at a more detailed 8 digit level. However, the Ministry is unable to use this information in the present review to establish FOB prices as the value of the imported goods is at a CIF level rather than at a FOB level. The Ministry does not have any information concerning the insurance and freight costs to those countries and therefore could not take the values back to an FOB level.

74. Data at an 8 digit level means that the imported galvanised wire is classified into more specific categories, for example the wire could be classified by diameter or the carbon content. A specific example would be the United Kingdom (UK) and Belgium imports of South African galvanised wire. Both the Belgium and the UK 8 digit tariff line 72172030 are described as:

> "Wire of iron or non-alloy steel, in coils, containing by weight <0.25% carbon, plated or coated with zinc, with a maximum cross-sectional dimension of <0.8mm (excluding bars and rods)"

75. These goods are included in the South African 6 digit export statistics to the UK and Belgium. However, the 6 digit tariff line level includes wire of a diameter size less than 2mm which is outside the GUR and theoretically should be removed from any analysis of a likely export price of the GUR to New Zealand. However, without more detailed export statistics, the Ministry is unable to remove such goods which are outside the GUR, and therefore can not perform a more accurate calculation of the likely export price to New Zealand of the GUR.

Export Prices

76. Export prices (at the FOB and 6 digit tariff item level) to a number of countries have been used to determine the likely export price to New Zealand. South African FOB export prices to Australia, the top ten importing countries (by volume) of South African galvanised wire, and an average FOB world price paid for South African galvanised wire have been selected for the export price analysis. The table below

[2] www.thedti.gov.za.

[3] www.trademap.org

shows the export value, quantity and FOB unit price information for each country when sourcing galvanised wire from South Africa under this 6 digit tariff item:

Table 4.1: South African FOB Export Prices - 1 July 2006 to 30 June 2007

Importing Country	Volume (tonnes)	Value (Rand)	FOB Value (Rand per KG)
World	90,877	411,251,730	4.53
UK	20,608	48,895,360	2.37
France	13,933	76,452,805	5.49
Belgium	10,046	49,024,213	4.88
USA	8,116	40,719,262	5.02
Argentina	3,630	17,303,288	4.77
Zambia	3,487	19,789,341	5.68
Netherlands	3,449	18,524,680	5.37
Germany	3,203	15,654,114	4.89
Japan	2,568	14,600,500	5.69
Canada	2,538	12,730,775	5.02
Top Ten	71,577	313,694,338	4.38
Others	19,300	97,557,392	5.05
Australia	992	4,955,948	5.00

Adjustments

Introduction

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

comparison with the ex-factory normal value, from which a dumping margin is calculated.

PW's Submission

78. In its application for a review, PW included an amount for adjustments to the FOB export price. The company based its estimate on the information it supplied in its 2002 application for the initiation of an investigation. PW submitted that the 2002 figures should be the starting point from which to calculate amounts for the adjustments in the present review. PW then increased these amounts by the Consumer Price Index (CPI) movement of 27 percent from 2002 to 2007. This equated to an adjustment of [redacted] rand per tonne.

79. In the original investigation, the Ministry verified actual export-related cost information from two South African exporters. In the present review, the Ministry considers that this verified information is a more accurate basis from which to calculate likely export-related costs, charges and expenses in the present review, rather than to use PW's estimates of such costs in 2002 updated by the Producer Price Index (PPI). In conducting this exercise, the Ministry has assumed that the relevant adjustments made by the Ministry in the original investigation and the costs involved in the exportation of the GUR to New Zealand have not changed since the original investigation.

Updating the Adjustments

80. The adjustments referred to above have been increased to reflect price movements since the 2002 investigation.

81. The Ministry has chosen to update the adjustments using the PPI rather than the Consumer Price Index (CPI) because it better reflects the increased costs for manufacturers between the ex-factory and FOB levels. The POI(D) for the 2002 investigation was from 1 June 2001 to 31 May 2002. The Ministry has used 2001 as the base year and measured the increase in the PPI up to 30 November 2007. The South African PPI increased 51.8 percent during this period and the relevant adjustments have been increased accordingly.[4]

82. The additional cost of credit calculations have been updated using the current 14.5% prime overdraft rate offered by Nedbank of South Africa. Two of the three exporters involved in the original investigation offered an additional [redacted] days of credit to export sales, which has been factored into the export price analysis ([redacted]/360*0.145 = [redacted]%). The percentage is applied to the FOB value of the goods to determine the additional cost of credit for the export product.

[4] February 2008 Edition, International Monetary Fund's International Financial Statistics.

2007 Adjustments

83. The verified information from the original investigation has been used to calculate the cost of adjustments for a hypothetical South African exporter if it were to recommence exporting galvanised wire to New Zealand. The amount of each adjustment is an average of the costs from ex-factory to FOB.

84. The Ministry did not undertake a likely export price analysis for each of the three exporters that were found to be dumping in 2002, for two reasons.

- Firstly, the base export prices are an amalgamation of all South African exporters' prices. These figures do not provide an accurate indication of the likely export price of the exporters who were previously dumping. As the base export price relates to all South African exporters, the likely recurrence of dumping analysis should be focused on the likely dumping of South African exporters in general.

- Secondly, normal values established in section 4.5 were established from sources that have no relationship to the three exporters found to be dumping in the original investigation.

85. Table 4.2 below shows the adjustment figures from ex-factory to FOB calculated by the Ministry for a hypothetical South African exporter. The 2002 figures are an average of the information verified for the three exporters, which have been updated using the PPI to calculate the figures.

Table 4.2: Adjustments from FOB to Ex-Factory (per kg)

	Average 2002	**2007**
Inland freight	[redacted]	[redacted]
Wharfage	[redacted]	[redacted]
Terminal Handling Charges	[redacted]	[redacted]
Local Document Charge	[redacted]	[redacted]
Packaging	[redacted]	[redacted]

Export Price Calculation

86. Likely export prices were calculated by deducting the adjustments in table 4.2 and the additional cost of credit adjustment, from the FOB base prices listed in table 4.1.

4.5 Normal Values

Introduction

87. A normal value is the price of the like good to the exported product which is sold on the foreign manufacturer's domestic market. The types of sales that can be used to determine normal values are set out in section 5 of the Act. A number of adjustments are made to the normal value to reflect any differences which affect price comparability between the product sold on the domestic market and that which is exported to New Zealand. This enables a fair comparison to be made between the normal value and the export price.

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

2002 Investigation

89. In 2002 the normal values were established on the basis of domestic prices contained on the South African manufacturers' price lists. From the list prices, deductions were made to establish ex-factory normal values for each manufacturer.

Current Review

90. In the current review, none of the South African producers which were involved in the original investigation chose to participate in the review and therefore no information was obtained by the Ministry on these producers' domestic market selling prices. Therefore, the approach taken in the review was to establish the base price from a 2007 South African retail price list which was provided by PW in its application for a review. However, the problem with this approach is that retail prices are at the other end of the distribution chain to manufacturers' ex-factory list selling prices, which were used in the original investigation. The margins and discounts offered at the different levels in the distribution chain and which are needed to calculate an ex-factory selling price (normal value) were supplied by PW in its application for a review, although these margins are estimates only made by PW (see below).

Base Price

91. Information from which a normal value is established should ideally relate to the POI(D), which covers the period of 1 December 2006 to 30 November 2007.

92. In its application for a review, PW provided normal value information by way of prices contained in a price list sourced from the website of the South African

company, MEPS Electrical Fence System.[5] The website states that all prices are exclusive of VAT and are supplied on an ex-works basis.

93. Under the Act and the Anti-dumping Agreement, a normal value is established using the price of goods that are considered to be "like goods" to the goods exported to New Zealand. The goods exported to New Zealand are also known as GUR, and are described in Section 2 above as:

> "Galvanised steel wire of high, medium and low tensile strength between 2mm and 4.5mm in diameter, but EXCLUDING the following:
>
> Galvanised steel spring wire AS1472 exceeding 4mm in diameter".

94. Of the wire products on the MEPS price list provided in PW's application for a review, only two wire products fit the description of the subject goods. The following table lists the prices for the two products included on the MEPS price list for November and December 2007:

Table 4.3: MEPS Price List for 50kg coil of Galvanised Wire

HSS Wire 2.24 Fully Galvanised	50kg roll	Nett Price	630.20
HSS Wire 2.24 Lightly Galvanised	50kg roll	Nett Price	529.00

95. As explained in paragraph 75 above, the limitations of the available export statistics resulted in the calculation of an aggregate export price i.e. an export price based on export sales of galvanised wire within the 6-digit harmonised tariff item which includes galvanised wire outside the description of the actual subject goods. A similar problem has occurred with respect to the calculation of the normal value. The Ministry has needed to calculate an aggregate normal value due to the limited normal value information provided in the MEPS Price List.

96. From the MEPS Price List provided by PW, it would have been possible to establish separate normal values for both fully galvanised and lightly galvanised wire and, PW in its application for a review, considered the list price for the fully galvanised wire should be the normal value as it is the main selling fencing product and is equivalent to that used in New Zealand (see below). However, because the export price is an aggregate figure which includes both heavily and lightly galvanised wire (which was impossible to differentiate), the Ministry considered it more reasonable and appropriate to calculate an aggregate normal value (using the list prices for both fully and lightly galvanised wire) which it can compare with the aggregate export price, which includes the same products.

[5] www.mepsef.com

97. Therefore, the base normal value is a simple average of the two products identified in the table above. This equates to 579.60 rand for a 50Kg roll, which converts to a base price of 11.59 rand per kilogram.

PW's Submission

98. In its application for a review, PW had a different interpretation as to what constituted 'like goods' for the purpose of establishing the normal value. PW submitted that the fully galvanised wire is a 'like good' to that exported to New Zealand, is the main selling fence product and is equivalent to that used in New Zealand. PW noted that the term "fully galvanised" corresponds to the New Zealand terminology of "heavily galvanised" which complies with the standard NZ3471:1974. This standard requires the wire to have a galvanised coating of not less than $260g/m^2$. PW stated that the lightly galvanised wire is not a 'like good' as the galvanised coating is less than $260g/m^2$. PW was of the opinion that the normal value should be based on the "fully galvanised" wire as it was the only "like good" on the MEPS price list.

99. In the 2002 investigation, the wire exported to New Zealand included both heavily and lightly galvanised wire. Also, the GUR are defined in Section 2 of this Report as "galvanised wire" and include both heavily and lightly galvanised wire. Furthermore, the export price information which the normal value information is being directly compared with for the purpose of determining the likelihood of a recurrence of dumping also contains both heavily and lightly galvanised wire. On the basis of this information, the Ministry considers that the 'like goods' for which a normal value is calculated should include both fully galvanised and lightly galvanised wire.

Independent Sources

100. Where practicable, normal value information provided to the Ministry is checked with reference to other independent sources. While there is no requirement in the Act, the Ministry undertakes this check in accordance with the 'Best Information Available' provisions in Annex II of the Anti-dumping Agreement. Paragraph 7 of Annex II states that 'If the authorities have to base their findings, including those with respect to normal value, on information from a secondary source, including the information supplied in the application for the initiation of the investigation, they should do so with special circumspection. In such cases, the authorities should, where practicable, check the information from other independent sources at their disposal, such as published price lists, official import statistics and customs returns, and from the information obtained from other interested parties, during the investigation".

101. In the present case, the Ministry also obtained pricing information from the website of the South African company Vulcania Reinforcing.[6] Vulcania Reinforcing manufacturers lightly galvanised wire. The table below is an extract from the company's price list which is effective from July 2007.

[6] www.vulcania.co.za

Table 4.4: Vulcania Price List for 50 kg Coil of Lightly Galvanised Wire

Diameter	Rand
4.0mm	561.95
3.15mm	561.91
2.50mm	601.69
2mm	652.77

102. The Ministry also obtained price information from the website of the South African company Stafix.[7] Stafix is a company that provides security fencing systems and is a similar business to MEPS. The price list relates to March 2008 onwards which means that the price information was outside the POR(D). Nevertheless, the price information is helpful with regard to deciding whether the prices in the application for a review are accurate. The prices stated below are list prices for the subject goods and are exclusive of VAT.

Table 4.5: Stafix Price List for 50kg coil of Galvanised Wire

Wire	**Rand**
Galvanised Wire - 2.24mm	694.26
Galvanised Wire - 2mm	755.44
Double Galvanised Wire - 2.24mm	796.67
Double Galvanised Wire - 2mm	924.35

103. For the purpose of this exercise, the Ministry has assumed that "galvanised wire" in the table above would be equivalent to "lightly galvanised" wire, while the "double galvanised wire" would be equivalent to "heavily galvanised wire".

104. In using the above price lists as an independent check on the reasonableness of the MEPS pricing information, due regard must be given to the limited information available concerning each company's level on the distribution chain and other factors which could affect its selling prices on the South African market. For instance, while the Ministry was able to derive from Stafix's website that it is a similar business to MEPS, this was not the case for Vulcania Reinforcing. It is more likely that Vulcania Reinforcing is closer on the distribution chain to a South African producer.

105. The difference in prices could also be affected by the different dates that the price lists become effective. Vulcania's price list is effective from July 2007, whereas

[7] www.stafix.co.za

the Stafix pricelist is effective from March 2008. The more recent price list may be a reflection of increasing prices in the market. Prices on Vulcania's website have not changed, but it is possible that the company has revised prices and not updated the pricelist. MEPS have removed from its website page the galvanised wire prices from their price list, but prices are available on request. This may indicate that the prices have increased since November/December 2007.

Conclusion on Base Prices

106. The prices on the MEPS price list supplied by PW in its application for a review are lower than the prices on the two price lists that the Ministry has obtained, both from independent sources. The Ministry has inferred from this that the prices provided by PW are reflective of prices for galvanised wire in the South African market and are not unreasonably high. In comparison with the prices on the independently sourced price lists, the prices supplied by PW could even be considered conservative. The Ministry is satisfied that the prices on the MEPS Price List included in PW's application for a review are reasonable base prices from which to calculate ex-factory normal values.

Retail Discount Adjustment

107. The MEPS website states that export and wholesale price lists are available on request. PW submitted in its application for a review that this statement is evidence that the list prices on the website are at a retail level. The Ministry agrees that this proposition is reasonable.

108. Based on PW's knowledge of business practice in South Africa, an estimated discount of [redacted] percent to domestic customers was made by PW to the base list price. It was noted in the 2002 investigation that price lists differed and therefore so did the extent to which the discounts a company is prepared to offer. The Ministry notes that [redacted] percent is at the lower end of the range of discounts identified during the 2002 investigation. Without further information, the Ministry considers that PW's estimate of the discount offered at the South African retail level is reasonable and an amount of [redacted] rand per kilogram has been made to the base price.

Freight and Handling Adjustment

109. PW stated in its application for a review that the MEPS list price would include the cost of freight and handling from the manufacturer's factory to the MEPS warehouse. PW did not provide any information concerning the name of the actual manufacturer of the wire or any confirmed costs of transfer of the wire to the MEPS warehouse.

110. In the original investigation, PW provided domestic free-into-store (FIS) prices which were sourced from a research company in South Africa. At that time, PW estimated the freight and handling cost from the factory to customer was [redacted] rand per tonne. For the review, PW has increased that amount by the movement in the South African CPI of 27 percent from 2002 to 2006. On this basis, PW has estimated the freight and handling cost to be [redacted] rand per tonne.

111. The Ministry carried out two South African producer verification visits in 2002. One of the visits was at the premises of Independent which is based in Cape Town while the other visit was at the premises of Consolidated which is based in Gauteng. At that time, for each producer the Ministry verified sales to a domestic company that was similar in level of trade to the New Zealand importer. The customer selected for Independent was based in Durban while the customer selected for Consolidated was located in the Western Cape. Sales to these customers were FIS. Internal freight costs were established based on invoices provided by the two manufacturers. The internal freight cost calculated for Independent was [redacted] rand per kg and [redacted] rand per kg for Consolidated.

112. With respect to the current review, the MEPS website notes that there are four MEPS offices in addition to the head office. The four regional offices are located in Cape Town, Pretoria, Johannesburg and Empangeni.

113. The Ministry considers that the actual freight and handling information obtained from the two verification visits in 2002 is the best available information for establishing internal freight and handling costs in the present review. An average of the two companies' freight costs was calculated at [redacted] rand per kilogram. This cost has been increased by the PPI increase from 2001 to November 2007 of 51.8% to reflect the likely increase in the South African freight and handling costs since the information was verified in 2002. An adjustment of [redacted] rand per kg has been made to the base price on this basis.

Wholesale Adjustment

114. In its application for a review, PW stated that MEPS would be equivalent to a wholesaler when purchasing from the wire manufacturer. Based on PW's knowledge of the South African market, the company estimated a wholesale mark-up on the cost to MEPS would be approximately [redacted] percent. The Ministry obtained no other information concerning South African wholesale margins and accepted PW's submission as the best information available with which to establish a likely wholesale margin for domestic sales of galvanised wire.

115. An adjustment of [redacted] rand per kg has been made to the base price on the basis of a [redacted] percent wholesale mark-up.

Normal Value Calculation

116. The base price of 11.59 rand per kilogram, less total adjustments of 5.63 rand per kilogram equates to a normal value of 5.96 rand per kilogram

4.6 Comparison of Export Price and Normal Value

117. Using the export prices and normal values calculated in sections 4.4 and 4.5 above, the Ministry has calculated estimated dumping margins for South African export sales of galvanised wire to numerous export destinations. The results are shown in the table below:

Table 4.6: Likely Dumping Margins

South African Exporter					
Importing County	FOB(Rand/KG)	Export Price(Ex-factory)	Normal Value(Ex-factory)	Dumping Margin	Dumping Margin(% of EP)
World	4.53	4.14	5.96	1.81	44%
UK	2.37	2.02	5.96	3.94	195%
France	5.49	5.09	5.96	0.86	17%
Belgium	4.88	4.49	5.96	1.46	33%
USA	5.02	4.63	5.96	1.33	29%
Argentina	4.77	4.38	5.96	1.58	36%
Zambia	5.68	5.28	5.96	0.68	13%
Netherlands	5.37	4.98	5.96	0.98	20%
Germany	4.89	4.50	5.96	1.46	32%
Japan	5.69	5.29	5.96	0.67	13%
Canada	5.02	4.63	5.96	1.33	29%
Top Ten	4.38	4.00	5.96	1.95	49%
Others	5.05	4.67	5.96	1.29	28%
Australia	5.00	4.61	5.96	1.35	29%

118. The information shows that the goods are likely to be dumped on the basis of export prices from South Africa to its top ten export destinations (by volume), Australia and also when an average export price is calculated for all export destinations.

4.7 Conclusions Relating to Dumping

119. There have been no exports of galvanised wire from South African to New Zealand since 2004, therefore, the Ministry was unable to analyse the extent, if any, to which the goods continue to be dumped into New Zealand or the likelihood of there being a continuation of that dumping. However, on the basis of the current South African FOB export prices of galvanised wire at the 6 digit tariff item level, to different export destinations which currently do not have anti-dumping duties in place, and current South African domestic prices for fully and lightly galvanised wire,

the Ministry considers there is sufficient positive evidence to conclude that there will likely be a recurrence of dumping of galvanised wire into New Zealand, should the current anti-dumping duties be removed.

120. The Ministry, in reaching its conclusions, has had regard to all available information in accordance with section 6 of the Act and Article 6.8 of the Anti-dumping Agreement and has come to the conclusions on the basis of its analysis of that information as set out above.

5. Injury Investigation

5.1 Findings of the Original Investigation

121. The Ministry concluded, in the original dumping investigation, that the galvanised wire from South Africa was dumped and causing material injury to PW. The injury analysis was undertaken on domestic sales of galvanised steel wire of high, medium and low tensile strengths of diameters between 1.6mm and 5.0mm excluding galvanised steel spring wire AS 1472 exceeding 4mm in diameter.

5.2 Injury in a Review

Introduction

122. 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.

123. 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.

124. 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.

125. In the present review the Ministry has evaluated the financial data submitted by PW for the period 1 July 2004 to 30 June 2007 (PW's financial years 2005, 2006 and 2007). The Ministry has also evaluated forecast financial data based on the assumption of anti-dumping duties remaining in place and the likelihood of material injury recurring should the anti-dumping duties be removed.

Likelihood of Continuation of Recurrence of Injury

126. 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.

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

128. In considering injury in a review, the Ministry examines whether the removal of the duty would be likely to lead to the continuation or recurrence of injury. If it is

concluded that dumping and injury would likely continue or recur, the Ministry will undertake a reassessment of the rate or amount of duty under section 14(6) of the Act in order to establish whether the existing duty remains sufficient to remove or prevent injury, or whether a different rate of duty is necessary.

The Injury Information Submitted by PW

129. PW provided details of its financial performance relating to sales of galvanised wire in New Zealand from 2005 to 2007 in order that the Ministry could assess how the company has performed over this period. In order to assess the likely impact of the removal of the duties PW provided its forecast situation (budget 2008) if the duties remained in place (at the current levels) and its forecast situations if the duties were removed.

130. In a review situation where there are currently anti-dumping duties in place, it would not be expected that the industry is suffering injury due to the dumped goods. The focus of the injury analysis is therefore, on the likelihood on injury recurring should the duties be removed.

131. PW submitted, which is supported by NZCS data, that there have been no imports of galvanised wire from South Africa since 2004. PW claims that if the anti-dumping duties were removed from South African galvanised wire, importers will change their source of supply, most probably Australian origin, in favour of the lower priced South African product. PW claims that South African producers have the capability to supply New Zealand's total market requirements. PW estimate, should imports from South Africa recommence, that the likely import volume will be between 430 and 871 tonnes. This figure is based on the import volume from South Africa over a five year period from 1998 to 2002.

132. The financial data is summarised below and discussed in detail later in this Report under their respective headings.

Forecast for 2008 (Anti-dumping Duties Remain)

133. PW's forecast budget information for 2008 is based on its current year's budget, [redacted]. The budgeted volume of sales is based on historical sales volume as well as the future expectations of PW's customers.

134. In comparison with 2007 the forecast for 2008 shows [redacted] in the average revenue, [redacted] in the cost of materials, [redacted] in the fixed and variable costs and [redacted] in selling and administration expenses on a per tonne basis. The [redacted] average revenue is due mainly to an increase in prices in response to the increasing costs of raw materials; wire rod and zinc which are the major components of galvanised wire. The [redacted] in fixed and variable costs as well as selling and administration costs is due in part to [redacted] from the closure of one of its galvanising plant in December 2007 and the side-lining of a wire drawing machine, and the decommissioning of an annealing plant and chemical de-scaling plant.

135. PW's actual financial performance for the first half of 2008 i.e. up to 31 December 2007 has [redacted].

Scenarios Should Anti-dumping Duties be Removed

136. PW provided three financial scenarios if the duties were removed from South African imports which are discussed below.

Scenario A

137. Scenario A is based on the same sales volume as that budgeted for 2008 at a price that matches the likely imported price of galvanised wire from South Africa plus a [redacted] percent premium due to PW's shorter supply time to the New Zealand market than that of an imported product and because its products are manufactured specifically for New Zealand's climate.

138. PW submitted that the likely import price of galvanised wire from South Africa, at an ex-wharf level would be $[redacted] per tonne. The ex-wharf import price per tonne is based on the South African export statistics, for year ended 30 June 2007, at the FOB level, i.e. the average FOB export price to all destinations, which has been adjusted upwards to reflect the costs that would be incurred from transporting the galvanised wire from South Africa to New Zealand.

139. PW consider that a New Zealand importer would prefer to be supplied with New Zealand made galvanised wire and they would be prepared to pay a premium of [redacted] percent. On the basis that the imported price is $[redacted] per tonne at the ex-wharf level, PW would charge $[redacted] per tonne. The scenario shows that PW will suffer a decrease in sales revenue of nearly $[redacted].

Scenario B

140. Scenario B is a reduction in the price to $[redacted] per tonne and a reduction in sales volume by 600 tonnes. PW claim that it is reasonable based on the average volume of imports from South Africa over the five year period prior to 2002, that should anti-dumping duties be removed, it would lose sales volume of 600 tonnes to South African imports.

141. Scenario B is a decrease in the net selling price and an increase in the costs of sales principally as a result of fixed costs and selling and administration expenditure increasing on a per unit basis. A reduction in the volume of sales and a reduction in price would result in PW's total net revenue decreasing by nearly $[redacted].

Scenario C (Worst Case Scenario)

142. PW's pricing strategy should the anti-dumping duties be removed is [redacted] sales volume. The removal of anti-dumping duties could result in the imported galvanised wire from South Africa being priced at a level that PW [redacted]. The loss of sales and consequent decline in EBIT [redacted]

[redacted]. The Ministry's response regarding scenario C is included in its discussions on scenario A and B.

5.3 Volume Effects

Import Volumes

143. 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.

144. Since the dumping investigation concerning galvanised wire from South Africa in 2002, anti-dumping duties have also been imposed on galvanised wire from Malaysia. The Ministry considers it is appropriate to analyse the import volume trends according to the origins: South Africa, Malaysia, Australia and Other countries as it gives a better understanding of the New Zealand market.

145. Table 5.1 illustrates import volumes for the last five years.

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

	2003	**2004**	**2005**	**2006**	**2007**
South Africa	646	129	0	0	0
Malaysia	843	1,723	1,990	1,033	110
Australia	5,112	3,647	7,623	5,909	9,383
Other	3,332	4,074	5,781	3,713	4,250
Total Imports	9,933	9,572	15,394	10,655	13,743
NZ Industry Sales	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Market	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Change on Previous Year:					
South Africa		-517	-129	0	0
Malaysia		880	267	-957	-923
Australia		-1,465	3,976	-1,714	3,474
Other		742	1,707	-2,068	537
Total Imports		-360	5,822	-4,739	3,088

NZ Industry Sales					
Total Market					
Percentage Change:					
South Africa		-80%	-100%	0%	0%
Malaysia		104%	15%	-48%	-89%
Australia		-29%	109%	-22%	59%
Other		22%	42%	-36%	14%
Total Imports		-4%	61%	-31%	29%
NZ Industry Sales					
Total Market					
South African Imports as % of:					
NZ Industry Sales			0%	0%	0%
Total Market		0%	0%	0%	0%

146. Table 5.1 illustrates that since 2004 imports from South Africa have ceased. There has not been an increase in import volumes in absolute terms or in relation to production or consumption in New Zealand. With anti-dumping duties in place a reduction in import volumes would have been expected.

Likely Import Volumes Should Duties be Removed

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

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

- exchange rates.

Import Volumes before and after Imposition of Duties

148. The Ministry has analysed NZCS data from 1998 to 2007. This data has enabled the Ministry to assess the import trends prior to the dumping investigation of 2002 and during the five year period after which anti-dumping duties were imposed on imports of galvanised wire from South Africa. For the period 1998 to 2002 the Ministry had adjusted the figures, due to misclassification of some imports.

149. Tables 5.2 and 5.3 illustrate the import volume trends over this period.

Table 5.2: Import Volumes (Tonnes) for Year Ended June [Before Imposition of Duties]

	1998	1999	2000	2001	2002
South Africa	798	1,137	813	775	1,420
Malaysia	5	0	0	23	95
Australia	4,435	4,489	5,462	4,745	5,318
Other	2,391	2,093	3,623	3,353	3,109
Total	7,629	7,719	9,897	8,896	9,941

Table 5.3: Import Volumes (Tonnes) for Year Ended June [After Imposition of Duties]

	2003	2004	2005	2006	2007
South Africa	646	129	0	0	0
Malaysia	843	1,723	1,990	1,033	110
Australia	5,112	3,647	7,623	5,909	9,383
Other	3,332	4,074	5,781	3,713	4,250
Total	9,933	9,572	15,394	10,655	13,743

150. Tables 5.2 and 5.3 show that import volumes from South Africa have decreased since the imposition of anti-dumping duties to the extent that no imports have originated from South Africa in the last three years.

151. The total volume of imports prior to the imposition of anti-dumping duties increased from 1998 to 2002. When comparing the import volume in 1998 with that of 2002, the South African imports increased by 622 tonnes, Malaysian imports

increased by 90 tonnes, Australian imports increased by 883 tonnes and galvanised wire from `Other´ sources increased by 718 tonnes.

152. When comparing the import volume in 2003 with that of 2007 the Malaysian imports decreased by 733 tonnes, Australian imports increased by 4,271 tonnes and Other imports have increased by 918 tonnes.

153. To assist in projecting whether there is likely to be an increase or decrease in the volume of South African imports under the present anti-dumping duties and to assist in establishing if the anti-dumping duties were to be removed whether South Africa or any other country is the most likely to be affected, the Ministry has applied trend lines to the last five years of import data.

154. The Ministry has applied linear and logarithmic trend lines[8] to the import data. A *linear* trend line best fits data points that resemble a line, which usually shows that something is increasing or decreasing. A *logarithmic* trend line best fits a curved line when the rate of change in the data increases or decreases quickly. To establish which trend line is the most appropriate an R-squared value is calculated. The most reliable projection is when the R-squared value is at or near to the number 1.

155. The linear and logarithmic trend lines show under present market conditions that the volume will continue to increase from Australia and Other countries and the volume will continue to decrease from Malaysia and South Africa. In analysing these trend lines, due regard must be given to the fact that anti-dumping duties have been imposed on imports of galvanised wire from Malaysia since March 2004 and it does not take into account other factors which are likely to affect import volumes such as the saturation point in the New Zealand market for galvanised wire and the prices at which the imported goods compete for their share of the market.

Price Advantage held by the Imported Products

156. Over the POR(D) no imports of galvanised wire were recorded as originating from South Africa. PW submit that the ex-wharf price of galvanised wire from South Africa, should the imports from South Africa resume, is likely to be $[redacted] per tonne.

157. Using current FOB export prices from South Africa the Ministry has also calculated likely CIF import prices from South Africa to compare with the average CIF import prices of galvanised wire from Australia and Malaysia for 2007 bearing in mind that anti-dumping duties are imposed on galvanised wire from Malaysia.

158. To determine an average CIF import price of galvanised wire from Australia and Malaysia as well as from `Other´ sources the Ministry has used NZCS import data over all tariff items and statistical keys described in paragraph 33. The average CIF price per tonne of galvanised wire in 2007 from Australia was $1,453 and Malaysia was $1,752 per tonne. The price comparison exercise shows that the average CIF

[8] Method of calculating trend lines can be found at: http://office.microsoft.com/en-us/excel/HA010877851033.aspx?pid=CL10057055103

price of imported South African galvanised wire is likely to undercut PW's current selling price and also the imported prices from Australia and Malaysia.

Capacity of the South African Industry

159. In the original dumping investigation the Ministry investigated five exporters; Cape Gate, Consolidated, Independent, Finmesa and African Gabions.

160. PW submitted in the present review that manufacturers in South Africa have an excess of productive capacity over domestic demand and a desire to grow their export sales. PW cited information gleaned from Cape Gate's and Consolidated's websites.

161. PW opined that Cape Gate, which had a weighted average dumping margin of 47.7 percent in the original investigation, continues to play a major role in the steel industry. PW cited Cape Gate's website[9] where it is stated that "Cape Gate will continue to play a major role in the steel industry in Southern Africa by setting new standards of efficiency and competitiveness, with ongoing new product development, and by focusing on entering the developing new markets internationally". PW pointed to a statement made by the production director Etienne Roux[10] who said that "the South African market is too small to sustain our production capacity; 25% of our turnover is export-related, mostly to the US and we would like to grow this percentage even more". Also "we have so many products in so many different categories, we have competition from various specialist and small-scale companies for most of our ranges. As a result we stay away from small-volume or customised production, for which we can't be price-competitive, and focus instead on the mass production of our products for local and overseas buyers".

162. PW also cited Consolidated, which had a weighted average dumping margin of 33.3 percent in the original investigation, as a South African manufacturer who stated on its website[11] that it is a global player that "exports a significant percentage of its total production to more than 40 countries worldwide". PW is of the opinion that Consolidated has significant capacity in excess of its domestic sales which supports its view that there is significant value to Consolidated of placing surplus export volumes at prices which are at a premium to its variable production cost.

163. Based on the information on Cape Gate's website, PW has established an approximate production capacity for all South African producers. Using Cape Gate's statement that it exports 25 percent of its production and that the average annual export volume from South Africa over the last four years was 116,197 tonnes and assuming all South African producers export about 25 percent of their production, PW estimates that the South African production capacity is in the vicinity of 464,788 tonnes per annum. On this basis PW concluded that the South African galvanised wire industry is around [redacted] times larger than the industry in New Zealand.

[9] http://www.cape-gate.co.za/index.asp

[10] http://www.itweb.co.za/office/bcx/0108230809.htm

[11] http://www.consolidatedwire.co.za/

164. At the time of the release of this report Consolidated's website does not mention its present or future production capacity or its intentions regarding export markets. Cape Gate's website does not mention its capacity but it does state that in the future it will continue to play a major role in the steel industry in South Africa in terms of its standards and efficiency as well as by focusing on entering and developing new markets internationally.

165. The quotes by Cape Gate's production director Etienne Roux's, referred to by PW, are in an article posted on the Comparex Africa (Pty) Ltd's website on 23 August 2001. This article is mainly on Cape Gates move to automate its production planning and scheduling. Roux also states in this article that the automated production planning will "help us reduce production inefficiencies, boost productivity and optimise our resources for maximum competitive advantage". This article is nearly seven years old and its production capabilities and capacity are likely to have changed since this date.

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

166. PW submitted, based on the outcome of previous dumping investigations into galvanised wire, that there is proven access for South African galvanised wire imports into the New Zealand market. PW claimed that New Zealand importers remain active and that the New Zealand market is attractive and a familiar market for the South African exporters.

167. In the original investigation it was established that the majority of imports from South Africa were high tensile heavily galvanised wire. The galvanised wire was imported in 25kg or 600 to 900kg coils. The importers were distributors who either on sold the 25kg coils to retailers or re-coiled the larger coils for selling into the New Zealand market in 25kg lots. The Ministry has established that most importers are still active but it has not been provided with any information from these importers to assess whether they have the ability to handle a significant volume increase from South Africa. The Ministry has compared the volume of imports recorded for the dumping investigation of 2002 with the volume imported from all sources for the year ended 30 November 2007.

168. Table 5.4 shows the import volume from South Africa in the dumping investigation of 2002 and Table 5.5 shows the import volume for the year ended 30 November 2007.

Table 5.4: Import Volume (Tonnes) from South Africa by Importer for Period 1 April 2001 to 31 May 2002

	South Africa	Other Sources	Total
Anchor			
Euro Corp			
HWP			

Maccaferri			
Paul Industries			
Ullrich/Legacy			

Table 5.5: Import Volume (Tonnes) from all Sources by Importer for Period 1 December 2006 to 30 November 2007

	All Sources
Anchor	
Euro Corp	
HWP/Steel and Tube Holdings	
Maccaferri	
Paul Industries	
Ullrich/Legacy	

169. When comparing the data in Table 5.4 with that in Table 5.5 it shows that on the basis of their recent import volumes, some of the importers are likely to be capable of increasing their import volumes to cater for the volumes they imported from South Africa in 2002 if they have not re-configured or downsized their business operations since 2002.

170. The Ministry has also looked at websites for each of the importers from the original investigation to establish if there is any intention to increase capabilities. As at the time of the release of this report each website shows details regarding the company, customer services and the products that they offer. All websites provide facilities for customer queries. There is no indication that any existing or future customer requirements cannot be met. In particular the websites (or other sources) provide the following information,

- Anchor talks about its customer service and the products that it sells and its ability to exceed its customer's expectations.
- Euro Corp refers to the products that it offers.
- HWP as part of Steel & Tube Holdings Ltd explains where its manufacturing facility is and the products that it offers.
- Maccaferri provides an overview of the company and the products that it offers.
- Paul Industries doesn't have a website but it does provide details regarding the products it offers through a New Zealand Business Directory; and
- Legacy Wire talks about the company and the products that it provides.

171. The Ministry also noted an article in the The Press dated 6 February 2008 (Public File document 70A) that refers to Legacy Wire releasing 12 staff. The article also remarks that the big players in the wire fencing industry are Fletcher Building's Steel Division with the Cyclone brand, Euro Corporation and Steel and Tube and two of these firms had restructured to address tough times.

The Ease of Distribution of the Goods in New Zealand

172. There are two distinct channels of distribution in New Zealand for galvanised wire i.e. from the exporter or New Zealand manufacturer to a distributor who sells their products to retailers for sale to end users, or from the exporter or New Zealand manufacturer to manufacturers who further process the wire for sale to end users. These channels of distribution were in operation before the 2002 investigation.

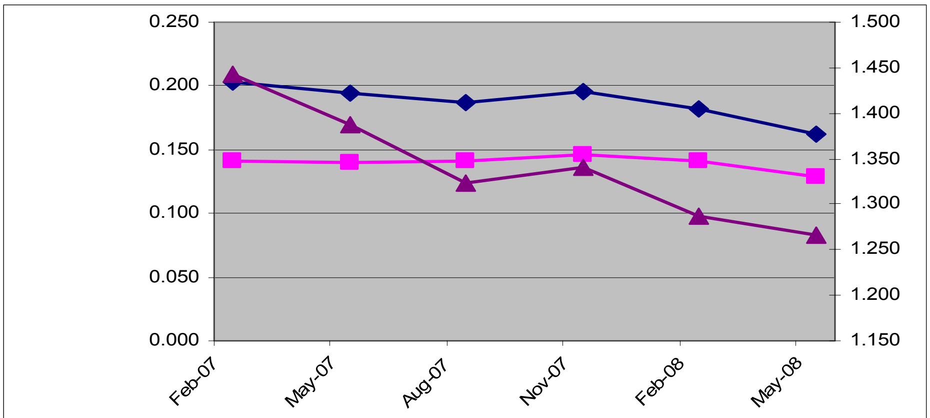
173. The Ministry notes that over the POR(D) some of the importers from the 2002 dumping investigation continued to import galvanised wire therefore there is no evidence to suggest there have been substantial changes in the channels of distribution in New Zealand and the ease with which the goods can be distributed.

Exchange Rates

174. A further consideration in respect of the assessment of the likelihood of an increase in import volumes of the dumped galvanised wire from South Africa in the absence of anti-dumping duties is the exchange rate between the overseas currency in which exports of South African galvanised wire is invoiced and the NZD. In the original investigation the currency of export transactions was NZD, ZAR and USD.

175. To assess whether the exchange rates show that it is currently favourable for the South African galvanised industry to export to New Zealand, the Ministry has analysed changes in the exchange rate of ZAR with NZD, ZAR with USD and USD with NZD over the last 15 months. The Ministry has sourced the exchange rate information from the currency conversion website of OANDA.com.

Figure 5.1: Movements in the Exchange Rates



	Feb-07	May-07	Aug-07	Nov-07	Feb-08	May-08
ZAR:NZD	0.203	0.194	0.186	0.196	0.181	0.163
ZAR:USD	0.141	0.140	0.141	0.146	0.141	0.128
USD:NZD	1.443	1.388	1.324	1.341	1.286	1.266

176. Figure 5.1 above shows over the quarter periods of the POR(D) that the ZAR depreciated against the NZD, however, it appreciated against the USD. In the same period the USD has depreciated against the NZD. Since 1 December 2007 to May 2008 the ZAR has depreciated against both the NZD and the USD. For the same period the USD has depreciated against the NZD.

177. The most recent exchange rates favour the New Zealand importers because most South African export transactions are invoiced in ZAR or USD and there has been a large appreciation of the NZD against both the ZAR and USD since the 2002 investigation. However, whether this in itself determines if an importer would resume importing from South Africa is unknown, although it does show an improvement of conditions for the New Zealand importers and therefore should be a consideration along with other factors.

Conclusion on Import Volume

178. The import figures of galvanised wire from South Africa from 1998 to 2002, before the imposition of anti-dumping duties, show an increase in the volume imported. Import volumes from South Africa after the imposition of duties decreased to the extent that no imports have been recorded over the past three years. In the last five year period galvanised wire from Malaysia has decreased, which is likely to be due to the imposition of anti-dumping duties on Malaysian imports in April 2004. Over the same period, import volumes from Australia and Other countries increased.

179. If the anti-dumping duties were to be removed, the import volume trends analysed by the Ministry show that it is likely that galvanised wire originating from South Africa will resume. The Ministry considers that PW's estimation of the capacity of the South African galvanised wire industry, which has been based on export data and website information, is reasonable. Collectively the information shows that the South African galvanised wire industry would be able to supply the total New Zealand market requirements of galvanised wire. An assessment of the most recent exchange rates since November 2007 suggests favourable conditions for the New Zealand importers when sourcing goods from abroad, including South Africa.

180. The Ministry calculated a likely importers purchase price of galvanised wire from South Africa, in the absence of anti-dumping duties, based on information sourced independently and also from information provided by PW (see section 5.4). The Ministry also calculated a CIF value for Australian and Malaysian (at undumped prices) imported goods in 2007. When a price comparison was made the galvanised wire from South Africa was the lowest. It is therefore likely, if price was the major consideration, that importers would move their source of supply, or at the very least supplement their supply of goods in favour of galvanised wire from South Africa. Information sourced by the Ministry indicates that there [redacted] quality between the New Zealand, South African and Australian goods.

181. In order to examine if the New Zealand importers have the ability to handle a significant increase in galvanised wire from South Africa, the Ministry compared the volume of imports by significant importers for the five year period prior to 2002 and the subsequent five year period. The information suggests that most importers have the ability to increase their import. While, a recent article in The Press indicated that

some firms in the New Zealand fencing market have recently restructured, the firms remain in business with their distribution systems in place. In any event it is not argued by the New Zealand industry that there would be a significant increase in the total import volume from all countries should the duties be removed, rather there would be a change in the origin of the goods to South African imports. On the basis of the totality of the information gathered during the review, the Ministry concludes that it is likely, if the anti-dumping duties were to be removed, that the volume of dumped imports from South Africa would resume and be of significant volumes.

5.4 Price Effects

Price Undercutting

Introduction

182. 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.

183. In considering price undercutting, the Ministry will normally seek to compare prices at the point of first competition in New Zealand. This will normally be the ex-factory price for goods produced in New Zealand and the importer’s ex-store price for imports. This approach ensures that differences in distribution costs and margins do not confuse the impact of dumping. This approach therefore compares importers’ prices, including relevant selling and administration costs, which involve similar cost elements to those in the New Zealand manufacturer’s selling price, but not including cost elements relating to the distribution of goods.

184. The purpose of the price undercutting comparison is to establish whether or not there is price undercutting attributable to dumping. It should be noted that the determination that price undercutting exists is not by itself a determination of the extent of injury, i.e., the margin of price undercutting is not a measure of the extent of economic impact on the industry. This impact is to be measured in terms of the factors and indices set out in section 8(2)(d) of the Act.

Price Undercutting Comparisons in the Original Investigation

185. The original investigation found evidence of price undercutting by South African galvanised wire. The extent of price undercutting varied depending upon whether the galvanised wire was for manufacturing or fencing purposes and between the South African suppliers to New Zealand.

Level of Trade

186. It was concluded that PW’s ex-factory price should be compared with each importers ex-wharf purchase price per tonne. It was established at this level because the importer’s on-sold to rural resellers or end users and they are faced with the economic choice of buying from PW or from the exporter and bearing the import costs to the ex-wharf level.

PW's Ex-Factory Prices

187. PW's ex-factory prices were calculated from sales to two major customers, [redacted], separated into fencing and manufacturing. A weighted average price was calculated for each product with deductions for [redacted] and inland freight costs.

Importers Prices

188. The Ministry calculated a weighted average ex-wharf purchase price per tonne for each diameter of manufacturing and fencing wire and for each importer of galvanised wire from South Africa.

189. The ex-wharf purchase prices per tonne were based on invoiced FOB or CIF prices from the exporter and adjusted upwards by the cost of overseas insurance and freight (if applicable) and customs duty, port clearance fees and a negative or positive adjustment for the difference in the cost of credit terms offered by the exporters to importers from that offered by PW to its customers.

Extent of Price Undercutting

190. A comparison of the imported prices with PW's ex-factory prices showed that undercutting ranged from no price undercutting to price undercutting of [redacted] percent.

Price Undercutting Comparisons in the Present Review

191. Over the POR(D) there were no imports of galvanised wire from South Africa therefore the Ministry was unable to calculate a current importer's purchase price to measure the extent of price undercutting. As a consequence the Ministry has calculated a likely importer's price per tonne if the anti-dumping duties were to be removed.

Level of Trade

192. PW submitted that the level of trade at which its galvanised wire first competes with the imported galvanised wire has not changed since the original investigation. The Ministry has not received any submission that requires it to revisit this decision. The Ministry has therefore made a price comparison of PW's ex-factory price (less [redacted] and inland freight) with a likely importer's ex-wharf purchase price per tonne.

PW Projected Ex-Factory Price

193. In 2007 PW's average price was $[redacted]. It is forecast, if duties remain, to increase to $[redacted] per tonne as a response to increasing costs of production.

194. PW projects, if duties are removed and as a reaction to South African dumped galvanised wire, that its ex-factory price would be $[redacted] per tonne. This price is based on the likely South African imported price plus a [redacted] percent premium because it considers that its customers would be prepared to pay this premium to be supplied with the domestic product which will arrive sooner and is made specifically for New Zealand's climatic conditions.

PW's Projected Importer's Price

195. To establish a likely importer's purchase price at the ex-wharf level, PW has based the price on the South African export statistics at the FOB level to all export destinations and adjusted this price for the costs reasonably considered will be charged from FOB in South Africa to the importers storage facilities in New Zealand.

196. The adjustments include a premium of [redacted] percent which PW considers the South African exporters would expect to command for recommencing exporting to New Zealand, transportation from the port in South Africa to New Zealand, tariff of 5 percent, local freight and port service costs. The ZAR value has been converted to NZD using the exchange rate of 4.97 as at September 2007. PW estimated the ex-wharf price to be $[redacted] per tonne.

The Ministry's Projected Importers Price

197. The Ministry considers that PW's use of the South African FOB export prices to other destinations is a reasonable basis to estimate a likely import price to New Zealand, in the absence of anti-dumping duties.

198. For the purpose of this exercise the Ministry has established an ex-wharf price based on the average South African FOB export price to all export destinations, as calculated by PW but has also calculated two other ex-wharf prices based on the export statistics for galvanised wire destined for Australia and Ghana. The Ministry has calculated these two other ex-wharf prices to gauge whether the destination and volume of the South African steel products exported has an effect on the price per tonne. The Ministry chose Australia because of its geographical location i.e. it is close to New Zealand and Ghana because over the last three years it has received a similar volume of galvanised wire to that imported into New Zealand from South Africa prior to the imposition of anti-dumping duties.

199. An ex-wharf price per unit is the price paid by the importer (at the FOB level), less discounts or rebates (if applicable) plus the costs of overseas freight, insurance, customs duty, port clearance fees in New Zealand and any other cost associated with the clearance of the goods in New Zealand.

200. To construct the ex-wharf prices referred to above, the Ministry has considered the adjustments made in the original investigation (as noted in paragraph 189 above) and those made by PW, which are discussed below.

Premium

201. PW considers it is reasonable that if a South African manufacturer or exporter recommenced supplying galvanised wire to New Zealand it would require a price premium over its existing prices as an incentive to divert its present sales volume in favour of another market or a market that it previously supplied. PW suggested that the premium would likely be [redacted] percent of the FOB value.

202. The South African suppliers from the dumping investigation of 2002 advised the Ministry that since the imposition of the anti-dumping duties they ceased to supply New Zealand with galvanised wire and one supplier said it does not intend to export

to New Zealand. As a consequence the South African suppliers of galvanised wire in 2002 declined to complete a questionnaire regarding their domestic and likely export sales to New Zealand should anti-dumping duties be removed.

203. It may be reasonable, given the lack exports to New Zealand and the lack of interest in participating in the review, that a South African exporter may require some form of incentive, for example a monetary gain or in the longer term a supply contract, to recommence exporting to New Zealand. Conversely, it could be argued that if a South African supplier had excess capacity it would not need a financial incentive to export to New Zealand as this would not require any diversion of its trade from current export destinations.

204. To assess whether a premium of [redacted] percent is reasonable the Ministry has considered the differences in the FOB prices to other countries and a possible financial return if a business was to invest funds in the bank. The FOB export prices per tonne range from ZAR2,373 (destined for the UK) to ZAR5,685 (destined for Japan). The difference between these prices is ZAR3,312 or 140 percent. Nedbank's website shows that if a business invested in a demand deposit account it would earn interest up to 8 percent depending upon the amount deposited.

205. The premium of [redacted] percent submitted by PW is less than the FOB price difference between the UK and Japan and [redacted] Nedbank's highest interest rate of 8 percent.

206. The Ministry does not necessarily accept that a premium is justified in calculating a likely ex-wharf price per tonne, however, it notes that it is less favourable to PW than if the ex-wharf price was calculated exclusive of the [redacted] percent premium. In any event the Ministry has calculated a likely ex-wharf price per tonne that includes the premium as well as a likely ex-wharf price per tonne that excludes the premium (see table 5.6 below).

Conversion of Currencies (Exchange Rate)

207. In converting the currency from ZAR to NZD PW applied the NZCS published exchange rate for September 2007 of ZAR4.97:NZD1. However, the period on which the base price has been sourced i.e. South African export statistics, is for the year ended 30 June 2007. Therefore to ensure a fair comparison is undertaken the Ministry has applied the published average NZCS rate of exchange for year ended June 2007 of ZAR4.79:NZD1.

208. The Ministry has used the exchange rate, in this instance, published by the NZCS as it is more representative of what an importer paid in terms of New Zealand dollars in the year ended 30 June 2007.

Transport Costs from FOB South Africa to CIF New Zealand

209. PW has submitted that the cost of overseas freight and insurance per tonne is NZD157. This figure is based on the information provided in PW's application for this review which had been updated using the Maritime Research General Freight Index.

210. The Ministry considered whether it could use actual costs from the 2002 investigation and update them by using an appropriate price index. In the dumping investigation of 2002 [redacted], one of the South African exporters, sold their galvanised wire to New Zealand on a CIF basis. The Ministry undertook a verification visit to the company and all associated costs regarding export sales were verified. The weighted average cost of overseas freight was USD[redacted] or NZD[redacted] a tonne. The overseas insurance cost was ZAR[redacted] or NZD[redacted] a tonne, which was based on the CIF value of the goods. The total cost of overseas freight and insurance, at that time, was NZD[redacted] per tonne.

211. To establish if there have been any significant changes to the freight and insurance costs that would assist with updating these values, the Ministry looked at the last few import transactions of galvanised wire from South Africa. The last four NZCS recorded entries of steel products from South Africa, which spans a period of five months in 2004, shows a decline in the amount for overseas freight and insurance per tonne. These changes may not necessarily show that overseas freight and insurance charges have reduced, but rather may relate to the terms of sale i.e. FOB or CIF which can impact on these costs. This difference may infer that an exporter has a better deal on transportation costs than an importer as it may export a large volume of products to many world wide destinations whereas an importer may import a small volume and the cost may be greater. The Ministry notes that the suppliers of the last four import entries are different and therefore these particular import transactions are not necessarily a good indicator of any changes in the costs of overseas insurance and freight since 2002.

212. The Ministry looked at the Maritime Research General Freight Index, referred to by PW, but could not locate the exact indexes on which PW has updated the values. The Ministry has undertaken research to locate a maritime index and has found transport price indices up to late 2006[12], but the information contained in the indexes falls short of what the Ministry requires. In conclusion the Ministry considers that the most appropriate method of updating the overseas freight and insurance costs borne by the exporter in South Africa, is to use the PPI in South Africa. On this basis the Ministry has increased the values established in the dumping investigation of 2002 by 51.8 percent. The updated cost is $[redacted] per tonne.

Tariff Duty

213. PW submitted that the tariff is 5 percent. However, the Ministry's calculations were made using FOB price and cost information relating to the POR(D) at which time the tariff for goods originating from South Africa and imported into New Zealand was 6.5 percent. Therefore, the Ministry has based its calculations on a 6.5 percent tariff.

Local Importers Costs

214. PW submitted in its Application for a Review that local importer's costs are $[redacted] per tonne. This figure is based on PW's submission in the dumping investigation of

[12] http://www.cepal.org.ar/Transporte/noticias/bolfall/5/27895/FAL246.htm

2002, which refers to local freight charges and insurance borne by the New Zealand importer. In the original investigation the actual total importers local costs from CIF to ex-wharf ranged from $[redacted] to $[redacted] per tonne depending upon the importer concerned.

215. In the present review PW provided at the verification visit undertaken by the Ministry a quote showing port clearance fees of $[redacted] per tonne, as the company has recently started to import the smaller diameters of galvanised wire to supplement the range of products offered to its customers. The cost is based on a 20ft full container load that contains 24 tonne. In the Interim Report the Ministry used the amount provided by PW of $[redacted] per tonne, however, upon further examination it has made an error in its calculation as the $[redacted] per tonne includes $[redacted] per tonne relating to transportation [redacted]. As a consequence the Ministry has revisited its calculations where local importers costs have been used and amended the calculations by deducting $[redacted] per tonne. The quoted amount remains less than PW's submission and it is less than the range of local costs verified in the 2002 dumping investigation.

Adjustment for the Difference in Credit Terms

216. In the original investigation the Ministry made an adjustment for the difference between credit terms offered by the exporters to the importers and those offered by PW to its customers. The Ministry notes that for the present review an equivalent adjustment has not been sought by PW. Because the Ministry has limited information in this respect no adjustment has been made in its calculations.

Ministry's Calculations of a Likely Ex-Wharf Price per Tonne

217. Table 5.6 shows the likely New Zealand ex-wharf value for South African galvanised wire, based on South African FOB export prices to all destinations, Australia and Ghana.

218. The difference between PW's estimated likely importer's price and that calculated by the Ministry lies mainly in the cost of overseas transport (NZD157 as opposed to NZD[redacted] per tonne). Other differences relate to changes to the exchange rate, a tariff of 6.5 percent, and port clearance fees (provided by PW at its verification visit).

Table 5.6: Ministry's Calculation on Likely Ex-Wharf Cost per Tonne

	World (average)	Australia	Ghana
FOB Export Price (ZAR)	4,525	5,000	4,387
Plus: Premium (ZAR)	[redacted]	[redacted]	[redacted]
Sub Total (ZAR)	[redacted]	[redacted]	[redacted]
Conversion to NZD @4.79	[redacted]	[redacted]	[redacted]

Plus: Transport Costs from South Africa to New Zealand (NZD)	[redacted]	[redacted]	[redacted]
CIF (NZD)	[redacted]	[redacted]	[redacted]
Plus: Tariff at 6.5% (NZD)	[redacted]	[redacted]	[redacted]
Port Clearance Fees in New Zealand (NZD)	[redacted]	[redacted]	[redacted]
Ex-Wharf Price (including premium) (NZD)	1,420	1,536	1,386
Ex-Wharf Price (excluding premium) (NZD)	[redacted]	[redacted]	[redacted]

219. The Ministry has made a comparison of the likely ex-wharf purchase prices shown in Table 5.6 above (both including a premium and excluding a premium), should the duties be removed, with PW's 2007 ex-factory price ($[redacted] per tonne).

220. The Ministry has chosen PW's 2007 average price for the likely price undercutting comparison rather than its 2008 budgeted price because the 2008 price includes the cost of wire rod and zinc which have been increasing significantly. Considering the likely importer's prices have been calculated using 2007 figures, the Ministry considers it is a fairer comparison to gauge the likely extent of price undercutting based on figures over the same period (2007).

221. Table 5.7 illustrates the extent of price undercutting under these two scenarios.

Table 5.7: Likely Price Undercutting per Tonne (Without Duties)

	World		**Australia**		**Ghana**	
Ministry's Estimated Likely Ex-Wharf Imported Price	1,420 (including premium)	[redacted] (excluding premium)	1,536 (including premium)	[redacted] (excluding premium)	1,386 (including premium)	[redacted] (excluding premium)
PW 2007 Ex-Factory Price	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Price Undercutting	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Price Undercutting expressed as a %	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

222. Table 5.7 indicates that there would be no price undercutting to 12 percent at the ex-wharf level, should the anti-dumping duties be removed and there was a recommencement of South African galvanised wire exported to New Zealand at

prices similar to those to other export markets which landed in New Zealand at the ex-wharf prices listed in table 5.6 above.

Price Depression

223. 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.

224. 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.

225. 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.

226. In the original dumping investigation, it was found that PW's overall average price had fluctuated in the five year period prior to the imposition of anti-dumping duties. The investigation concluded that there was evidence of a slight price depression in two financial years but no evidence of price depression in the most recent financial year.

227. In the present review, PW provided an overall average selling price (exclusive of [redacted] and inland freight) from 2005 to 2007. The following table shows these average prices.

Table 5.8: Average Prices per Tonne (2005 to 2007)

	2005	2006	2007
Average Price	[redacted]	[redacted]	[redacted]
As % of 2005		[redacted]	[redacted]

228. Table 5.8 shows that PW's average price [redacted] in 2006 [redacted] to [redacted] in 2007 [redacted] the price in 2005. Over this three year period there is evidence of price depression but this cannot be attributable to dumped galvanised wire from South Africa as there are currently anti-dumping duties in place and no imports have been recorded since 2004.

Price Depression Should Anti-Dumping Duties be Removed

229. PW has made a forecast for 2008 of what would happen to its average selling price if the current anti-dumping duties were removed from imports of galvanised wire from South Africa. It considers it would need to drop its selling price to match

the likely South African import price but include a [redacted] percent premium which would result in a selling price of $[redacted] per tonne.

230. The following table shows PW's forecast (2008) budgeted average selling price [redacted] which is compared to PW's own forecast selling price and the Ministry's estimation of PW's likely selling price (should the anti-dumping duties be removed from South African imports). The Ministry's estimation of PW's likely selling price is based on its calculated importer's ex-wharf price (using South African FOB prices to all destinations) plus PW's [redacted] percent premium for supplying a New Zealand-made product.

Table 5.9: Forecast Average Prices

	If Duties Remain (PW's budgeted 2008 selling price)	If Duties are Removed (PW's forecast price)	If Duties are Removed (Ministry's estimated PW selling price)
Average Price	[redacted]	[redacted]	[redacted]
- % change		[redacted]	[redacted]

231. Table 5.9 shows price depression should the anti-dumping duties be removed based on both PW's own forecast of its likely selling price and the Ministry's estimate of PW's likely selling price.

Price Suppression

232. 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.

233. Price suppression occurs when price increases for the domestic production 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.

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

235. In the original dumping investigation, it was found that PW's cost of sales had [redacted] increased in relation to sales revenue over the previous five year period and that it had suffered price suppression as a result.

236. In the present review, PW provided details of East Asian imported prices at the cost and overseas freight level showing that wire rod, rebar and steel billet had trebled over the last eight years, to illustrate the increased costs of raw materials needed to produce galvanised wire. PW does not foresee that it would be in a position to fully recover future increased costs of production if the duties were removed from the South African galvanised wire and it had to compete with the lower priced imports.

237. The following table shows PW's cost of sales (i.e. its cost of production and selling and administration costs) relative to sales revenue.

Table 5.10: Price Suppression (2005 to 2007)

	2005	2006	2007
Sales Revenue per Tonne	[redacted]	[redacted]	[redacted]
Cost of Production	[redacted]	[redacted]	[redacted]
Selling & Administration	[redacted]	[redacted]	[redacted]
Cost of Production as % of Revenue	[redacted]	[redacted]	[redacted]
Selling & Admin as % of Revenue	[redacted]	[redacted]	[redacted]

238. Table 5.10 shows that the cost of production and selling and administration expenditure as a percentage of sales revenue have increased over the last three years, and therefore PW has suffered some price suppression. Any evidence of price suppression cannot be attributable to dumped galvanised wire from South Africa as there are currently anti-dumping duties in place and no imports have been recorded since 2004.

Price Suppression Should Anti-Dumping Duties be Removed

239. The following table shows PW's forecast cost of sales relative to its sales revenue if the duties are to remain and if they are removed. Scenario A refers to a price reduction but no reduction in sales volume (see paragraphs 137 to 139) and Scenario B refers to both a price reduction and a reduction in sales volume of 600 tonnes due to competition from the South African imports (see paragraphs 140 to 141).

Table 5.11: Forecast Price Suppression (If Duties Remain and if Removed)

	If Duties Remain	Scenario A	Scenario B
Sales Revenue per Tonne	[redacted]	[redacted]	[redacted]
Cost of Production (CoP)	[redacted]	[redacted]	[redacted]
Selling & Administration	[redacted]	[redacted]	[redacted]
CoP as % of Sales Revenue	[redacted]	[redacted]	[redacted]
Selling & Admin as % of Sales Revenue	[redacted]	[redacted]	[redacted]

240. Table 5.11 shows that PW has forecast [redacted] increase in its total cost per tonne relative to net revenue per tonne should the duties be removed. This is due to [redacted] decrease in the projected average selling price per tonne and an increase in the total costs per tonne (under scenario B). The cost per unit of domestic production is dependent to a significant degree on the total volume produced. Under scenario B, PW has projected that its factory overheads and marketing expenses will be spread over a lower production volume. PW considers that this course of action would lead [redacted]

Conclusion on Price Effects

241. From 2005 to 2007 PW's average prices for galvanised wire have [redacted]. Its costs have increased as a percentage of revenue over the same period which demonstrates historically that PW's prices have been depressed and suppressed as cost increases [redacted]. However, as there are currently anti-dumping duties in place and there have been no recorded entries of galvanised wire from South Africa, the price depression and suppression could not have been caused by dumped South African galvanised wire.

242. On the basis of what PW considers would be the likely import price ($[redacted] per tonne) and what the Ministry has estimated the likely import price would be (between $[redacted] - $1,545 per tonne) in the absence of duties, the South African imports would undercut PW's ex-factory average price. Based on PW's pricing strategy of matching the likely import price including a premium for supplying a New Zealand made product, the company would also suffer price depression and price suppression if the duties were removed.

243. The Ministry concludes on the basis of the information gathered in the review and its analysis of that information, that the cost to import galvanised wire from South Africa in the absence of anti-dumping duties would likely result in the New Zealand industry experiencing price undercutting, which in turn would lead to a reduction in PW's prices in order to match the prices of the lower-priced imports. The New Zealand industry would therefore likely suffer price undercutting, price depression and price suppression, should the duties be removed.

5.5 Economic Impact

244. Section 8(2)(d) of the Act provides that the Chief Executive shall have regard to the economic impact of the dumped or subsidised goods on the industry, including—

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

ii. Factors affecting domestic prices; and

iii. The magnitude of the margin of dumping; and

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

Output (Domestic Production)

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

246. PW does not hold production records that relate specifically to galvanised wire sold on the domestic market. PW's production figures include galvanised wire produced for export. PW's output is mainly produced on a "made to order" basis, therefore, production of domestic galvanised wire closely follows the amount of domestic sales. The Ministry has analysed PW's domestic sales performance below.

Sales Volume and Value

247. 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.

248. In the original investigation it was found that PW had not suffered a significant loss of sales volume and sales revenue. Domestic sales, by volume and value increased over the period examined for injury. At that time, PW submitted that the reason for the increase was due to PW introducing cheaper brands of galvanised wire, as well as an increase in demand from consumers in the market due to favourable economic conditions.

249. The table below shows PW's domestic sales figures for the last three financial years.

Table 5.12: Domestic Sales of Galvanised Wire

	2005	2006	2007
Sales Volume (tonnes)	[redacted]	[redacted]	[redacted]
Change from previous year		[redacted]	[redacted]

% change from 2005		[redacted]	[redacted]
Sales Revenue ($000's)	[redacted]	[redacted]	[redacted]
Change from previous year		[redacted]	[redacted]
% change from 2005		[redacted]	[redacted]

250. The figures in the table above show that sales volume [redacted] percent from 2005 to 2006, [redacted] in 2007. Sales revenue [redacted] percent from 2005 to 2006, [redacted] percent [redacted], in 2007. There was an overall [redacted] percent.

Likely Impact of Removal of Duties on Sales

251. PW made forecasts of what it expects would be the effect on its sales volume and revenue if the anti-dumping duties on South African imports were removed. PW's sales forecasts are based on the estimated price effects of having to compete with the dumped product and the estimated loss of volume to the South African imports which have been outlined under section 5.2 above. The scenarios are summarised below:

Scenario A

252. PW stated that if the duties were removed, it would reduce its prices to compete with the South African galvanised wire in order to maintain its market share. Therefore, PW has assumed that its domestic output and sales volume would not be affected by the removal of the anti-dumping duties.

Scenario B

253. PW would reduce its price to match the likely South African import prices but also estimates a loss of sales of 600 tonnes of galvanised wire as a direct result of the competition from the lower-priced imports.

254. The table below shows PW's forecast (budgeted) 2008 sales figures [redacted] and its likely sales figures (scenarios A and B) should the anti-dumping duties be removed.

Table 5.13: Domestic Sales With and Without Duties

	Forecast 2008	Scenario A	Scenario B
Sales Volume (tonnes)	[redacted]	[redacted]	[redacted]
Change		0	[redacted]

Change (%)		0%	[redacted]
Sales Revenue ($000's)	[redacted]	[redacted]	[redacted]
Change		[redacted]	[redacted]
Change (%)		[redacted]	[redacted]

255. The figures in the table show that PW considers there will be a material impact on sales volume and revenue should the duties be removed. The most severe impact will be under scenario B (loss of sales of 600 tonnes) which will take the form of a [redacted] percent decline in sales volume and a [redacted] percent decline in sales revenue. PW considers that the volume and price effects resulting from having to compete with the dumped product can be expected to have a [redacted]

Conclusion

256. In relation to PW's total domestic sales of galvanised wire, there is no evidence that the company has suffered a loss of sales volume over the POR(I), [redacted] of sales revenue. Because anti-dumping duties are currently imposed on imports from South Africa, and there have not been any South African imports since 2004, any [redacted] in sales revenue can not be attributable to dumped imports from this source. Therefore, the present review is focused on the likelihood of material injury recurring should the anti-dumping duties be removed.

257. Based on scenarios A and B, PW will suffer a significant reduction in sales revenue compared to the forecast 2008 level. However, the Ministry concluded in the original investigation that PW's price reductions prevented any loss of sales volume. PW's sales volume and sales revenue increased to levels higher than in periods that were injury free. The Ministry concluded at the time that PW had specifically introduced its cheaper Standard and 5-star brands to fight the lower-priced South African imports and had increased its sales in line with a growing market for galvanised wire.

258. In the present review, the Ministry considers that whether PW is in a position to achieve increased sales as it did prior to the 2002 investigation, or at least maintain its sales volume, especially if the present anti-dumping duties were removed, would depend on a number of factors. Such factors include the growth in the market, its ability to grow its share of the market and also whether it would be able to reintroduce the same price-fighting brands to compete with the lower-priced imports as it did prior to the 2002 investigation.

259. In this respect, the Ministry noted in section 3.3 of this report that there has been a small decrease in the New Zealand market for galvanised wire over the last three years. On this basis, it is doubtful that the New Zealand market is currently growing and that there is much scope for future growth. Furthermore, PW is

currently having to incur significant increases in raw material input prices in its manufacture of galvanised wire [redacted]. This indicates that the company is unlikely to be in a position to re-introduce a price-fighting brand if the duties were removed. If the South African imports did enter New Zealand at the prices calculated in section 5.4 of this report, after the removal of the current anti-dumping duties, it is more likely that these import prices would put even more pressure on PW's prices to the extent that it would be unable to recover further raw material cost increases. The Ministry considers that this in itself would likely adversely affect PW's future sales.

260. In conclusion, the Ministry noted in sections 5.3 and 5.4 above that, should the current duties be removed, there is likely to be a significant increase in import volumes and significant price effects. The Ministry concludes that as a result of these volume and price effects, it is likely that there would be a consequential adverse impact on domestic sales volume and revenue, if the current anti-dumping duties were removed from the South African imports.

Market Share

261. 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.

262. The market for galvanised fencing wire is seasonal and changes month by month. Farmers tend to do maintenance work during the winter and so the demand for fencing wire peaks in winter.

263. In the latter part of winter and spring the market shifts to vineyards as end users, and the market size decreases. Historically, the vineyard market has not been as large as the rural fencing market, which predominantly uses coils of 39kg.

264. For the rural market, demand starts growing sharply just after January and peaks around May/June, tapering off by September and consists of sales 25kg (650metre) wire coils.

265. The vineyard market picks up around the end of June, peaks in the July-September period and starts slowing down in the December–January period. PW stated that recently the vineyard market has been expanding as more land is converted to vines.

266. The original investigation found that over the five year period 1998 to 2002 the size of the market had increased by [redacted] percent. PW's market share over this period had [redacted] due the company's strategy of meeting the prices of the dumped galvanised wire from South Africa.

267. The following table shows the market share and changes in market share from 2003 to 2007.

Table 5.14: Market for Galvanised Wire (tonnes)

	2003	2004	2005	2006	2007
South Africa	646	129	0	0	0
Malaysia	843	1,723	1,990	1,033	110
Australia	5,112	3,647	7,623	5,909	9,383
Other	3,332	4,074	5,781	3,713	4,250
Total Imports	9,933	9,572	15,394	10,655	13,743
NZ Industry Sales	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Market	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Change on Previous Year:					
South Africa		-517	-129	0	0
Malaysia		880	267	-957	-923
Australia		-1,465	3,976	-1,714	3,474
Other		742	1,707	-2,068	537
Total Imports		-360	5,822	-4,739	3,088
NZ Industry Sales		[redacted]	[redacted]	[redacted]	[redacted]
Total Market		[redacted]	[redacted]	[redacted]	[redacted]
Percentage Share Held By					
South Africa	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Malaysia	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Australia	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Other	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Imports	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
NZ Industry Sales	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

268. The information in the table above shows that the domestic market for galvanised wire has stayed reasonably static since 2003 although there was a dip in 2006. PW's market share has [redacted] since 2003. While South African imports reduced to zero in 2005, there has been an increase in market share held by imports from Australia and other countries over the five year period.

269. In 2003 the Ministry conducted a dumping investigation into imports from Malaysia and China. In that investigation, PW contended that Malaysian and Chinese goods were being imported to target the July-September vineyard market but also to catch some of the March-June fencing market. Furthermore, in the current review, PW stated that there have been some changes in the supply sources, in particular, galvanised wire from Euro Corp previously sourced from South Africa had shifted to Malaysian, and more recently to Australian sources.

270. In the current review, PW provided the Ministry with Pacific Steel's marketing plan dated July 2006 which stated that the company aims to [redacted].

Likely Impact of Removal of Duties on Market Share

Scenario A

271. PW stated that if the duties were removed, it would need to reduce its prices to compete with South African product in order to retain its market share, therefore sales and production would remain at the 2007 levels. Any change in PW's market share would be conditional upon any change in the size of the market.

Scenario B

272. PW would reduce its price to match the likely South African import prices but also estimates there would be 600 tonnes of galvanised wire imported from South Africa leading to an equivalent loss of sales for PW. The forecast assumes that the South African product would replace galvanised wire normally sold by PW. As with scenario A above, any change in PW's market share would also be conditional upon any change in the size of the market.

Conclusion

273. PW's market share has [redacted] since 2003, and currently [redacted] recorded in [redacted] which is the year in which [redacted] volumes from Australia and other sources began to be imported. No imports from South Africa have been recorded since 2004.

274. In respect of the likely impact on PW's market share should the current duties be removed, it is unlikely that the company will suffer a loss in market share under scenario A. Under this scenario, history suggests that PW's strategy of reducing its price to compete with the dumped imports would have the intended effect of protecting its market share. The 2002 investigation concluded that there was no evidence of a loss of market share after the company had introduced cheaper price-

fighting brands to compete with the dumped imports and maintain market share. On this basis, the Ministry concludes that under scenario A, the removal of the current duties from imports from South Africa would not lead to a significant loss of market share.

275. However, under scenario B, PW will suffer a significant reduction in market share if the duties are removed, based on the company's projection that it will lose 600 tonnes of galvanised wire to the cheaper South African goods. The Ministry is of the opinion that the impact of the removal of the duties on market share will depend on how PW responds to the South African imports, e.g. the more PW lowers its prices, the less will be the impact on market share due to a loss of sales volume, with the main impact being on PW's revenue and profits. However, the Ministry considers there to be a very real possibility that PW will suffer a large decrease in market share due to competition from South African imports, even if PW was to lower its prices to match the price of the South African imports. The conditions in the New Zealand market differ from what existed at the time of the 2002 investigation when PW was able to introduce its price-fighting brands in order to protect its market share. As noted under the 'Sales Volume and Revenue' section above, the New Zealand market had been growing significantly at that time and the company was not under the same pressure to incorporate significant increases in raw material input prices into its own selling prices, as it is experiencing currently.

276. The Ministry has already concluded in this report, that should the duties be removed, there is likely to be significant volume and price effects and a significant consequent impact on PW's sales. It is concluded therefore that there is likely to be at least some impact on PW's market share attributable to dumped imports from South Africa, should the duties be removed. The significance of the likely impact will depend on PW's strategy to reduce prices and to what extent, in order to compete with the cheaper South African prices and also on other factors such as the impact of any South African imports on imports from other countries and the growth in the total market.

Profits

277. Changes in profit reflect changes in prices, sales volumes or costs. Dumped imports can impact on any or all of these. The original investigation found that PW's earnings before interest and tax (EBIT) had declined [redacted] from 1998 to 2002. At the time, PW submitted that the dumped South African goods had prevented PW from increasing its prices in line with increased costs. Furthermore, PW had introduced the cheaper "Standard" and "5 Star" brands, which reduced the company's EBIT.

278. The table below shows details of PW's EBIT from 2005 to 2007:

Table 5.15 Earnings Before Interest and Tax

	2005	2006	2007
EBIT($000's)	[redacted]	[redacted]	[redacted]

Change on Previous Year		[redacted]	[redacted]
% change from 2005		[redacted]	[redacted]
As % of Sales Revenue	[redacted]	[redacted]	[redacted]
EBIT per kg	[redacted]	[redacted]	[redacted]
Change on Previous Year		[redacted]	[redacted]
% change from 2005		[redacted]	[redacted]

279. The figures in the table show that both EBIT and EBIT per tonne [redacted] from 2005 to 2007. PW stated the principal reason for this is due to [redacted] material costs [redacted]. PW also stated that sales margins in the fabricated fence market (which consumes fencing wire as a manufacturing raw material) have become constrained which in turn has [redacted].

Likely Impact of Removal of Duties on Profits

280. Under both scenarios A and B, PW has forecast that EBIT and EBIT per tonne would decrease [redacted] in 2008, [redacted]. PW's forecast EBIT decreases are based on its projected decrease in selling price needed to match the dumped price of the South African imports (scenario A) and in addition the lower volume of sales it will incur due to the competition from the South African imports (scenario B).

281. The table below shows PW's forecast (budgeted) 2008 EBIT for galvanised wire on the assumption that [redacted] and on the assumption that they are removed (scenarios A and B).

Table 5.16: EBIT With and Without Duties

	Forecast 2008	**Scenario A**	**Scenario B**
EBIT($000's)	[redacted]	[redacted]	[redacted]
Change		[redacted]	[redacted]
EBIT per kg	[redacted]	[redacted]	[redacted]
Change per kg		[redacted]	[redacted]

EBIT As % of Net Revenue	[redacted]	[redacted]	[redacted]

282. The figures in the table above quantify the assumptions referred to above. The most severe impact will be under scenario B (loss of sales of 600 tonnes) which will take the form of a [redacted] in 2008. Both scenario A and B show a significant decrease in EBIT as a percentage of net revenue, being [redacted] percent and [redacted] percent worse than the forecast 2008 EBIT, respectively. PW considers that such a loss in profits [redacted]

283. The Ministry notes that on the assumption that [redacted], PW is forecasting a [redacted] improvement in EBIT in 2008 compared with 2007. This is mainly due to PW's price increases that were introduced in April and May 2008.

Conclusion

284. PW has [redacted] EBIT per tonne since 2005, the principal reason being increased material costs [redacted] As there have been no imports of galvanised wire from South Africa since 2004, PW's [redacted] can not be attributed to dumped imports from South Africa. PW has not claimed any adverse effects on its profits from dumped imports from South Africa.

285. When imports of the GUR have ceased, any review must focus on the likely impact on profits should the anti-dumping duties be removed. In this respect, the Ministry concludes that if the current anti-dumping duties were to expire, the lower price of the dumped South African imports would cause significant loss of PW's EBIT under both scenario A and B. The price reductions that PW would need to make to remain competitive with the South African imports would cause a [redacted] decrease in the company's EBIT, as was the case in 2002 when the company found itself in a similar situation.

Utilisation of Production Capacity

286. 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.

287. PW's galvanised wire production capacity is currently around [redacted] tonnes although the product mix determines the production capacity of galvanised wire. For instance, smaller diameter wire takes longer to produce than larger diameter wire, therefore the thickness of the wire determines the speed for total production of a product. From 2005 to 2007 (before Galvanised Plant 2 was closed in September 2007), galvanised wire production capacity was around [redacted] tonnes, although a capacity of [redacted] could be reached if wires with a diameter of 2.50mm and above were produced.

288. The table below shows PW's production volume and capacity for galvanised wire for the last three financial years, its forecast (budgeted) 2008 figures and its likely production volume and capacity figures (scenarios A and B) should the anti-dumping duties be removed from South African imports.

Table 5.17: Utilisation of Production Capacity (tonnes)

	2005	2006	2007	F/cast 08	Scen. A	Scen. B
Galvanised wire capacity	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Galv. wire production*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Galv. wire utilisation	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

* includes exports.

289. From 2005 to 2006 PW's production capacity utilization rate decreased from [redacted] percent to [redacted] percent, although it did increase to [redacted] percent the following year (2007).

Likely Impact of Removal of Duties on Production Capacity

290. Under scenario A PW has forecast that should the anti-dumping duties be removed, its production capacity utilisation rate would remain at the same level as experienced in 2007 and that forecast for 2008. However, under scenario B production capacity would decrease to [redacted] percent due to the reduction in sales volume the company has projected as a result of competition from dumped imports of South African galvanised wire. PW considers that [redacted].

Conclusion

291. PW is currently operating at [redacted], due mainly to the company closing one of its galvanising plants in September 2007. It now operates only one plant. In any event, the focus of any analysis in a review where imports have ceased must concentrate on the likely impact on an industry's capacity utilisation rate should the anti-dumping duties be removed.

292. Based on scenario A, it is unlikely PW will suffer a significant reduction in capacity utilisation rate compared to its forecast 2008 level because the company has not projected a decrease in production volume if the duties are removed. However, under scenario B, PW will suffer a significant reduction in its capacity utilization rate, based on the company's projected loss of 600 tonnes of galvanised wire to the cheaper South African goods. The Ministry considers that the impact of the removal of the duties on PW's capacity utilisation rate will depend on how the

company responds to the lower-priced South African imports. However, under the 'Sales Volume and Value' section above, the Ministry concluded that the lower-priced South African imports are likely to adversely impact on PW's domestic sales volume due to the volume and price effects of the dumped South African goods. On this basis, the Ministry concludes that any such decrease in sales volume would likely also negatively impact on the company's capacity utilisation rate.

Productivity

293. Productivity is the relationship between the output of goods and the inputs of resources used to produce them. Changes in productivity are affected by output levels and by the level of capacity utilisation.

294. The table below shows PW's annual production volume of galvanised wire per employee for the last three financial years, its forecast (budgeted) 2008 figure and its forecast figures (Scenario A and B) should the anti-dumping duties be removed from South African imports.

Table 5.18:Productivity

	2005	2006	2007	F/cast 2008	Scen. A	Scen. B
Production volume (tonnes) (Galvanising)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
No. of staff	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Productivity/ Employee*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

***** includes exports

295. Production of galvanised wire [redacted] from 2005 to 2007 while staff numbers stayed static, which is reflected in the [redacted] in productivity per worker over the same period. PW's productivity per worker is budgeted to increase for 2008 (from 2007 levels) [redacted].

Likely Impact of Removal of Duties on Productivity

296. PW closed its Galvanised Plant 2 in September 2007 [redacted] currently it operates only one plant. [redacted]. Under scenario A, should the duties be removed, the productivity per worker will not be affected from that forecast in 2008. In scenario B, should the duties be removed, PW project that the productivity per worker will be affected as it estimates that its output will reduce by 600 tonnes. PW considers that the removal of the anti-dumping duties will mean PW will have to match the lower-priced South African imports by pricing at a level

[redacted].

Conclusion

297. In relation to production volume per employee, there is some evidence that productivity has been adversely affected since 2005, however, this can not be attributed to dumped imports from South Africa. The Ministry concludes that if PW was forced to reduce its volume of galvanised wire production as a result of competition from increased import volumes from South Africa after the anti-dumping duties being removed (scenario B), it is likely that the company would suffer a decline in productivity (compared to its budgeted 2008 figure) because of a reduction in throughput and output per employee.

Return on Investments

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

299. PW provided return on investment information in the form of EBIT as a percentage of average assets. The table below shows PW's EBIT as a percentage of average assets (for galvanised wire) for the last three financial years, its forecast (budgeted) 2008 figure and its likely (projected) figures (scenarios A and B) should the anti-dumping duties be removed from South African imports.

Table 5.19: Return on Assets

	2005	**2006**	**2007**	**F/cast 08**	**Scen. A**	**Scen. B**
Average Assets ($000's)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
EBIT ($000's)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
EBIT as a % of average assets	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

300. The information in the above table shows that PW has experienced [redacted] in return on investment since 2005 [redacted] it expects an improvement for its 2008 year (if the duties remain in place).

Likely Impact of Removal of Duties on Return on Assets

301. Should the anti-dumping duties be removed PW has projected that under both scenario A and B, its return on investment will decrease significantly from what the company has experienced previously and also in relation to its 2008 budgeted figure.

PW considers that such a poor return on investment is [redacted] and as a result [redacted]

Conclusion

302. PW has experienced a [redacted] in return on investment since 2005 and [redacted] return on investment in its last two financial years. However, given that there have been no imports of galvanised wire from South Africa since 2004 any decline in return on investments since 2005 can not be attributable to dumped imports from this source.

303. In a review the focus of any analysis where imports have ceased, must concentrate on the likely impact on return on investment should the anti-dumping duties be removed. On the basis of its analysis and conclusions reached under the “Profits’ section of this report, the Ministry concludes that if PW was forced to reduce its prices in order to compete with the lower-priced imports from South Africa, in the absence of duties, it is likely that the company would suffer [redacted] significant adverse effects in relation to its return on investment.

Magnitude of the Margin of Dumping

304. 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.

305. While the Ministry has concluded that dumping is likely to recur should the duties be 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

306. A major factor affecting domestic prices for galvanised wire is the increasing costs of production. Over the last few years the increasing costs of rod and zinc in particular have led PW to increase its prices in April and May 2008. However, because there have been no imports from South Africa since 2004, there can not have been any adverse economic impact by the subject goods on factors affecting domestic prices. Given the uncertainties involved in identifying and quantifying the extent of any likely adverse affect on domestic prices in a review, by imports from South Africa in the absence of anti-dumping duties, the Ministry considers that it is unable to draw any useful conclusions on this issue.

5.6 Other Adverse Effects

Cash Flow

307. PW calculates net cash flow by adding depreciation, a non-cash expense, to its EBIT. The table below shows PW’s cash flow (for galvanised wire) calculated using the above method for the last three financial years, its budgeted 2008 year and if the anti-dumping duties were removed (scenarios A and B).

Table 5.20: Operating Cash Flow from Galvanised Wire

	2005	2006	2007	F/cast 08	Scen. A	Scen. B
EBIT($000's)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Plus: Depreciation ($000's)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Operating Cash Flow ($000's)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

308. The information in the above table shows that PW's operating cashflow [redacted] from 2005 to 2007 [redacted] it is expected to improve for 2008 in line with PW's budgeted EBIT performance ([redacted]).

Likely Impact of Removal of Duties on Cashflow

309. Should the anti-dumping duties be removed PW has projected that under both scenario A and B, its cashflow will decrease significantly from what the company has experienced previously and also in relation to its 2008 budgeted figure. PW considers [redacted]

Conclusion

310. PW has experienced a [redacted] in cashflow since 2005 and experienced a [redacted] cashflow in its 2006 and 2007 financial years. However, given that there have been no imports of galvanised wire from South Africa since 2004 any decline in cash flow since 2005 can not be attributable to dumped imports from this source.

311. The focus of any analysis in this review must concentrate on the likely impact on cash flow should the anti-dumping duties be removed. On the basis of its analysis and conclusions reached under the "Profits' section of this report, the Ministry concludes that if PW was forced to reduce its prices in order to compete with the lower-priced imports from South Africa, in the absence of duties, it is likely that the company would suffer significant adverse effects in relation to its cashflow.

Inventories

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

313. The table below shows PW’s finished goods on hand (tonnes) at year end for galvanised wire for its last three financial years, its forecast (budgeted) 08 figure and its likely inventory level (scenarios A and B) should the anti-dumping duties be removed from South African imports.

Table 5.21: Inventory

	2005	**2006**	**2007**	**F/cast 08**	**Scen. A**	**Scen. B**
Finished goods at balance date (tonnes)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

314. The figures show that PW’s current inventory levels are [redacted] than they were in 2005. This reflects the company’s policy of producing to order and [redacted]. In any event, this review must focus on the likely impact on inventory levels should the anti-dumping duties be removed.

315. Should the anti-dumping duties be removed PW has projected that under both scenario A and B, its inventory levels will stay at the level the company has projected for its budgeted 2008 year. PW considers that should the anti-dumping duties be removed,[redacted].

Conclusion

316. On the basis of its analysis of the likely impact on the above injury indicators if the duties were removed, the Ministry has concluded that most of these indicators would be adversely affected and this would usually indicate that PW’s inventory levels would also be adversely affected. On the basis of PW’s present inventory management system the Ministry considers that its inventory levels are unlikely to be affected in this respect.

Employment and Wages

Employment

317. PW currently has [redacted] staff employed in its entire operations. It previously employed [redacted] staff to produce galvanised wire but in September 2007 [redacted] staff [redacted] after shutting one of the galvanising lines [redacted] Since that time it has employed [redacted] staff ([redacted] manufacturing and [redacted] in packaging) to produce galvanised wire. PW advised additional [redacted] workers would be brought in during high demand periods, such as the fencing season during April/May.

Wages

318. PW provided information on its wage expenses which also included its forecast (budgeted) wage bill for 2008. The total amount spent on wages [redacted] by approximately [redacted] percent from 2005 to 2007, [redacted] it is expected to [redacted] by approximately [redacted] percent in 2008 (from the 2007 figure) reflecting the [redacted] due to the closure of Galvanising Plant 2.

319. In respect of the likely impact on PW's employment and wages levels should the anti-dumping duties be removed, PW considers that should this eventuate, [redacted].

Conclusion

320. On the basis of its analysis of the likely impact on the above injury indicators if the duties were removed, the Ministry has concluded that most of these indicators would be adversely affected. The Ministry consequently concludes that there would likely be a subsequent adverse impact on PW's employment and wage levels if the anti-dumping duties were removed.

Growth, Ability to Raise Capital and Investments

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

Conclusion

322. The Ministry considers any detrimental effects on growth will be reflected in other injury indicators such as sales, profit and return on investment. The Ministry concluded above that should the present duties be removed, PW'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 company's growth and prospect for growth, if the anti-dumping duties were removed.

323. With respect to PW's ability to raise capital and investments, the Ministry notes that PW is currently [redacted] profitability with the current duties in place. Due to PW's likely strategy of lowering its prices to match the lower-priced South African imports and also its [redacted], the company expects its profitability to worsen should the duties be removed. On this basis, the Ministry considers there is likely to be an adverse impact on PW's ability to raise capital and investments if it has to compete with injurious dumped products from South Africa.

5.7 Other Causes of Injury

324. 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

325. 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.

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

327. PW made a number of comments in relation to possible other causes of injury other than dumping which may have affected its performance since the anti-dumping duties were imposed in January 2003. Each of these issues are discussed below:

Non-dumped Imports

Australian Imports

328. In the original investigation, Australian imports made up 54 percent of total imports during the POI. Imports from South African accounted for 13 percent of the total imports during the same period. [redacted] A comparison of the average ex-wharf prices of South African and Australian wire indicated that the Australian imports had a significantly higher price. The Ministry concluded that Australian ex-wharf prices were [redacted] percent higher than PW's ex-factory prices.

329. A further comparison involved an overall Australian ex-wharf price, which was compared to the non-injurious price (NIP) of HiSpan V and Standard galvanised wire. Australian imports were undercutting the HiSpan V product by [redacted] percent but were not undercutting the standard galvanised wire.

330. Although Australian imports outweighed the volume of South African imports, the Ministry concluded that Australian imports were not a material contributor to the injury suffered by PW.

331. In the present review, PW stated that in mid-2007 the Australian producer OneSteel acquired Smorgon Wire Australia and that Australian imports remain significant. PW stated it is able to [redacted] the Australian galvanised wire [redacted]. Information [redacted] assists PW in gauging Australian prices.

332. The Ministry has calculated an ex-factory price for 2007 which covers all diameters of galvanised wire produced by PW. This ex-factory price has been compared to a weighted average ex-wharf price calculated using all galvanised wire imported from Australia into New Zealand, to determine if any undercutting is taking place.

333. In calculating the weighted average ex-wharf price of Australian imports, the Ministry used NZCS data. However, the data indicates that numerous types of galvanised wire products are being imported under the tariff items and statistical keys identified in section 2.6 of this report. It would appear that some of these products may not be competing directly with PW's manufacturing and fencing wire. For instance, the Ministry identified importations of staple wire and roping wire as being included in the NZCS data. However, the minimal volume of these imports entering New Zealand from Australia did not make a difference to the weighted average ex-wharf price.

334. In 2007, 9,383 tonnes of galvanised wire was imported from Australia. The weighted average VFD per tonne of these goods has been used as the basis in calculating an ex-wharf price. Insurance and freight costs recorded in the NZCS data have been added to the VFD to calculate a CIF value. At the verification visit PW provided a quote showing costs from CIF level to ex-wharf. Such costs included customs clearance, port service charge, agency fee, international ship and port

security fee and a number of other smaller fees and costs. These costs are titled 'Port Clearance Fees' in the ex-wharf price calculation, which is contained in the table below.

Table 5.22: Australian Ex-Wharf Purchase Price

Australian Ex-Wharf Price (NZ$/per Tonne)	
VFD	1,383
Insurance and Freight	70
CIF	1,453
Port Clearance fees	[redacted]
Ex-Wharf Price	[redacted]

335. The table above shows the 2007 weighted average Australian ex-wharf price to be $[redacted] per tonne. This is [redacted] to PW's 2007 ex-factory price of $[redacted] per tonne, which supports PW's statement that it [redacted] in order to compete with such imports in the New Zealand market.

336. It should be noted, however, that PW's 2007 selling price of $[redacted] per tonne is likely to have been suppressed (see Ministry's analysis under section 5.4 above) [redacted]. PW stated that [redacted]. In this respect, the Ministry considers that the company's 2008 forecast (budgeted) price may be a more reliable price for the purpose of the price comparison exercise. PW's 2008 forecast (budgeted) ex-factory price is $[redacted] per tonne which is approximately $[redacted] per tonne more than the 2007 ex-wharf Australian price.

337. In any event, the fact that PW has only recently [redacted] suggests that its selling prices are likely to have been suppressed by the price of the Australian imports. This appears to be further illustrated by the large volume of Australian imports which are currently competing with PW for their share of the New Zealand market. The Australian imports began increasing in volume in 2005 a year after the Ministry reassessed anti-dumping measures on imports of galvanised wire from Malaysia and now represents [redacted] percent of the New Zealand market.

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

competition from South African imports. PW projected that it would need to decrease its ex-factory price in order to compete with dumped South African imports to $[redacted] per tonne. This represents a price premium of [redacted] percent above what it has calculated the South African goods would land at in New Zealand ($[redacted] per tonne).

339. Based on the current 2007 price level of the Australian imports, there would be no undercutting of PW's selling prices by the Australian imports. However, whether Australian prices would increase or decrease in line with PW's prices is uncertain and faced with this situation, Australian exporters may reduce their prices to protect their market share. However, it would seem more plausible, based on PW's calculation of a likely South African import price and the Ministry's own estimate of a likely South African import price (see section 5.4 of this report), that there would likely be a shift in supply in the New Zealand market from the Australian product to the cheaper South African product.

Imports from other Countries

340. In the 2002 investigation, the Ministry concluded that imports of galvanised wire from other sources had not yet entered PW's distribution channel and were therefore not a threat to the company.

341. In the present review, PW stated that there have been some changes in the supply sources in 2002 and that imports which had previously been supplied by Euro Corp from South Africa origin had shifted to Malaysian origin, and more recently to Australia. PW's policy, when competing directly with imports from other countries such as Malaysia and South Africa, is to set its price at a [redacted] percent premium above the estimated import price to account for a shorter supply time and also the fact that its products are made for New Zealand climatic conditions.

342. During the POR(D), 4,359 tonnes of galvanised wire were imported from countries other than Australia. With reference to the goods description in the NZCS data, a number of imported wire products may not be competing with PW's fencing and manufacturing wire. Such products include pigtail fence posts, bailing wire, annealed wire, tie wire, stitching wire, staple wire, armouring wire and wire mesh. These products make up a significant volume of imported products from countries other than Australia. Galvanised wire included in the import data which may be outside the GUR may affect the reported import volumes, estimated ex-wharf price calculation, market size and market share analysis.

343. Using the above import statistics, the Ministry calculated a weighted average ex-wharf price for galvanised wire imported from 'other sources' into New Zealand and compared this price with PW's ex-factory price to determine if any undercutting is taking place. The method of calculating the ex-wharf price was the same as that used for the Australian ex-wharf price calculated above. Import duty paid on the imported wire has also been included in the ex-wharf price calculation. Import duty was not included in the Australian calculation because Australian wire enters New Zealand duty free. The weighted average ex-wharf price calculation is listed in the table below.

Table 5.23: Ex-Wharf Price for Other Countries

Other Countries Ex-Wharf Price (NZ$/per Tonne)	
VFD	1,692
Insurance and freight	148
CIF	1,841
Import Duty	25
Port Clearance Fees	[redacted]
Ex-Wharf Price	[redacted]

344. The figures show that the ex-wharf price of $[redacted] per tonne is clearly not undercutting PW's 2007 ex-factory price of $[redacted] per tonne, nor PW's 2008 forecast (budgeted) ex-factory price of $[redacted] per tonne.

Conclusion

345. Based on the information available, the Ministry concludes that imports from countries other than Australia are not a cause of injury to PW. However, Australian imports are competitively priced and hold a significant share in the New Zealand market. Imports from Australia are likely to be a cause of injury to PW and are likely to be a major reason why PW has, until recently, been reluctant to incorporate large raw material cost increases into its domestic selling prices.

Increasing Costs of Production

346. The Ministry considers that recent increasing costs of production, in particular zinc and rod, are likely to be another cause of injury to PW. As noted previously in the report, the cost of rod and zinc has fluctuated since 2005 and rising steel prices have been well documented in the news recently.[13] At the verification visit, PW provided the Ministry with pricing trend information which shows dramatic increases in the price of steel, especially since the beginning of 2006.

347. PW purchases its steel rod from Pacific steel, which sets its prices according to world prices. The information provided by PW shows that rod prices have fluctuated from 2005 to 2007 with a significant rise since January 2006. PW's forecast 2008 cost of rod is $[redacted] per tonne, which is significantly higher than previous periods. PW purchases zinc from [redacted], the cost of which has also increased [redacted] over the period 2005 to 2007.

[13] Public File documents 65, 70A, 99, 102, 104

348. PW's EBIT [redacted] from 2005 to 2007, which PW stated is principally due to [redacted]. PW recently raised its selling prices in April and May 2008 in order to recover some of these increasing costs. Whether these price increases have a positive or negative effect on PW's EBIT will only be seen fully in the results of the 2009 financial year, however, there are signs that the company will experience a healthier EBIT for its 2008 financial year based on its budgeted 2008 EBIT figure which is projected to be [redacted] higher than its last two financial years.

Conclusion

349. Increasing costs of production, in conjunction with [redacted] in the form of higher selling prices for its galvanised wire, has been a cause of injury to PW over the POR(I). The company has rectified this situation somewhat by recently increasing its selling prices and as a result there are signs that the company will experience a healthier EBIT for its 2008 financial year.

Contraction in Demand and Changes in the Pattern of Consumption

Customer Purchasing Power and Competition in the Market

350. Another factor the Ministry has considered is the purchasing power of PW's customers, [redacted]. In the original investigation PW submitted correspondence between itself and some of its customers which showed pressure being applied to PW due to cheaper imported products in the market.

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

352. To this effect, the Ministry notes that [redacted] recently indicated that continued pressure from cheaper imported products in downstream markets has resulted in constrained margins. Due to many of its competitors importing products, [redacted] has needed to reconsider its strategy of buying domestically, to that of importing cheaper products.

353. The Ministry also notes that in recent years there have been a number of mergers of companies in downstream markets. This has resulted in increased pressure on the players in the fencing market to provide more competitive prices. PW also stated that [redacted]. This in turn had put pressure on PW to [redacted] prices in order that [redacted].

Conclusion

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

High Span V

355. PW introduced its High Span V product as a premium product prior to the South African imports entering the country at dumped prices. High Span V was marketed to emphasise that it contained vanadium which gave it a point of difference from other galvanised wire products. High Span V was an important part of the PW range of galvanised wire and attracted [redacted] price premium.

356. High Span V was discontinued in 2006. According to PW, competition from cheaper imports had resulted in a gradual decrease in sales revenue from High Span V and eventually caused its removal entirely. The average net price of High Span V in 2005 was $[redacted]/tonne which had decreased to $[redacted]/tonne in 2006, which according to the company, was unsustainable.

357. PW found that customers were no longer willing to pay a premium price for High Span V and therefore PW introduced cheaper brands e.g. standard (2.5 half-coat) and 5-star brand (which has also been discontinued) as price fighters against the cheaper imports [redacted]. PW is of the opinion that [redacted] South African and Malaysian imports.

Conclusion

358. The Ministry concludes that the change in purchasing preference by PW's customers in that they appear to be no longer willing to pay a premium for the company's High Span V product is likely to have been a cause of injury to PW.

Developments in Technology

359. Since the original investigation, PW has changed the coating of its galvanised wire from 100 percent zinc to a combination of zinc and aluminium. The change to a zinc/aluminium mix coating results in approximately [redacted] of the 100 percent zinc coated wire and achieves comparable or better product performance than the 100 percent zinc coated wire resulting in cost savings for PW.

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

Conclusion

361. The Ministry concludes that the developments that PW have put into place to improve its production facilities and processes for galvanised wire have not been a cause of injury to the company.

Nature and Extent of Importations

362. The Act requires that the Ministry is to consider imports of the dumped goods by the New Zealand producers of like goods. PW does not import any galvanised wire from South Africa. In the last year PW has commenced importing smaller diameters of galvanised wire from [redacted]. These imports complement other domestic sales of the same diameter of galvanised wire. The Ministry concludes that the small amount of imported galvanised wire have not been a cause of injury to PW.

Conclusion on Other Causes of Injury

363. The Ministry concludes that there are a number of factors that are likely to have caused injury to PW over the POR(I). Australian imports, customers' purchasing power and preference, and increasing production costs are factors which will continue to affect PW, regardless of whether the duties remain or are removed. These factors are likely to have contributed to the price depression/suppression that occurred from 2005 to 2007 but can be distinguished from the injurious effects likely to arise from dumped South African imports, should the duties be removed.

5.8 Conclusions Relating to Injury

364. From information made available during the review, the Ministry has reached the following conclusions in relation to material injury suffered by the New Zealand industry since 2004.

Volume and Price Effects

- In absolute terms, the volume of imports of galvanised wire from South Africa decreased to the extent that no imports have been recorded since 2004.
- Due to a lack of imports over the POR(D) the Ministry could not analyse the extent of price undercutting.
- There is evidence of price depression and price suppression but it is not caused by dumped imports of galvanised wire from South Africa.

Economic Impact

- The industry's sales volume and value has shown [redacted] over the POR(I).
- PW's market share has [redacted] since 2003.

- Industry profit levels have [redacted] this is unlikely to be attributable to dumped imports due to no imports from South Africa being recorded since 2004.

- No positive evidence has been provided that shows any injurious effects due to dumping of the GUR from South Africa on productivity, return on investments, utilisation of production capacity, factors affecting domestic prices, cashflow, inventories, employment, wages, growth and ability to raise capital and investments.

- The Ministry has been unable, due to there being no imports over the POR(D), 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 industry, however, these factors will continue to affect the industry regardless of whether or not anti-dumping duties have been imposed.

365. The Ministry concludes that there is no current material injury that is attributable to imports of galvanised wire from South Africa.

Likelihood of Injury if Anti-Dumping Duties Cease or are Terminated

366. 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.

- It is likely that there would be price undercutting, price depression and suppression due to dumped imports from South Africa.

- 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 industry's market share if anti-dumping duties are removed.

- 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 industry's productivity, utilisation of production capacity, employment and wages, return on investments, 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 industry and can therefore be distinguished from the injurious effects likely to result from dumped imports from South Africa.

367. On the basis of these considerations, the Ministry concludes that if anti-dumping duties were to be removed, material injury to the New Zealand industry from dumped imports of South African galvanised wire is likely to recur.

6. Conclusions

368. On the basis of the information available, it is concluded that the continued imposition of anti-dumping duties is necessary to prevent the recurrence of dumping and material injury to the New Zealand industry (PW) producing like goods to the goods under review.

7. Recommendations

369. It is recommended on the basis of the information obtained during the course of the review that:

1. The Chief Executive of the Ministry determine pursuant to section 14(8) of the Act that in relation to the importation or intended importation of galvanised wire of the type under review from South Africa into New Zealand that if anti-dumping duties were to be removed:

   (a) there is a likelihood of dumping recurring; and

   (b) by reasons thereof material injury to an industry is also likely to recur.

2. The Chief Executive initiate a reassessment of the anti-dumping duty rates 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 initiation of a reassessment of the anti-dumping duty rates that currently apply to imports of galvanised wire from South Africa.

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Review Team

Trade Rules, Remedies and Tariffs Group

Recommendation Accepted/Not Accepted

……………………………………….

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

8. Reassessment of Anti-Dumping Duties

8.1 Introduction

370. 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.[14] 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 **21 July 2008** to make submissions.

8.2 Method of Imposing Duties

371. 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.[15] 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.[16] This consideration is known as the "lesser duty rule".

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

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

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

A Specific Duty Approach

374. 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

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

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

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

value for duty, and it clearly indicates to the importer the amount of duty payable on the product.

375. 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.

376. 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.

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

Ad Valorem Rate Duty

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

379. 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.

380. 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

381. 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 South African FOB level. A Non-injurious Free-on-Board (NIFOB) is the price at which the imports would not cause injury to the New Zealand

industry, calculated at the Free-on-Board (FOB) level. The Ministry prefers to set reference prices in the currency that the reference price calculations have been worked, that being either the currency of the normal value (in the case of NV(VFDE)s) or the currency of the NIP (in the case of NIFOBs). For example, in the present review, the NV(VFDE) has been based on the normal value in South Africa, which is set in ZAR while the NIFOB has been based on the New Zealand industry's NIP, which is in NZD. A full discussion of both reference price methods is set out below.

382. 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.

383. 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

384. For the purposes of dumping investigations and reviews and the imposition of anti-dumping duties, South Africa 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.

385. 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…"[17] Price undertakings offered in relation to an initial investigation are covered in section 15 of the Act but do not explicitly extend to reassessments of current anti-dumping duties in place. In addition, no offers of price undertakings were received from South African exporters.

386. 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.

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[17] WT/DS141/R, Appellate Body report, para 6.229.

8.3 Present Anti-Dumping Duties

387. Anti-dumping duties have been in place on galvanised wire from South Africa since 31 October 2002. The subject goods were divided into three categories based on the diameter of the wire. The Ministry calculated NV(VFDE) amounts for all three exporters and compared them to the NIFOB amounts to identify if a lesser duty rule should apply. NV(VFDE) reference prices for all three categories were set for Independent and Consolidated because they were lower than the NIFOB amounts. NIFOB reference prices were established for all three categories for Cape Gate because they were lower than the NV(VFDE) amounts.

388. The residual rate that applies to all other suppliers is an *ad valorem* rate. This rate was calculated by taking the NIFOB amount and then subtracting the latest FOB export price from South Africa. The difference was divided by the FOB export price to calculate a percentage which formed the ad valorem duty rate. This method in effect sets an *ad valorem* duty based on the ”injury margin” rather than the dumping margin.

389. The rates of duty set in 2002 are as follows:

Table 8.1: Current Anti-Dumping Duties (per kg)

	Category 1	Category 2	Category 3
South African Exporters	Greater than or equal to 2.0mm but less than 2.5mm	Greater than or equal to 2.5mm but less than 4.0mm	Greater than or equal to 4.0mm but less than or equal to 4.5mm
Independent	[redacted] rands	[redacted] rands	[redacted] rands
Consolidated	[redacted] rands	[redacted] rands	[redacted] rands
Cape Gate	$NZ[redacted]	$NZ[redacted]	$NZ[redacted]
Afican Gabions and Finmesa	No duty applies	No duty applies	No duty applies
Other suppliers	39%	31%	22%

8.4 Amount of the Reassessed Anti-dumping Duty Rates

Exemption from Anti-Dumping Duties

390. The original investigation concluded that Finmesa and African Gabions were not dumping and therefore both companies’ exports to New Zealand were exempt from anti-dumping duties. The Ministry concludes that there can not be a recurrence or a continuation of dumping by exporters who were found not to be dumping in the

original investigation. Therefore, both companies will continue to be exempt from the proposed reassessed anti-dumping duties.

Specific Duty

391. 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. Because the cost of steel products can be subject to large fluctuations, any specific duty rate could easily become outdated. The Ministry therefore considers that it is an inappropriate method to impose duties in this instance.

Reference Prices

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

Non-Injurious Price (NIP)

393. A NIP is an unsuppressed selling price at which a domestic producer can sell its products and is the basis on which a NIFOB amount is calculated. An unsuppressed selling price is one that is achievable in the absence of competition from dumped product in the New Zealand market. Anti-dumping duties have been in place on South African galvanised wire for five years and there have been no imports since 2004 and therefore PW's present prices are unaffected by goods of South African origin. The Ministry concluded that the New Zealand industry's prices are suppressed but this is not due to the presence of dumped imports from South Africa and therefore most likely due to other causes.

394. PW provided its 2007 average selling prices net of [redacted] separated into the three categories of wire according to the diameters which were established in 2002 investigation for the purpose of setting anti-dumping duties. In addition the Ministry has reduced these prices by NZD[redacted] kg (NZD[redacted] per tonne) for domestic freight based on the verified figures provided by PW. The prices are shown in the table below.

Table 8.2: 2007 NIPs (NZD/kg)

2007/08	
NIP	
Category 1	[redacted]
Category 2	[redacted]
Category 3	[redacted]

Calculation of NIFOBs

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

396. The calculation of a NIFOB is achieved by deducting from PW's NIP all costs that arise after FOB up to the level of trade at which the imported product first competes with PW's products. The first point of competition between the imported product and PW's product is at the ex-wharf level. Individual NIFOBs for each exporter have not been calculated due to the lack of up-to-date information sourced from these exporters on their costs arising after FOB. As such, one NIFOB amount has been calculated using information sourced in the review and it applies to all exporters. The calculation includes customs duty at 5 percent of the VFD, which applies from July 2008. The cost of overseas freight and insurance and port services charges are discussed in section 5.4 of this report.

Table 8.3: NIFOBs (NZD/kg)

NIFOB			
NZD/kg			
	Category 1	Category 2	Category 3
PW NIP	[redacted]	[redacted]	[redacted]
Less Costs after FOB to Ex-wharf			
Freight and Insurance	[redacted]	[redacted]	[redacted]
Customs Duty (5%)	[redacted]	[redacted]	[redacted]
Port Services Charges	[redacted]	[redacted]	[redacted]
NIFOB(NZD)	[redacted]	[redacted]	[redacted]

Calculation of NV(VFDE)s

397. NV(VFDE) amounts are calculated by adding to the South African normal value, all costs incurred by the exporter up to the FOB level. The NV(VFDE) therefore represents an un-dumped price at the FOB level. As discussed in section 4.5 above, the Ministry was not able to calculate current normal values for each of the three categories of subject goods for each South African exporter because of the exporters' lack of cooperation in the review. Therefore, in order to establish updated NV(VFDE) amounts, the Ministry has updated the normal values and costs established in 2002 by the South African PPI. According to "*International Monetary Fund: International Financial Statistics*", 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.

398. In 2002, the Ministry observed a large difference between the normal values of Independent and Consolidated. Updating each exporters normal value from 2002 by the PPI recognises the difference in the normal values of each company at that time which will be reflected in the updated NV(VFDE) amounts calculated for each exporter.

399. The tables below show the updated NV(VFDE) calculations for Consolidated, Independent and Cape Gate. The NV(VFDE) amounts are expressed in ZAR, but for the purpose of the lesser duty assessment, the amounts have been converted to NZD for comparison with the NIFOBs. Due to the NIP information relating to PW's

2007 financial year, the Ministry has used the average exchange rate over the period 1 July 2006 to 30 June 2007 for the currency conversion, which was listed [redacted] as 1 NZD:[redacted] ZAR.[18]

Table 8.4: NV(VFDE) Independent

	Category 1	Category 2	Category 3
Normal Value	[redacted]	[redacted]	[redacted]
Plus Cost from ex-factory to FOB			
Inland Freight Cost	[redacted]	[redacted]	[redacted]
Wharfage	[redacted]	[redacted]	[redacted]
Merchant Haul Release	[redacted]	[redacted]	[redacted]
Certificate of Origin	[redacted]	[redacted]	[redacted]
Tel/Fax/Stamps	[redacted]	[redacted]	[redacted]
Document fee	[redacted]	[redacted]	[redacted]
Finance fee	[redacted]	[redacted]	[redacted]
Packaging	[redacted]	[redacted]	[redacted]
NV(VFDE) (ZAR)	[redacted]	[redacted]	[redacted]
NV(VFDE) (NZD)	1.14	0.96	0.97

Table 8.5: NV(VFDE) Consolidated

	Category 1	Category 2	Category 3
Normal Value	[redacted]	[redacted]	[redacted]
Plus Cost from ex-factory to FOB			
Inland Freight	[redacted]	[redacted]	[redacted]
Merchant Haul release	[redacted]	[redacted]	[redacted]
Wharfage	[redacted]	[redacted]	[redacted]
Document Charge	[redacted]	[redacted]	[redacted]
Packaging	[redacted]	[redacted]	[redacted]
NV (VFDE) (ZAR)	[redacted]	[redacted]	[redacted]
NV(VFDE) (NZD)	1.42	1.38	1.35

Table 8.6: NV(VFDE) Cape Gate

	Category 1	Category 2	Category 3
Normal Value	[redacted]	[redacted]	[redacted]
Plus Cost from ex-factory to FOB			

18 [redacted]

Inland Freight			
Merchant Haul release			
Wharfage			
Document Charge			
Packaging			
NV (VFDE) (ZAR)			
NV(VFDE) (NZD)	2.58	1.67	1.61

Comparison of NIFOB and NV(VFDE)

400. The following tables show the proposed levels of duty for exports from Independent, Consolidated and Cape Gate, calculated on the basis set out above if the Ministry was to determine that re-assessed duty levels should be established on the basis of reference prices:

Comparison - Independent			
NZD/kg			
			NIFOB or
Diameter (mm)	NIFOB	NV(VFDE)	NV(VFDE)
>2.0<2.5		1.14	NIFOB
>2.5<4.0		0.96	NV(VFDE)
>4.0<=4.5		0.97	NV(VFDE)

Comparison - Consolidated			
NZD/kg			
			NIFOB or
Diameter (mm)	NIFOB	NV(VFDE)	NV(VFDE)
>2.0<2.5		1.42	NIFOB
>2.5<4.0		1.38	NIFOB
>4.0<=4.5		1.35	NIFOB

Comparison - Cape Gate			
NZD/kg			
			NIFOB or
Diameter (mm)	NIFOB	NV(VFDE)	NV(VFDE)
>2.0<2.5		2.58	NIFOB
>2.5<4.0		1.67	NIFOB
>4.0<=4.5		1.61	NIFOB

Effect of Exchange Rates on Anti-Dumping Duties

401. The Ministry considers that where an anti-dumping duty is imposed at a full margin of dumping, and is therefore based on the normal value (i.e. a NV(VFDE)), it is appropriate that the duty should be established in ZAR as that is the currency in which the normal value is set.

402. The Ministry recognises the problem of exchange rate movements concerning the lesser duty rule where reference prices have been established. In some instances exchange rate movements can result in NIFOB amounts that were identified as being the lesser duty, later becoming higher than the corresponding NV(VFDE) amount, which would be contrary to the requirement that anti-dumping duties do not exceed the margin of dumping.

403. Therefore, the review team proposes that if the reassessed anti-dumping duties are established using reference prices (as they are currently), an *alternative duty* rate be set at the NV(VFDE) rate due to exchange rate fluctuations. In other words, the NIFOB amounts (in NZD) identified as the lesser duty should be applied, except where the NV(VFDE) amount in NZ dollars (calculated at the exchange rate at the date of importation) is lower than the NIFOB. In this situation the NV(VFDE) rate should be applied instead of the NIFOB rate.

Ad Valorem Duty

404. An alternative method of setting anti-dumping duties is to apply an *ad valorem* duty to all South African 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 will be used as the *ad valorem* duty rate.

405. In 2002, the Ministry imposed a residual rate by using an *ad valorem* duty rate. Cape Gate was identified as the exporter with the highest “dumping margin percentages”. The Ministry then calculated “injury margin percentages” for Cape Gate. The “injury margin percentages” were used as the *ad valorem* duty rate because they were lower than the “dumping margin percentages”.

406. Due to a lack of detailed South African export price and normal value information sourced in the present review, the Ministry has been able to calculate a dumping margin for the subject goods as a whole only, rather than for each exporter and for each of the three categories of subject goods. Due to that limitation, an injury margin has also been calculated for the subject goods as a whole so that the lower of the two margins can be identified.

407. The dumping margin was calculated by using the normal value established in section 4.5 of this report and then subtracting from this amount an ex-factory export price which was calculated based on the South African FOB value to all destinations. This exercise was conducted in section 4.6 of this report and the dumping margin calculated was 44 percent (expressed as a percentage of the export price). This dumping margin has been divided by the South African FOB value to all export destinations to ensure that the dumping margin is expressed as a percentage of the same value as the injury margin for the purpose of conducting the “lesser duty rule” (see paragraph below).

408. In the present review, because anti-dumping duties are already in place, an injury margin has been measured by how much the prices of South African imports to New Zealand would likely undercut PW's prices if they were to be exported from South Africa at the current South Africa FOB value to all export destinations. The South African FOB value may not be an ideal price on which a comparison can be made with PW's prices as the range of diameters that make up this value are unknown. However, the value does relate to South African export sales of galvanised wire and it is the best available information regarding the likely export price of South African galvanised wire. To determine the extent to which these South African prices would likely undercut PW's prices, the Ministry has calculated a NIFOB amount based on PW's weighted average price of galvanised wire of 1.60mm to 5.00m diameters (the company's total range of 'like goods' to the GUR). The calculation of the NIFOB includes a wider range of wire diameters than that of the GUR because in 2002 it was concluded that this range of wire produced by PW were 'like goods' to the GUR.

409. The injury margin has been calculated by subtracting from the NIFOB amount, the South African FOB price to all destinations, which is NZD[redacted] when converted to NZD. The Ministry used the average exchange rate for the year ended June 2007 of 1NZD:[redacted]ZAR, which was the period over which the NIFOB was calculated. The difference between these two figures has been divided by the FOB price to calculate an injury margin percentage.

410. The tables below set out both the dumping margin and the injury margin calculations.

Table 8.7: Dumping Margin

Dumping Margin	
(ZAR)	
Normal Value	5.96
Export Price	4.14
Dumping Margin	1.82
FOB Price	4.53
Dumping Margin (as % of FOB)	40%

Table 8.8: Injury Margin

Injury Margin	
(NZD)	
NIFOB	[redacted]
Less: FOB Price	[redacted]
Undercutting	[redacted]
Injury Margin (as % of FOB)	17%

411. The calculated margin of dumping, as a percentage of the South African FOB price, based on the export price to all destinations, is 40 percent. As the dumping margin is greater than the injury margin, the *ad valorem* duty rate would be set at the margin of injury and be 17 percent of the VFD of the goods.

Proposed Levels of Anti-dumping Duty

412. The Ministry is of the opinion that a single *ad valorem* anti-dumping duty rate should be imposed on all three categories of galvanised wire falling within the description of the GUR and on exports from Cape Gate, Independent, Consolidated and all other exporters of the GUR (excluding African Gabions and Finmesa) at the rate established in table 8.8 above of 17 percent.

413. The Ministry prefers to impose a single *ad valorem* rate rather than to update the reference prices established in the original investigation because of the following reasons:

- Due to the lack of information obtained during the review, the Ministry was unable to calculate accurate and up-to-date normal values specifically relating to each of the three exporters which were assigned NV(VFDE) amounts in the original investigation and for each of the three categories of galvanised wire established for the purpose of imposing duties. Because NV(VFDE)s are established from normal values, the Ministry was unable to establish reliable, updated NV(VFDE) amounts for each of the three exporters using their individual normal value information. The updated NV(VFDE) amounts that were established for each exporter and category of galvanised wire (see tables 8.4 to 8.6 above) were based on the NV(VFDE) amounts that were calculated in the original investigation. The new amounts were simply updated from the original investigation by using the South African PPI from 2002 to present and the Ministry is concerned that these up-dated amounts may not accurately reflect the current South African normal values and export costs for galvanised wire.

- The Ministry is also aware of that the price of steel products and raw material used to manufacture steel products including galvanised wire has increased significantly over recent years and there is no indication that prices will stabilise in the foreseeable future. This, in itself, presents a problem in setting anti-dumping duties on the basis of reference prices because it is likely that such reference prices will quickly become outdated. As referred to in paragraph 383 above, 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 and if these prices or costs change, the reference prices will become outdated and may no longer be accurate. Inaccurate reference prices are unlikely to perform the task intended of them, which is to prevent imports of the goods entering New Zealand at dumped prices.

- The single *ad valorem* duty of 17 percent has been calculated using recent South Africa export price and normal value information sourced during the review and relates to information collected over all categories of galvanised wire of the type under review (including both heavy and lightly galvanised wire). While this information was not available on a per category basis, the

Ministry considers that a single *ad valorem* duty will be more convenient and administratively practical to apply than a number of reference prices relating to different exporters and categories of galvanised wire. Furthermore, it is unlikely to be substantially affected by increases in world steel prices or by exchange rate movements.

8.5 Opportunity for Comment

414. Interested parties have until **21 July 2008** to make submissions upon this interim reassessment report. All submissions must be accompanied by a non-confidential version.

415. 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

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

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

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