

Ministry of **Economic
Development**



M a n a t ū Ō h a n g a

Non-Confidential Final Report

Certain Bound Stationery from Malaysia

Dumping and Countervailing Duties Act 1988

Trade Rules and Remedies
September 2007

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ABBREVIATIONS

The following abbreviations are used in this report:

Act	Dumping and Countervailing Duties Act 1988
Agreement	World Trade Organisation Agreement on Implementation of Article VI of the General Agreement Tariffs and Trade 1994
AUD	Australian Dollars
BAF	Bunker adjustment factor
Bhd	Berhad
Blue Stripe	Blue Stripe Wholesale (NZ) Limited
Bright Ideas	Bright Ideas Enterprises Limited
BTS	Back to school season
Buzz Boys	Buzz Boys Limited
Candida	Candida Stationery Limited
CBM	Cubic Meters
CBS	Certain bound stationery
CFR	Cost and freight
Chee Wah	Chee Wah Corporation Berhad
CIF	Cost, insurance and freight
CNF	Cost and Freight
Croxley	Croxley Stationery Limited
Customs	New Zealand Customs Service
Diaries Investigation	Anti-Dumping Investigation into Diaries from The People's Republic of China, Special Administrative Region of Hong Kong China, The Republic of Indonesia, The Republic of Korea and Malaysia
Draw-Art	Draw Art Supplies Limited
EBIT	Earnings Before Interest and Tax
EFC	Essential Facts and Conclusions Report
FIS	Free into Store
FOB	Free on Board
GBP	British Pounds
Gsm (grammage)	Grams per square metre
Harper Collins	Harper Collins Publisher (NZ) Limited
Jasco	Jasco Pty. New Zealand Limited
Jasco AU	Jasco Pty Limited
kg	Kilogram
Kurtovich	K Kurtovich Products Limited
Le Jardin	Le Jardin Enterprises Limited
Ltd	Limited
Minister	Minister of Commerce
Ministry	Ministry of Economic Development of New Zealand
mm	Millimetres
MYR	Malaysian Ringgit
NIFOB	Non-injurious Free On Board
NIP	Non-injurious Price

NM Paper	NM Paper Converting Sendirian Berhad
NV(VFDE)	Normal Value (Value for Duty Equivalent)
NZD	New Zealand Dollars
NZS	New Zealand Standard 8132:1984
Oanda	www.oanda.com
OEM	Original Equipment Manufacture
POI	Period of investigation (1 February 2006 to 31 January 2007)
ROI	Return on Investments
Ruho	Ruho Corporation Berhad
Sdn	Sendirian
SER	Service charge
Sims	Sims Distributing Company
SKU	Stock Keeping Unit
Tan Eng	Tan Eng Hong Paper& Stationery Sendirian Berhad
Tasman	Tasman Stationery Limited
the Warehouse	The Warehouse Limited
USD	United States Dollars
VFD	Value for Duty

Executive Summary

Introduction

1. The Ministry of Economic Development (Ministry) initiated on 23 February 2007 an investigation into certain bound stationery (CBS) from Malaysia, following receipt of an application for a dumping investigation from Croxley Stationery Limited (Croxley). Croxley claimed that various exercise books, note books, projects books and pads from Malaysia were being imported at dumped prices and causing material injury to it.

2. Croxley requested the application of provisional measures to prevent material injury being caused during the period of the investigation. The Minister of Commerce was not satisfied that provisional measures were necessary to prevent material injury while the investigation was completed and therefore declined their imposition.

CBS Subject to Investigation

3. The CBS from Malaysia that is covered by investigation is described as follows:

Exercise books, note books, project books, sketch pads and pads of a type intended for the purpose of writing/printing/drawing, suited primarily for primary, post-primary schools and commercial sectors, having the following specifications:

HEIGHT: Not less than 75millimetres (mm) and not more than 450mm

WIDTH: Not less than 75mm and not more than 450mm

LEAF: Not less than 20 and not more than 300

PAGES: Not less than 40 and not more than 600

- *Includes perforated or hole punched pages*
- *Can be printed/unprinted*
- *All colours*

PAPER WEIGHT: Not less than 45 grams per square metre (gsm) and not more than 150gsm

LINES: Ruled or un-ruled; print any colour

COVER: Can be hard or soft covered,

Pads, sketch and other types, may/may not be covered

Can be printed/unprinted

BINDING: Stapled, sewn, glued or wire bound

Dumping

4. Verification visits were conducted at three Malaysian exporters. The investigation has established that 43 percent of all Malaysian CBS imported into New Zealand (for the year ended 31 January 2007) was dumped.

5. Weighted-average dumping margins for the exporters investigated are as follows:

Chee Wah Corporation	56%
NM Paper	4%
Ruho Corporation	Not dumped
Tan Eng Hong	18%

Injury

6. Due to limited recording of statistical units in official data import volumes are not available for all of the CBS under investigation. The information that is available indicates that there has been a substantial increase in import volumes from Malaysia over the past year and this has been accompanied by a decrease in the unit price of exports.

7. There is evidence that dumped imports have significantly undercut the New Zealand industry's prices and there is evidence that the New Zealand industry's prices have been depressed and suppressed.

8. Consequent upon the volume and price effects there is evidence of an adverse economic impact through a loss of sales revenue and declines in profits. Consequent upon the decline in sales revenue and profits, it is likely that return on investment and cash flow from operations has also declined. Ability to raise capital and investments appear to be constrained by the impact of dumped imports.

Injury Factors other than Dumped Goods

9. The Ministry has concluded that there are factors other than the dumped CBS from Malaysia that are causing material injury to the New Zealand industry.

Conclusions

10. The Ministry has concluded that:

- The CBS from Malaysia is dumped except for that which can be categorised as "Limp/Soft" covered CBS and except for exports by Ruho Corporation.
- Dumped CBS from Malaysia has caused material injury to the New Zealand industry.
- Other factors may also be a cause of material injury to the New Zealand industry but these factors are not considered significant enough to break any causal link between the dumped Malaysian CBS and the material injury incurred by the New Zealand industry.

Final Determination and Imposition of Anti-Dumping Duties

11. The Ministry has recommended that the Minister make a final determination that CBS from Malaysia is dumped (except for that which can be categorised as "Limp/Soft" covered CBS and except for exports by Ruho Corporation) and has caused material injury to the New Zealand industry.

12. The Ministry has consequently recommended that the Minister impose anti-dumping duties on the basis set out in the following table:

	Sub-Categories			
	Pads	Hard	Limp/Soft	Wire
Chee Wah	8%	43%	No Duty	73%
NM Paper	18%	3%	No Duty	5%
Tan Eng Hong	18%	3%	No Duty	5%
Residual Rate for other Exporters	18%	3%	No Duty	5%
Ruho Corporation	Exempt from all duties			

1. Introduction

1.1 Application

13. On 22 December 2006, the Ministry of Economic Development (Ministry) accepted a properly documented application from Croxley Stationery Ltd (Croxley), alleging that imports of various exercise books, note books, projects books and pads from Malaysia were dumped and causing material injury to it as the New Zealand industry. The goods covered by the application were termed certain bound stationery (CBS).

14. On 23 February 2007, the Chief Executive of the Ministry acting pursuant to section 10 of the Dumping and Countervailing Duties Act 1988 (Act) formally initiated an investigation into CBS from Malaysia, being satisfied that sufficient evidence was provided that:

- The CBS from Malaysia was being dumped; and
- by reason thereof material injury to the industry had been caused.

15. The investigation is required to establish both the existence and effect of the alleged dumping of CBS from Malaysia and is conducted in accordance with the Act and the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (Agreement).

16. Croxley's application requested that provisional measures be considered. Provisional measures can be considered at any time after 60 days from the date that the investigation was initiated. The Minister of Commerce (Minister) may impose provisional measures if she has reasonable cause to believe that injurious dumping is occurring and is satisfied that provisional measures are necessary to prevent further material injury to the industry during the remainder of the investigation period. The Minister declined to impose provisional measures because she was not satisfied they were necessary to prevent further material injury during the remainder of the investigation.

17. On 1 August 2007 the Essential Facts and Conclusions Report (EFC) report was provided to all interested parties in accordance with section 10A of the Act, being written advice to the parties to the investigation of the essential facts and conclusions that will likely form the basis for any final determination to be made under section 13 of the Act. All interested parties were given until 15 August 2007 to make submissions based on the content of the EFC. Two interested parties provided responses to the EFC report.

18. It should be noted that this Report provides a summary only of the information analysis and conclusions relevant to this investigation, and should not be accorded any status beyond that.

1.2 Information Disclosure

19. The Ministry makes all non-confidential information available via the public file for the present investigation. Any interested party is able to request a list of the

documents on this file or copies thereof. During the course of the investigation several parties have made use of the public file facility.

1.3 Participation with the Investigation

20. Pursuant to Paragraph 7 of Article 6 of the Agreement the Ministry carried out on-the-spot verification visits in Malaysia with the following exporters:

- Chee Wah Corporation Bhd (Chee Wah);
- NM Paper Converting Sdn Bhd (NM Paper); and
- Tan Eng Hong Paper and Stationery Sdn Bhd (Tan Eng).

21. Detailed verification reports and detailed analysis of the calculation of dumping margins in the form of dumping spreadsheets have been provided to all three of the Malaysian producers that were visited.

22. Section 6 of the Act, which reflects Paragraph 8 of Article 6 of the Agreement, allows the Ministry to base its conclusions on the best information available if any interested party has not provided the necessary information within a reasonable period. Limited information was provided by most parties to the investigation. The extent to which information gaps exist and best information available has been relied upon is discussed in the relevant sections of this report.

1.4 Report Details

23. In this report, years are ended 31 January, and values are in New Zealand Dollars (NZD) unless stated otherwise. In tables, column totals may differ from individual figures, or those in the application document, due to rounding.

24. The period for considering claims of dumping is the year ended 31 January 2007, the period of investigation (POI), while the consideration of injury involved the evaluation of data from 1 February 1999 to 31 January 2007.

25. Amounts have been converted into Malaysian Ringgit (MYR) using the interbank exchange rates obtained from the oanda internet currency conversion site at www.oanda.com/converter/classic (oanda).

26. All amounts are expressed on a per unit basis, unless otherwise stated.

27. The Ministry is also currently conducting an anti-dumping investigation into diaries from China, Hong Kong, Indonesia, Korea and Malaysia (*Diaries Investigation*). The application for the *Diaries Investigation* was also made by Croxley and several of the interested parties are common to both of the investigations. Consequently some parties supplied information in relation to one investigation and allowed it be used for both investigations.

2. Interested Parties

28. Details of the key parties to the investigation are listed below.

2.1 Exporters of Malaysian CBS

29. Customs data showed that in the year ended 31 January 2007 19 firms exported Malaysian CBS to New Zealand, which are listed alphabetically in Table 2.1.

Table 2.1: Exporters

Asia File Products Sdn Bhd	Kmart Pty
Axiom Distributors (Australia)	Le Jardin Enterprises Ltd
Bright Ideas Enterprises Ltd	MNB Variety Imports Pty Ltd
Buzz Boys Ltd	NM Paper Converting Sdn Bhd
Chee Wah Corporation Sdn Bhd	Roche Products Pty Ltd
Chiat Hin Envelope Manufacturer Sdn Bhd	Ruho Corporation Sdn Bhd
Dats Pty Ltd	SRM Production Services Sdn Bhd
Ika Works Sdn Bhd	Tan Eng Hong Paper & Stationery Sdn Bhd
JIT Freight Services Sdn Bhd	Vital Technical Sdn Bhd
Jasco Pty Ltd	

30. Due to the number of exporters that exported Malaysian CBS to New Zealand over the POI the Ministry limited its analysis to a selection of exporters, as permitted by Paragraph 10 of Article 6 of the Agreement.

31. The Ministry initially selected six exporters who represented 95 percent of the Malaysian CBS exports (by value) for the year ended 31 January 2007 to seek further information from during the investigation. The importers who purchased from the selected exporters were also contacted for further information.

32. Two of the companies that had originally appeared as exporters, Buzz Boys Limited (Buzz Boys) and Bright Ideas Enterprises Limited (Bright Ideas) have now been included in the importers column. This is because both companies are New Zealand based purchasers of Malaysian CBS who act as intermediaries on-selling Malaysian CBS on a free-on-board (FOB) basis to New Zealand customers. This has no material effect on the information sought from these companies

33. Table 2.2 shows the selection of exporters and importers which are listed alphabetically in their respective columns.

Table 2.2: Selection of Exporters and Importers

Exporters	Importers
Chee Wah Corporation Sdn Bhd	Blue Stripe Wholesale NZ Ltd
NM Paper Converting Sdn Bhd	Bright Ideas Enterprises Ltd
Ruho Corporation Sdn Bhd	Buzz Boys Ltd
Tan Eng Hong Paper & Stationery Sdn Bhd	Candida Stationery Ltd
	Croxley Stationery Ltd
	Draw-Art Supplies Ltd
	Jasco Pty New Zealand Ltd
	Le Jardin Enterprises Ltd
	Sims Distributing Company Ltd (a division of Puraclene Products (New Zealand) Ltd)
	The Warehouse Ltd

34. All exporters and importers, other than those shown in Table 2.2, identified in the Customs data as being involved in the export or import of Malaysian CBS to New Zealand during the POI have been informed of the investigation and advised that they have the opportunity to provide submissions to the investigation but these have not been directly solicited from them. No exporters or importers outside of those in Table 2.2 chose to make submissions.

35. Detailed information regarding the activities of the selected exporters and the CBS they produce is contained in later sections of this report.

2.2 Importers

36. A brief synopsis of the activities of the importers of CBS from Malaysia is set out below. In many instances, limited or no information has been provided to the Ministry by the importers directly. Therefore, the only information that is available to the investigation is that supplied by exporters or that which is publicly available.

Blue Stripe Wholesale (NZ) Limited

37. Blue Stripe Wholesale (NZ) Limited (Blue Stripe) imports Malaysian CBS from [REDACTED] on a [REDACTED] basis.

38. Blue Stripe did not complete an importers questionnaire. From the information provided by its supplier, Blue Stripe appears to import CBS that is not intended to form part of the back to school market (BTS) but rather is [REDACTED].

39. Blue Stripe made a submission in response to the EFC report which is discussed at various places in this report.

Blue Stripe's Submission on the EFC Report

40. Blue Stripe noted that the application was made on the basis of "Exercise books, note books, project books, sketch pads and pads of a type intended for the purpose of writing/printing/drawing, suited primarily for primary, post-primary schools and commercial sectors...".

41. Blue Stripe submitted that it does not sell any of the products that it imports into this market and therefore its overseas supplier and itself should not be a party to the investigation. Blue Stripe stated that its market is the children's leisure and arts and crafts sector, that its range of products are sold into a different retail sector than that of Croxley's products and therefore do not compete directly with those of Croxley.

Ministry's Consideration of the Issues

42. In its assessment of whether there is a New Zealand industry producing like goods the Ministry considered the CBS imported from Malaysia and that produced by Croxley. The Ministry determined that Croxley produced a like good to that imported taking into consideration the physical characteristics, production methods, pricing structures, marketing and other considerations but not one of these factors was determinative. The Ministry does not consider that the different retail sector alone precludes the CBS imported by Blue Stripe from the investigation. The Ministry considered that the CBS imported by Blue Stripe does fit within the description and specifications shown in paragraph 77 and therefore has been assessed on the basis of injurious price effects on the industry.

Bright Ideas Enterprises Limited

43. Bright Ideas purchases Malaysian CBS from [REDACTED] on a FOB basis.

44. Bright Ideas did not complete an importers questionnaire. As mentioned above, Bright Ideas acts as an intermediary between the Malaysian manufacturer and its New Zealand customers both purchasing and selling on a FOB basis.

45. Bright Ideas advised that Bright Ideas, Buzz Boys and Le Jardin Enterprises Limited (Le Jardin) are related companies. Companies office data shows that Bright Ideas and Buzz Boys have identical shareholding.

Buzz Boys Limited

46. Buzz Boys purchases Malaysian CBS from [REDACTED] on a FOB basis.

47. Buzz Boys did not complete an importers questionnaire. As mentioned above, Buzz Boys acts as an intermediary between the Malaysian manufacturer and its New Zealand customers both purchasing and selling on a FOB basis.

Candida Stationery Limited

48. Candida Stationery Limited (Candida) is a New Zealand manufacturer of CBS that also imports CBS from Malaysia. Candida was [REDACTED] importer of Malaysian CBS over the POI.

49. Candida purchased CBS on a [REDACTED] basis from [REDACTED]. Candida provided a comprehensive response to the importers questionnaire and made a submission in response to the EFC report which is discussed later in this report.

Croxley Stationery Limited

50. Croxley also imported CBS from Malaysia during the POI. Croxley purchased Malaysian CBS on a FOB basis from [REDACTED]. Croxley initially stated that it had only recently begun to import CBS from Malaysia but later confirmed that it has been purchasing small volumes of Malaysian CBS for several years. Croxley provided some details regarding its imports of CBS, which are discussed in further detail from paragraph 682.

Draw-Art Supplies Limited

51. Draw-Art Supplies Limited (Draw-Art) imported Malaysian CBS from [REDACTED]. Draw-Art explained that the CBS it imports is for artists supplies being sketch pads and visual diaries. Draw-Art did not complete an importers questionnaire.

Harper Collins Publisher (NZ) Limited

52. Harper Collins Publisher (NZ) Limited (Harper Collins) imported CBS from [REDACTED]. Harper Collins provided some details of its imports, including an invoice and sample. Harper Collins is of the view that its volume of imports is minute compared with other importers and that its import volumes did not warrant an application of resources to complete the importers questionnaire, given that the importation of CBS is not its core business.

Jasco Pty. New Zealand Ltd

53. Over the POI Jasco Pty. New Zealand Limited (Jasco) imported CBS of Malaysian origin from its Australian associated company Jasco Pty Limited (Jasco AU) and directly from a Malaysian supplier, [REDACTED]. Jasco provided a comprehensive response to the importers questionnaire.

54. Jasco advised that it primarily imports two types of CBS: visual diaries (a type of sketch book) and hard/soft covered exercise books. Jasco said visual diaries are a commodity product that it primarily sells during the BTS period. Jasco advised that the bulk of its exercise book sales are also made during the BTS period. Jasco also sells hard cover exercise books (under the [REDACTED] brand) into the corporate market through [REDACTED].

55. After discovering that all of its imports of visual diaries had been incorrectly classified under the tariff item and statistical key relating to diaries Jasco applied to have all of its imports re-classified and notified the Ministry of this change.

Le Jardin Enterprises Limited

56. Le Jardin purchases Malaysian CBS from [REDACTED] on a FOB basis.

57. Le Jardin did not complete an importers questionnaire. Le Jardin acts as an intermediary between the Malaysian manufacturer and its New Zealand customers both purchasing and selling on a FOB basis.

Sims Distributing Company

58. Sims Distributing Company (Sims) imported CBS [REDACTED]. Sims provided details regarding some of their imports over the POI but did not complete an importers questionnaire.

59. Sims advised that it imports a wide range of stationery products including CBS and that the CBS subject to the investigation covers only a small percentage of its range.

60. Over the POI Sims imported hard cover notebooks in A4, A5 and A7 sizes, A6 spiral bound and scrapbooks. Sims provided the Ministry with summary data on the dates, quantity and unit values for these transactions. All of its purchases were in USD prices on a [REDACTED] basis. Sims advised that it does not receive any discounts from the prices it provided.

The Warehouse Limited

61. The Warehouse Limited (the Warehouse) import CBS [REDACTED]. The Warehouse did not complete an importers questionnaire.

2.3 New Zealand Industry

62. The application for the investigation was lodged by Croxley. Croxley is not the sole New Zealand producer of CBS, however, in initiating an investigation the Ministry's Chief Executive was satisfied that the application was made by or on behalf of the New Zealand industry producing like goods having met the requirements of sub-section 10(3) of the Act. These requirements are that the collective output of Croxley, being the only New Zealand producer that provided written support for the application constitutes:

- a. Twenty-five percent or more of the total New Zealand production of CBS for sale in New Zealand based on the POI; and

- b. More than 50 percent of the total production of CBS for sale in New Zealand of the total produced by New Zealand CBS manufacturers who have, in writing expressed an opinion the application.

63. Other New Zealand manufacturers of CBS identified during the investigation include: Candida, K Kurtovich Products Limited (Kurtovich) and Office Line NZ Ltd (Office Line). Tasman Stationery Limited (Tasman) may also be a New Zealand manufacturer.

64. In 2006 Candida was [REDACTED] importer of Malaysian CBS accounting for [REDACTED] percent of total imports, although 2006 was the first year that Candida imported CBS from Malaysia. At the same time Candida is a New Zealand producer of CBS, albeit representing only about [REDACTED] percent of New Zealand production of like goods.

65. Croxley has also imported CBS from Malaysia, with its imports constituting [REDACTED] percent of total imports of Malaysian CBS in 2006. Croxley has advised that these imports were made as a result of an ongoing assessment of the costs (and profit involved) of importing versus those for manufacturing in New Zealand which includes the effect on profits, plant capacity, overhead contributions and the company's overall commitment to being a New Zealand manufacturer of CBS. Croxley considers that if it had not been facing competition from dumped Malaysian CBS the results of this comparison would likely have been different.

66. The Ministry does not have any information on any importation of CBS by Kurtovich, Office Line or Tasman but notes that they do not appear as importers of CBS in the Customs data over the POI.

67. Estimates provided to the Ministry by all other market participants place Croxley as manufacturing in excess of [REDACTED] percent of the CBS produced in New Zealand for the domestic market. No market sales data is available for sales of CBS in New Zealand therefore the Ministry has to rely on the best information available in determining the proportion of local production that Croxley represents.

68. Information on injury to its operations as a New Zealand manufacturer has been provided by Croxley. Candida also provided partial information in this respect. No substantive information about their operations as a New Zealand manufacturer has been provided by Kurtovich, Office Line or Tasman and none of these companies have made comments on the affect of the Malaysian CBS on their operations.

69. Table 2.3 below shows the actual sales value of output for the New Zealand manufacturers. Figures relating to Croxley are its annual CBS sales revenue (as a proxy for output) for years ended 31 January, those relating to Candida are its annual sales revenue for years ended 31 March and the figures for other manufacturers is based on them constituting [REDACTED] percent of New Zealand's production of like goods (being the proportion estimated by Croxley).

Table 2.3: New Zealand Production Volumes of CBS

	2000	2001	2002	2003	2004	2005	2006	2007
Croxley		██████████	██████████	██████████	██████████	██████████	██████████	██████████
Candida	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████
Other		██████████	██████████	██████████	██████████	██████████	██████████	██████████
Total		██████████	██████████	██████████	██████████	██████████	██████████	██████████
As a Percentage of New Zealand Production:								
Croxley		██	██	██	██	██	██	██
Candida		██	██	██	██	██	██	██
Other		██	██	██	██	██	██	██

70. Any material injury caused, or threatened by the dumped imports, must be assessed for the New Zealand industry as a whole. In the present case Candida is a New Zealand based manufacturer and is also ██████████ importer of Malaysian CBS and Croxley has also made imports of CBS from Malaysia. Candida does not consider it has been injured by Malaysian CBS. Kurtovich, Office Line and Tasman have not provided any information

71. "Industry" is defined in section 3A of the Act as:

- (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 (emphasis added)

72. As Table 2.1 illustrates Croxley has by far the largest share of the New Zealand production of CBS, with the share held by the other New Zealand manufacturers estimated to be less than ██████ percent.

73. As noted above, Croxley's output clearly represents a "major proportion" of the New Zealand production and alone fulfils the test of "industry" in the Act.

Submission by Blue Stripe on the EFC Report

74. Blue Stripe submits that any reference to Croxley as the New Zealand industry for the products under investigation is misleading and erroneous. Blue Stripe states that the industry is made up of all the companies involved in the stationery trade whether they are manufacturers, importers or retailers.

75. Blue Stripe did not specifically address the definition of "industry" in the Act.

Ministry's Consideration of the Issue

76. The Ministry acknowledges that there are New Zealand firms other than Croxley that are in the stationery trade but for the purposes of a dumping investigation the New Zealand industry has a statutory meaning in that it is producers of like goods that constitute a "major proportion" of New Zealand of like goods. The Act provides

the New Zealand producer of like goods with a mechanism to apply to the Ministry to determine both the existence and the effect of any alleged dumping of any goods.

3. Subject Goods and Like Goods

3.1 Goods Subject to Investigation

77. The CBS from Malaysia that is subject to the investigation is described as follows:

Exercise books, note books, project books, sketch pads and pads of a type intended for the purpose of writing/printing/drawing, suited primarily for primary, post-primary schools and commercial sectors, having the following specifications:

HEIGHT: Not less than 75 millimetres (mm) and not more than 450mm

WIDTH: Not less than 75mm and not more than 450mm

LEAF: Not less than 20 and not more than 300

PAGES: Not less than 40 and not more than 600

- *Includes perforated or hole punched pages*
- *Can be printed/unprinted*
- *All colours*

PAPER WEIGHT: Not less than 45 grams per square metre (gsm) and not more than 150gsm

LINES: Ruled or un-ruled; print any colour

COVER: Can be hard or soft covered,

Pads, sketch and other types, may/may not be covered

Can be printed/unprinted

BINDING: Stapled, sewn, glued or wire bound

78. The Ministry takes the measurements above as being nominal.

79. Croxley submitted that CBS is classified by the New Zealand Customs Service (Customs) under three tariff items and statistical keys. Subsequent to the application the Ministry considered, in consultation with the applicant, that the CBS could legitimately be classified under two more tariff item and statistical keys i.e. ledger account books and registers and writing blocks. These additional items have been incorporated into the investigation and import data used throughout this report now refer to all five tariff items/statistical keys.

80. Table 2.1 shows in bold those tariff items and statistical keys that classify the imports of CBS subject to investigation.

Table 2.1: Tariff Classification

48.2	Registers, account books, note books, order books, receipt books, letter pads, memorandum pads, diaries and similar articles, exercise books, blotting-pads, binders (loose-leaf or other), folders, file covers, manifold business forms, interleaved carbon sets and other articles of stationery, of paper or paperboard; albums for samples or for collections and book covers, of paper or paperboard:		
4820.10.00			- Registers, account books, note books, order books, receipt books, letter pads, memorandum pads, diaries and similar articles
	02J	No.	. . . Diaries
	09F	Hd	. . . Receipt books, invoice books and like books designed for use with carbon paper
	11H	Hd	. . . Ledger account books and registers
	21E	Hd	. . . Writing blocks
	29L	..	. . . Other
4820.20.00	00F	Hd	- Exercise books
4820.30.00			- Binders (other than book covers), folders and file covers
			. . . Binders (loose-leaf type):
			. . . . Plastic covered:
	01H	No.	. . . . . Ring
	09C	No.	. . . . . Other
	19L	No.	. . . . . Other
	21B	No.	. . . . . File covers
	29H	No	. . . . . Other
4820.40.00			- Manifold business forms and interleaved carbon sets
			. . . Manifold business forms:
	01A	kg	. . . . . Continuous
	09G	..	. . . . . Other
	19D	..	. . . . . Interleaved carbon sets
4820.50.00	00G	..	- Albums for samples or for collections
4820.90			- Other:
4820.90.01	00H	..	- - Oiled paper and drawing paper, in blocks, for artists

81. The Normal Tariff rate for the above tariff items and statistical keys is zero and therefore the CBS from Malaysia enters New Zealand duty free.

82. The only items where the number of units are recorded by Customs are for tariff items and statistical keys 4820.10.00 11H, 4820.10.00 21E and 4820.20.00.00F. No statistical unit is available for the other two tariff items/statistical keys.

83. This lack of information has caused difficulties in assessing the volume of CBS from Malaysia over the injury period, however, the Ministry is able to evaluate the volume of imports by assessing changes in the cost-insurance-freight (CIF) figures,

as a proxy for volumes. Limitations of this approach and the analysis of changes in import volumes are explored further from section 5.2 of this report.

Non-CBS Goods

84. Croxley is of the view that the tariff items and statistical keys cover a wider range of goods than the CBS subject to the investigation. Croxley estimated that 10 percent of the total imports under these tariff items would not be covered by the subject goods description.

85. The Ministry has received limited data from importers and exporters on the nature of their total imports under the five tariff items and statistical keys that CBS subject to the investigation enters New Zealand under. The one importer that provided full details of its imports was Candida, who is also [REDACTED] importer (in terms of CIF value) over the period of investigation. Of Candida's imports less than 3 percent by volume, were found not to be CBS of the type subject to the investigation. Therefore being the most reliable data available to the Ministry, it has adjusted all import volume data downwards by [REDACTED] percent (being the exact proportion found not to be CBS of the type under investigation) to account for the proportion of imports that fall outside the description of CBS subject to the investigation.

Visual Diaries

86. It was brought to the Ministry's attention that some imports of visual diaries, which fit within the description of goods described at paragraph 77 above, had been classified as a diary under tariff item and statistical key 4820.10.00.02J. Following notification of initiation of the *Diaries Investigation* several parties applied for these goods to be reclassified.

87. Advice from Customs confirms that visual diaries should not be classified under 4820.10.00.02J. The Ministry has therefore made an adjustment to import volumes for the visual diaries that have entered under the incorrect tariff classifications. In order to do this the Ministry has calculated the proportion of total CBS imports from Malaysia represented by visual diaries that were incorrectly classified as diaries over the POI. This proportion is 7 percent and this percentage has been added to import volumes for all periods prior to the POI. Imports over the POI have been adjusted by the actual volume of visual diaries found to be incorrectly classified.

3.2 CBS from Malaysia

88. Ninety five percent of the CIF value of the CBS imported from Malaysia during the POI was manufactured by the exporters in the Ministry's selection. The Customs data identifies 11 other suppliers who collectively accounted for the remaining 5 percent of imports.

89. The CBS imported from Malaysia consists of a wide range of goods. To assist in the analysis the Ministry discussed various ways of aggregating the numerous product customisations. After initial discussions with Croxley it was agreed to create four sub-categories of CBS based on the binding method. This categorisation was

later discussed with all other parties that were visited during the investigation and it was agreed, given the cost structure of each type, that this was a reasonable grouping.

90. The four sub-categories established are: hard covered, limp covered, wire bound and pads (which are glued). Table 2.2 gives some examples of various types of CBS that fall within the four sub-categories.

Table 2.2: Range of CBS from Malaysia

CBS Sub-Categories		
Pads	Pads	Topless pads
	Drawing Block	Refills
	Activity Book	
Hard covered	Exercise Book	Note Book
Limp covered	Exercise Book	Scrap Book
	Drawing Book	Note Book
	Music Book	Book Keeping Book
	Project Book	
Wire bound	Exercise Book	Note Book
	Visual Diary	

91. All of the Malaysian CBS manufacturers that the Ministry visited manufacture and export custom made CBS to New Zealand therefore they are of the view that all export sales are original equipment manufacture (OEM), although, a small amount of the exports by Chee Wah were established to be of its standard Malaysian market stock.

92. The manufacturing process for CBS exported to New Zealand and the types of CBS that each company exports are explored in more detail below.

Chee Wah

93. Chee Wah manufactures a wide range of paper based stationery products for both export and domestic sales. The CBS produced by Chee Wah for export to New Zealand includes pads, glue bound, with or without covers, hard covered exercise books, limp covered exercise books, wire bound books and pads.

94. Chee Wah uses both an inline and an off-set manufacturing process for the CBS it manufactures for export to New Zealand depending on the quality and product specified by its customers. Chee Wah advised that it uses the offset printing method for covers and the in-line method for the contents of limp cover exercise books, and that while the in-line method produces a lower quality printed ruling, it is faster to produce. Some of the products purchased by its New Zealand customers are produced using only the more expensive offset process for the entire product due to more complex printing or quality requirements.

95. Chee Wah has a sizeable manufacturing facility with parts of its plant utilising in-line processes and other parts involving stand alone machines. Machinery utilised

by Chee Wah includes Miller, Roland, Will, John Shaw, Dainichi, Bielomatic, Polar Mohr guillotines, Aster, Mabeg packing machine, Horauf, Kolbus, Jamesburn's, Rilecart units and Sitma machines.

96. Chee Wah's CBS items exported to New Zealand are largely produced to order, with a small amount of items that are exported being of its standard stock produced for sale on the Malaysian domestic market.

97. Chee Wah's New Zealand customers are [REDACTED] and [REDACTED].

98. CBS exported to [REDACTED] is manufactured under [REDACTED] own [REDACTED] brand to the specifications of the [REDACTED] and displays the [REDACTED]. The Ministry does not have any information on any branding of the CBS exported to [REDACTED] and [REDACTED].

99. The CBS Chee Wah sold to [REDACTED] is sold under the [REDACTED], and [REDACTED] brands and [REDACTED]. The [REDACTED] brand displays the NZS code indicating it is produced to the NZS specifications.

NM Paper

100. NM Paper manufactures a wide range of paper based stationery products and is part of a vertically integrated paper group. The CBS produced by NM Paper for export to New Zealand includes hard cover note books, limp covered note books and wire bound visual diaries. NM Paper did not export any pads to New Zealand over the POI.

101. NM Paper use a Kolbus unit to manufacture its hard cover CBS, two Will in-line printing machines to produce limp covered items, and a Bielomatic for wire bound CBS. All of NM Paper's CBS is produced using the in-line method of manufacture, apart from its spiral and wire books.

102. NM Paper also produces its CBS for export to New Zealand on an OEM basis. NM Paper's only New Zealand customer is [REDACTED] and the CBS exported by NM Paper displays [REDACTED] brand and display [REDACTED]. The visual diaries NM Paper exports to New Zealand are branded [REDACTED].

Tan Eng Hong

103. Tan Eng also manufactures a wide range of paper based stationery products. It exported 13 types of CBS to New Zealand over the POI, which fell within the pad and limp covered CBS sub-categories. Tan Eng also exported some items to New Zealand that fell outside of CBS subject to this investigation.

104. Tan Eng's New Zealand customer is [REDACTED]. The CBS exported by Tan Eng over the POI appears to be primarily for art and activity [REDACTED] for drawing activities. They are not manufactured to the NZS and are either unbranded or have one of [REDACTED] brands on the cover.

105. Tan Eng uses Bielomatic machines for the manufacture of CBS and also advised the Ministry that there is a certain degree of manual labour used in the manufacture of stationery, as it states there is throughout the world.

3.3 New Zealand Production of `Like Goods`

106. In order to establish the existence and extent of any New Zealand industry for assessing any material injury, it is necessary to determine whether there are New Zealand producers of goods which are “like goods” to the Malaysian CBS in all respects, or goods which have characteristics that closely resemble the Malaysian CBS.

New Zealand Production of CBS


107. Croxley considers that the CBS it produces, while not like in all respects to the Malaysian CBS it manufactures, does have characteristics that closely resemble the imported goods and are therefore like goods.

108. Information provided by Croxley and the Ministry’s own research identified three other New Zealand CBS producers: Candida, Kurtovich and Office Line. As noted above, Tasman is also possibly a manufacturer of like goods.

109. In identifying which goods produced in New Zealand are like the Malaysian CBS the Ministry considers physical characteristics, function and usage, pricing structures, marketing and any other relevant considerations, with no one of these factors being necessarily determinative. These considerations are assessed below for each New Zealand manufacturer, where information is available, regardless of whether they have been included in the “industry” definition.

Croxley Stationery Limited

110. Croxley produces goods that fall within each of the four CBS sub-categories being, pads, hard covered stationery, limp covered stationery and wire bound stationery.

111. Croxley allocates its manufactured goods into focus groups and identified  focus groups as containing individual stock keeping units (SKU) which it considers are like goods to the CBS from Malaysia.

Physical Characteristics

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

113. A large proportion of the CBS that Croxley manufactures meets the physical specifications of the NZS. The NZS covers a broad range of school stationery.

114. Products made to the specifications of the standard may display the NZS `S` symbol. Croxley pays an annual fee to display the `S` mark and Bureau Veritas, a

New Zealand company certifies the standard quality assurance process. CBS products in New Zealand are not required to comply with the standard and the legitimate use of the “S” symbol does not appear to be monitored.

115. Croxley is not aware of any other New Zealand producer that holds a licence to manufacture to the NZS and therefore the right to display the NZS “S” symbol on its products.

116. Some of the CBS from Malaysia displays the NZS code and its use, such as a 1B5, implies that it has been produced according to the specifications of the NZS. CBS products are able to be sold without the codes.

Production Method

117. The main input in the production of stationery is paper and Croxley sources it at world prices. Croxley has been sourcing its paper from the same merchant in [REDACTED] for some years because its prices are very competitive. Croxley does procure its paper from other sources depending upon the prices. Croxley purchases its other inputs from a variety of sources, i.e. wire from [REDACTED], cover board from [REDACTED] with gum purchased [REDACTED].

118. Croxley uses Bielomatic machines to produce pads and limp covered books. It uses a Kolbus machine to produce hard covered books. The products of a similar size range are manufactured on the same machinery.

119. The manufacturing process for each of the four CBS groupings is similar. In broad terms covers are usually printed in colour, the internal paper ruled with lines (if applicable) and in some cases punched with holes. These two processes occur separately and then in the final stage of production the cover and internal paper are then combined.

120. Quality control checks exist at every stage of production and work in progress is signed off by a supervisor.

121. A brief overview of the process of manufacture for each of the four groups of CBS appears below.

Pads

122. Pads may or may not have a printed cover. If so, the cover is put through the Roland printer, either once or twice depending on whether the cover is two or four colour, and then guillotined to specification. In a separate process the paper is fed into a Will ruling machine, which rules the necessary lines on the paper. Whether goods are lined or unlined makes little difference in the production process.

123. Both the cover and the paper are then fed into the pad line to be combined. The pad line glues paper to the cover or backing board. Small runs can be glued manually, using an “A” frame to stack the paper, although this is rarely used. The edge of the paper is then guillotined to size, the number of cuts depends on the original size of the paper, but usually into 8 pieces. The pads are then drilled with holes (if required), put onto pallets, packaged into cartons and then palletised for storage in the warehouse ready for dispatch.

Hard Cover

124. The paper covers are printed and guillotined in the same manner as with pads. If they are laminated this is usually outsourced. Board to make a hard cover is glued to the paper cover on a Kolbus “case making machine”, the ‘case’ being the cover including the board, with the necessary folds required to enclose the paper within. In a separate process the paper is ruled, in a ruling machine and sewn in sections. The paper joins the Kolbus line which completely assembles the books. Finished articles may be shrink-wrapped before being packaged and palletised for storage in the warehouse and dispatch.

Limp Cover

125. The limp cover books follow a similar process to hard covered books, the differences being the cover (which has no board to stiffen it) and the means of affixing the cover and paper. The cover is produced in the same manner as the pad and is printed in one or two passes. After guillotining, the paper is fed into the Bielomatic which prints lines, folds, staples and cuts the books. The Biel can create perforations and punch holes if desired. Again finished articles may be shrink-wrapped before being packaged and palletised for storage and dispatch.

Wire Bound

126. There are two types of wire bound books; spiral bound (a continuous wire) and ‘wire-o’ bound (twin looped wires). Croxley has the facilities to produce spiral bound only currently, but is [REDACTED]. The production of the covers and the paper follows a similar process to pads (holes are punched separately like pads), until the paper and cover are attached on a dedicated machine which threads a wire through the punched holes and wraps it around at each end. Packaging follows the same process described above.

127. Jasco raised the issue of the extent to which Croxley manufactures visual diaries. It stated that Croxley merely assembles these products from imported cartridge or watercolour paper and puts a cover on. The Ministry notes that the extent to which any raw products are altered in the conversion process of CBS manufacture is minimal for the un-ruled product. However, the process followed by Croxley is identical to the manufacturing process utilised for the production of these products in Malaysia.

Function and Usage

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

129. The CBS market contains two main segments, scholastic and commercial, although there is some overlap between the two because the distinction relates to the end user and some CBS retailers sell identical goods to both segments. The scholastic segment accounts for 75 per cent of the total CBS market.

130. The most important yearly event for CBS sales is the back to school (BTS) period, which accounts for the majority of scholastic segment sales. The bulk of

these sales are made in a very short space of time from late January to early February when the new school year starts.

131. The NZS has been in use in the New Zealand market since 1984 or 23 years. Croxley said by using the NZS codes teachers of primary and post primary are able to easily identify which products are most suitable for their pupils which in turn has made it easier for parents to identify which type of stationery to buy for their children. Croxley also said the NZS codes have become, as an identifier of stationery, ingrained in people's minds from generation to generation.

132. The end users for the New Zealand CBS are primary, post primary and commercial users. These end users also apply to CBS from Malaysia.

Pricing Structures

133. Some products are differentiated by the level at which they are priced to end users, by the costs that are built into the pricing structure, or by other ways in which prices are set.

134. Between May and July of every year Croxley releases its price list which invites its customers to enter into negotiations regarding prices and quantities to be supplied for the BTS season. Croxley considers it has little control over the retail prices and does not as a rule attempt to set recommended retail prices.

135. The CBS Croxley produces competes with CBS from Malaysia, other countries and that produced by other New Zealand manufacturers. There are no exclusive manufacturer and customer arrangements. The price and the availability to supply a certain quantity over the BTS period can determine whether a sale is made therefore the prices do not differ to such an extent to indicate that the goods produced by Croxley are utilising a different pricing structure from the CBS from Malaysia.

136. [REDACTED] considers that there are no differences in the function, pricing, market and distribution between the imported goods and local manufacturing. [REDACTED] believes that the art and craft market will grow and the education and commercial market will stabilise or decline due to the use of computers and other electronic gadgets.

Marketing

137. Marketing considerations include the distribution channels used, customers (both actual and targeted), branding, and advertising.

138. There are four main channels for CBS supply in New Zealand: supermarket chains (e.g. Woolworths); stationery retailers (e.g. Paper Plus); contract suppliers to large corporations (e.g. Office Products); and specialist school supply companies (e.g. Auckland Educational Supplies).

139. Croxley holds six key accounts; OfficeMax, which is an associated company to Croxley, and includes Office Supplies, supplying the business market; School Supplies, catering to the educational market; The Warehouse, Warehouse Stationery; Whitcoulls, and the Paperplus Group, which all service both markets.

The rest of its customers are independent companies not affiliated to any of the main chains.

140. The commercial or non-scholastic market for CBS products is serviced by office supplies companies such as Corporate Express and Office Products Depot, which supply offices with their ongoing stationery needs. Businesses need reliable, quick and efficient service. This means that the wholesaler or retailer needs to be large enough to hold a wide range of readily available stock.

141. The sales focus of Croxley has changed over the last few years. Its sales representatives now mainly deal with its key customers whereas they used to call upon the schools directly for their stationery needs. Croxley meets the individual school's needs through its sales to OfficeMax's School Supplies which deals directly with schools.

142. Croxley said that the NZS was crucial to Croxley's marketing strategy as it provides certainty about the specifications of the product sold, whereas without the standard code it is difficult to highlight and advertise the mix of features of the product (e.g. size, line spacing, number of pages etc.). Croxley does not use the standard codes on house brands because it considers this would create competition with its own premium branded products.

143. The imported CBS from Malaysia is sold through the same types of channels as the Croxley product and there is no distinction between the way the Malaysian and Croxley product is advertised and marketed.

Tariff Classification

144. Croxley has not specifically stated which tariff classification its own products would be if imported or that it exports under. However, based on verified information, it appears that Croxley would use the same classifications under which the Malaysian CBS is classified.

Other

145. There is no other information that would assist in the assessment of like goods.

Candida Stationery Limited

146. Candida produces a metric range of CBS with higher quality paper as an alternative to the NZS products made by Croxley. The specifications of the metric range are based on stationery sold in the European market with the intention that it would either add to or replace the stationery produced to the NZS.

147. Candida's fiscal year is the year ended 31 March and for the year ended 31 March 2007 Candida sold 8 types of pads and 7 types of limp covered books.

148. The following paragraphs discuss the criteria the Ministry considers in examining like goods issues.

Physical Characteristics

149. Candida colour codes its CBS which denotes the rulings on the pages. These codes are: ruled – red cover; graph – green cover; and plain or blank paper – blue cover. Candida's metric range has rulings of 8 millimeters (mm) with paper of 70 grams per square meter (gsm) or 60 gsm (lightweight) rather than the NZS of 7mm rulings and between 45 to 105 gsm depending upon the intended use of the paper.

Production Method

150. Candida's manufacturing facilities allow for the production of a range of limp covered exercise books and pads. Candida does not have the necessary manufacturing equipment to produce wire bound or hard cover CBS. Candida also stated that it cannot manufacture drawing pads or sketch books with its current machinery.

151. Candida purchased two Bielomatic in-line printing machines in 1995, one that it has configured for the production of exercise books and the other for the production of pads.

152. Candida stated that it is only in the exercise book part of the CBS market and does not produce any designer ranges, however, some of its exercise book range do have pictorial covers but these are still intended for use in schools.

153. Candida has International Standards Organisation 9001 series (ISO9001) accreditation, and all of its sites are audited by a New Zealand company, Telarc Limited. Candida has also gained Enviro-Mark certification from Landcare Research New Zealand Ltd in response to growing pressure from customers, especially in relation to the other part of its business i.e. production of envelopes with large government and corporate contracts, to ensure that Candida products are produced via environmentally sustainable production methods. The maintenance of these standards (particularly ISO9001), as well as constant production sampling and sale prices, assists in signalling the quality of its products to customers and end users.

Function and Usage

154. Most of Candida's sales occur between November and February. These sales are mainly for primary, secondary and tertiary students to coincide with the commencement of the first term in February. Many of its BTS products are used for commercial office use and are also sold to office product wholesalers for non-school purposes.

155. Candida said its products are for writing and drawing, and that they are fundamentally the same as what Croxley produces, the only differences being the dimensions of the exercise books, the width of the rulings and the paper grammage.

Pricing Structures

156. When Candida launched its CBS in 1995 it did so at a price premium, as it believed the products were of higher quality, having a higher gsm per page, increased ruling and being of a standard size. The New Zealand market, however,

was not as responsive to the metric convergence approach for CBS, especially in the BTS segment of the market.

157. In 2000, when Candida accepted the preference of the market towards the NZS range, it dropped this price premium and attempted to shift the market towards its metric range at an equivalent price to the NZS product.

158. Candida stated stationery is viewed in the New Zealand market (and globally) as a commodity product and consequently price is the fundamental driver of purchasing decisions. Candida believes that the first supplier to issue price lists each year determines the approximate level of pricing for each BTS season.

159. The Ministry has not seen any evidence that the prices differ to such an extent to indicate that the goods produced by Candida are utilising a different pricing structure from the CBS from Malaysia.

Marketing

160. Marketing considerations include the distribution channels used, customers (both actual and targeted), branding, and advertising.

161. Candida advised that CBS constitutes a very small proportion of its total business and it does not have a sales team dedicated to CBS sales. Candida's sales team does not yet aggressively sell stationery products but it does sell them to its existing customer base and effectively [REDACTED]. The sales teams are based in: Auckland, Wellington, and Christchurch.

162. Candida stated that it has three or four significant CBS customers. To give an indication of the marketing effort that Candida places into CBS it stated that its largest customer is [REDACTED] and that this relationship is managed by a single salesperson, however, CBS only accounts for [REDACTED] percent of [REDACTED] total spend with Candida. The largest CBS customer is [REDACTED] and Candida stated that the marketing effort for it is [REDACTED] during the BTS season, being December to February.

163. Candida sends to schools annually a pamphlet with details on school stationery products, which promotes a prize of sports equipment. Candida does not directly become involved with the promotion, rather it gives its customers the sports equipment to disperse according to the terms of the pamphlet.

Tariff Classification

164. Candida has not specifically stated which tariff classification its Candida range of products would have been if imported or that it exports under. However, based on verified information, it appears that Candida would use the same classifications under which the Malaysian CBS is classified.

Other

165. There is no other information that would assist in the assessment of like goods.

K Kurtovich Products Limited

166. Kurtovich did not participate in the investigation.

167. The Ministry's information, therefore, is limited according to what is publicly available. According to Kurtovich's website at <http://www.kkprod.co.nz/index.htm> it is a manufacturer of special designer business and social stationery as well as packaging, promotional products and point of sale displays.

168. The website shows its stationery range includes items such as flip top note books; small note books; A5 journals; A4 journals; address books; diaries; and black page albums. The website also notes that Kurtovich recommends wire-o binding for convenience and its range is displayed as being wire bound. It is unclear, however, if these goods are manufactured from materials sourced within New Zealand, manufactured in New Zealand from imported materials, or imported in parts or imported in their entirety.

169. The following paragraphs discuss the criteria that the Ministry examines when considering like goods issues.

Physical Characteristics

170. The Ministry is limited in its assessment of the goods produced by Kurtovich. It appears from the website that the note books and journals are wire bound and are either 165mm x 100mm or 210mm x 148mm (A5) or 297mm x 210mm (A4). The covers appear to be either limp/soft or possibly with a plastic sheet/cover. Even though it is limited information the dimensions fit within the description as outlined in paragraph 77 of this report.

Other Factors

171. Information regarding the production method, marketing and pricing structures is unknown other than what can be seen on Kurtovich's website. If the stationery that is displayed on the website is manufactured in New Zealand and is exported, it would be classified the same as the imports of CBS from Malaysia.

Tasman Stationery Limited

172. Tasman did not provide any information and there is no information publicly available that allows any like goods analysis to be conducted.

173. The Ministry has therefore not considered whether Tasman produces a like good to the CBS from Malaysia.

Office Line NZ Ltd

174. Office Line did not participate in the investigation therefore the Ministry's information is limited to what is publicly available. According to its website at <http://www.officeline.co.nz/about.html> it operates out of its manufacturing plant Goldfields Print which is based in Paeroa, New Zealand.

175. Goldfields produces niche products that include cardboard packaging, printed Post-it® Notes, plant tags and paper cubes. In addition to the niche products it is able to produce long-run manufactured paper products from commercial account books, hospitality books, office note pads, check-tickets and docket books.

176. Its on-line list of products, under office note pads records that it includes 'A4 topless pads' and 'A4 business pads, white'. There are possibly a number of other goods that could be considered as a like good to the imported CBS from Malaysia but this information is not available to the Ministry.

Physical Characteristics

177. It appears that Office Line produces pads of A5 size (210mm x 148mm). Any other physical characteristics such as the number of leaves, grammage of paper is unknown.

178. Even though the information is limited the dimensions of pads would fit within the description of goods shown at paragraph 77 of this report.

Other Factors

179. Information regarding the production method, marketing and pricing structures is unknown other than what can be seen on Office Line's website. If the stationery that is displayed on the website is manufactured in New Zealand and it is exported it would be classified the same as the imports of CBS from Malaysia.

Conclusions Relating to Like Goods

180. The factors under consideration were the physical characteristics, which include consideration of the production method, function and usage, pricing structures, marketing, tariff classification and any other factors that could assist in determining whether the New Zealand producers manufacture a like good to the CBS from Malaysia.

181. Because of the large range of stationery products that make up the CBS from Malaysia, the Ministry has grouped them into sub-categories based primarily upon the binding method, i.e. pads, limp/soft covered, hard covered or wire bound stationery.

182. CBS manufactured by the New Zealand producers is similar to the CBS from Malaysia. Croxley produces pads, limp/soft covered stationery, hard covered stationery and wire bound stationery. Candida produces pads and soft/limp covered stationery. Kurtovich produces wire bound stationery and Office Line produces pads. The specifications of CBS of each producer do vary, such as a difference in the measurements or grammage of paper, but fundamentally the goods are similar.

183. The production method of CBS manufactured by Croxley and Candida is similar to that of the Malaysian manufacturers. Croxley and Candida use the same or similar brand of machines to the Malaysian manufacturers, and while there could be variances in the age of the machinery and possibly speed, this does not impact on the finished good other than possibly the quality of the printing or production rate.

184. The CBS market contains two main segments, scholastic and commercial, although there is some overlap between the two because the distinction relates to the end user and some CBS retailers sell identical goods to both segments. The end users for the New Zealand CBS are primary, post primary and commercial users. These end users also apply to CBS from Malaysia.

185. The New Zealand producers are of the view that CBS in the New Zealand market (and globally) is a commodity product and consequently price is the fundamental driver of purchasing decisions. The Ministry has not seen any evidence that the prices between the CBS from Malaysia and that of the New Zealand producers differ to such an extent to indicate that the New Zealand producers are utilising a different pricing structure.

186. The New Zealand and Malaysian CBS is distributed and marketed in the same type of way and would be classified under the same tariff classification.

187. The Ministry therefore concludes that the stationery produced by Croxley, Candida, Kurtovich and Office Line (New Zealand producers), while not identical in all respects, have characteristics that closely resemble the CBS from Malaysia and are therefore like goods.

4. Dumping

188. Dumping occurs when an exporter sells CBS to New Zealand at a price lower than it is sold for in Malaysia. The price CBS is sold for in Malaysia is referred to as the normal value. In essence dumping is price discrimination between an export and domestic market.

4.1 Introduction

189. This section of the report explains how the Ministry compared the prices of CBS exported to New Zealand and that sold on the Malaysian domestic market during the year ended 31 January 2007, the POI, to establish whether CBS from Malaysia was dumped.

190. The Ministry compared export prices and normal values on a transaction-to-transaction basis. There is another methodology, weighted-average to weighted-average, permitted under the Agreement, however the Ministry prefers to use the transaction based methodology as it compares the CBS sold to Malaysian customers with similar characteristics to the New Zealand export customers.

191. Using a weighted-average based approach for small economies such as New Zealand can often result in asymmetries through aggregating multiple sales on the (Malaysian) domestic market involving high numbers of customers, often with smaller volumes and lower unit prices. The result is, for example, that the average price offered to 200 Malaysian customers could result in a much higher normal value than that for sales to one or two customers with similar characteristics to the New Zealand export customer. Hence, due in large part to the size of the New Zealand economy where the number of export transactions is normally relatively small, the Ministry considers the transaction based calculation of dumping margins provides a more accurate representation of the extent of any dumping and better effects the fair comparison intent of the Agreement.

192. This transaction based comparison involves selecting an appropriate sale of CBS in Malaysia for comparison with each export transaction to New Zealand, seeking to find sales of the same type of CBS, to a customer of a similar size as the export customer, as near as possible at the same point in time, and making adjustments for any differences that affect price comparability.

193. The comparison carried out by the Ministry of the export price and the normal value for each export transaction then established whether or not the Malaysian CBS is dumped. If any transaction has an export price that is lower than the normal value, it is deemed to be dumped.

194. In establishing export prices and normal values the Ministry has used, in the first instance, verified financial information provided by parties to the investigation. Some interested parties did not participate fully in the investigation and in the absence of the required information, the Ministry has used the best available information to fill in information gaps, being information provided by other interested parties. All information that has been supplied to the Ministry has been used in the preparation of this report where it can be reasonably relied upon.

195. Export prices and normal values have been compared at the ex-factory level, which is the preferred point of comparison under Paragraph 4 of Article 2 of the Agreement, as it removes any differences in downstream costs from the dumping calculation. To arrive at ex-factory values, the Ministry has made a number of deductions from the base prices and adjustments have also been made to ensure that the comparison between the CBS sold in Malaysia and that exported to New Zealand is fair.

196. Detailed verification reports and detailed analysis of the calculation of dumping margins in the form of dumping spreadsheets have been provided to all three of the Malaysian producers that were visited.

4.2 Export Prices

197. Export prices are the prices of the Malaysian CBS exported to New Zealand, once adjustments have been made to ensure a fair comparison with the CBS sold in Malaysia pursuant to section 4 of the Act.

198. Export prices have been established by deducting or adding the charges that are incurred only in preparing the CBS for shipment to New Zealand which are not incurred on sales of CBS in the Malaysian domestic market. Details of the base prices and adjustments for each exporter are set out below.

Chee Wah Corporation Berhad

199. Chee Wah provided a completed questionnaire response and permitted the Ministry to visit them in Malaysia.

Export Sales Distribution

200. Over the POI Chee Wah had [REDACTED] New Zealand customers: [REDACTED]. Sales by Chee Wah to New Zealand were made on an FOB or a cost and freight (CFR) basis. Exports from Chee Wah entered New Zealand directly and were also in some cases exported indirectly via Australia.

201. Most of Chee Wah's export sales are made on an OEM basis, with a small amount being of standard Malaysian CBS stock, and once produced are packed into shipping containers and transported to the port for export to New Zealand.

202. Over the POI Chee Wah exported [REDACTED] units of CBS, with a combined value for duty (VFD) value of NZD [REDACTED] and equated to [REDACTED] individual transactions. This total volume can be broken into the four CBS sub-categories as follows: [REDACTED] units of hard covered CBS; [REDACTED] units of limp/soft covered CBS; [REDACTED] units of wire bound CBS; and [REDACTED] units of pads.

203. Calculation of export prices for sales by Chee Wah incorporates some information provided by Chee Wah in relation to the *Diaires Investigation* as outlined in paragraph 27.

Base Prices

204. Chee Wah provided copies of all invoices issued to [REDACTED] over the POI, two invoices in relation to sales to [REDACTED], and little or no information on sales to [REDACTED].

205. For exports to [REDACTED] the Ministry has used the invoiced values provided by Chee Wah as base prices.

206. For exports to Chee Wah's other customers the Ministry has given consideration to all available information including that provided by importers in establishing base prices.

207. For exports to [REDACTED] base prices have been established based on the two invoices provided and using either information provided by one of [REDACTED] customers, who purchases from [REDACTED] on a FOB basis or Customs data.

208. For exports to [REDACTED] the Ministry has also relied either upon information provided by one of [REDACTED] customers, who purchases from [REDACTED] on a FOB basis or Customs data.

209. For exports to [REDACTED] base prices were established on invoices provided to the Ministry that were issued by both Chee Wah and [REDACTED].

210. [REDACTED] base prices have been based on Customs data and information provided in relation to both [REDACTED] and [REDACTED] given the interrelationship between these companies.

211. The base prices are in United States of America Dollars (USD) or Australian Dollars (AUD) and have been converted to MYR using the exchange rate as at the date of sale discussed from paragraph 213.

212. The base prices ranged from MYR [REDACTED] to MYR [REDACTED] per unit.

Date of Sale

213. Chee Wah does not enter into any forward contracts for the receipt of foreign currency for any of its sales to New Zealand therefore, the Ministry has converted the currency using the prevailing exchange rate as at the date of sale.

214. Chee Wah issues pro-forma invoices to confirm the conditions of its export sales to New Zealand that specify the terms and conditions of the sale, including: price; quantity; expected delivery dates; and payment terms. [REDACTED] Chee Wah requires payment of a deposit upon acceptance of the pro-forma invoice. It is at the acceptance of the pro-forma invoice when Chee Wah procures materials based on the requirements of the order.

215. It is at the acceptance of the pro-forma invoice, which is [REDACTED] payment of a deposit, that Chee Wah and the Ministry agreed constitutes the date of sale, as the material terms of sale have been established.

216. In instances where the date of the pro-forma invoice was unknown the Ministry applied the first day of the POI, 1 February 2006, as the date of the pro-forma invoice and the date of sale.

Adjustments

Costs from Ex-Factory to FOB or CFR

217. Chee Wah provided details regarding the costs between ex-factory to the port at Auckland, New Zealand but this information did not include overseas insurance costs, which is a cost borne by Chee Wah's New Zealand customers.

218. Chee Wah provided an extract of a document provided by its freight forwarder outlining various types of freight and handling charges for April 2007 for transportation to different locations worldwide. No supporting invoices were presented with this document, however the stated charges were in the vicinity of the actual amounts charged on the freight invoices that Chee Wah did provide for some export sales therefore in the absence of information on actual charges specific to each export sale the Ministry made adjustments based on the standard charges specified. Unless stated otherwise, all freight related charges have been based on this document.

219. The CBS exported to New Zealand is packed into 20 foot containers. Most of the shipping costs are charges on a per shipment basis, rather than per unit basis. In instances where there was more than a single container in the shipment the costs have been multiplied by the relevant number of containers. The container based costs have been divided by the total shipment weight to provide a per kilogram (kg) charge. This amount was then multiplied by the per kilogram weight of each CBS item in the shipment to arrive at per unit cost(s). For [REDACTED], the unit weights are those given on the commercial invoices. For export sales to Chee Wah's other customers the Ministry has assumed that the weight of each item is the same as the CBS it is being compared to on the Malaysian domestic market, as shown in Chee Wah's product catalogue. The Ministry has used the average container weight for exports to [REDACTED] and assumed that each export sale is a full container load to determine the proportion of freight costs that should be charged to each sale.

220. The costs that form the basis of adjustments were either in USD or MYR and any USD amounts have been converted to MYR at the date of sale for the underlying transaction. Total costs have been allocated on a per unit basis.

Ocean Freight

221. Chee Wah's sales to [REDACTED] and [REDACTED] are made on a CFR basis and therefore have been adjusted for ocean freight. Sales to Chee Wah's other customers were made on an FOB basis therefore no adjustment was required for the cost of ocean freight.

222. Chee Wah provided copies of shipping documents for each [REDACTED] invoice over the POI. Ocean freight is charged per kg and using the total shipment weight

has been converted to a per unit cost using the method outlined in paragraph 219 above.

223. No information was provided relating to ocean freight on sales to [REDACTED] therefore using the Customs data the Ministry has calculated the proportion of the invoiced price that freight constitutes by comparing the NZD VFD and freight values to establish a CFR price. As a percentage of the CFR figures, freight represented between [REDACTED] and [REDACTED] percent. The Ministry used the simple average of these figures, being [REDACTED] percent, as the proportion of the CFR invoice price that freight represented and applied this to the invoiced price to [REDACTED] to arrive at an adjustment for ocean freight.

224. Adjustments for ocean freight range from MYR [REDACTED] to MYR [REDACTED] per unit.

Inland Transport

225. Chee Wah pays a standard charge of USD [REDACTED] per container for inland freight. MED has allocated this to a per unit adjustment on the basis described in paragraph 219 above.

226. Adjustments for inland freight range from MYR [REDACTED] to MYR [REDACTED] per unit.

Port Handling

227. The Ministry used invoiced charges for port handling charges as shown on invoices for costs relating to export sales to [REDACTED]. On sales where the actual port handling charges are unknown the Ministry used the standard cost of USD [REDACTED] per container. These have been allocated to a per unit basis using the method outlined in paragraph 219 above.

228. Adjustments for port handling charges range from MYR [REDACTED] to MYR [REDACTED] per unit.

Port Charges

229. For sales to [REDACTED] where the actual charges were available the Ministry has based the adjustment on the actual charges. For sales to other New Zealand customers the Ministry has used the standard cost of USD [REDACTED] per container. These have been allocated to a per unit basis using the method outlined in paragraph 219 above.

230. Adjustments for port charges range between MYR [REDACTED] and MYR [REDACTED] per unit.

Bill of Lading

231. The freight invoices provided by Chee Wah for sales to [REDACTED] showed a bill of lading charge of MYR [REDACTED] per shipment. The Ministry has used this rate

on all of Chee Wah's export sales as it appeared to be a standard charge. Using the method described in paragraph 219 this has resulted in a per unit adjustment ranging from MYR [REDACTED] to MYR [REDACTED].

Terminal Handling Charges

232. The standard charge for terminal handling charges was MYR [REDACTED] per container. The Ministry converted the per container cost to a per unit amount using the method shown in paragraph 219.

233. Adjustments for terminal handling charges ranges from MYR [REDACTED] to MYR [REDACTED] per unit.

Export Packing

234. All of Chee Wah's CBS, regardless of whether it is sold on the Malaysian domestic market or exported is packed into cardboard cartons. CBS for export is also palletised and wrapped in film before it is packed into shipping containers, which does not occur for sales of CBS in Malaysia.

235. MED was unable to verify any information supporting the differences in packaging costs therefore no adjustment has been made.

Bank Charges

236. Chee Wah incurs a USD [REDACTED] charge for every receipt of funds via telegraphic transfer into its USD bank account which is deducted from the amount paid by its customer and the funds received appear as a net amount.

237. The Ministry sighted documents that supported a per transaction charge of USD [REDACTED] for sales to [REDACTED] and [REDACTED], and Chee Wah's bank's website also shows a charge for telegraphic transfer payment into personal bank accounts of USD [REDACTED] further supporting the charge. For sales to [REDACTED] the Ministry verified charges that differ from the standard USD [REDACTED]. For sales to [REDACTED] actual bank charges have been used and for sales to all other export customers the Ministry has applied the standard bank charge of USD [REDACTED] per transaction. The Ministry converted the per transaction cost to a per unit amount using the method shown in paragraph 219.

238. Adjustments for bank charges range from MYR [REDACTED] to MYR [REDACTED] per unit.

Cost of Credit

239. An adjustment has been made for the cost of credit, as the length of time that a customer takes to pay is usually reflected in the price offered by a manufacturer.

240. Chee Wah suggested that the Ministry should use its overdraft amount from its annual report to establish the cost of credit. The annual report showed a small range

of rates that applied over the POI, from which the Ministry took the mid-point of 8 percent per annum.

241. Some of Chee Wah's customers paid a deposit therefore the Ministry has calculated the cost of credit in two parts, the first for any partial payment deposits that were made and the second for the residual balance of the order.

242. The cost of credit has been calculated by converting the cost of credit per annum into a cost of credit for the number of days credit actually extended to each export customer and multiplying this by the base price. The days credit extended ranged from [REDACTED] to [REDACTED] days.

243. The cost of credit adjustments for deposit payments ranged from MYR-[REDACTED] to MYR-[REDACTED] per unit. Adjustments for the cost of credit for the residual balance payments ranged from MYR-[REDACTED] to MYR-[REDACTED] per unit.

Export prices

244. From the base prices and adjustments outlined above the Ministry has calculated ex-factory export prices ranging from MYR-[REDACTED] to MYR-[REDACTED] per unit.

NM Paper

245. NM Paper provided a completed questionnaire response and permitted the Ministry to visit them in Malaysia.

Export Sales Distribution

246. NM Paper has one New Zealand customer, [REDACTED]. All export sales to [REDACTED] are on an FOB basis. Once the goods are produced and packed into shipping containers at the factory, the containers are transported by truck to the port for export.

247. Over the POI NM Paper exported [REDACTED] units to New Zealand, which equated to [REDACTED] individual transactions with a combined FOB value of USD-[REDACTED]. This was comprised of [REDACTED] units of hard covered CBS, [REDACTED] units of limp/soft covered CBS and [REDACTED] units of wire bound CBS.

Base Prices

248. NM Paper provided copies of invoices to [REDACTED] and documents detailing export costs associated with each invoice. The Ministry has used the USD FOB invoiced prices as the base price and converted USD to MYR using the exchange rate as at the date of sale, as discussed in paragraph 250.

249. The base prices ranged from MYR-[REDACTED] to MYR-[REDACTED] per unit.

Date of Sale

250. NM Paper also issues pro-forma invoices to its export customers which specify the CBS volumes, payment terms and an approximate delivery time. Once NM Paper has received a signed pro-forma invoice from its New Zealand customers it factors the consignment into its production schedule.

251. NM Paper and the Ministry agreed that the date of sale, is the date of the pro-forma invoice as it establishes the material terms of sale.

Adjustments

252. As for Chee Wah many of the export costs are on a per shipment basis. To establish the adjustments on per unit basis, the Ministry has used the net weight of each type of CBS from the export packing statements and production sheets NM Paper provided, to establish the total weight of each consignment.

253. Export costs have been apportioned on a per unit basis according to the proportion of the total weight of each consignment the weight each CBS type occupied divided by the quantity of each type of CBS. Details of each adjustment appear below.

Export Packing Costs

254. NM Paper advised that CBS exported to New Zealand is packed in shrink wrap before being placed into cartons. If the export consignment is less than a full container load, the cartons are then palletised and shrink wrapped again. For full container loads the cartons are placed onto pallets but are not shrink wrapped.

255. NM Paper provided invoices that showed the number of pallets per consignment and the cost of palletising as MYR [REDACTED] per pallet. This was allocated to a per unit basis using the method outlined from paragraph 252.

256. No evidence was provided on the cost of shrink wrapping therefore no adjustment has been made.

257. An adjustment of MYR [REDACTED] to MYR [REDACTED] per unit has been made for the cost of palletising.

Costs, Charges and Expenses from Ex-Factory to FOB

258. NM Paper uses an independent freight forwarder for transportation of CBS that is exported to New Zealand from the factory to the port and the associated processing. NM Paper provided copies of invoices for the freight forwarding and export processing costs for each invoice to [REDACTED] over the POI. These costs are discussed below.

Inland Freight

259. For freight from the factory to the port of export NM Paper was charged between MYR [REDACTED] and MYR [REDACTED] per consignment. Actual charges relating to a specific transaction have been allocated to a per unit basis using the method outlined from paragraph 252.

260. Adjustments for inland freight range from MYR [REDACTED] to MYR [REDACTED] per unit.

Handling Charges

261. Handling charges were MYR [REDACTED] for less than a full a container and MYR [REDACTED] for a full container load. Actual charges relating to a specific transaction have been allocated to a per unit basis using the method outlined from paragraph 252.

262. Adjustments for handling charges range from MYR [REDACTED] to MYR [REDACTED] per unit.

Container General Charges

263. Container general charges refer to the charges for breaking bulk consignments when the consignment is less than a full container load. NM Paper was charged MYR [REDACTED] per cubic meter (CBM) for container general charges. Actual charges relating to a specific transaction have been allocated to a per unit basis using the method outlined from paragraph 252.

264. Adjustments for contained general charges range from MYR [REDACTED] to MYR [REDACTED] per unit.

Export Fees

265. NM Paper was charged export fees for each consignment of either MYR [REDACTED] or MYR [REDACTED]. Actual charges relating to a specific transaction have been allocated to a per unit basis using the method outlined from paragraph 252.

266. Adjustments for export fees range from MYR [REDACTED] to MYR [REDACTED] per unit.

Telex Fees

267. NM Paper was charged telex fees for consignments of less than a full container load. Actual charges relating to a specific transaction have been allocated to a per unit basis using the method outlined from paragraph 252.

268. Adjustments for telex fees range from MYR [REDACTED] to MYR [REDACTED] per unit.

Terminal Handling Charges

269. NM Paper incurred costs for terminal handling charges at a standard fee of MYR [REDACTED] per CBM for shipments of less than a full container load and at MYR [REDACTED] for full container loads. Actual charges relating to a specific transaction have been allocated to a per unit basis using the method outlined from paragraph 252.

270. Adjustments for terminal handling charges range from MYR [REDACTED] to MYR [REDACTED] per unit.

Bill of Lading Charges

271. NM Paper incurred a standard fee of MYR [REDACTED] per consignment for the bill of lading. This was allocated to a per unit basis using the method outlined from paragraph 252.

272. Adjustments for the bill of lading range from MYR [REDACTED] to MYR [REDACTED] per unit.

Cost of Credit

273. NM Paper's New Zealand customer has [REDACTED] days from the transmission of the shipping documents and invoices to make payment. Bank statements provided by NM Paper show payments from the New Zealand customer were received between [REDACTED] and [REDACTED] days from the date of invoice.

274. The Ministry has applied the simple average of the bank overdraft rates shown in NM Paper's audited financial statements to calculate the cost of providing credit to its New Zealand customer, being [REDACTED] percent per annum. This has then been applied to the number of days credit extended for each transaction.

275. Adjustments for cost of credit range from MYR [REDACTED] to MYR [REDACTED] per unit.

Other Costs: Off-Set Plate Costs

276. NM Paper's cost of production information included plate and film costs per unit. The Ministry considered that these costs were associated with the recovery of the initial outlay, or sunk costs, for an export specific OEM product and therefore that an adjustment should be made.

277. Adjustments for off-set plate costs ranged from MYR [REDACTED] to MYR [REDACTED] per unit.

Export prices

278. From the base prices and adjustments outlined above the Ministry has calculated ex-factory export prices ranging from MYR [REDACTED] to MYR [REDACTED] per unit.

Ruho Corporation Sdn Bhd

279. Ruho did not complete the manufacturers questionnaire and nor was any substantive information provided by the two importers that the Ministry is aware purchased from Ruho.

280. One of the importers [REDACTED] did provide some information on the type of CBS that it imports from Ruho and a supporting invoice for its single export transaction. The second importer, [REDACTED] advised that it imports a “range of high quality artists pads” but no further information was provided.

Base Price

281. The base price for sales by Ruho to [REDACTED] is the invoiced CIF amount in British Pounds (GBP) which was converted to MYR at the prevailing exchange rate on the date of sale, which in the absence of any other information has been deemed to be the date of the invoice from Ruho to [REDACTED]

282. The imports by [REDACTED] of CBS from Ruho entered New Zealand under tariff items and statistical keys 48209.001.00H and 4820.100.029L, which cover a residual item of ‘other’ stationery and ‘oiled paper and drawing paper, in blocks, for artists’, indicating that the imports may be of sketch pads and visual diaries as found throughout the investigation. As previously discussed for these tariff items and statistical keys Customs data does not record a statistical unit therefore it cannot be used to determine either a per unit value upon which to base an ex-factory export price. The Ministry considers that in these circumstances any attempt to calculate export prices would have a large degree of uncertainty associated with it and therefore has not attempted to calculate export prices for exports by Ruho to [REDACTED]

283. As the GBP [REDACTED] price was CIF the Ministry has used the Customs data to adjust the invoiced price for overseas insurance and freight to a net price of GBP [REDACTED]. This amount has then been converted to MYR at the date of sale to arrive at a base price of MYR [REDACTED] per unit.

Adjustments

284. The Ministry has used information from Customs and Chee Wah to adjust the invoiced price to an ex-factory price, as the CBS item exported by Ruho to [REDACTED] was most comparable to the [REDACTED] exported by Chee Wah to [REDACTED]. Therefore all the export adjustments have been applied at the rate for exports of that item and all normal value adjustments have been based upon its Malaysian comparison of the [REDACTED] Chee Wah product.

285. An adjustment for inland freight was made at MYR [REDACTED] per unit.

286. An adjustment for forwarding was made at MYR [REDACTED] per unit.

287. An adjustment for port charges was made at MYR [REDACTED] per unit.

288. An adjustment for bill of lading costs was made at MYR [REDACTED] per unit.

289. An adjustment for terminal handling costs was made at MYR [REDACTED] per unit.

290. The Ministry has allowed [REDACTED] days credit terms for sales of CBS by Ruho to [REDACTED] based on the payment terms required by most exporters involved in this investigation.

291. An adjustment for cost of credit was made, assuming [REDACTED] days between the date of sale and payment, at MYR [REDACTED].

Export prices

292. The calculated ex-factory export price is MYR [REDACTED] per unit.

Tan Eng Hong

293. Tan Eng provided a completed questionnaire response and permitted the Ministry to visit it in Malaysia.

Export Sales Distribution

294. Tan Eng has one New Zealand customer, [REDACTED]. Once the goods are produced and packed into shipping containers at the factory, the containers are transported by truck to the port for export.

295. All export sales to [REDACTED] are on a CNF basis. Tan Eng exported [REDACTED] units to New Zealand during the POI, which equated to [REDACTED] individual transactions with a combined CNF value of USD [REDACTED]. These exports were comprised of [REDACTED] pads and [REDACTED] limp/soft covered CBS.

296. Over the POI Tan Eng's exports to [REDACTED] included the sale of some goods that did not fall within the definition of CBS subject to the investigation and were excluded from the Ministry's analysis.

Base Prices

297. Tan Eng provided copies of its invoices to [REDACTED] and documents supporting all the export costs specific to each export sale.

298. The Ministry has used the CNF invoiced prices as the base price and converted USD to MYR using the exchange rate as at the date of sale discussed in paragraph 300.

299. The base prices range from MYR [REDACTED] to MYR [REDACTED] per unit.

Date of Sale

300. Tan Eng also prepares a pro-forma invoice for its export sales to [REDACTED], which details the quantities and values of the purchases together with

terms and conditions of sale. Tan Eng requires a deposit of [REDACTED] percent upon acceptance of the pro-forma by [REDACTED] and once the deposit is received the order is factored into the production schedule.

301. Tan Eng and the Ministry agreed that date of sale was the date of the pro-forma invoice as this is when the material terms of sale are established.

Adjustments

Costs from Ex-Factory to FOB

302. As stated above, Tan Eng provided copies of all invoices relating to the costs incurred in preparing the CBS for export to New Zealand, that are additional to those incurred for domestic sales in Malaysia.

303. As most of the costs of exporting are based on the weight of the goods, to establish a cost per unit, the Ministry calculated the weight of each type of CBS in a shipment and established the proportion of the shipment occupied by particular types of CBS, which ranged from [REDACTED] to [REDACTED] percent of the total consignment and then divided the weight of each type of CBS by the number of items in the shipment.

Inland Freight

304. Tan Eng uses an independent haulage company to transport its goods from its factory to the port in Penang for export to New Zealand. Actual charges relating to a specific transaction have been allocated on a per unit basis using the method outlined from paragraph 303.

305. Adjustments for inland freight range from MYR [REDACTED] to MYR [REDACTED] per unit.

Freight Forwarding

306. Tan Eng uses an independent freight forwarder, [REDACTED] to arrange all documentation in relation to the export of the CBS to New Zealand at a charge of MYR [REDACTED] per container. Actual charges relating to a specific transaction have been allocated on a per unit basis using the method outlined from paragraph 303.

307. Adjustments for freight forwarding range from MYR [REDACTED] to MYR [REDACTED] per unit.

Port Documentation, Supervision, EDI and Sales Value Tax

308. Tan Eng incurs per container charges of MYR [REDACTED] for port documentation charges, MYR [REDACTED] for documentation fees, MYR [REDACTED] for supervision fees, MYR [REDACTED] for an EDI fee and a [REDACTED] percent sales value tax of MYR [REDACTED]. Actual charges relating to a specific transaction have been allocated to a per unit basis using the method outlined from paragraph 303.

309. Adjustments for port documentation charges range from MYR [REDACTED] to MYR [REDACTED] per unit.

310. Adjustments for documentation fees range from MYR [REDACTED] and MYR [REDACTED] per unit.

311. Adjustments for port supervision fees range from MYR [REDACTED] to MYR [REDACTED] per unit.

312. Adjustments for an EDI fee ranged from MYR [REDACTED] to MYR [REDACTED] per unit.

313. Adjustment for the [REDACTED] percent sales value tax ranged from MYR [REDACTED] to MYR [REDACTED] per unit.

Terminal Handling Charges

314. Tan Eng incurs a terminal handling charge of MYR [REDACTED] per shipment. Actual charges relating to a specific transaction have been allocated to a per unit basis using the method outlined from paragraph 303.

315. Adjustments for terminal handling charges range from MYR [REDACTED] to MYR [REDACTED] per unit.

Overseas Freight Costs

316. Tan Eng provided invoices for overseas freight for each export consignment to New Zealand which ranged from MYR [REDACTED] to MYR [REDACTED] per shipment. Actual charges relating to a specific transaction have been allocated to a per unit basis using the method outlined from paragraph 303.

317. Adjustments for overseas freight range from MYR [REDACTED] to MYR [REDACTED] per unit.

Bunker Adjustment Factor and SER

318. Tan Eng was charged a bunker adjustment factor (BAF) of MYR [REDACTED] and service charges (SER) of MYR [REDACTED] for one shipment over the POI. Tan Eng used a different freight forwarding company for this export to that used during the rest of the POI and it is considered that these charges were previously included in adjustments for the other amounts made above. Actual charges relating to the single transaction for which these charges were incurred have been allocated to a per unit basis on the method outlined from paragraph 303.

319. Adjustments for transactions BAF charges range from MYR [REDACTED] and MYR [REDACTED] per unit.

320. Adjustments for SER charges range from MYR [REDACTED] to MYR [REDACTED] per unit.

Cost of Credit

321. Tan Eng requires payment of a [REDACTED] to [REDACTED] percent deposit of the value of the goods upon issuing a pro-forma invoice. Payment of this deposit and the remaining balance was able to be clearly identified from bank statements therefore the exact number of days credit extended was able to be calculated for each export transaction. The Ministry has used Tan Eng's bank overdraft rate of [REDACTED] percent per annum to establish the cost of providing credit to [REDACTED]. Again the cost of credit was calculated in two parts.

322. Adjustments for the cost of credit relating to the deposit range from MYR [REDACTED] to MYR [REDACTED] per unit.

323. Adjustments for the cost of credit for the residual payment range from MYR [REDACTED] to MYR [REDACTED] per unit.

Export prices

324. The calculated ex-factory export prices range from MYR [REDACTED] to [REDACTED] per unit.

4.3 Normal Values

325. The normal value is the price at which the Malaysian manufacturers sell the CBS in the domestic market in Malaysia. The types of sales that can be used to determine normal values are set out in section 5 of the Act, which can generally be described as sales in the ordinary course of trade between unrelated parties.

326. Where sufficient information has not been provided or is not available, normal values can be established under section 6 of the Act, relying on the best information available.

327. The normal values have in most cases been established on the basis of verified information provided by each of the manufacturers. Information gaps do exist and the Ministry has relied on the best information available when insufficient or no information had been provided by exporters in order that a comparable ex-factory normal value could be established.

328. Paragraph 2 of Article 2 of the Agreement states that domestic sales of CBS should normally be in excess of 5 percent of export sales of CBS to New Zealand in order to be used as a base for normal values. The Ministry has calculated the percentage that the volume of sales of CBS in Malaysia represent of the volume of export sales to New Zealand and it is well in excess of 5 percent for each Malaysian manufacturer.

329. The Agreement also states that domestic sales made at a loss may be disregarded for the purposes of determining normal values in certain circumstances. While some information presented to the Ministry by Chee Wah indicated that sales of CBS on the Malaysian domestic market were made at a loss the Ministry was unable to verify this information and other publicly available information indicated

that sales were being made at a profitable level. The Ministry is satisfied that sales of CBS by the Malaysian manufacturers in the domestic market are suitable for establishing normal values.

330. Normal values have been established by adjusting the base prices for any differences between the CBS each exporter sells on the Malaysian market and that it exports to New Zealand that affect price comparability. An explanation of the base prices and adjustments for each manufacturer is described below.

Chee Wah Corporation Berhad

Introduction

331. Chee Wah sells CBS on the Malaysian domestic market, that while in most cases is not identical to the CBS exported to New Zealand, is similar. The Ministry identified, both in consultation with Chee Wah and independently, the most suitable CBS items for comparison with the CBS exported to New Zealand.

332. Chee Wah's sales of CBS on the Malaysian domestic market are mainly of the 'Campap', 'Write On' and 'Forest' brands. In addition it manufactures various OEM and house brand products for specific customers including schools.

333. The Ministry and Chee Wah worked through various possibilities for product comparisons for the CBS that Chee Wah exports to New Zealand and assessed products from each of Chee Wah's four ranges. Chee Wah displayed CBS samples sold on the domestic market alongside products exported to [REDACTED] in New Zealand.

334. In discussions with Chee Wah it became evident that each of its brands occupy a different level in the Malaysian market. It was agreed that according to the quality and cost of the goods that 'Campap' constituted Chee Wah's ultra premium brand, 'Write On' its premium brand, 'Forest' its standard brand and the limp 'kraft' paper cover school exercise books its basic range. During this process Chee Wah advised that the Malaysian Standard MS121:1986 for school exercise books is not commonly used in Malaysia, unlike the equivalent standard in New Zealand.

335. The 'Forest' branded CBS was considered the closest, in terms of specifications, quality of materials, covers and grammage of paper to that exported to [REDACTED] in New Zealand. For comparative purposes with other export sales to New Zealand the Ministry has used sales of the closest product Chee Wah sells on the domestic market, which for the bulk of the exported product was an item from the 'Forest' brand range.

Domestic Sales Distribution

336. Most of the CBS Chee Wah produces for sale on the Malaysian domestic market is held in inventory. Additionally Chee Wah advised that it also produces some OEM CBS for the domestic market and that this included items for schools, although it stated this was becoming a smaller part of its business with its [REDACTED] within the market.

337. Chee Wah sells only to wholesalers on the Malaysian domestic market. Chee Wah explained that most of the wholesalers are small firms who purchase small volumes of a large range of goods for on-selling to resellers who then sell to end users. When customers place orders the CBS is dispatched immediately, subject to stock availability. Invoices are issued when the CBS is picked up from Chee Wah's onsite warehouse and it typically reaches the customer one to two days later.

338. All of Chee Wah's customers are invoiced based on its free into store (FIS) list prices (which are issued once a year) irrespective of the size of the sale and standard discounts from this price also apply. The level of discounts is known by wholesalers and the constant application has created an expectation that this level of discounts will always apply. Chee Wah stated that payment terms vary between customers ranging from [REDACTED] to [REDACTED] days credit.

Base Prices

339. Chee Wah advised that it did not have any domestic customers that were close to the annual volumes sold to its largest export customer in New Zealand, [REDACTED] but provided information on two customers as a suggested basis for establishing normal values. These customers represented between 20 and 1,770 percent of sales to the New Zealand export customers.

340. As prices do not differ based on sales volume, the Ministry has used the list prices per unit as they appear in the 2006 price list and supported by the invoices for the two customers proposed by Chee Wah; [REDACTED] and [REDACTED].

Adjustments

Discounts

341. Chee Wah operates a standard discount structure for sales to all of its domestic customers, being a [REDACTED] plus [REDACTED] plus [REDACTED] percent discount from the list price. Each discount is calculated upon the price net of the previous discount, and cumulatively they represent a discount of [REDACTED] percent from the list price. This discount appeared on invoices supplied by Chee Wah.

342. Adjustments for discounts range from MYR [REDACTED] to MYR [REDACTED] per unit.

343. Chee Wah stated customers are also eligible for a prompt payment discount of [REDACTED] percent for payment within [REDACTED] days, which is effected via a credit note. Whilst unable to provide evidence at the verification visit, Chee Wah later supplied the Ministry with credit notes issued to both [REDACTED] and [REDACTED] showing [REDACTED] percent added back to previously paid balances which were reconciled with bank statements collected at the visit. A downward adjustment has therefore been applied to normal value list prices, ranging from MYR [REDACTED] to MYR [REDACTED] for this discount.

344. In addition to providing evidence of the prompt payment discount Chee Wah claimed subsequent to the verification visit that normal values should be further

reduced by [REDACTED] percent that represented a discount which it said is a common practice granted to all customers. At the verification visit the team was advised that the [REDACTED] percent discount was a [REDACTED] discount and [REDACTED]. Chee Wah did not provide the Ministry with any evidence that this [REDACTED] discount applied on sales to both [REDACTED] and therefore no adjustment was made in this respect.

Physical Characteristic Adjustments

345. Chee Wah advised differences exist between the CBS it manufactures for export to New Zealand and those that it sells on the Malaysian domestic market which affects price comparability. These differences relate to the number of pages; cover materials; grammage of paper contents, covers, and board; the physical sizes; and binding methods.

346. The Ministry first matched CBS according to the CBS sub-categories (limp covered, hard covered, wire bound books, and pads). Where there was more than one possible comparison, other attributes, such as cover materials (plastic or card), number of pages, and physical size were matched as closely as possible according to the information available. However, very few of these matches were exact and the Ministry adjusted for the different numbers of pages, the different weights of the paper contents, covers, and cardboard bases where variances exist between the physical characteristics of the products being compared.

Input Factor Proportions

347. To ensure that an adjustment was applied only to the proportion of the price that the underlying costs represent, the Ministry calculated the proportions of the ex-factory price that each material constituted.

348. The proportion of the total cost represented by the total physical inputs or raw materials has been calculated using the average for each CBS sub-category taken from bill of materials information provided by Chee Wah, which was [REDACTED] percent. The Ministry was unable to verify these figures so to test the reasonableness of the figure the Ministry compared the proportion calculated with the proportions for the same calculation for the New Zealand manufactures of CBS, Candida and Croxley. The proportion for the two New Zealand manufacturers was within [REDACTED] percentage points of that arrived at from Chee Wah's figures. The minimal differences satisfied the Ministry that it could use the proportion figures established from Chee Wah's bill of materials, despite the lack of verification of the figures within it.

349. This proportion means that each physical adjustment made to the domestically sold CBS goods used for comparison with the exported CBS can, at most, affect [REDACTED] percent of the net base price. This ensured that [REDACTED] percent of the normal value was left unadjusted as it constitutes labour, overheads, and selling and general expenses which the Ministry did not consider affected physical differences between the goods.

Leaf Adjustments

350. To calculate a leaf conversion factor, the number of leaves of the CBS exported to New Zealand was divided by the number of leaves of the equivalent item sold on the Malaysian domestic market. These conversion factors range from [REDACTED] to [REDACTED].

351. This conversion factor has then been applied to the paper contents proportion of the material cost proportion of the net base price to account for the effect of different numbers of pages on the selling prices.

352. Adjustments for differences in the number of leaves range from MYR-[REDACTED] to MYR-[REDACTED] per unit.

Materials Grammage Adjustments

353. The Ministry made an adjustment for differences in the gsm of the CBS in three parts i.e. one each for the contents, covers, and bases of the CBS exported to New Zealand each divided by the equivalent values of the goods sold on the Malaysian domestic market. For goods without each component (for instance limp covered CBS does not have a base) the conversion factor was 1, resulting in no adjustment. These conversion factors were then multiplied by the proportion they make up of the materials cost.

354. Each of these three proportional adjustments was then added together so that gsm differences applied to 100 percent of the materials cost. Once the different component conversions had been added, they were multiplied by the average proportion of the ex-factory price that constitutes material inputs ([REDACTED] percent), and multiplied by the leaf adjusted discounted base price.

355. Adjustments for the contents gsm conversion factor ranged from MYR-[REDACTED] to MYR-[REDACTED] per unit.

356. Adjustments for the cover gsm conversion factor ranged from MYR-[REDACTED] to MYR-[REDACTED] per unit.

357. Adjustments for the base gsm conversion factor ranged from MYR-[REDACTED] to MYR-[REDACTED] per unit.

358. For hardcover CBS, where the end paper (front and back inner pages) make up [REDACTED] percent of the materials cost, the Ministry had no information relating to any grammage differences between the CBS exported to New Zealand and that sold in Malaysia, hence no adjustment has been made for any variation in the end paper gsm that may exist.

Area Adjustments

359. The difference in the area of each item being compared was calculated by dividing the area of each exported item by the area of each domestically sold Malaysian CBS product to which it was compared. These differences were then multiplied by the average proportion of the ex factory price that constituted material inputs ([REDACTED] percent), and multiplied by the leaf and gsm adjusted base price.

360. Adjustments for the area conversion factor ranged from MYR- [REDACTED] to MYR [REDACTED] per unit.

Level of Trade

361. Chee Wah only sells to wholesalers, who on-sell to resellers or retailers, on the Malaysian domestic market. Chee Wah also considered its New Zealand export customers to be wholesalers. Therefore no adjustment is required for differences in the level of trade.

Quantities

362. The price offered to Chee Wah's domestic customers is the same regardless of volume, however, Chee Wah advised that [REDACTED]. An invoice to [REDACTED] showed that it received [REDACTED]. When questioned Chee Wah stated that [REDACTED].

363. Subsequent to the verification visit, Chee Wah provided invoices relating to sales of like goods sold to both [REDACTED] and [REDACTED] showing this discount. The Ministry has therefore adjusted Chee Wah's normal values downward by between MYR [REDACTED] and MYR [REDACTED] to account for the [REDACTED].

Inland Freight

364. All Chee Wah's domestic prices are FIS regardless of the delivery location. Chee Wah uses an independent freight forwarder and is charged on the basis of the weight of the goods and the number of cartons. Chee Wah provided a quote that showed for delivery of orders containing more than [REDACTED] cartons the charge was MYR [REDACTED] per kg. Because all the export transactions to which domestic sales were being compared were for amounts greater than [REDACTED] cartons, the Ministry has used this charge as the basis for the inland freight adjustment.

365. Adjustments for inland freight range from MYR [REDACTED] and MYR [REDACTED] per unit.

Cost of Credit

366. Chee Wah provided bank statements that showed receipt of the payments from the two selected customers for two sales, with [REDACTED] and [REDACTED] days between the date of the invoice to the date of receipt of funds.

367. The Ministry based the length of credit extended for sales on the Malaysian domestic market on either [REDACTED] or [REDACTED] days, the period used depending on the date sale. The relevant number of days was multiplied by the interest rate of eight percent to calculate the cost of credit extended.

368. Adjustments for cost of credit range from MYR ██████████ to MYR ██████████ per unit.

Import Duty

369. Chee Wah advised that it pays import duty of 7 percent on imports of paper, and 10 percent on imports of paperboard and that it can apply for a duty drawback or an exemption if the imported raw materials are used in the manufacture of exported goods. Chee Wah stated that its practice is to apply for an exemption and provided documents of previous applications.

370. It appears that uncoated printing and writing paper imported under tariff number 4802.57.190 (normally subject to a 7 percent tariff) may be imported by Chee Wah duty free if it is to be used as is or in content destined for export markets.

371. Adjustments are required only if the differences in the costs underlying the manufacture for CBS export to New Zealand and for sale on the domestic market affect price comparability. The Ministry considers that the cost to produce CBS for the Malaysian domestic market may be higher than that of CBS exported to New Zealand goods if import exemptions are only given for re-exported, converted materials. Chee Wah has provided evidence of this difference affecting the comparability of export and domestic prices and submitted that an adjustment should be made to normal values.

372. The Ministry has therefore applied a downward adjustment to Chee Wah's normal values to allow for the different treatment of import duty affecting the cost of the paper inputs. Seven percent of the paper content proportion of each product's raw materials has therefore been deducted, with adjustments ranging from MYR ██████████ to MYR ██████████.

Taxation

373. Chee Wah advised that sales tax does not apply to sales of CBS in Malaysia and therefore as the base prices are tax free the Ministry has not made an adjustment for taxation.

Sales Commission

374. Chee Wah advised that it pays its sales executives ██████████ percent commission and that this amount is paid upon collection of the funds from the customer and therefore is based on the net price achieved.

375. Subsequent to the verification visit Chee Wah provided evidence of payments made to employees in support of payment of sales commission, unfortunately these payments were not linked to specific sales and the Ministry could not tell what goods the commission related to. Even though this evidence has been provided, the Ministry considers that the sales commission is a general expense to facilitate sales that is incurred in some way on both export and domestic markets therefore no adjustment has been made.

Branding

376. Chee Wah advised that its domestic sales include a branding cost of [REDACTED] percent for in-house design costs. Chee Wah advised this was a hidden/sunk cost and is allocated against its selling and administration costs. Chee Wah did not provide any evidence to support this difference in costs or show that it affected per unit prices offered to customers. On this basis the Ministry has not made an adjustment.

Normal Values

377. Normal values calculated for Chee Wah range from MYR [REDACTED] to MYR [REDACTED] per unit.

NM Paper

Introduction

378. NM Paper sells CBS on the domestic market, while not alike in all respects, is similar to that exported to New Zealand. The Ministry considered, in consultation with NM Paper, which CBS items sold on the Malaysian domestic market were the most suitable to compare with the goods exported to New Zealand by looking at the product catalogue and samples of various products.

Domestic Sales Distribution

379. The CBS manufactured by NM Paper for sale on the domestic market is held in inventory until an order is received if it is a standard product. NM Paper also supplies OEM products to wholesalers within the Malaysian market including to schools. Sales orders are filled from inventory and an invoice is issued upon delivery.

380. NM Paper stated that it, almost exclusively, sells its CBS to wholesalers in the Malaysian market. NM Paper provided information on four customers who purchased a similar value of stationery to that exported to New Zealand. Of these customers the Ministry selected sales of similar goods at the closest point in time to the export sales to [REDACTED]. The most suitable customers for establishing normal values were [REDACTED] and [REDACTED]. All sales to these customers were made on a FIS basis.

Base Prices

381. Base prices used were from the invoiced prices to the selected domestic customers and varied from MYR [REDACTED] to MYR [REDACTED] per unit.

Adjustments

Physical Characteristic Adjustments

382. NM Paper stated that the differences in physical characteristics between the CBS exported to New Zealand and that sold on the domestic market includes the covering materials, physical sizes, inner materials, binding, grammage of paper, indexing and the number of pages.

383. The Ministry was able to verify costs of production information provided by NM Paper for each of the CBS items exported to New Zealand and a comparable product sold on the Malaysian domestic market. Comparison of these verified cost of production figures showed the underlying cost differences that have been used as the basis for a physical characteristics adjustment. The differences relate to the content, cover, other costs and indexing. Indexing is only carried out in relation to CBS exported to New Zealand and is not a feature of any CBS NM Paper sells on the Malaysian domestic market.

384. Adjustments for the physical differences in content range between MYR- [REDACTED] and MYR [REDACTED] per unit

385. Adjustments for the physical differences in cover range between MYR- [REDACTED] and MYR [REDACTED] per unit

386. Adjustments for the physical differences relating to indexing range between MYR [REDACTED] and MYR [REDACTED] per unit

387. Adjustments for the other physical differences established range between MYR- [REDACTED] and MYR [REDACTED] per unit

Off-Set Plate Costs

388. The Ministry considered, as with export sales, that the plate and film costs are part of the costs of raw materials and therefore it should be taken into consideration as to whether there are any variances between the recovery amount on the CBS for export sale to New Zealand compared to the recovery amounts on CBS for sale in Malaysia.

389. An adjustment for off-set plate costs ranged from MYR [REDACTED] to MYR [REDACTED] per unit.

Difference in Converting Costs

390. The converting cost was shown on the costing information provided by NM Paper and verified by the Ministry. The converting cost represents the manufacturing cost for each product, excluding the cost of direct materials, and includes labour, overheads and direct machine costs and reflects the complexities of the product manufactured, the resources required to produce it and the likely run rates and production volumes.

391. Initially the Ministry did not make an adjustment for the converting costs, apart from the proportion of these costs identified in one circumstance to be the cost of indexing. However, following submissions from NM Paper on the draft verification report the Ministry considered that an adjustment to the normal values for the difference in conversion costs should be made. The Ministry calculated the conversion cost adjustment by starting with the conversion cost for the exported items, less any adjustment that has been made to the normal value for the indexing cost and then subtracted the conversion cost for the CBS sold in Malaysia.

392. The adjustments ranged from MYR- [REDACTED] to MYR [REDACTED] per unit.

Quantities

393. Information provided by NM Paper on the prices per unit on various domestic sales showed that as the annual sales value to a particular customer decreased the price per unit it was charged increased. The Ministry also noted that the price list shows [REDACTED] which indicates that NM Paper [REDACTED] price per unit.

394. To make an adjustment for differences in quantities sold the Ministry calculated what the invoiced price per unit would be if a domestic customer purchased the same value of goods as NM Paper's export customer and compared this value to the domestic customers on which normal values are based.

395. Adjustments for differences in quantities sold range from MYR- [REDACTED] to MYR [REDACTED] per unit.

Packaging Costs

396. The packaging process is the same for an export sale as it is for a domestic sale but the number of units per carton varies according to the product dimensions. Pallet costs were not included in the price and the Ministry has added this to the ex-factory price.

397. Adjustment for pallet costs have been made at MYR [REDACTED] for note books and MYR [REDACTED] per unit for sketch books.

Inland Freight

398. NM Paper uses its own trucks to deliver CBS in the Penang area but outside of the Penang area it uses an independent transport provider. The sales chosen to establish normal values refer to sales in Penang and [REDACTED]. The Ministry had actual costs for transport charged by the external provider and used this as a basis for adjustment for sales in [REDACTED]. To establish a cost per unit for inland freight within Penang carried out by NM Paper the Ministry used NM Paper's audited financial statements and calculated the percentage outward carriage comprised of total revenue. This percentage was then applied to the net price per unit

399. Adjustments for inland freight range from MYR [REDACTED] to MYR [REDACTED] per unit.

Discounts

400. NM Paper offers a range of discounts depending upon the credit terms which are [REDACTED], [REDACTED] or [REDACTED] days from the date of the invoice. Depending on the payment terms various discount levels are awarded. The sales chosen to establish normal values all received a discount of [REDACTED] percent, being the standard rate for payment within [REDACTED] days.

401. Adjustments for prompt payment discounts range from MYR [REDACTED] to MYR [REDACTED] per unit.

Cost of Credit

402. From invoices and bank statements NM Paper's customers paid their account between [REDACTED] to [REDACTED] days after the date of invoice. The Ministry calculated the cost of credit to NM Paper based on its overdraft rate of [REDACTED] percent against the number of days of credit extended to the domestic customers.

403. Adjustments for the cost of credit range from MYR [REDACTED] to MYR [REDACTED] per unit.

Taxation

404. NM Paper stated that sales of CBS are not subject to any sales tax on the domestic market, therefore no adjustment for taxation is required.

Bank Charges

405. NM Paper is charged a cheque clearance fee of MYR [REDACTED] for amounts less than MYR [REDACTED] and [REDACTED] percent on an amount greater than MYR [REDACTED]. These fees only apply if the customer is outside of the Penang area. One of the two customers on which normal values are established is located outside of the Penang area.

406. Adjustments for bank charges range from MYR [REDACTED] to MYR [REDACTED] per unit.

Sales Commission

407. NM Paper pays a [REDACTED] percent sales commission to its associated company, Intrapac Trading (M) Sdn Bhd for administration and the procurement of sales.

408. Adjustments are made to a base price where there are activities related to, or characteristics of, the normal value product, that vary from those for the exported product and these differences have an affect on price.

409. The Ministry considered that the selling and administration function is an activity that also must occur in respect of export sales even though it may not be via the same mechanism. The Ministry, therefore, did not make an adjustment.

Warehousing

410. When the CBS is manufactured for export it is immediately packed and transported to the port for export. For domestic sales the product is held in inventory and in relation to commercial sales it may be warehoused in Penang for up to six months. In some circumstances this may result in a difference in the underlying costs that affect price comparability and in others it may not. NM Paper did not provide any information in regards to the cost of warehousing, therefore no adjustment has been made.

Normal Values

411. Normal values calculated for NM Paper range from MYR [REDACTED] to MYR [REDACTED] per unit.

Ruho

412. Ruho has not provided any information to the investigation therefore the Ministry has used all available information to determine a normal value for comparison to the one export sale for which an export price was able to be established. The Ministry considers that a wire note book [REDACTED] sold by Chee Wah in the Malaysian domestic market is the most comparable CBS item to that Ruho exports to New Zealand. The Ministry has applied the base prices and adjustments, as relevant, for the [REDACTED] sold by Chee Wah.

Base Price

413. The base price is MYR [REDACTED] per unit.

Adjustments

Discounts

414. To adjust the list price to ensure a fair comparison of the domestic sale and export sale the Ministry has made an adjustment for the discounts outlined in paragraph 341.

415. The adjustment for discounts was MYR [REDACTED].

Physical Characteristics

416. The note book exported to New Zealand was [REDACTED] pages and that sold on the domestic market by Chee Wah in Malaysia being used as a comparison has [REDACTED] pages. The Ministry has used the method applied to Chee Wah's sales, as described from paragraph 347, to calculate an adjustment.

417. The Ministry notes that there are likely to be other physical characteristics differences where that an adjustment could be made, however, due to the limited information available the differences in the number of leaves is the only physical characteristics an adjustment could be calculated for.

418. The adjustment for physical differences was MYR [REDACTED].

Inland Freight

419. The Ministry has made an adjustment for inland freight at the rate established for sales by Chee Wah of [REDACTED] on the Malaysian domestic market.

420. The adjustment for inland freight was MYR [REDACTED] per unit.

Cost of Credit

421. In order to make an adjustment for the cost of credit the Ministry has, in the absence of information, assumed the maximum term allowed by Chee Wah of [REDACTED] days, has been provided. This is considered appropriate and in line with the information provided throughout the investigation on the timeliness of payment by customers. The Ministry applied Chee Wah's overdraft rate of 8 percent per annum to determine the cost of credit.

422. The adjustment for the cost of credit was MYR [REDACTED] per unit.

Normal Value

423. Normal value for sales by Ruho is MYR [REDACTED] per unit.

Tan Eng

Introduction

424. Tan Eng sells CBS on the Malaysian domestic market, that while not identical, is similar to the CBS exported to New Zealand. Most of the CBS produced by Tan Eng is standard stock which is held in inventory, however some OEM items are produced for schools during the BTS season.

425. The Ministry identified with Tan Eng the items of CBS sold in Malaysia that are most comparable to the CBS exported to New Zealand using Tan Eng's product catalogue and samples.

Domestic Sales Distribution

426. Tan Eng sells its CBS to wholesalers, retailers and end users and advised that the bulk of its sales are to the first two groups.

427. Tan Eng receives frequent orders of small quantities from its customers and it does not issue pro-forma invoices as it does on export sales. For domestic sales it

issues an invoice on the date of the dispatch of the goods, which are all sold on an FIS basis.

428. From a list of Tan Eng's top [REDACTED] customers the Ministry identified five wholesale customers whose sales represented approximately the same annual volume of sales as [REDACTED] in New Zealand. These five all purchased the CBS items that were identified as most comparable to those exported to New Zealand. Based on proximity of sales, in time, to the export sales normal values have been based on sales to two customers, [REDACTED] and [REDACTED].

Base Prices

429. Base prices were established from invoiced prices to [REDACTED] and [REDACTED] and were MYR [REDACTED] or MYR [REDACTED] per unit.

Adjustments

Physical Characteristic Adjustments

430. Tan Eng stated that the main differences in physical characteristics between the CBS exported to New Zealand and that which it sells on the Malaysian domestic market is the cost associated with the paper content. Tan Eng explained that the paper cost is affected by the size or dimensions of the product, the number of leaves, whether it has a cover or backing and any content variations such as some leaves being of varying grammage.

431. Tan Eng provided costings for its domestic CBS items being compared with the exported CBS. This information was able to be verified and compared with the equivalent costs for the exported product to provide a basis for an adjustment.

432. Adjustments for the paper range from MYR-[REDACTED] to MYR [REDACTED] per unit.

433. Adjustments for the cover range from MYR-[REDACTED] to MYR [REDACTED] per unit.

434. Adjustments for the manila card range from MYR [REDACTED] to MYR [REDACTED] per unit.

435. Adjustments for the backing range from MYR-[REDACTED] to MYR [REDACTED] per unit.

436. Adjustments for the printing cost range from MYR-[REDACTED] to MYR [REDACTED] per unit.

437. Adjustments for the glue and tape range from MYR-[REDACTED] to MYR [REDACTED] per unit.

Quantities

438. Information provided by Tan Eng indicated that as a customer's annual sales value decreased the price per unit increased. The Ministry also noted that the price list [REDACTED] which indicates that Tan Eng [REDACTED].

439. In order to make an adjustment for the effect of purchase quantities upon prices, the Ministry has calculated the per unit price differential. This differential has then been applied to the quantity difference between the domestic customers on which normal values are based and the volume of Tan Eng's New Zealand export customer, to establish the price per unit a domestic customer would pay if its annual purchase volumes matched those of the New Zealand export customer.

440. Adjustments for differences in quantity range from MYR [REDACTED] to MYR [REDACTED] per unit.

Discount

441. Tan Eng provided copies of credit notes for a [REDACTED] percent discount on sales which it states is for prompt payment, however, in practice its [REDACTED]. Credit notes for this discount are issued quarterly.

442. Adjustments for the prompt payment discount range from MYR [REDACTED] to MYR [REDACTED] per unit.

Inland Freight

443. Tan Eng delivers CBS in Malaysia using its own fleet for local deliveries and courier for deliveries further afield. Tan Eng was unable to provide any costs for its own deliveries but its standard costing model allows MYR [REDACTED] per carton, which is based on freight being approximately [REDACTED] percent of the costs of production. The Ministry has compared this to the average freight cost in the company's financial statements. This comparison resulted in variance of 2 percentage points but in comparison to freight costs for other Malaysian manufacturers and given that the base for the proportionate comparisons were different, the Ministry considers the standard cost is a reasonable basis for any adjustment.

444. Adjustments for inland freight range from MYR [REDACTED] to MYR [REDACTED] per unit.

Packaging

445. The CBS sold on the Malaysian domestic market is wrapped in polypropylene and then placed in cartons whereas the CBS exported to New Zealand is packed into cartons and then shrink wrapped. The Ministry calculated the differences in the cost of packaging on export sales compared to that on the domestic market based on Tan Eng's standard cost and a net adjustment has been made.

446. Adjustments for differences in packaging range from MYR- [REDACTED] to MYR- [REDACTED] per unit.

Cost of Credit

447. The Ministry calculated that the length of credit given on the domestic sales, based on the date of the invoice and the date of settlement of the account, which ranged from [REDACTED] to [REDACTED] days. An adjustment has been made by applying Tan Eng's overdraft rate of [REDACTED] percent per annum to the actual length of credit extended for each domestic sale.

448. Adjustments for the cost of credit range from MYR [REDACTED] to MYR [REDACTED] per unit.

Normal Values

449. Normal values established for Tan Eng range from MYR [REDACTED] to MYR [REDACTED]

4.4 Comparison of Export Price and Normal Value

Dumping Margins

450. The Ministry has compared the export prices and normal values on a transaction to transaction basis. This involves matching the comparable export sale to New Zealand with a sale on the Malaysian domestic market. The extent to which the Malaysian domestic market sales price exceeds that for the export sale to New Zealand is the dumping margin.

451. The following tables show the dumping margins that have been established for each Malaysian exporter for each sub-category of CBS.

Table 4.1: Dumping Margins for Exports by Chee Wah (MYR per unit)

Calculation	Limp Covered	Hard Covered	Pads	Wire
Export Price	[REDACTED] to [REDACTED]	[REDACTED] to [REDACTED]	[REDACTED] to [REDACTED]	[REDACTED] to [REDACTED]
Normal Value	[REDACTED] to [REDACTED]	[REDACTED] to [REDACTED]	[REDACTED] to [REDACTED]	[REDACTED] to [REDACTED]
Dumping Margins	- [REDACTED] to - [REDACTED]	- [REDACTED] to [REDACTED]	- [REDACTED] to [REDACTED]	- [REDACTED] to [REDACTED]
Dumping Margins (as % of Export Price)	- [REDACTED]% (not dumped) to - [REDACTED]% (not dumped)	- [REDACTED]% (not dumped) to [REDACTED]%	- [REDACTED]% (not dumped) to [REDACTED]%	- [REDACTED]% (not dumped) to [REDACTED]%

452. In comparing the export prices and normal values the Ministry has found that [REDACTED] of Chee Wah' [REDACTED] transactions over the POI were dumped and [REDACTED] transactions were not dumped.

453. These transactions equate to [REDACTED] units or 50.34 percent of exports being dumped and the remaining [REDACTED] units or 49.66 percent were not dumped.

454. Chee Wah's exports have a weighted-average dumping margin (based on dumped transactions only) of 56.45 percent.

455. The dumping margins for Chee Wah are lower than those in the essential facts and conclusions report as a result of additional adjustments made to normal values following submissions and additional evidence provided by Chee Wah after the essential facts and conclusions report was provided to interested parties.

Table 4.2: Dumping Margins for Exports by NM Paper (MYR per unit)

Calculation	Limp Covered	Hard Covered	Pads	Wire
Export Price	[REDACTED] to [REDACTED]	[REDACTED] to [REDACTED]	Nil	[REDACTED] to [REDACTED]
Normal Value	[REDACTED]	[REDACTED] to [REDACTED]	Nil	[REDACTED] to [REDACTED]
Dumping Margins	-[REDACTED] to -[REDACTED]	-[REDACTED] to [REDACTED]	Nil	-[REDACTED] to [REDACTED]
Dumping Margins (as % of Export Price)	-[REDACTED]% (not dumped) to -[REDACTED]% (not dumped)	-[REDACTED]% (not dumped) to [REDACTED]%	Nil	-[REDACTED]% (not dumped) to [REDACTED]%

456. In comparing the export prices and normal values the Ministry has found that of NM Paper's [REDACTED] transactions over the POI, [REDACTED] transactions were dumped and [REDACTED] transactions were not dumped.

457. These transactions equate to [REDACTED] units or [REDACTED] percent of exports being dumped, [REDACTED] units or [REDACTED] percent of total exports were not dumped.

458. NM Paper's exports have a weighted-average dumping margin (based on dumped transactions only) of 3.82 percent.

Table 4.3: Dumping Margin for exports by Ruho (MYR per unit)

Calculation	Wire
Ex-factory Export Price	[REDACTED]
Ex-factory Normal Value	[REDACTED]
Dumping Margins	[REDACTED]
Dumping Margins (as % of Export Price)	[REDACTED]% (not dumped)

459. The dumping margin for Ruho is based on the comparison of a single transaction of [REDACTED] units.

460. Comparisons for other export entries were unable to be conducted. The comparison shows that transaction as being un-dumped, that is the export price is higher than the normal value established.

Table 4.4: Dumping Margins for Exports by Tan Eng Hong (MYR per unit)

Calculation	Limp Covered	Hard Covered	Pads	Wire
Export Price	██████ to ██████	Nil	██████ to ██████	Nil
Normal Value	██████	Nil	██████ to ██████	Nil
Dumping Margins	-██████ to -██████	Nil	-██████ to ██████	Nil
Dumping Margins (as % of Export Price)	-██████% (not dumped) to -██████% (not dumped)	Nil	-██████% (not dumped) to ██████%	Nil

461. In comparing the export prices and normal values the Ministry has found that ██████ of Tan Eng's ██████ transactions over the POI were dumped and ██████ transactions were not dumped.

462. These transactions equate to ██████ units or 34 percent of exports being dumped and the remaining ██████ units or 66 percent were not dumped.

463. Tan Eng's exports have a weighted-average dumping margin (based on those transactions that are dumped only) of 17.79 percent.

Conclusions Relating to Dumping

464. The Ministry concludes that a significant proportion of the CBS imported from Malaysia over the POI has been dumped. Table 4.5 below summaries the conclusions.

Table 4.5: Dumping Margins for All Exporters (MYR per unit)

Calculation	Limp Covered	Hard Covered	Pads	Wire
Export Price	██████ to ██████	██████ to ██████	██████ to ██████	██████ to ██████
Normal Value	██████ to ██████	██████ to ██████	██████ to ██████	██████ to ██████
Dumping Margins	-██████ to -██████	-██████ to ██████	-██████ to ██████	-██████ to ██████
Dumping Margins (as % of Export Price)	-94% (not dumped) to -3% (not dumped)	-49% (not dumped) to 47%	-80% (not dumped) to 25%	-81% (not dumped) to 80%

465. In comparing the export prices and normal values the Ministry has found that of the 264 transactions over the POI for which export prices and normal values could be calculated, ██████ transactions were dumped and ██████ transactions were not dumped.

466. These transactions equate to ██████ units or 43 percent of exports being dumped and the remaining ██████ units or 57 percent were not dumped.

467. Section 11 of the Act stipulates that an investigation must be terminated when there is insufficient evidence of dumping or injury to justify proceeding. This reflects a similar requirement within the Agreement.

468. Paragraph 8 of Article 5 of the Agreement requires that the dumping margin shall be considered de minimis if it is less than two percent of the export price. The weighted average dumping margins for Chee Wah, NM Paper and Tan Eng are greater than two percent and are therefore not de minimis. The exports by Ruho were not dumped and are consequently de minimis. It is therefore proposed that the investigation should be terminated in respect of Ruho.

Submission by Candida in Response to the EFC Report

469. In response to the EFC report Candida said it accepts that the CBS should be sub-categorised but it considered that the four sub-categories still grouped disparate goods together which is illustrated by the range of base prices within each sub-category used to establish an ex-factory export price(s).

470. Candida stated that if the goods are really the same within each sub-category then the Ministry should take into account undumped transactions. By isolating the dumped transactions only, the Ministry has established a dumping margin for a sub-category as a whole even though another transaction of the same good within the same sub-category may not be dumped.

Ministry's Consideration of the Issues

471. Over the POI the Malaysian exporters exported a large range of CBS to New Zealand as demonstrated by the dimensions of the subject goods illustrated at paragraph 77. The Ministry considers that in analysing the injurious impact of dumping, given the disparate nature of the product under investigation, it could more accurately carry out this analysis by grouping the product into sub-categories to the extent it was practical to do so. In doing so, the Ministry looked at what feature was common between all types and with input from interested parties the CBS was able to be separated into sub-categories by its binding method. The Ministry notes that Candida, while accepting that sub-categories are suitable, did not provide a suggestion of an alternative. The Ministry is satisfied that the separating into sub-categories by the binding method is appropriate given the range of goods.

472. In using a transaction-to-transaction method to establish whether a good is dumped, a particular type of product that is exported is matched with the same (or as near as possible the same) type of product sold on the domestic market of the country of origin, i.e., the transactions are compared on a model-by-model basis and not by sub-category. Only the volume of those transactions found to be dumped are included in the volume of dumped imports used in the injury analysis. The volume of undumped transactions is included with the volume of "other" (undumped) imports in the injury analysis. The Ministry considers this approach focuses on the dumped goods only when considering whether dumped imports have caused injury and means that in calculating weighted average dumping margins it is appropriate to do so on the basis of dumped transactions only as only these transactions have been used in the injury analysis.

4.5 Volume of Dumped Imports

473. If the volume of dumped CBS, expressed as a percentage of total imports of like goods into New Zealand is below three percent, Paragraph 8 of Article 5 of the Agreement requires that this volume shall normally be regarded as negligible. New Zealand's practice is, where possible, to assess the volume of imports for negligibility over the POI.

474. As discussed in paragraph 81, the only items where unit volumes are recorded by Customs are for tariff items and statistical keys 4820.10.00 11H, 4820.10.00 21E and 4820.20.00.00F. No statistical unit is available for the other two tariff items and statistical keys. The Ministry has therefore evaluated the volume of imports from the Customs data and the dumping calculations by calculating the cost-insurance-freight (CIF) figures, as a proxy for volumes. This method has also been used in the injury section to make comparisons with New Zealand market data.

475. Table 4.6 shows the Ministry's assessment of the dumped import volumes, using CIF values as a proxy, of CBS from Malaysia. Imports by Croxley as the industry are listed separately and excluded from the assessment of negligibility of total dumped imports.

Table 4.6: CIF Value of Dumped Imports (Year Ended 31 January 2007)

	Value (NZD)	Percentage of Total
Dumped Malaysian CBS	██████████	██████████
Imports of Dumped Malaysian CBS by Croxley	17,461	██████████
Non-Dumped Imports from Malaysia	673,105	██████████
Other Imports	8,026,868	██████████
Total Imports	██████████	100%

476. As Table 4.6 illustrates dumped imports of CBS from Malaysia, excluding those by Croxley, are ██████████ percent of total imports of CBS over the POI and therefore are not considered negligible.

4.6 Conclusions Relating to Dumping

477. The investigation has established that ██████████ units of CBS or 43 percent of CBS exports from Malaysia have been dumped during the POI. Dumping margins as a percentage of export prices range from -94 per cent (un-dumped) to 80 per cent (dumped).

478. The volume of dumped exports is more than negligible in terms of Paragraph 8 of Article 5 of the Agreement. The dumping margins of Chee Wah, NM Paper and Tan Eng are more than de minimis in terms of Paragraph 8 of Article 5 of the Agreement.

479. Ruho's exports were not dumped and it is therefore proposed that the investigation should be terminated in respect of this company.

5. Evidence of Material Injury

5.1 Introduction

480. Section 10 of the Act outlines the evidence of material injury that must be provided in an application. Material injury is considered for the industry as a whole, or in the absence of information from all producers, in relation to those producers that constitute a major proportion of the New Zealand industry, regardless of whether an application has been supported by all producers.

481. An application can be made on the basis of either current material injury or the threat of material injury. When no current material injury is found the Ministry assesses the extent to which a threat of material injury may exist using the guidelines in paragraph 7 of Article 3 of the Agreement. The Agreement states that a threat of material injury has to be clearly foreseen and imminent, being beyond mere allegation, conjecture or remote possibility.

482. Material injury is assessed by comparing data for an injury factor against the data in a period unaffected by dumping. Croxley has stated that injury first occurred in 2001 and that it escalated to serious material injury in 2005. For the purpose of assessing material injury, Croxley provided data relating to volumes of sales, revenue, costs of production, and gross profit for 613 SKUs manufactured in New Zealand from 1 January 2003 to 31 December 2006. This data covers the full range of CBS goods which are like goods to the Malaysian CBS. Due to a change in its accounting and finance system (including a change in financial year used), for the period from 2000 to 2002 Croxley was able to provide financial data relating to revenue only. SKUs identified as relating to goods destined for export to Australia have been excluded by Croxley but exports to the Pacific Islands are still included. The Ministry is satisfied that these sales are small enough to have no material effect on the analysis of material injury suffered by Croxley.

483. As discussed from paragraph 62, material injury is assessed in relation to the New Zealand industry, which in the present case is Croxley only. The investigation has identified other New Zealand manufacturers of CBS and the next largest manufacturer, Candida, provided the Ministry with substantive information. Therefore, while the impact of the Malaysian imports upon these other manufacturers is not relevant for assessing whether any material injury is being suffered by the New Zealand CBS industry, as defined by the Act, the impacts on the indicators below are important for helping assess the extent of any other causes of injury to Croxley as the New Zealand industry. Following the analysis for Croxley as the New Zealand industry for each indicator, the Ministry has considered the data provided by other New Zealand manufacturers. Kurtovich and Officeline are included with 'other New Zealand producers' figures for market share and import volume analysis but, as they did not participate in the investigation, material injury analysis of their operations as New Zealand manufacturers has not been conducted.

484. The import data is in years ended 31 January to align it with the POI. Croxley's financial figures are years ended 31 December while Candida's are years ended 31 March. Croxley has estimated the portion of local manufacture by other companies

for 2006. These estimated figures relate to total CBS sales volumes and they have been used for a comparison of the New Zealand consumption and production in the import volume and injury tables (below). Verified customer specific rebates granted by Croxley have been deducted from gross sales revenue figures. The cost of freighting CBS to customers and freight rebates have not been deducted from gross revenue, so Croxley's average prices are on a FIS basis.

485. Croxley was able to provide the Ministry with revenue information from its old accounting software, covering a wider range of goods than that defined by the goods description, relating back to 2001. Croxley's production volume of like goods constitutes 99.4 percent of this broader range, so the Ministry is satisfied the data can be used reliably as an injury indicator. This data has been used for import volume, market share, and revenue analysis for years before 2003.

5.2 Import Volumes

486. Sub-section 8(2) of the Act directs that consideration shall be given to increases in import volumes relative to the volumes manufactured and consumed in New Zealand.

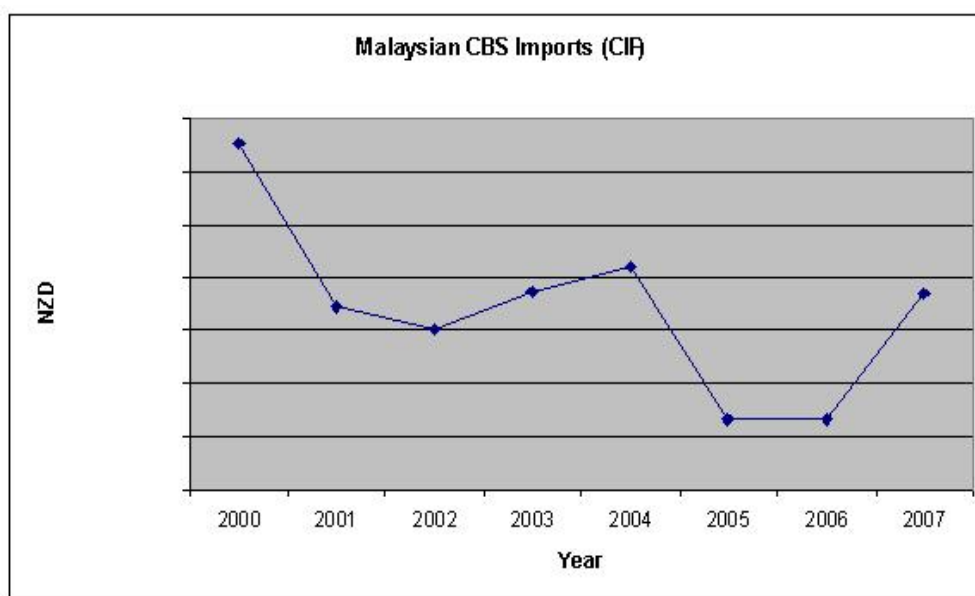
487. As discussed from paragraph 81 and in section 4.6, for two of the five tariff items and statistical keys under which the subject goods enter New Zealand, there is no quantity recorded in the import data. Accordingly CIF figures have been used to estimate the trends in the underlying import volumes alongside the limited quantitative data.

488. Only the volume of dumped transactions (those with a dumping margin greater than zero) is included in the volume of dumped imports used in the analysis of injury. Non-dumped transactions from Malaysia are included in the volume of 'other' (or non-dumped) imports for the analysis of injury. To estimate the volume of dumped imports in periods outside of the POI, the percentage of imports of the goods under investigation over the POI found to be dumped has been applied to the total imports of CBS from Malaysia in periods outside of the POI. All dumped and 'other import' volumes are based on customs data for the relevant year ended 31 January. Depending on the date of import, some of the injurious effects of dumped imports may therefore be felt in the following year, when the goods are sold.

489. Import values have been reduced by [REDACTED] percent to account for the proportion of imports entering under the five tariff items and statistical keys that are not CBS within the subject goods description. This adjustment has been made by calculating the volume of CBS imported by Candida that falls outside the description as a percentage of the total imports by Candida under the relevant tariff items. A small portion (seven percent) of the subject goods, known as 'visual diaries', have been incorrectly classified under the tariff item and statistical key relating to diaries (4820.10.00.02J). Entries over the POI relating to these transactions have been identified and the volume of imports since 2000 has been adjusted upwards by the proportion they represent of total dumped CBS.

Table 5.1: New Zealand Market (CIF Values and Sales)

	2000	2001	2002	2003	2004	2005	2006	2007
Dumped Imports from Malaysia								
Croxley's Dumped Imports	18,958	14,158	12,821	15,770	13,820	4,577	6,483	17,461
Other Imports	7,841,671	8,793,716	8,941,066	7,292,702	7,551,524	7,999,306	7,598,839	8,699,972
Total Imports								
NZ Industry								
NZ Market								
As a Percentage of Consumption:								
Dumped Imports from Malaysia								
Other Imports								
NZ Industry								
As a Percentage of Production:								
Dumped Imports from Malaysia								
Other Imports								
Change on Previous Year:								
Dumped Imports from Malaysia								
Other Imports		952,046	147,350	-1,648,364	258,822	447,782	-400,468	1,101,134
Total Imports								
NZ Industry								
NZ Market								
% Change:								
Dumped Imports from Malaysia		-47.4%	-12.5%	24.0%	12.8%	-68.4%	-0.6%	178.3%
Other Imports		12.1%	1.7%	-18.4%	3.5%	5.9%	-5.0%	14.5%
Total Imports		7.2%	1.1%	-16.9%	4.0%	1.6%	-4.9%	17.6%
NZ Industry								
NZ Market								

Graph 5.1: Movement in Dumped Malaysian CBS CIF Values

490. Dumped imports from Malaysia, as measured by value, have fluctuated over the period, but have decreased 44 percent since 2000, and increased seven percent since 2001. Between 2006 and 2007 the value of dumped imports rose by 178 percent. The value of dumped imports, relative to New Zealand consumption and production, has followed a similar pattern. Table 5.1 shows that New Zealand consumption, shown by the total market value, has shrunk seven percent since 31 January 2001.

491. Because of the limited volume data relating to CBS imports, the Ministry has calculated CIF values as a proportion of volume across the tariff items and statistical keys for which there is volume data available, to assess the extent to which the trends in the value of imports matches the trends in import volumes and to assess trends in the unit values of the entries. This data represents only eight percent of total CBS imports by value in the year ended 31 January 2007.

Table 5.2 Imports for Tariff Item and Statistical Keys 4820.10.00 11H, 4820.20.00.00F, 4820.10.00 21E

	2000	2001	2002	2003	2004	2005	2006	2007
Volume Dumped Imports from Malaysia								
Other Imports Volumes	8,130,043	75,171,852	146,527,448	55,059,394	18,562,183	10,223,892	14,524,370	12,347,789
Total Import Volumes								
CIF Value (Dumped)								
CIF as % of volume Dumped	44%	60%	22%	35%	31%	43%	39%	7%

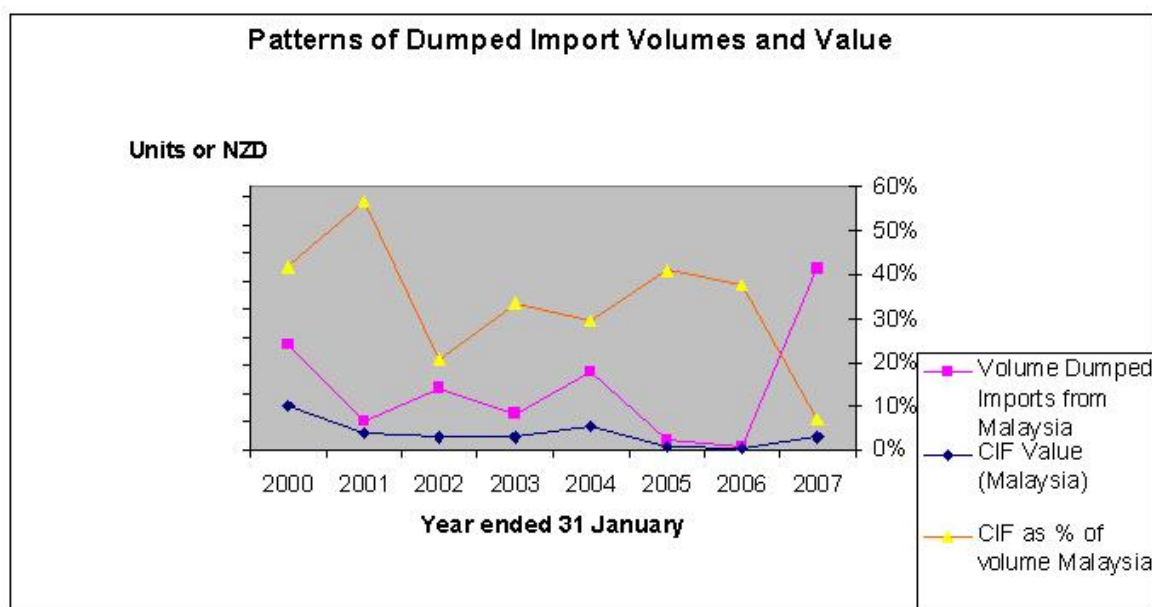
CIF Value (Other)	2,439,701	2,498,757	3,690,180	1,668,660	1,908,343	1,981,327	1,619,841	574,340
CIF as % of volume Other	30%	3%	3%	3%	10%	19%	11%	5%
CIF Value (Total Imports)	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████
CIF as % of volume Total	██████	████	████	████	██████	██████	██████	████

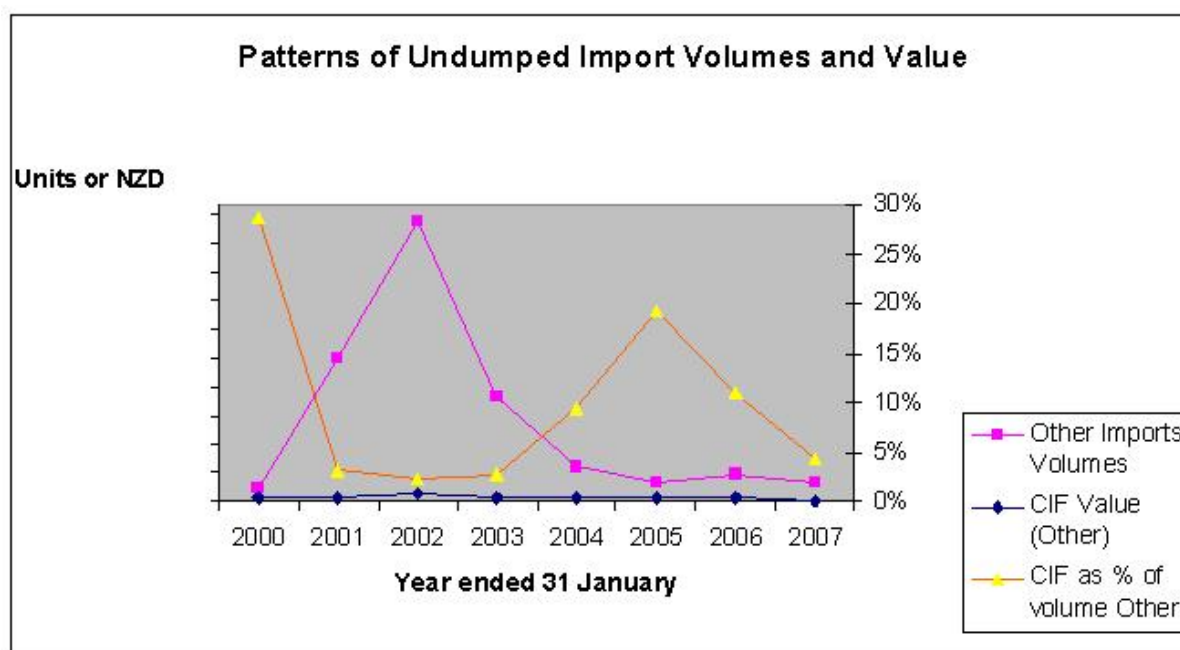
492. CIF values of dumped Malaysian CBS as a proportion of volume have decreased dramatically from a peak of 60 percent in 2001 to a low of seven percent in 2007. Between 2006 and 2007, this proportion fell from 39 percent to seven percent, showing that the increase in imports from 2006 to 2007 has consisted of much lower value goods than in previous years.

493. In relation to other imports, CIF values have declined from a peak of 30 percent in 2000 to a low of three percent in 2002. From 2006 to 2007, this proportion fell from eleven percent to five percent, indicating a significant reduction in unit values over this period, but the fall in unit values was far less marked than that for dumped imports.

494. The following graphs show the trends in import volumes compared to the underlying NZD CIF values that have been used as a proxy for volume.

Graph 5.2: Comparison between Dumped Malaysian CIF Values and Quantity



Graph 5.3: Comparison between CIF Values and Quantity (Other Imports)

495. The table and the two graphs above show that there is little correlation between CIF values and volume. For dumped imports, the graph shows the marked divergence between volume and value in 2007 to an extent not experienced in prior periods, which indicates a drastic reduction in value accompanied by a large rise in the volumes imported.

496. The volume of undumped imports has increased and then decreased considerably since 2000. A decrease in the value of undumped imports as a proportion of volume between 2005 and 2006 (19 percent down to eleven percent) has preceded a more pronounced drop in Malaysian imports' value. This suggests that dumping of Malaysian CBS has been a response to competitive pressure from other global producers.

Conclusion

497. Croxley submitted that injury as a result of dumping was first experienced in 2001 and that the injury became serious in 2005. This claim is supported by the evidence of a peak in dumped Malaysian imports in 2000, the second highest volume of dumped imports occurring in 2004, and a further sharp increase from 2006 to 2007.

498. Data provided shows that, between 2000 and 2007, there has been a 44 percent decrease in the CIF value of imports of CBS from Malaysia recorded under the five tariff items and statistical keys. Whilst imports of dumped goods have not increased since the pre-injury period, import value has increased seven percent since the peak and increased 178 percent between 2006 and 2007. The sharp divergence between the value and volume of import for those tariff items where volume information is available from 2006 to 2007 indicates that the volume of dumped imports is likely to have increased in 2007 beyond that reached in any of the

previous years under review. The poor correlation between the trends in import volumes and CIF values means that only limited reliance can be placed on the import volumes as estimated using CIF as a proxy for volume.

499. Relative to New Zealand production and consumption, dumped imports from Malaysia have also increased from 2004 to 2006. The fact that the value of dumped CBS as a proportion of volumes for eight percent of imports has declined significantly suggests that price competition among overseas exporters to New Zealand is very strong.

5.3 Price Effects

500. Sub-section 8(2) of the Act sets out several price effects that need to be considered when assessing material injury, which are undercutting, suppression and depression. Each of these is set out below.

Price Undercutting

501. Price undercutting refers to the extent that the allegedly dumped Malaysian CBS is sold more cheaply than CBS made in New Zealand. Prices are compared at the point that the Malaysian CBS first competes with CBS made in New Zealand (referred to as the level of trade). The level of trade is determined for each importer and therefore prices from several importers may be considered at different points in the supply chain.

502. There are a large number of different product types that make up CBS from Malaysia. Such a large range of types makes it difficult to match an equivalent product imported from Malaysia with those produced by Croxley. As advised in paragraph 89 the Ministry has categorised the CBS according to the binding method i.e. pad, hard covered, limp/soft covered and wire bound stationery.

503. The Ministry has established prices of Croxley's CBS for the year ended 31 December 2006 by taking the upper and lower ranges of Croxley's average FIS selling prices for each sub-category (adjusted for customer specific rebates but not freight, as described in paragraph 484). The average FIS price for this period for each sub-category has also been used as a comparison for analysis of price undercutting by dumped imports.

504. Subsequent to the release of the EFC report the Ministry corrected an error in the calculation of Croxley's average FIS prices which are lower than those used in the EFC report. The effect of the correction of this error reduced the margin of price undercutting but the margins are still significant for all of the importers for which a price undercutting comparison was undertaken, except for Jasco. In the case of Jasco there is no longer any price undercutting when weighted average prices are considered, although there is still some price undercutting when Jasco's lowest and highest prices are compared with Croxley's lowest and highest prices. The volumes of dumped goods imported by this company, however, are not significant and there is still significant price undercutting by dumped goods imported by other companies

from the same supplier. The Ministry therefore does not consider that the correction of this error has any material impact on its conclusions relating to injury to the New Zealand industry.

505. The Ministry has calculated prices of the CBS from Malaysia according to the level of trade each importer represents for each CBS sub-category. The prices have been calculated on a weighted average basis and are calculated for only those goods found to be dumped.

506. Since the release of the EFC report and as a consequence of revisiting the dumping transactions of Chee Wah further transactions were found not to be dumped. These additional transactions have been removed in the calculations of average and weighted average prices for the sub-categories.

507. To measure the extent of price undercutting the Ministry has made its comparisons using two methods:

- A comparison of the range of average prices over the POI of the four sub-categories for both CBS produced by Croxley and that imported from Malaysia; and
- A comparison of the weighted average price over the POI of the four sub-categories for both CBS produced by Croxley and that imported from Malaysia.

508. The following paragraphs discuss for each importer, the level of trade, calculation of prices and the extent of price undercutting, against the average Croxley FIS selling price. The percentage of price undercutting shown in these tables is the amount of undercutting as a percentage of Croxley's selling price.

Blue Stripe Wholesale (NZ) Limited

509. Blue Stripe import CBS from [REDACTED]. Blue Stripe advised that it is a small firm with limited resources and therefore was unable to respond to the extent required by the Ministry. The exporter, [REDACTED] advised that it does not have an exclusive arrangement with Blue Stripe and it viewed Blue Stripe as a distributor.

510. The price point at which the Ministry considers that purchases of CBS by Blue Stripe from Malaysia first compete with those produced by the industry is at the into-store price.

511. The Ministry verified information provided by Blue Stripe's exporter, [REDACTED]. The Ministry has used the CNF invoiced values from [REDACTED] to Blue Stripe on which to base its calculation to establish an into-store price per unit. From the invoiced CNF values the Ministry has added costs relating to overseas insurance, port clearance fees, customs clearance, cartage to store and devanning fees.

512. In the absence of information from Blue Stripe on its costs after CNF, the Ministry has used figures from Customs data and [REDACTED]. The value of overseas insurance has been apportioned on a per unit basis according to the estimated proportion that CBS occupied in each shipment to New Zealand.

513. Over the POI Blue Stripe imported pads and limp covered stationery. The Ministry has established that on a transaction to transaction basis [REDACTED] transactions were dumped. These transactions equated to [REDACTED] units of pads. The Ministry established that some imports of pads were not dumped and all imports of soft/limp covered CBS were not dumped.

514. The following tables show the comparison of prices established on the basis set out above.

Table 5.3 Blue Stripe Price Undercutting Range

	Croxley		Blue Stripe		P/U Lowest	P/U Highest	P/U Lowest as %	P/U Highest as %
	Lowest	Highest	Lowest	Highest				
	Pads	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	-[REDACTED]%

515. Table 5.3 shows a large range in price undercutting by Blue Stripe's pad imports, from -[REDACTED] percent (no undercutting) to [REDACTED] percent of Croxley's prices.

Table 5.4 Blue Stripe Weighted Average Price Undercutting

	Croxley's Average Price Per Unit	Blue Stripe's Weighted Average Price per Unit	P/U	P/U as %
Pads	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]%

516. Comparing Croxley's average price with Blue Stripe's weighted average price yields [REDACTED] percent price undercutting.

Bright Ideas Enterprises Limited

517. Bright Ideas act as an intermediary between the Malaysian supplier, [REDACTED] and its New Zealand customers.

518. Bright Ideas sells its CBS from Malaysia on an FOB basis therefore in effect it is an exporter. Bright Ideas is a New Zealand based company and it can either choose to supply its New Zealand customers with CBS from Malaysia or to purchase its CBS from the New Zealand producers.

519. The price point the Ministry considers that purchases of CBS by Bright Ideas from Malaysia first compete with those produced by the industry is at the FOB amount, in effect an ex-Bright Ideas price.

520. The Ministry verified information from Bright Ideas Malaysian supplier, [REDACTED]. To establish a price on which to measure the extent of price undercutting the Ministry has used Customs information. The Ministry has used the FOB amount declared to Customs as this amount differs from the invoiced value between the

Malaysian supplier and Bright Ideas New Zealand customer therefore it is most likely that the FOB value includes Bright Ideas commission.

Table 5.5 Bright Ideas Price Undercutting Range

Category	Croxley		Bright Ideas		P/U Lowest	P/U Highest	P/U Lowest as %	P/U Highest as %
	lowest	highest	lowest	highest				
Hard							%	%

521. Bright Ideas highest and lowest hard cover book prices are undercutting Croxley's equivalent prices by % percent and % percent respectively.

Table 5.6 Bright Ideas Weighted Average Price Undercutting

Category	Croxley's Average Prices per Unit	Bright Ideas Weighted Average Price	P/U	P/U as %
Hard				%

522. A comparison of average prices shows Bright Ideas' imports undercutting Croxley's prices by % percent.

Buzz Boys Limited

523. Buzz Boys act as an intermediary between the Malaysian supplier, and its New Zealand customers.

524. Buzz Boys sells its CBS from Malaysia on an FOB basis therefore in effect it is an exporter. Buzz Boys is a New Zealand based company and it either chooses to supply its New Zealand customers with CBS from Malaysia or to purchase its CBS from the industry.

525. The price point the Ministry considers that purchases of CBS by Buzz Boys from Malaysia first compete with those produced by the industry is at the FOB value, in effect an ex-Buzz Boys price.

526. The Ministry verified information from Bright Ideas Malaysian supplier, . To establish a price on which to measure the extent of price undercutting the Ministry has used Customs information. The Ministry has used the FOB amount declared to Customs as this amount differs from the invoiced value between the Malaysian supplier and Buzz Boys New Zealand customer therefore it is most likely that the FOB value includes Buzz Boys commission.

Table 5.7 Buzz Boys Price Undercutting Range

Category	Croxley		Buzz Boys		P/U Lowest	P/U Highest	P/U Lowest as %	P/U Highest as %
	lowest	highest	lowest	highest				
Hard								

Category	lowest	highest	lowest	highest				
Wire								%

527. Buzz Boys highest and lowest wire bound CBS imports are undercutting Croxley's equivalent prices by [redacted] percent and [redacted] percent respectively.

Table 5.8 Buzz Boys Weighted Average Price Undercutting

Category	Croxley's Average Prices per Unit	Buzz Boys Weighted Average Price	P/U	P/U as %
Wire				%

528. Table 5.8 shows Buzz Boys' weighted average import prices undercutting Croxley's prices by [redacted] percent.

Candida Stationery Limited

529. Candida is a producer of CBS and an importer. It imports CBS from [redacted].

530. Candida's business strategy is to consider whether it is cheaper to import than to manufacture. In relation to [redacted] it makes its comparisons on a [redacted] basis as all other costs are incurred irrespective of whether it is paper or a finished good that is imported.

531. The price point at which it makes its decision to either purchase its CBS from Malaysia or produce it itself is at the into-store price.

532. The Ministry has verified information provided by Candida and its Malaysian supplier, [redacted]. Candida purchases its CBS on a CFR basis. The Ministry has used the invoiced values and added to this the amount for overseas insurance, port clearance fees, customs clearance fees, cartage to store and devanning fees provided by Candida.

Table 5.9 Candida Price Undercutting Range

	Croxley		Candida		P/U	P/U	P/U as %	P/U as %
Category	lowest	highest	lowest	highest				
Hard								
Wire								

533. Table 5.9 shows undercutting of two sub-categories of CBS produced by Croxley. Lowest prices are undercut by between -[redacted] percent (no undercutting) and [redacted] percent, while highest prices are undercut by between [redacted] percent and [redacted] percent.

Table 5.10: Candida Weighted Average Price Undercutting

Category	Croxley's Average Prices per Unit	Candida's Weighted Average Price per Unit	P/U	P/U as %
Hard	██████████	██████████	██████████	██████████%
Wire	██████████	██████████	██████████	██████████%

534. Average prices of Croxley's like goods have been undercut by Candida's weighted average prices by between ██████ and ██████ percent.

Draw-Art Supplies Limited

535. Draw-Art imported CBS from ██████████. Draw-Art explained that it imports a small range of high quality artist pads that are made from acid free paper from ██████████.

536. The Ministry holds very limited information, so it was not possible to calculate a unit price either at FOB or CIF values. The Ministry is therefore unable to compare the prices of CBS imported by Draw-Art with that produced by Croxley.

Harper Collins Publisher (NZ) Limited

537. The Ministry established that the CBS from Malaysia supplied to Harper Collins was not dumped.

Jasco Pty. New Zealand Ltd

538. Jasco imported CBS from its Australian associated company Jasco AU and directly from a Malaysian supplier, ██████████. Jasco purchases its CBS from ██████████ and Jasco AU on a CIF basis and an ██████████ basis respectively.

539. Over the POI Jasco imported visual diaries and limp/soft covered exercise books. Jasco submitted that its sales are to the art and craft market as well as the commercial market. Jasco believes that goods sourced from Malaysia ██████████ ██████████.

540. Jasco's business strategy is to sell its CBS before importation and pass on any savings to the retailers so that its customers do not have to pay costs associated with storing the CBS for a period of time. The exercise books for the BTS season are pre-ordered 5 months in advance. With regards to sales of hard covered CBS Jasco has ██████████. Jasco stated that it sells hard covered CBS to ██████████ because Croxley ceased to supply its goods to ██████████ at trade terms.

541. Jasco does not hold a contract with its Malaysian supplier, ██████████ preferring to purchase on an order by order basis. It negotiates its pricing with ██████████ on the basis of the volume of goods exported to its associated company

in Australia and its own purchases for the New Zealand market. Jasco stated that the more commitment by a group of companies to a range of goods the better the price.

542. Jasco submitted that most CBS are commodity products where the price is determinative in the purchasing decision. Most of larger retailers have the buying power to put pressure on suppliers to reduce their prices, thereby reducing retail prices. The current climate and the favourable New Zealand exchange rate makes the prices of imports more competitive with the CBS produced by Croxley and Candida.

543. Jasco submitted that the first point of competition between its imports and that of the industry is at the retailer level. The Ministry is of the view that the first price-point is Jasco's into-store price compared with the industry FIS price.

544. When a decision is made to either import or to purchase CBS from the industry the considerations relate to the purchase price, discount level and transportation of the goods to their destination. As CBS is a commodity product, on which price is a determinative factor in the purchasing decision it is the price of the goods that is foremost a consideration as to which firm to purchase the goods from. Any other costs from this point on can vary and in some cases significantly. For example a large retailer may benefit from transportation from the warehouse to the retailer's store based on volume purchased and frequency of loads whereas a smaller firm may purchase infrequently and of smaller loads and therefore the cost could be higher. These cost variances either decrease or increase the price and therefore a price comparison for price undercutting purposes would not be based on the price of the goods but the price and all other costs which may inflate or understate the actual price. To remove any variances in cost savings that may occur between purchasing firms the Ministry has used Jasco's into-store price as the price point at which to make the comparison with the industry's into-store price.

545. The Ministry has established into-store prices of the CBS imported by Jasco based on the information provided by Jasco. The base price is the unit price in USD or AUD converted to NZD using Customs exchange rates as at the date of import. The CBS from Malaysia that was exported via Australia was purchased on an ex-works basis which includes insurance but not overseas freight. The CBS from Malaysia sent directly to New Zealand was purchased on a CIF basis. From these values has been added, where applicable, overseas freight, port clearance fees and cartage to store costs to establish an into-store price per unit.

Table 5.11 Jasco Price Undercutting Range

	Croxley		Jasco NZ		P/U	P/U	P/U as %	P/U as %
Category	lowest	highest	lowest	highest				
Pads								
Hard								

546. Pads and hard cover books have been undercut by Jasco by between - [redacted] percent (no price undercutting) and [redacted] percent of Croxley's lowest and highest prices.

Table 5.12: Jasco Weighted-Average Price Undercutting

Category	Croxley's Average Prices per Unit	Jasco NZ Weighted Average Price	P/U	P/U as %
Pads	[redacted]	[redacted]	-[redacted]	-[redacted]%
Hard	[redacted]	[redacted]	-[redacted]	-[redacted]%

547. Jasco's weighted average prices are not undercutting Croxley's average prices.

Le Jardin Enterprises Limited

548. Le Jardin acts as an intermediary between a Malaysian supplier and its New Zealand customers. According to information provided to the Ministry, Le Jardin is one of the same group of companies as Buzz Boys and Bright Ideas and is no longer trading, however, over the POI it did facilitate the sale of CBS from Malaysia.

549. The price point the Ministry considers that purchases of CBS by Le Jardin from Malaysia first compete with those produced by the industry is at the FOB value, in effect an ex-Le Jardin price.

550. The Ministry verified information from Le Jardin's Malaysian supplier, [redacted]. To establish a price on which to measure the extent of price undercutting the Ministry has used Customs information. The Ministry has used the FOB amount declared to Customs as this amount differs from the invoiced value between the Malaysian supplier and Le Jardin's New Zealand customer therefore it is most likely that the FOB value includes Le Jardin's commission.

Table 5.13: Le Jardin Price Undercutting Range

Category	Croxley		Le Jardin		P/U Lowest	P/U Highest	P/U Lowest as %	P/U Highest as %
	lowest	highest	lowest	highest				
Wire	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]%	[redacted]%

551. Croxley's wire bound stationery are being undercut by Le Jardin imports by [redacted] percent with respect to the lowest prices, and [redacted] percent at the upper range.

Table 5.14 Le Jardin Weighted Average Price Undercutting

Category	Croxley's Average Prices per Unit	Le Jardin's Weighted Average Price Per Unit	P/U	P/U as %
Wire	[redacted]	[redacted]	[redacted]	[redacted]%

552. Le Jardin's wire bound imports are undercutting Croxley's domestic prices by [REDACTED] percent.

Sims Distributing Company (division of Puraclene Products (NZ) Limited)

553. Sims imported CBS [REDACTED]. Sims imports a wide range of stationery products. These products include hard cover CBS of A4, A5, and A7 sizes as well as wire bound CBS of A6 size and scrapbooks. Over the POI Customs data shows that Sims also imported from [REDACTED]. The transactions concerning imports from [REDACTED] have not been included in the price undercutting analysis because of a lack of information.

554. Sims purchases its products on an FOB basis. It is a distributor of stationery products. The price point at which it makes its decision to either purchase its CBS from Croxley or import from Malaysia appears to be at the into-store price. The Ministry has used as its base price the VFD per unit in NZD. To these values the Ministry has added insurance and freight declared to Customs and port clearance fees, customs clearance fees, cartage to store fees and devanning fees provided by [REDACTED].

Table 5.15 Sims Price Undercutting Range

Category	Croxley		Sims		P/U Lowest	P/U Highest	P/U Lowest as %	P/U Highest as %
	lowest	highest	lowest	highest				
Hard	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]%	[REDACTED]%
Wire	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]%	[REDACTED]%

555. Croxley is experiencing [REDACTED] percent undercutting of its lowest pad prices and [REDACTED] percent of its lowest wire bound CBS prices by Sims. At the other end of the value scale, Sims is undercutting prices by [REDACTED] and [REDACTED] percent.

Table 5.16: Sims Weighted Average Price Undercutting

Category	Croxley's Average Prices per Unit	Sims Weighted Average Price	Undercutting	Undercutting %
Hard	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]%
Wire	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]%

556. Sims is undercutting the average prices for hard cover and wire bound CBS by [REDACTED] percent and [REDACTED] percent.

The Warehouse Limited

557. The Warehouse import CBS [REDACTED]. The Warehouse did not provide any information therefore the Ministry used the best available information as provided for under section 6 of the Act.

558. The price point at which it makes its decision to either purchase its CBS from Croxley or import from Malaysia appears to be at the into-store price. The base price has been established from information provided by [REDACTED] and Customs and costs associated with overseas freight, insurances and customs clearance costs have been established from information provided by Customs and [REDACTED].

Table 5.17 The Warehouse Price Undercutting Range

Category	Croxley		The Warehouse		P/U Lowest	P/U Highest	P/U Lowest as %	P/U Highest as %
	lowest	highest	lowest	highest				
Hard	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]%	[REDACTED]%
Wire	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]%	[REDACTED]%

559. The Warehouse's prices are undercutting Croxley's low and high prices of hard and wire bound CBS by between [REDACTED] and [REDACTED] percent.

Table 5.18 The Warehouse Weighted Average Price Undercutting

Category	Croxley's Average Prices per Unit	The Warehouse Weighted Average Price	P/U	P/U as %
Hard	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]%
Wire	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]%

560. Weighted average prices of the Warehouse are undercutting Croxley's prices by between [REDACTED] percent and [REDACTED] percent.

Price Depression

561. Price depression occurs where prices achieved by New Zealand manufacturers are lower than those achieved in a period unaffected by dumped goods.

562. Croxley submitted that it has been forced to depress prices in response to the Malaysian CBS being offered by Candida. Croxley stated that in [REDACTED] instances it was necessary to reduce its prices to prevent a loss of sales due to dumped imports of Malaysian origin CBS. Croxley contends that its customers' increasing demands for price reductions in recent years can be linked to, inter alia, the availability of dumped imports from overseas.

563. The Ministry has compared Croxley's average per unit prices since 2003 for all like goods and by the four sub-categories. The ability to compare pricing data for all like goods back to the pre-injury period is precluded by the lack of SKU level price information on Croxley's sales, due to a change in accounting system and financial year, as discussed at paragraph 482.

564. The average prices have been adjusted by the verified schedule of [REDACTED], so calculations differ from those presented in the Ministry's initiation report. Rebates rose over the period and the level of actual (net) price depression during the period was previously understated.

Table 5.19: Croxley Price Depression

	2003	2004	2005	2006
Hard				
Average price per unit	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change		[REDACTED]	[REDACTED]	[REDACTED]
% Change		-[REDACTED]%	-[REDACTED]%	-[REDACTED]%
Limp				
Average price per unit	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change		[REDACTED]	[REDACTED]	[REDACTED]
% Change		-[REDACTED]%	-[REDACTED]%	[REDACTED]%
Pad				
Average price per unit	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change		[REDACTED]	[REDACTED]	[REDACTED]
% Change		-[REDACTED]%	-[REDACTED]%	-[REDACTED]%
Wire				
Average price per unit	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change		[REDACTED]	[REDACTED]	[REDACTED]
% Change		[REDACTED]%	-[REDACTED]%	-[REDACTED]%
Total CBS				
Average price per unit	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change		[REDACTED]	[REDACTED]	[REDACTED]
% Change		-[REDACTED]%	-[REDACTED]%	[REDACTED]%

565. Table 5.19 shows that prices for all sub-categories of like goods have been depressed since 2003, with price depression ranging from [REDACTED] percent to [REDACTED] percent. The average unit price of all Croxley's CBS has decreased [REDACTED] percent since 2003.

566. Price movements for each sub-category are shown below.

Graphs 5.4 to 5.7: Movement in Croxley's Average Prices (Years ended 31 December)



Other New Zealand Manufacturers

Candida

567. Candida produce two sub-categories of CBS in New Zealand: limp covered exercise books and pads – there is no current manufacturing capability for wire-bound or hard-cover CBS. Candida claims that it has not experienced price depression of its domestically produced range due to dumped CBS imports, but it has observed that retailers have decreased some product prices. Candida stated that the prices may illustrate a decline over the period being investigated but this is due to a deliberate decision to accept lower margins and a [REDACTED]. These factors, and increased purchasing power due to investing in storage for bulk paper procurement, have meant no significant margin erosion.

568. Candida said in 2004 it reduced the prices of its Candida metric range as the market was not prepared to pay a level of premium as predicted. Candida claim the decision to not charge a premium for its Candida metric range was not in response to imported CBS from Malaysia but more of an attempt to encourage customers to purchase the metric range rather than the NZS range.

569. Table 5.20 lists Candida's average prices.

Table 5.20: Candida Price Depression

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Limp									
Average price per unit	█	█	█	█	█	█	█	█	█
Change		█	█	█	█	█	█	█	█
% Change		█%	█%	█%	█%	-█%	-█%	-█%	█%
Pad									
Average price per unit	█	█	█	█	█	█	█	█	█
Change		█	█	█	█	█	█	█	█
% Change		█%	█%	-█%	-█%	-█%	█%	-█%	█%
Total CBS									
Average price per unit	█	█	█	█	█	█	█	█	█
Change		█	█	█	█	█	█	█	█
% Change		█%	█%	█%	-█%	-█%	█%	-█%	█%

570. The above table shows that Candida's average prices have fluctuated since 1999 for both subcategories produced by Candida, with the most significant declines in 2006 for pads and 2004 for limp covered stationery. Candida's average price for all CBS increased between 1999 and 2007, but declined between 2003 and 2007. Overall average prices have increased █ percent.

Others

571. Kurtovich and Officeline did not provide any pricing information.

Price Suppression

572. Price suppression exists when New Zealand manufacturers are unable to fully recover increases in costs by raising selling prices.

573. 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 recovered in prices will be reflected in increased cost of production expressed as a percentage of sales revenue. While the inability to recover cost increases in prices is the main indicator of price suppression, the Ministry will consider any other factors raised as positive evidence of price suppression.

574. Croxley states that it was forced to reduce prices █ in 2006 in order to maintain sales volume against prices of Malaysian CBS. Croxley provided evidence of resistance to price increases from its customers.

575. Based on its financial data, the Ministry has calculated the percentage that the cost of production represents of the sales revenue, having adjusted for the rebates extended to customers discussed at paragraph 564. Table 5.21 illustrates those findings.

Table 5.21: Croxley: Price Suppression

	2003	2004	2005	2006
Hard				
Revenue				
Cost of production				
Cost of production as a % of revenue				
Limp				
Revenue				
Cost of production				
Cost of production as a % of revenue				
Pad				
Revenue				
Cost of production				
Cost of production as a % of revenue				
Wire				
Revenue				
Cost of production				
Cost of production as a % of revenue				
Total CBS				
Revenue				
Cost of production				
Cost of production as a % of revenue				

576. Table 5.21 illustrates that the cost of production as a percentage of sales revenue for all CBS has increased since 2003. While this percentage for limp covered books is the same in 2006 as it was in 2003, hard cover exercise books and pads have experienced an increase. There is evidence that there has been suppression of prices.

577. Jasco stated that it believes any price suppression that is evident in the New Zealand market is due to the purchasing power of retail groups. It believes that this bargaining power will continue to suppress prices for suppliers of CBS within the New Zealand market, both importers and manufacturers.

Other New Zealand Manufacturers

Candida

Table 5.22: Candida: Price Suppression (Years ended 31 March)

	2005	2006	2007
Limp			
Revenue	██████████	██████████	██████████
Cost of production	██████████	██████████	██████████
Cost of production as % of revenue	██████%	██████%	██████%
Pads			
Revenue	██████████	██████████	██████████
Cost of production	██████████	██████████	██████████
Cost of production as % of revenue	██████%	██████%	██████%
Total CBS			
Revenue	██████████	██████████	██████████
Cost of production	██████████	██████████	██████████
Cost of production as % of revenue	██████%	██████%	██████%

578. There is no evidence of suppression of Candida's prices. Limp covered books were ██████████ in 2005, but Candida has since ██████████. Candida stated that if the prevailing price of imported CBS in the New Zealand market was less than its cost of manufacture it would cease manufacture, as it had done when the price of photocopying paper dropped below the cost that the raw materials could be imported for.

Others

579. Kurtovich and Officeline did not provide any pricing information.

Conclusion

580. There is evidence that Croxley's prices have been significantly undercut by dumped imports of CBS from Malaysia when its average FIS prices are compared to the weighted-average free-into-store price of dumped imports. In the majority of cases Croxley's lowest and highest prices have also been undercut by the lowest and highest priced dumped goods. Croxley has demonstrated price undercutting ranging from -██████ (not undercutting) to ██████ percent.

581. Pricing data shows that Croxley has experienced price depression and price suppression on all categories of CBS since 2003.

582. The evidence indicates that Croxley has reduced its prices in order to compete with the dumped goods which are significantly undercutting its average prices.

Croxley has reduced its prices despite increases in the cost of goods sold. The Ministry concludes the reduction in prices is due to the substantial undercutting by dumped imports, although pricing pressure may have also occurred from non-dumped imports over the same period.

5.4 Economic Impact

583. Section 8 of the Act requires that the economic impact of the dumped goods on the New Zealand industry be assessed and any other relevant indicators taken into account. These indicators are considered below.

Output and Sales

584. Dumped imports can affect the New Zealand industry's output, sales volume, sales revenue and prices, depending upon the industry's response to the dumped imports.

585. Croxley submitted that its output has been maintained but prices have been depressed in order to achieve this. Output figures have not been provided. Table 5.23 shows sales volumes since 2003.

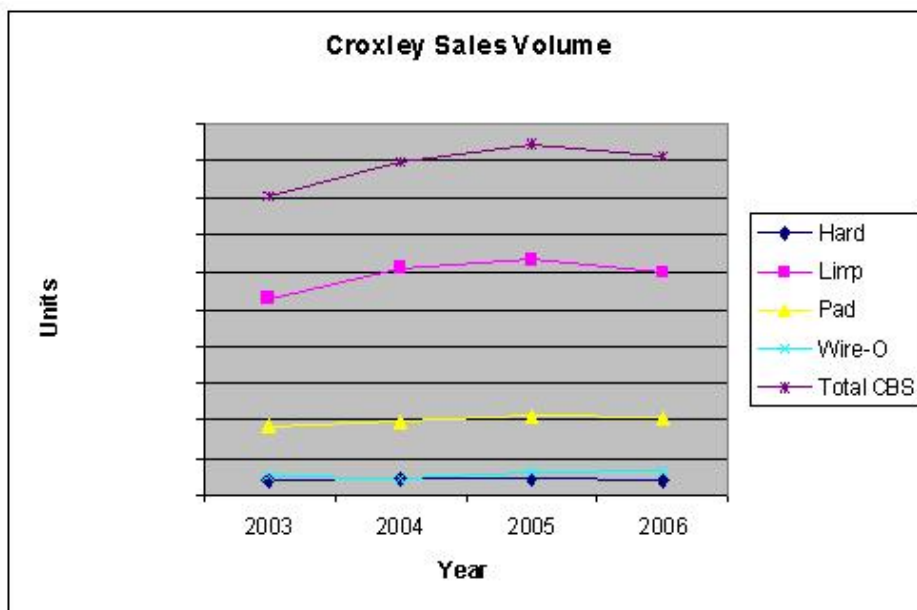
Table 5.23: Croxley Sales Volume

	2003	2004	2005	2006
Hard				
Sales Volume				
Change				
% change		%	%	%
Limp				
Sales Volume				
Change				
% change		%	%	%
Pad				
Sales Volume				
Change				
% change		%	%	%
Wire				
Sales Volume				
Change				
% change		%	%	%
Sales Volume				
Change				
% change		%	%	%

586. Table 5.23 shows that total sales volume decreased in 2006 after year on year increases from the levels observed in 2003 but that total sales volume in 2006 was still 10 percent higher than in 2003. This is consistent with Croxley’s statement that, in response to increased imports of Malaysian CBS, sales have been maintained via reducing prices.

587. All CBS subcategories showed increases in sales, with wire bound CBS experiencing a 10 percent increase over the period. The following graph shows trends in Croxley’s annual sales volume.

Graph 5.8: Croxley’s Sales Volume by CBS Sub-Category



588. When looking at all CBS SKUs, changes in sales volumes for the period 2003 to 2006 for each of the subcategories ranged from 10 to 15 percent. Croxley submitted that, as well as pursuing a production strategy where a good would be imported if it was cheaper than the direct cost to manufacture, in many cases its volume increased to reduce fixed overhead costs. For these reasons, the sales volume figures do not provide evidence of material injury (caused by dumped imports) suffered by Croxley due to dumped imports.

Other New Zealand Manufacturers

Candida

Table 5.24: Candida Sales Volumes

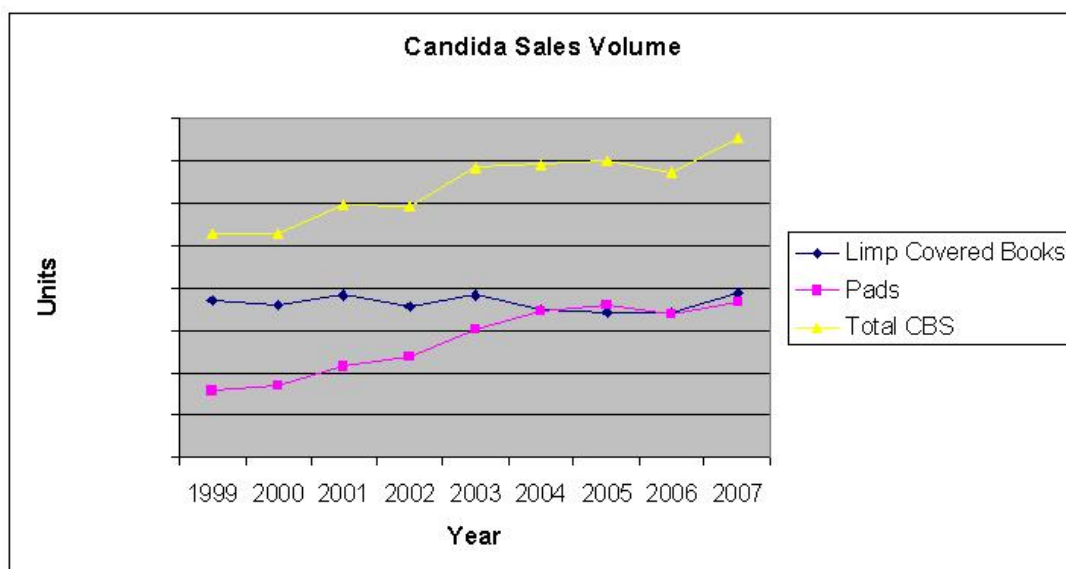
	1999	2000	2001	2002	2003	2004	2005	2006	2007
Limp									
Sales Volume	10	10	10	10	10	10	10	10	10

Change									
% change		%	%	%	%	%	%	%	%
Pad									
Sales Volume									
Change									
% change		%	%	%	%	%	%	%	%
Total CBS									
Sales Volume									
Change									
% change		%	%	%	%	%	%	%	%

589. The total volume of CBS produced over the injury period has increased [redacted] percent from [redacted] units in the financial year ended 31 March 1999, to [redacted] units in 2007, with pads increasing [redacted] percent and limp covered exercise books decreasing [redacted] percent. Candida submitted that pads are displacing exercise books in some schools. This is reflected in the increasing volume of pads as a proportion of Candida’s total CBS output – the injury period has seen the product mix between limp covered books and pads change with pads increasing from [redacted] percent of CBS production to [redacted] percent.

590. The trends in sales volumes are presented graphically below.

Graph 5.9: Movement in Candida’s Production Volumes



Others

591. Kurtovich and Officeline did not provide any sales volume information.





















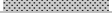
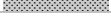
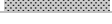

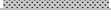
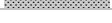




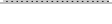



















Sales Revenue


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

593. Croxley submit that it has been forced to depress prices in response to the Malaysian CBS being offered by Candida. This has been done in an attempt to maintain sales contracts with the large stationery retailers and to retain market share.

594. The Ministry has compared Croxley's average sales revenue per unit since 2003 for each of the four CBS subcategories and for CBS as a whole in Table 5.25. This analysis has been made on the basis of sales revenue figures adjusted for rebates, as discussed in paragraph 564.

Table 5.25: Croxley Sales Revenue

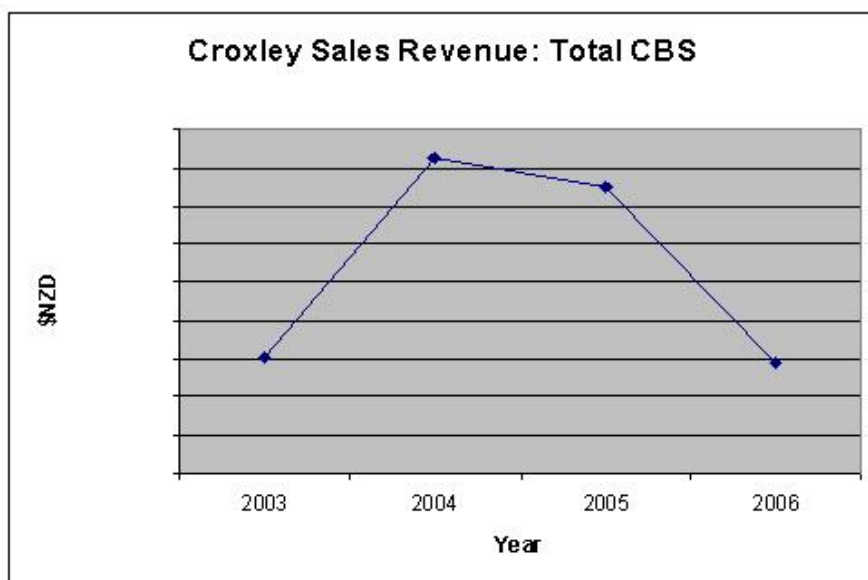
	2003	2004	2005	2006
Hard				
Revenue				
Change				
% change		 %	 %	 %
Limp				
Revenue				
Change				
% change		 %	 %	 %
Pad				
Revenue				
Change				
% change		 %	 %	 %
Wire				
Revenue				
Change				
% change		 %	 %	 %
Total CBS				
Revenue				
Change				
% change		 %	 %	 %

595. Table 5.25 shows fluctuations in total revenue with a decrease of  percent since 2003, in spite of an increase in sales volumes over this period. This is reflected in the price depression shown in Table 5.19 above.

596. The figures regarding sales volume and sales revenue further illustrate that prices have been reduced to maintain sales volume.

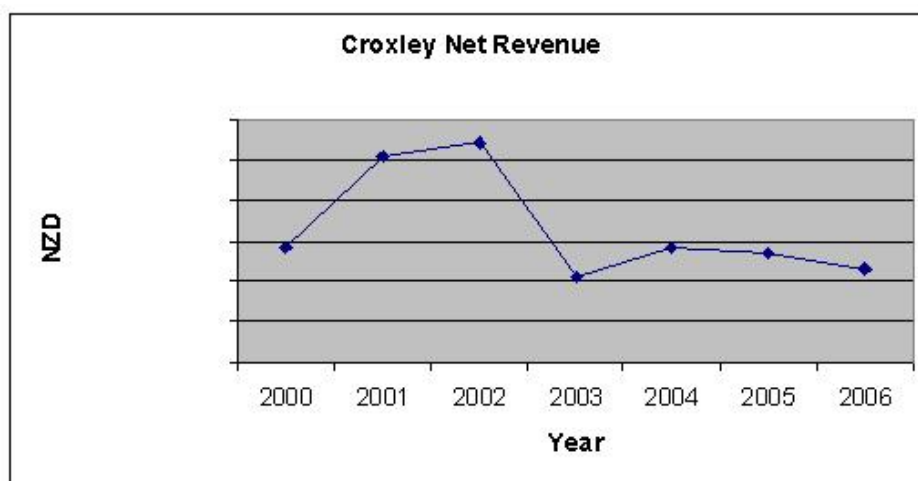
597. The trend in Croxley's net revenue is shown in the graph below.

Graph 5.10: Movement in Croxley's Net Revenue (Year ended 31 December)



598. Croxley's older revenue information from its previous software system (99.4 percent of which constitutes like goods information) back to 2000 is presented below.

Graph 5.11: Movement in Croxley's Net Revenue (Years ended 31 December)



599. The graph shows that Croxley's net revenue decreased percent between 2000 and 2006. A clear downward trend is visible from 2002 to 2006 after two years of strong growth in 2000 and 2001.

Other New Zealand Manufacturers

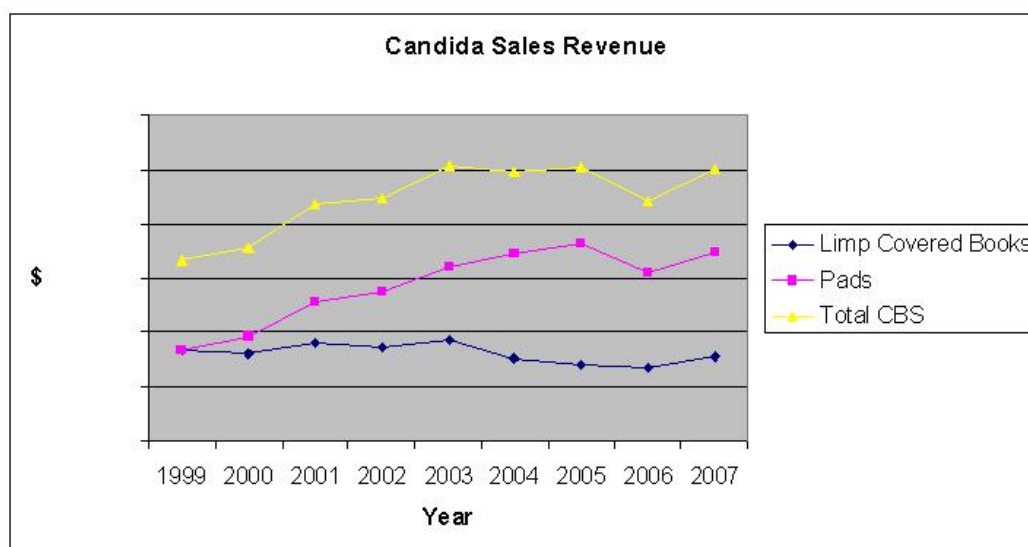
Candida

Table 5.26 Candida Sales Revenue

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Limp									
Revenue	█	█	█	█	█	█	█	█	█
Change		█	█	█	█	█	█	█	█
% change		█%	█%	█%	█%	█%	█%	█%	█%
Pad									
Revenue	█	█	█	█	█	█	█	█	█
Change		█	█	█	█	█	█	█	█
% change		█%	█%	█%	█%	█%	█%	█%	█%
Total CBS									
Revenue	█	█	█	█	█	█	█	█	█
Change		█	█	█	█	█	█	█	█
% change		█%	█%	█%	█%	█%	█%	█%	█%

600. Candida’s total revenue since 1999 has increased █ percent from NZD █ in the financial year ended 31 March 1999, to NZD █ in 2007. Following from the change in product mix, the contribution of pads to sales revenue has increased from █ percent to █ percent.

Graph 5.12: Movement in Candida’s Net Revenue (Years ended 31 March)



601. While limp covered exercise books have decreased since 2003, pads have maintained growth in earnings.

Others

602. Kurtovich and Officeline did not provide any sales revenue information.



Market Share

603. Analysis of market share must consider changes in the size of the total market. A decline in market share when the total market is expanding will not necessarily indicate that material injury is being caused, particularly if the domestic industry's sales are also growing. In addition, the New Zealand industry is not entitled to any particular market share per se.

604. Due to the limitations in the import data market share analysis has been based on value using Croxley's revenue figures and the CIF values, as the Ministry is satisfied this represents the fairest, and only feasible method, of comparison in the absence of actual import volume data for the majority of the imports. The data in the market share table has been compiled on the basis explained at paragraph 489.

Table 5.27: Market Share

	2000	2001	2002	2003	2004	2005	2006	2007
Dumped Imports from Malaysia								
Croxley's Dumped Imports	18,958	14,158	12,821	15,770	13,820	4,577	6,483	17,461
Other Imports	7,841,671	8,793,716	8,941,066	7,292,702	7,551,524	7,999,306	7,598,839	8,699,972
Total Import Value								
Croxley's Domestic Sales								
Candida's Sales								
Other New Zealand producers								
New Zealand Market								
% of Total:								
Dumped Imports from Malaysia								
Croxley's Dumped Imports								
Other Imports								
Croxley								
Candida								
Other NZ producers								

605. As discussed at paragraph 490, the New Zealand CBS market has shrunk  percent since 2000. The size of the market has fluctuated within a narrow band of  percent of its 2000 – 2006 median level.

606. From 2001 to 2007, the market share held by dumped Malaysian imports has fluctuated, peaking in 2004 at [REDACTED] percent and falling to its lowest point in 2005 and 2006, before rising sharply in 2007 to a level slightly above that achieved in 2001. The market share held by other New Zealand manufacturers has declined slightly over the same period. The value of the market share held by Croxley declined by [REDACTED] percentage points over this period and that held by other imports (including undumped Malaysian imports) increased by [REDACTED] percentage points, meaning the reduction in Croxley's share appears to be largely attributable to imports from other sources.

607. This could be affected by the fact that market share has been estimated based on CIF value and domestic sales revenue, rather than volume. As noted in paragraph 498 above, the available data suggests that the volume of dumped imports in 2007 was above that reached in any of the other years under review, indicating that the market share held by dumped imports in 2007 based on value is likely to be understated.

608. There is little evidence when measured by value to suggest that Croxley has suffered material injury via a loss in market share to dumped imports. However, from 2006 to 2007 the loss of market share experienced by Croxley has coincided with an increase in the market share held by dumped and other imports, indicating Croxley has lost some market share to dumped imports over this period.

Profits

609. Dumped imports can affect net profit via the impact on sales prices and volumes. Changes in net profit reflect changes in prices, sales volumes or costs. Dumped imports can impact on any or all of these. Normally, the extent of any decline in profit will be measured against the level achieved in the period immediately preceding the commencement of dumping.

610. Croxley provided data on its rebate scheme in order for the Ministry to calculate accurate gross profit and sales revenue figures for the New Zealand produced goods identified as CBS, which are shown in Table 5.28.

Table 5.28: Croxley Gross Profit

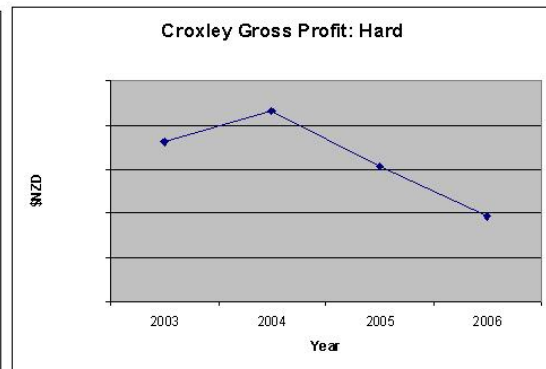
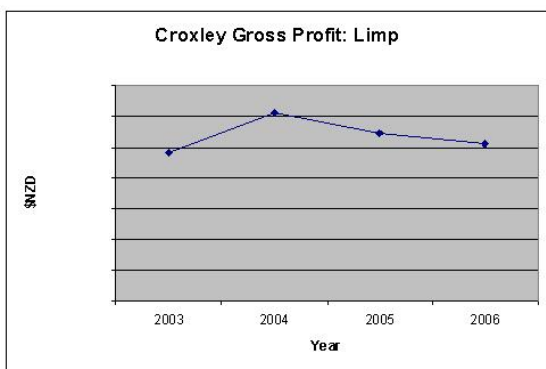
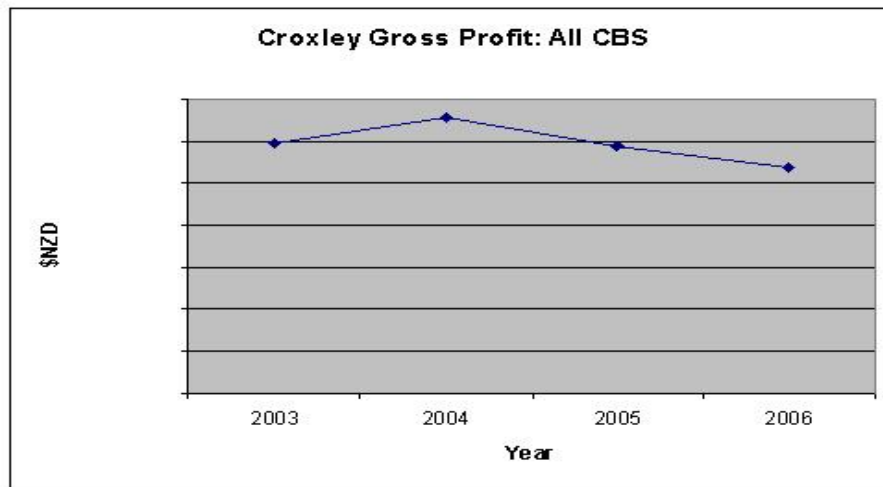
	2003	2004	2005	2006
Hard				
Gross Profit	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change		[REDACTED]	[REDACTED]	[REDACTED]
% change		[REDACTED]	[REDACTED]	[REDACTED]
Limp				
Gross Profit	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change		[REDACTED]	[REDACTED]	[REDACTED]
% change		[REDACTED]	[REDACTED]	[REDACTED]
Pad				

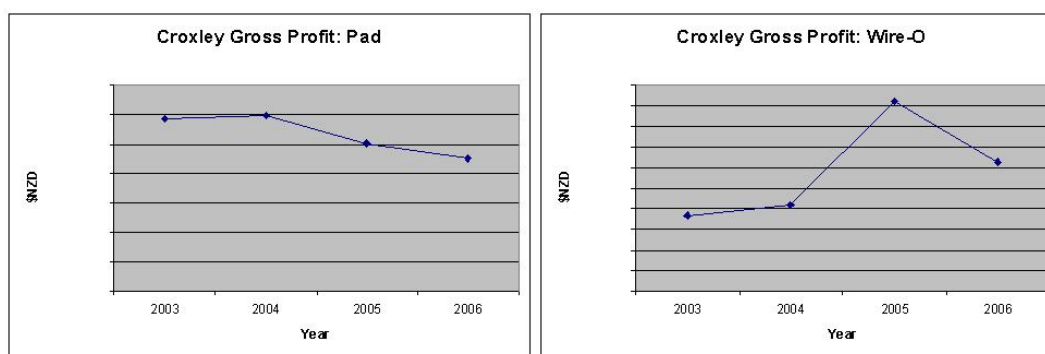
Gross Profit	[Pattern]	[Pattern]	[Pattern]	[Pattern]
Change		[Pattern]	[Pattern]	[Pattern]
% change		[Pattern]	[Pattern]	[Pattern]
Wire				
Gross Profit	[Pattern]	[Pattern]	[Pattern]	[Pattern]
Change		[Pattern]	[Pattern]	[Pattern]
% change		[Pattern]	[Pattern]	[Pattern]
Total CBS				
Gross Profit	[Pattern]	[Pattern]	[Pattern]	[Pattern]
Change		[Pattern]	[Pattern]	[Pattern]
% change		[Pattern]	[Pattern]	[Pattern]

611. In relation to Croxley’s total CBS sales, gross profit has fallen from 2003 to 2006 by [Pattern] percent. Limp and wire bound CBS have shown marginal increases in gross profit over the period, but all categories show a decrease in 2006, declining by an average of [Pattern] percent in 2006.

612. The following graphs show the trends in Croxley’s gross profit for each category and for all CBS.

Graph 5.13: Croxley’s Gross Profit on all CBS





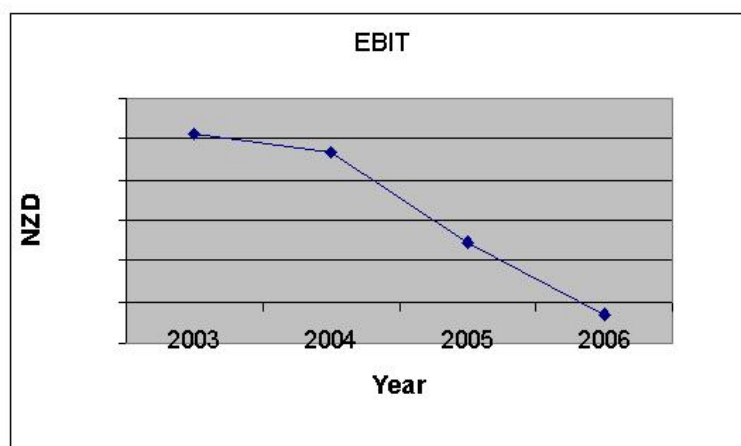
Earnings Before Interest and Tax

613. Croxley provided earnings before interest and tax (EBIT) figures from its accounting system for the ‘major’ categories that include CBS and other products not considered to be like goods. The data set from which EBIT figures are produced below is therefore larger than that used to produce the other tables in this section. The following table shows an analysis of EBIT achieved by Croxley on sales of domestically produced CBS sold in the New Zealand market.

Table 5.21 Croxley’s Gross Profit and EBIT (Major Categories of CBS Sales)

	2003	2004	2005	2006
Gross Profit	██████████	██████████	██████████	██████████
Change		██████████	██████████	██████████
% Change		██████	██████	██████
EBIT	██████████	██████████	██████████	██████████
Change		██████████	██████████	██████████
% Change		██████	██████	██████
EBIT as % 2003		██████	██████	██████

614. Sales of like products represent approximately █████ percent (by value) of the major categories for which the EBIT data has been provided. Trends in gross profit for this larger set of products show a similar trend to that for the set of domestically produced like goods given in Table 5.28, with gross profit declining █████ percent in both data sets from 2003 to 2006. This indicates that the trends in EBIT for the larger “major categories” data set are likely to reflect trends in EBIT for like goods. Table 5.21 shows a significant decline in EBIT from 2003 to 2006.

Graph 5.13 Croxley's Earnings Before Interest and Tax (CBS Sales)

Other New Zealand Manufacturers

Candida

615. Candida submitted that it had not suffered material injury as a result of dumped imports of CBS. The Ministry was provided with 2005 to 2007 data for gross profit and this is presented below.

Table 5.29 Candida Gross Profit

		2005	2006	2007
Limp				
	Gross Profit	██████████	██████████	██████████
	Change		██████████	██████████
	% change		██████	██████
Pad				
	Gross Profit	██████████	██████████	██████████
	Change		██████████	██████████
	% change		██████	██████
Total CBS				
	Gross Profit	██████████	██████████	██████████
	Change		██████████	██████████
	% change		██████	██████

616. Table 5.35 shows Candida's overall CBS gross profit declining ██████████ percent between 2005 and 2007. Profits of limp covered CBS increased ██████ percent while pads decreased ██████ percent.

Others

617. Kurtovich and Officeline did not provide any profit information.

Productivity

618. Productivity is the relationship between goods produced and the inputs required to manufacture them. Productivity is affected by output and capacity utilisation levels.

619. Croxley advised that productivity has not been adversely affected by imports from Malaysia due to its response to the dumped imports, i.e. to compete on price to maintain volume.

620. Croxley provided bill of materials data relating to total labour hours for the production of CBS for each SKU identified as a like good. The labour hours provided include hours worked on the manufacture of CBS for export. Labour hours have been compared to total CBS annual sales volume (as a proxy for output) to create a productivity measure in Table 5.30.

Table 5.30: Productivity (000's)

	2003	2004	2005	2006
Hard				
Quantity Produced	██████████	██████████	██████████	██████████
Labour Hours	██████████	██████████	██████████	██████████
Units per Hour	██████████	██████████	██████████	██████████
Change		██████████	██████████	██████████
% Change		██	██	██
Limp				
Quantity Produced	██████████	██████████	██████████	██████████
Labour Hours	██████████	██████████	██████████	██████████
Units per Hour	██████████	██████████	██████████	██████████
Change		██████████	██████████	██████████
% Change		██	██	██
Pad				
Quantity Produced	██████████	██████████	██████████	██████████
Labour Hours	██████████	██████████	██████████	██████████
Units per Hour	██████████	██████████	██████████	██████████
Change		██████████	██████████	██████████
% Change		██	██	██
Wire				
Quantity Produced	██████████	██████████	██████████	██████████
Labour Hours	██████████	██████████	██████████	██████████

Units per Hour	██████████	██████████	██████████	██████████
Change		██████████	██████████	██████████
% Change		██████████	██████████	██████████
Total CBS				
Quantity Produced	██████████	██████████	██████████	██████████
Labour Hours	██████████	██████████	██████████	██████████
Units per Hour	██████████	██████████	██████████	██████████
Change		██████████	██████████	██████████
% Change		██████████	██████████	██████████
Average Number of Staff Avondale	██████████	██████████	██████████	██████████
Average Number of Staff Papakura	██████████	██████████	██████████	██████████
Average Number of Staff	██████████	██████████	██████████	██████████
Output per Worker	██████████	██████████	██████████	██████████

621. Table 5.30 shows an average increase of ██████████ percent in the number of units produced per labour hour. The increase is supported by wage sheets showing employee numbers, overtime units and wage information for the Avondale and Papakura manufacturing plants, adjusted for the proportion of output that constitutes CBS. The data provided supports Croxley's contention that productivity has improved as competitive pressure from dumped imports of CBS from Malaysia have provoked efficiency gains in manufacture.

622. Croxley also provided data relating to machine usage for the two ruling machines central to the production of CBS, the Biel and the Will, which allows productivity to be measured in terms of machine hours. The production data relates to the period July 2003 to February 2007. Due to the seasonality of the production of CBS, the production data is set out in the following table for each of the three available calendar years within that period.

Table 5.31 Machine Productivity

		2004	2005	2006
Biel				
Machine hours		██████████	██████████	██████████
Tonnes converted		██████████	██████████	██████████
Tonnes per Hour		██████████	██████████	██████████
% Change			██████████	██████████
Events	Setup	██████████	██████████	██████████
	Break Down	██████████	██████████	██████████
Tonnes per setup		██████████	██████████	██████████
% Change			██████████	██████████

Will				
Machine hours		████████	████████	████████
Tonnes converted		████████	████████	████████
Tonnes per Hour		████████	████████	████████
% Change			██████	██████
Events	Setup	██████	██████	██████
	Break Down	██████	██████	██████
Tonnes per setup		████████	████████	████████
% Change			██████	██████
Total				
Machine hours		████████	████████	████████
Tonnes converted		████████	████████	████████
Tonnes per Hour		████████	████████	████████
% Change			██████	██████
Events	Setup	██████	██████	██████
	Break Down	██████	██████	██████
Tonnes per setup		████████	████████	████████
% Change			██████	██████

623. Overall productivity increased between 2004 and 2006, although 2005 was marginally higher than 2006.

624. Whilst the figures in Table 5.31 relate to total production of CBS (including all exports), along with the labour productivity information in table 5.30, they give an indication that Croxley has improved its productivity.

Other New Zealand Manufacturers

Candida

625. Candida submitted that productivity was not currently an issue because the CBS manufacturing capacity is significantly underutilised. This means that current run rates are not tied to volumes produced but to the availability of staff given its envelope operation.

Others

626. Kurtovich and Officeline did not provide any productivity information.

Return on Investments

627. Return on investments (ROI) measures profit against the value of the investment in a business. Changes in the return on investments may impact the ability to retain current investment or attract new investment. Declines in return on

investments can result from a decline in profit or an increase in the level of investment within the business.

628. 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.

629. Croxley provided information on depreciation of the capital machinery since 2000, asset valuations, and plant specific costing data for raw materials and capital assets, relating to its Avondale and Papakura plants, with figures adjusted for the estimated proportion of assets applied to the production of CBS between 2003 and 2006. This information is detailed below.

Table 5.32 Croxley ROI for each Plant

	2003	2004	2005	2006
<u>Papakura</u>				
Assets employed				
Sales				
GP				
freight				
sales costs				
rebates				
return				
%ROI				
<u>Avondale</u>				
Assets employed				
Sales				
GP				
freight				
sales costs				
rebates				
return				
% ROI				
Total % ROI				

630. After an initial increase in 2004, both plants show a net decrease of [REDACTED] percentage points between 2003 and 2006 in the return on investments. The Ministry notes, however, that the gross profit figures provided here differ from the verified gross profit data shown in table 5.28. While it is likely that the decline in gross profit shown in Table 5.28 will be reflected in a corresponding decline in the return on investments, the Ministry considers that little reliance can be placed on the detailed data in table 5.32.

Other New Zealand Manufacturers

631. Candida, Kurtovich and Officeline have not provided any information on return on investments.

Capacity Utilisation

632. The utilisation of production capacity reflects changes in production volumes or changes in capacity. A decline in production volumes will lead to a higher cost per unit due to increased overhead allocation. This will lead to a decrease in profit level, unless offsetting savings are found elsewhere.

633. Croxley advised that due to the seasonality of sales and the fact that it does not have dedicated manufacturing equipment, production of CBS is not a year round operation. Following a short break for routine maintenance after the BTS season, CBS production volumes are gradually increased during the year to stockpile the large volume of CBS necessary to satisfy demand during the BTS season.

634. Croxley advised that capacity is primarily a function of machine speed and shifts operated. To find a theoretical capacity in tonnes from the information available, the average tonnage per hour for each year has been multiplied by 8,400 hours (for machines running 24 hours a day, seven days a week, for 50 weeks per year, allowing a two week stand down), assuming that output per hour would remain consistent if production hours were increased. The following table compares actual machine hours to that theoretical capacity and establishes a production capacity in tonnes.

Table 5.33 Machine Speed and Capacity

	2004	2005	2006
Biel			
Theoretical capacity	[REDACTED]	[REDACTED]	[REDACTED]
Total Hours	[REDACTED]	[REDACTED]	[REDACTED]
% of theoretical capacity	[REDACTED]	[REDACTED]	[REDACTED]
Tonnes per Hour	[REDACTED]	[REDACTED]	[REDACTED]
Potential tonnes at theoretical capacity	[REDACTED]	[REDACTED]	[REDACTED]
Will			
Theoretical capacity	[REDACTED]	[REDACTED]	[REDACTED]
Total Hrs	[REDACTED]	[REDACTED]	[REDACTED]

% of theoretical capacity			
Tonnes per Hour			
Potential tonnes at theoretical capacity			
Total			
Theoretical capacity			
Machine hours			
% of theoretical capacity			
Tonnes per Hour			
Potential tonnes at theoretical capacity			

635. Table 5.33 shows that Croxley is not constrained by a lack of capacity and could produce approximately its current output at its theoretical capacity. Based on Croxley's submission that it supplies approximately percent of New Zealand production of CBS, and the share of the market it currently holds, Croxley is capable of satisfying total domestic demand for CBS.

636. The machine hours are total hours and have not been adjusted for any exports. Therefore, any displacement of capacity for the production of New Zealand CBS by that destined for the export market is not shown.

Other New Zealand Manufacturers

Candida

637. Candida submitted that its CBS manufacturing plant is significantly underutilised and that both it and Croxley have sufficient capacity to service the entire New Zealand market.

Others

638. Kurtovich and Officeline did not provide any information on capacity utilisation.

5.5 Other Adverse Effects

639. The other adverse effects that the Ministry is required to consider are the actual and potential effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investments. The Ministry is also required to consider factors affecting domestic prices and the impact of the level of the dumping margin. Candida and Officeline did not provide any information relating to other adverse effects.

Cash Flow

640. Croxley did not provide information on cash flow because of the difficulty in allocating cash flow to its domestic production and sale of like goods. There is

therefore no direct evidence of an adverse impact on cash flow attributable to dumped imports. It is likely, however, that the decline in Croxley's gross profit and EBIT will have flowed through into a decline in Croxley's cash flow from operations.

Inventories

641. Croxley maintains a live inventory system which shows where a product is located at any single point in time.

642. Croxley provided a schedule of its monthly value of inventories and sales of CBS from September 1999 to January 2007 (inclusive) that indicate the lowest level of stock was in [REDACTED] and the highest occurred in [REDACTED].

643. Due to capacity restraints and the seasonality of the product based on the timing of the school year, Croxley has advised that it builds up the level of inventory until December after which its products are sold during the "back to school" period.

644. Table 5.34 displays the value of inventory held by Croxley in February between 2000 and 2006. These levels show an increase in stock over the period, peaking in 2003.

Table 5.34: February Inventory (NZD)

Year	Value	Change	% Change
2000	[REDACTED]		
2001	[REDACTED]	[REDACTED]	[REDACTED]
2002	[REDACTED]	[REDACTED]	[REDACTED]
2003	[REDACTED]	[REDACTED]	[REDACTED]
2004	[REDACTED]	[REDACTED]	[REDACTED]
2005	[REDACTED]	[REDACTED]	[REDACTED]
2006	[REDACTED]	[REDACTED]	[REDACTED]

645. Croxley did not claim it had suffered injury as a result of a build up on inventory as it has been able to maintain sales volume by reducing its selling prices in response to the dumped imports from Malaysia. Injury through an increase in inventory cannot be attributed to dumped imports.

Employment

646. Croxley employs approximately [REDACTED] staff across the company, with about [REDACTED] staff involved in production (although this is seasonal). Printing operations account for [REDACTED] people and there are two distribution warehouses involving [REDACTED] staff, one in Auckland ([REDACTED] percent of the staff) and one in Christchurch ([REDACTED] percent).

647. Croxley has not made claims that employment or wages have been adversely affected by dumped imports from Malaysia although Croxley has submitted that if it were to lose a major customer, employee numbers would likely be affected.

648. Croxley submitted that it could likely lose the business of [REDACTED] to dumped CBS from Malaysia as these customers are price driven and tend to move suppliers easily. Croxley states that if these customers did change their supplier, it would impact on its employee numbers.

649. The following table shows the estimated number of employees engaged in the production of CBS.

Table 5.35: Worker Numbers and Productivity for CBS Manufacture

Average Number of Staff Avondale	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Average Number of Staff Papakura	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Average Number of Staff	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

650. Table 5.35 shows a decline in employee numbers, but this cannot be attributed to dumped imports.

651. The following table summarises the data relating to wage rates. Total hours worked and average staff numbers at each plant have been allocated to CBS on the basis that [REDACTED] per cent of Papakura assets and [REDACTED] per cent of Avondale assets are devoted to CBS production.

Table 5.36: Wage Costs

	2005			2006			2007 (to 25/03)
	Papakura	Avon	Total	Papakura	Avon	Total	Total
Average wage	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change				[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total hours	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Change				[REDACTED]	[REDACTED]	[REDACTED]	
Total wage cost	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Change				[REDACTED]	[REDACTED]	[REDACTED]	

652. Table 5.36 shows that both wage rates and the total labour cost has increased in both CBS plants between 2005 and 2006. This increase is despite a reduction in hours worked in both plants, indicating the total labour cost has increased because of higher wages and greater recourse to overtime hours. The average hourly wage in the 2006 period, incorporating any overtime rate, was NZD [REDACTED], while the corresponding average in the 2005 period was NZD [REDACTED].

653. The wage data in Croxley's collective agreement with the Engineering, Printing and Manufacturing Union shows pay increases in all years of between [REDACTED] and [REDACTED] percent.

654. There is no evidence of dumped imports affecting wages of Croxley employees, but numbers devoted to manufacture have decreased.

Ability to Raise Capital, Investments and Growth

655. Croxley considers that loss of profits, due to depressed prices, has restricted its ability to raise additional capital for investment purposes. Croxley said that historically the emphasis has been on producing new product ranges and to increase output to spread overhead costs. When asked for further comment Croxley stated that since 2000 investments have been minimal and below the annual depreciation cost.

656. Croxley advised that some projects had been declined by parent companies, or had resulted in no formal capital expenditure bid being created because the project failed to meet internal investment return guidelines. Croxley considered that the lack of profitability in CBS products due to price depression had contributed to the difficulty it faced in raising capital for CBS related projects.

657. Croxley has made no specific claims that its growth has been adversely affected by dumped imports although the difficulties in raising capital may have had some impact on growth. There is no direct evidence of an adverse impact on growth attributable to dumped imports.

Level of Dumping Margin

658. 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.

659. The weighted average margin of dumping for all exporters is 35 percent, which is sufficient to indicate that the dumping margin has contributed significantly to the price effects attributable to dumped imports.

5.6 Other Causes of Injury

Non-dumped Imports

660. The volume and value of non-dumped imports from any country can be a source of material injury to the New Zealand industry.

661. The volumes and values of undumped imports, including imports from countries other than Malaysia, are displayed in Table 5.1. By value, across all five tariff items, other imports represented 10 percent of the total New Zealand market in 2001, increasing to 15 percent in 2007.

662. The main sources of other imports in 2006 were China (10% of total imports), United States of America (15%), Australia (10%), Singapore (10%) and Indonesia (10%).

663. The Ministry has carried out a price undercutting comparison of prices from countries other than Malaysia by comparing Croxley's average selling price in 2006 for two of its product categories "Accounting" and "Exercise Books", (which represented 10 percent of Croxley's sales revenue in 2006) as established by the method explained in paragraph 503, with the average CIF values per unit for imports from other countries in the two tariff items for which a statistical quantity is recorded and which cover similar types of product.

664. This comparison shows imports of CBS from countries other than Malaysia are significantly undercutting Croxley's prices - by 10 percent in the accounting category and 10 percent in the exercise book category. The price undercutting is much greater in the accounting category than in the exercise book category. Exercise books are a much larger proportion of Croxley's sales than those in the accounting category and the degree of price undercutting of exercise book is significantly less than that by dumped imports. This result indicates that non-dumped imports may have been a cause of injury to the New Zealand industry.

Demand or Consumption Change

665. Changes in the pattern of consumption or a reduction in demand can also be a potential cause of material injury to the New Zealand industry producing diaries.

666. Croxley does not consider the market for CBS is contracting or that there have been any changes in demand for CBS overall. Croxley noted that one change in the New Zealand market over the last five years was an increasing tendency towards customer specific and designer products and in response it has begun to produce a number of designer CBS items. Croxley, however, noted that the designer products do not constitute a large part of the market at present and that its attempts in this area had not been that successful to date.

667. Croxley also stated that there has been a shift towards hard covered and wire bound CBS.

668. None of the parties to the investigation consider increasing computerisation has had a material impact on the size of the New Zealand CBS market. Candida considers that increasingly the New Zealand market will move to its simpler metric system of CBS with a narrower range of goods than is currently preferred based on the relevant New Zealand Standard e.g. 1B5s. Candida has claimed that its competitor's reaction to the metric range has been to offer similar product and try and retain existing business on price in a number of areas, which has resulted in a reduction in the average selling prices of its domestically manufactured metric range.

Restrictive Trade Practices and Competition

669. Restrictive trade practices of overseas or New Zealand producers, such as, price ceilings, other statutory measures, or exclusive dealer arrangements, can affect the financial position of New Zealand manufacturers when they are not the beneficiaries of the restrictions. Competition between, overseas and New Zealand producers of CBS can be a cause of material injury independent of any dumping. For example the existence of a price war or the constant threat of new competitors to the New Zealand market can cause a fiercely competitive environment where it is difficult for a New Zealand manufacturer to make positive returns.

670. Croxley has advised it is not aware of any restrictive trade practices used by overseas or New Zealand CBS producers. Croxley has noted, however, that the competitive relationship between the multi-national companies OfficeMax Incorporated Limited (OfficeMax) the ultimate owner of Croxley and Corporate Express means that it is unlikely Corporate Express New Zealand would purchase CBS from Croxley in New Zealand.

671. Candida has noted that Croxley's related companies, Office Max and School Supplies, dominate respectively the corporate stationery market and the direct to school market. Candida has submitted that the ability of any suppliers other than Croxley to sell CBS in reasonable volumes through Office Max or School Supplies is very restricted and therefore the market available to Candida or any other importer is largely retail channels or the smaller resellers.

672. Candida has submitted that because Croxley dominates the CBS and non-paper based stationery market in New Zealand, it is able to bundle the largest variety of stationery products and exclude competitors through its scale, marketing, growth rebate structures and promotional campaigns. Candida has also submitted that the market prefers to have a domestic manufacturer involved in the larger contracts to reduce the risk of "stock outs" during the BTS period. Candida considers that given Croxley is the only domestic manufacturer able to offer the full New Zealand Standards range and the mindset of the market, Croxley will remain the dominant supplier without effective competition, unless it can establish a viable domestic manufacturing operation.

673. Candida has argued that there is a trend driven by competition amongst retailers for them to extract as many cost savings as possible from suppliers. Candida has commented that a change in ownership structures for some groups such as Whitcoulls, Office Max and School Supplies has exacerbated the downward price pressure on suppliers as the new owners seek greater returns over shorter periods. Jasco has also commented that pressure from retail groups at key selling times such as the BTS period will continue to suppress prices in these markets.

Developments in Technology

674. If New Zealand manufacturers fail to uptake new technologies this can be a cause of injury to their performance. Likewise if a company chooses to be an early

adopter of new technology the cost of being the first to market with a technology can carry a cost that outweighs the return.

675. All parties to the investigation stated that the developments in CBS manufacturing technology have been minute, with the exception of digital print design, over the last few decades. The New Zealand and Malaysian manufacturers utilise the same manufacturing equipment.

Export Performance and Productivity

676. Export performance and productivity of the New Zealand producers can be a cause of injury if the export occurs at the expense of its domestic market. This is why the figures analysed above relate only to domestic production.

677. Croxley advised that the products it exports to [REDACTED] are unique because they are manufactured to different specifications and have unique SKU identifiers. The goods sold to the [REDACTED] are produced to the same specifications as those sold on the New Zealand market. Consequently, Croxley's [REDACTED] exports are not included in the financial data provided in its application but exports to the [REDACTED] are. As explained in paragraph 620, the Ministry is satisfied that CBS exports to the [REDACTED] are small enough to have no material effect on the analysis of material injury suffered by Croxley.

678. Croxley has provided details of its [REDACTED] exports for 2003 to 2006, as shown in the table below.

Table 5.37: Export Sales

	2003	2004	2005	2006
Average price	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change		[REDACTED]	[REDACTED]	[REDACTED]
% Change		[REDACTED]	[REDACTED]	[REDACTED]
Quantity	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change		[REDACTED]	[REDACTED]	[REDACTED]
% Change		[REDACTED]	[REDACTED]	[REDACTED]
Revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change		[REDACTED]	[REDACTED]	[REDACTED]
% Change		[REDACTED]	[REDACTED]	[REDACTED]
Cost of Production	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change		[REDACTED]	[REDACTED]	[REDACTED]

% Change				
Gross Profit				
Change				
% Change				

679. Table 5.37 shows that export sales have increased since 2003 in both quantity (increasing [redacted] percent) and value (increasing [redacted] percent) from 2005, and that at the gross profit level, exports are profitable.

680. The data in Table 5.37 and the significant spare production capacity held by Croxley indicate that Croxley's export operations are not causing material injury to its domestic manufacturing operations.

681. There is no indication that Croxley's productivity has fallen.

Croxley's Imports

682. Imports of dumped goods by New Zealand manufacturers can also be a cause of material injury. For this reason imports of dumped goods by Croxley have been separately identified, where relevant, in this report. This ensures that a New Zealand manufacturer is not able to benefit from any injury that is the result of its own importations to the disadvantage of any other importer. If anti-dumping duties are imposed they will apply to the New Zealand industry.

683. In assessing the impact of any imports of dumped goods imported by New Zealand manufacturers the Ministry assesses the nature and extent of any such imports, including the value, quantity, frequency and purpose of any such importations.

684. The investigation has found that [redacted] percent of Croxley's imports of CBS from Malaysia were dumped. Croxley advised that the imports were made as a result of an ongoing assessment of the costs of importing versus the costs of manufacturing in New Zealand. This assessment includes the effect on profits, plant capacity, overhead contribution, and the company's overall commitment to being a New Zealand manufacturer of CBS. Croxley considers that if it had not been facing competition from dumped imports, the decision to import CBS from Malaysia would likely have been different

685. Dumped imports by Croxley in 2006 were only [redacted] percent of total dumped imports and represented only [redacted] percent of Croxley's sales in 2006.

686. There is no evidence that Croxley's dumped imports have had any material impact on its performance.

Additional Causes

687. Croxley has not identified any potential additional causes of material injury.

688. Candida has submitted that any adverse impact suffered by Croxley is due to changes in the market, including the growth of the mega retailer, the breadth of its product range, low cost un-dumped supply from Asia combined with an open economy and failures by Croxley in customer support.

Conclusion on other Causes of Injury

689. There is evidence that non-dumped imports have contributed to the injury suffered by Croxley particularly through price undercutting and the likely subsequent impact of this on Croxley's profitability. There is also some anecdotal evidence that competition amongst large retailers has exerted downward pressure on Croxley's prices.

5.7 Causal Link

690. Sub-section 10(1) of the Act requires that sufficient evidence be provided that material injury is caused by the dumped goods. This does not preclude other factors also being a cause of material injury. This echoes the requirements of Paragraph 5 of Article 3 of the Agreement.

691. The Ministry adopts a two-limb test to assess causality. The first limb focuses on the dumped imports, asking whether there has been material injury by applying the criteria in sub-sections 8(1) and 8(2) of the Act. This test accepts that there is an inference that where material injury occurs, it is caused by dumping.

692. The second limb examines whether there are any known factors apart from the dumped imports that are also materially injuring the industry. If other factors are identified, it must be established whether the material injury caused by other factors breaks the inferred "causal link" established under the first limb. If there is no manifest cause of material injury apart from the dumped goods, then the inferred causal link under the first limb is confirmed.

First Causal Link Limb

693. The evidence of an increase in the volume of dumped imports has had to be assessed using the CIF value of imports as a proxy for actual import volumes and by using New Zealand industry sales revenue data to assess dumped imports relative to New Zealand production and consumption. Where it was possible to compare actual import volumes with CIF values this comparison shows only a limited correlation between the two data sets. In particular this comparison shows a sharp divergence between CIF value and volume for dumped imports from 2006 to 2007 which suggests that the volume of dumped imports in 2007 increased to levels above those reached in any of the previous years being examined.

694. Congruent with what appears to have been a surge of imports in 2007, there is evidence of a large degree of undercutting of Croxley's prices by dumped imports in that year. There is also evidence that Croxley's prices have been depressed and suppressed over the period for which data is available. This evidence is consistent with Croxley's stated strategy of reducing prices in order to maintain sales volumes. These volume and price effects correspond with declines in revenue, gross profit and EBIT, and a decline in market share between 2006 and 2007, although it is difficult to assess the changes in market share given the limitations of using value rather than volume data.

695. The Ministry consequently considers there is an inference that the increase in the volume of dumped goods, material price undercutting, price depression and suppression effects and the consequent economic impact outlined in the paragraphs above can be attributed to dumped imports from Malaysia.

Second Causal Link Limb

696. The Ministry has found that factors other than dumped subject goods are causing material injury to the New Zealand industry.

697. The extent to which non-dumped imports have caused injury can be assessed through consideration of the volumes of non-dumped imports over the injury period and the extent of price undercutting. The limitations on the data relating to the volume of dumped imports apply equally to non-dumped import volumes. For those tariff items where it was possible to compare CIF values with volumes, the data suggests that import volumes of non-dumped imports may have peaked in 2002 and then declined significantly and then held at about the same level from 2005 to 2007.

698. While there is evidence that non-dumped imports have also significantly undercut Croxley's prices, the extent of the undercutting, particularly in the higher volume exercise book category, has not been as great as the undercutting by dumped imports. At the same time the volume of non-dumped imports is significantly higher than that of dumped imports. However, this does not necessarily mean that the pricing pressure and consequent economic impact exerted by non-dumped imports was greater than that of dumped imports, particularly in a situation where non-dumped imports are undercutting to a lesser extent than dumped imports and where non-dumped import volumes may be static and dumped import volumes are rising sharply.

699. Dumped imports must be a cause of material injury in order for a finding of material injury to be sustained. The Ministry does not consider that the Act or Agreement provides that dumped imports must be the sole cause of material injury.

700. The Ministry is consequently satisfied that the other causes of injury are not sufficient to break the inferred causal link that dumped imports from Malaysia have caused material injury to the New Zealand industry.

5.8 Material Injury Conclusion

Import Volumes

701. The evidence on import volumes is difficult to assess because of the limitations of the import data. The evidence available suggests, however, that there has been an increase in the volume of dumped imports in absolute terms and relative to New Zealand consumption and production, particularly in 2007.

Price Effects

702. There is evidence of significant price undercutting of Croxley's prices and evidence that Croxley's prices have been depressed and suppressed since 2003.

Economic Impact

703. There is evidence that the New Zealand industry has suffered the following adverse effects, attributable to dumped imports:

- a decline in sales revenue; and
- a decline in profits.

704. Consequent upon the decline in sales revenue and profits, it is likely that return on investment and cash flow from operations has also declined. Ability to raise capital and investments appear to be constrained by the impact of dumped imports.

705. There is insufficient or no evidence of injury attributable to dumped imports, reflected in:

- reductions in sales volume;
- a decline in market share, although this may be due to the limitations on the data relating to import volumes;
- a decline in productivity;
- a decline in utilisation of production capacity;
- an increase in inventories;
- a negative impact on employment and wages; and
- a negative impact on growth

Other Causes of Injury

706. There is evidence that material injury has been caused by other factors. There is evidence of price undercutting by non-dumped imports which may have contributed to price depression and suppression and also to the reduction in profits and return on investments.

Finding of Material Injury

707. The Ministry is satisfied, having considered all the mandatory requirements, in addition to considering other relevant factors, both as presented by interested parties to this investigation and those discovered in the course of the investigation, that the domestic industry has suffered material injury. The Ministry is further satisfied that the material injury suffered was in significant part caused by the dumped imports from Malaysia such that the New Zealand industry has suffered material injury attributable to dumped imports.

6. Anti-Dumping Duties

6.1 Introduction

708. Section 14 of the Act sets out the requirements relating to the imposition of anti-dumping duties.

709. The CBS subject to investigation covers a very broad range of goods and consequently comparisons between the products at an aggregate level has been difficult without distorting the fair comparisons that have been made. Accordingly, throughout the investigation the Ministry has, where possible, sought to complete analysis of the four sub-categories of CBS that were established with and agreed upon by the interested parties. Therefore it is proposed that duties be imposed at the sub-category level, rather than at a blanket CBS level to ensure the fair comparisons that have been established are maintained.

710. In the EFC report the Ministry proposed that anti-dumping duties should be imposed, canvassed the different methods of imposing anti-dumping duties and concluded that duties should be imposed on an ad valorem percentage basis for each exporter for each of the four sub-categories.

6.2 Method of Imposing Duty

711. Anti-dumping duties can be applied in a number of ways and can be imposed as a rate or amount, including any rate or amount established by a formula. The basic approaches are:

- a specific amount per unit of product;
- an *ad valorem* rate; and
- a reference price approach.

712. The main objective of an anti-dumping duty is to remove the injurious impact of dumping. In deciding on the form of duty, considerations relating to ease of importing, ability to ensure the dumping margin is not exceeded, fairness between parties, and predictability all need to be taken into account. The objective of the 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.

713. Section 14(4) of the Act provides that the Minister must not impose a duty that exceeds the margin of dumping for the dumped goods. The Solicitor-General has advised that the references to "export price" and "normal value" in this section are to be read as references to the export prices and normal values established in the investigation or to the values at the time the goods subjected to the duty are imported.¹ Given this, the Ministry's approach is to adopt a form of duty that

¹ Plasterboard from Thailand, Reassessment, September 1999.

minimizes the possibility of exceeding the margin of dumping on shipments subsequent to the imposition of the duty by the Minister.

Specific Duty

714. A specific duty is a set amount per unit of product based on the monetary value of a margin of dumping. It has the advantages of being convenient to apply and impossible to evade by incorrectly stating the value for duty and clearly indicates to the importer the amount of duty payable. However, difficulties can arise where there is a wide range of goods involved, as is the case with CBS, where exchange rates fluctuate to the extent that the margin of dumping will be exceeded without constant reassessments of the duty, or where the exporter otherwise changes prices so that the duty is either greater than the margin of dumping or less than the margin of dumping previously established.

715. A specific duty, expressed as a monetary amount, can only really operate effectively when prices and exchange rates are consistent and stable and where the transaction-to-transaction comparison does not result in a range of different dumping margins. This last factor alone indicates that a pure specific duty approach is not suitable for CBS.

716. An alternative approach to deal with this problem is to express a specific duty 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 including a wide range of products and dumping margins as is the case with CBS. For this reason a specific duty based mechanism is not suitable for the imposition of anti-dumping duties for CBS from Malaysia.

Ad valorem Duty

717. An *ad valorem* duty is a duty based on the dumping margin, expressed as a percentage of the export price, and is calculated as a percentage of the dutiable value. An *ad valorem* duty is convenient to apply and is not substantially affected by exchange rate movements. However, collusion between exporters and importers can lead to the manipulation of the invoice value of the goods concerned. *Ad valorem* rates are often appropriate where there is 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. In the present case the range of CBS products is extremely broad indicating that an *ad valorem* duty may be appropriate.

718. Because an *ad valorem* duty is imposed proportionate to the export price of the goods, a particularly low export price (and therefore a potentially more injurious export price) will result in a proportionately lower amount of duty, which may not be sufficient to remedy the injury caused by the dumping. Conversely, a particularly high export price (and therefore likely to be less injurious), will attract a

proportionately higher amount of duty, which may be higher than is necessary to remove the injury caused by the dumping.

719. *Ad valorem* duties can also be used to impose duties where for some reason there is found to be dumping but that some circumstances exist to indicate that a duty should not be collected at the present time. In these circumstances an *ad valorem* duty at zero percent is imposed. This allows the Ministry to reassess or review the anti-dumping duty. For example if prices are dumped but the goods are considered to be entering above the industry's non-injurious price a zero duty may be imposed. However, if no duty was imposed then any changes in price or any other market situation that would normally result in a reassessment or review would require a new dumping investigation to be undertaken. Other methods of imposing a duty are also capable of achieving a similar outcome but *ad valorem* rates are most effective in the circumstances where a duty should not be collected in the interim, but a change in circumstances that would result in the need for a reassessment or a review are likely to occur in the near future.

720. An *ad valorem* rate gives an indication of the impact of the duty and can often be the easiest form of duty to release to interested parties without revealing confidential information that has been provided by any particular interested party. It does not, however, target the dumping as accurately as other forms of duty.

Reference Price Duty

721. Under the reference price approach, the duty payable is the difference between the transaction price and a reference price. The reference price would normally be based on the normal value, by means of Normal Value (Value for Duty Equivalent) (NV(VFDE)) amounts, or the non-injurious price (a price at which imports would not cause injury to the New Zealand industry), either at the FOB or CIF level. A NV(VFDE) amount represents the un-dumped value of the goods at the FOB level.

722. A reference price duty has the advantage that it is best able to deal with movements in the export price and exchange rates (if expressed in the normal value currency), and is also suitable when 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 value for duty 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, and provided the like goods and the reference price are carefully described, the problem of evasion can be dealt with. In addition, a reference price duty only collects duty when the goods are priced below the non-injurious or un-dumped reference price. It therefore collects duty only to the extent necessary to remove injurious dumping.

723. Reference prices are also less suited to situations where prices change frequently, as movements in underlying prices means that the reference price needs to be reassessed in order for the duty to remain effective. With CBS the prices tend to change with each BTS season, as competitors in the New Zealand market compete for supply to the major resellers.

724. Reference prices are not suited to goods where there is a wide range of individual types or models, as is the case with CBS. When there is a large range of types of goods it requires that individual reference price mechanisms are set, which can lead to difficulties with importation and delay the free flow of goods over the border. An alternative approach to resolve the problems that an extensive list of reference prices creates is to place the reference price on an aggregated group of the goods in question, such as the four sub-categories that have been established for CBS. This approach, however, dampens the attractiveness of the transaction based component of a reference price mechanism as it aggregates individual products and becomes a proportionate duty, similar to the specific or *ad valorem* methodologies. Additionally, the arguments against the use of reference price mechanisms that relate to the ease of evasion are more pertinent for an aggregated reference price mechanism.

Submission by Candida in Response to the EFC Report

725. Candida submitted that the Ministry should adopt a duty that minimizes the possibility of exceeding the dumping margin and it should have regard to the fact that export prices and normal values are not fixed.

726. Candida stated that the Ministry is obliged under the Act to have regard to the desirability of an anti-dumping duty that is not greater than is necessary to prevent material injury caused by dumped imports (a lesser duty) and noted that this usually means establishing a non-injurious price and a non-injurious free on board (NIFOB) amount.

727. Candida quoted paragraph 79 of the Final Report in the Plasterboard from Thailand 2006 Reassessment which reads:

“The sole objective of an anti-dumping duty is to remove the injurious impact of dumping. Anti-dumping duties are not designed to punish exporters or importers, or to provide protection to an industry beyond the impact of the dumping. In deciding on the form of duty, considerations relating to: ability to ensure the dumping margin is not exceeded; ease of administration; fairness between parties; ease and likelihood of circumvention; and predictability all need to be taken into account”

728. Candida noted that in the plasterboard reassessment the Ministry also said an *ad valorem* duty is less appropriate where the transaction-to-transaction comparison results in a wide range of dumping margins. Candida said while *ad valorem* rates are often appropriate where there is a large range of goods, it is not appropriate in this case given the wide range of dumping margins for the different goods.

729. Candida also referred to the Ministry’s comment in the plasterboard reassessment report at paragraph 95:

“The Ministry prefers to impose anti-dumping duties through the use of reference prices, when appropriate, primarily because it is the least likely of all the forms of duty to exceed the dumping margin....”

730. Candida submitted that the unusual circumstances of this investigation mean it would be unfair to impose duties on an *ad valorem* basis at the weighted average dumping margin for each sub-category of CBS on an exporter specific basis.

731. Candida said the unusual circumstances are:

- The disparate nature of the goods within each sub-category.
- The different product mixes as between the different parties.
- The wide range of dumped and undumped transactions.
- The different levels of co-operation with the Ministry's investigation.

732. Candida submitted that these factors in combination lead to arbitrary weighted average dumping margins if the Ministry aggregates all purchases of all product types by all importers from each exporter (and in doing so excludes undumped transactions). Candida said this type of weighted average means that it would be penalised by aggregation with other importers who may not have provided comprehensive information or cooperated fully in the way it has. Candida said in these circumstances, and having regard to the desirability of a lesser duty the Ministry should not impose a duty on Candida's imports that is set at the weighted average dumping margin of each sub-category on an exporter specific basis.

733. Candida stated that there is nothing in the Agreement or Act that requires the Ministry to impose a duty on an exporter specific basis and proposed that the Minister should consider Candida's position separately.

734. Candida said it accepts that paragraph 10 of Article 6 states that the authorities shall, as a rule, determine an individual margin of dumping for each known exporter or producer concerned of the product under investigation. Candida referred to the WTO Panel Report in Mexico-Definitive Anti-Dumping Measures on Beef and Rice (WT/DS295/R, paragraph 7.137) which determined that the term "margin of dumping" in paragraph 8 of Article 5 refers to the individual margin of dumping of an exporter or producer rather than a country wide margin of dumping and noted this finding was upheld in the Appellate Body (WT/DS295/AB/R; (05-5638);AB-2005-6; paragraph 217).

735. Candida, however, said that the panel was not considering the different issue of when it is appropriate to set different duties for individual importers or different goods. Candida submitted these findings do not preclude, in appropriate cases such as this one, the setting of anti-dumping duties by reference to an individual importer where there is a wide range of dumped and undumped transactions of different goods to different parties.

736. Candida said in this case a different approach is warranted in relation to its imports whereby the Minister should not impose a duty or should impose a zero percent *ad valorem* rate. Candida said the only other approach that would avoid substantial unfairness to Candida (but would be less administratively convenient) would be to calculate a separate weighted average dumping margin for each product.

Ministry's Consideration of the Issues

Method of Imposing Duty

737. The Ministry's practice is to consider the suitability of all methods of imposing anti-dumping duties, i.e. a specific amount per unit, a reference price and an *ad valorem* rate, in the circumstances of each dumping investigation.

738. Under sub-section 14(5) of the Act the Minister must 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, and this issue is considered separately below.

739. There is a very wide range of different product types involved in this investigation and a correspondingly wide range of export prices and normal values. Export prices usually change each time they are negotiated with suppliers and normal values are subject to frequent change in a competitive Malaysian domestic market. For these reasons the Ministry does not consider that a specific duty is appropriate or feasible in this case.

740. Historically the Ministry's preference has been to impose duties through a reference price mechanism, for the reasons set out above. The Ministry considers, however, that the use of a reference price mechanism against each of the four sub-categories would be easily distorted due to the wide range and prices of the goods that each sub-category covers. This method can be more complex in its application at the border and it may be circumvented by the exporter overvaluing the goods for export and offsetting the difference against other goods exported to the same importer.

741. The Ministry is aware in the present investigation that the exporters of CBS also export other stationery goods that are not the subject of this investigation. The Ministry does not consider it would be practical to establish reference prices for individual product types given the very wide range of products and the frequency with which product types and prices change. For the preceding reasons the Ministry does not consider it feasible to use the reference price method to impose duties.

742. An *ad valorem* duty is appropriate whether there is a large range of goods and the goods are of the nature that the number of types may increase or decrease, e.g. due to changes in consumer demands or obsolescence. An *ad valorem* duty is easy to administer at the border and does not require the release of confidential information that has been provided by any party in the investigation.

743. The Ministry acknowledges that there is a wide range of dumping margins in this case even within each sub-category but this is inherent with this type of product and causes difficulties regardless of the method used to impose duties. Therefore while the wide range of dumping margins means that weighted average dumping margins calculated for each sub-category are a summation across a wide range they are nevertheless representative of the dumping margins established. The Ministry considers that the analysis of dumping margins by sub-categories has to the extent possible mitigated the problems associated with the use of the *ad valorem* method.

744. The Ministry considers that duties should be imposed by means of an ad valorem percentage duty as it is a practical method of imposing duties against a product of this nature and can be enforced at the border.

Anti-dumping Duty Specific to an Importer

745. The Act is silent about whether an anti-dumping duty should be imposed on an exporter or importer specific basis. Paragraph 2 of Article 9 of the Agreement requires in relevant part that "... anti dumping duty shall be collected in the appropriate amounts in each case, on a non discriminatory basis on imports of such product from all sources found to be dumped and causing injury . . .The authorities shall name the supplier or suppliers of the product concerned. If, however, several suppliers from the same country are involved, and it is impracticable to name all of these suppliers, the authorities may name the supplying country concerned".

746. The Ministry's normal practice is to impose anti-dumping measures on an exporter specific basis and to establish a residual rate for all other exporters. In two cases, however, the Ministry has established rates of duty specific to a named importer importing from a named exporter.

747. One such case is the duty on certain plasterboard from Thailand where a zero percent ad valorem duty applies to imports from SCT Co. Ltd (SCT) when imported by Elephant Plasterboard NZ Ltd (Elephant Plasterboard). A reference price duty applies to imports from SCT by any other importer. The basis for establishing a separate zero rate for imports by Elephant Plasterboard was the non-injurious pricing behaviour of this company in the New Zealand market. Another relevant factor was the existence of a sole supply agreement between SCT and Elephant Plasterboard which made it unlikely that the duty would be circumvented by other importers channelling their imports through Elephant Plasterboard. Elephant Plasterboard could, nevertheless authorise imports by other importers and it was therefore appropriate to have a separate rate of duty to cover this possibility.

748. The other case relates to the duty on canned peaches from South Africa, which was reassessed following a review. In that case imports from a South African producer, Langeberg Foods, by the New Zealand importer Brooke Holdings Ltd are subject to a NIFOB reference price duty and imports by other importers are subject to a NV(VFDE) reference price duty. In this case Langeberg Foods was the only South African exporter to New Zealand during the review period and Brooke Holdings Ltd was the only New Zealand importer. Other duty rates were set for: (i) exports from Langeberg Foods to importers other than Brooke Holdings Ltd; and (ii) all importers (including Brooke Holdings) from other South African Suppliers. A separate rate was set for imports by Brooke Holdings because the calculation of the NIFOB amount was based on costs and the profit margin achieved by this company which may not apply to other importers.

749. Both of these cases can be distinguished from the present case. In the plasterboard case the importer specific duty was primarily imposed because of the non-injurious pricing behaviour of the importer in the New Zealand market and this situation does not apply in the present case. In the canned peaches case the importer specific duty was imposed because the importer was the only company that

imported over the period of investigation and a lesser duty was appropriate based on that company's particular costs and profit. This circumstance does not apply in the current case where there are a number of different importers. These two cases do, however, represent examples where importer specific duty rates have been established.

750. The Ministry has also examined WTO jurisprudence for any cases that may be relevant to this issue. In *United States - Laws, Regulations and Methodology for Calculating Dumping Margins ("Zeroing")* (WT/DS294/AB/R) the Appellate Body stated at paragraph 131:

Although Article 9.3 sets out a requirement regarding the amount of the assessed antidumping duties, it does not prescribe a specific methodology according to which the duties should be assessed. In particular, a reading of Article 9.3 of the Anti-Dumping Agreement and Article VI:2 of the GATT 1994 does not suggest that final anti-dumping duty liability cannot be assessed on a transaction or importer-specific basis, or that the investigating authorities may not use specific methodologies that reflect the distinct nature and purpose of proceedings governed by these provisions, for purposes of assessing final anti-dumping duty liability, provided that the total amount of anti-dumping duties that are levied does not exceed the exporters' or foreign producers' margins of dumping.²³⁴

²³⁴We understand that, under the methodology currently applied by the USDOC to assess anti-dumping duties, the aggregation of the results of the multiple comparisons performed at an intermediate stage might result in a negative value, for a given importer, if zeroing is not allowed. Of course, this would not mean that the authorities would be required under the Anti-Dumping Agreement or Article VI of the GATT 1994 to compensate an importer for the amount of that negative value (that is, when export prices exceed normal value). Nor does it mean that liability for payment of anti-dumping duties may not be based on a prospective normal value as contemplated by Article 9.4(ii) of the Anti-Dumping Agreement.

751. In the above case, the Appellate Body was, however, referring to duty liability being assessed on a transaction or importer-specific basis, rather than duties being imposed in such a manner. The Appellate Body was making a determination of whether or not the methodology applied by the United States Department of Commerce in its administrative reviews results in amounts of assessed anti-dumping duties that exceed the foreign producers' or exporters' margins of dumping. This case is therefore not directly relevant, but it does indicate that it is not necessary to impose duties on an importer specific basis where dumping margins differ between importers provided the duty collected does not exceed the exporters' or foreign producers' margin of dumping.

752. The Ministry agrees with *Candida* that the relevant part of the decisions by the WTO dispute settlement panel and Appellate Body in *Mexico Rice and Beef* referred to in paragraphs 734 and 735 above primarily concerned a determination that the term "margin of dumping" in paragraph 8 of Article 5 of the Agreement refers to the margin of dumping of an exporter or producer rather than to a country-wide margin of dumping. These decisions, however, do highlight that the focus of the Agreement is on whether exporters or producers are dumping (and on the injurious impact of any dumping on a domestic industry) as reflected in particular in the requirements of paragraph 10 of Article 6 and paragraph 2 of Article 9, which have been referred to above.

753. The Ministry considers there is nothing in the Act or the Agreement to prevent the imposition of a duty on an importer specific basis in unusual circumstances that make it appropriate to do so. In determining whether in this particular case a separate rate of duty should be set for imports by Candida from its supplier, the Ministry considers the following factors are relevant:

- The likelihood of the duty being circumvented; and
- The impact on other importers.


Likelihood of Circumvention

754. The Ministry notes that when imports from the Malaysian supplier are considered separately by each importer the weighted average margins of dumping for Candida are lower than those of other importers. If a separate rate of duty was to be imposed for each importer (or for Candida and “all other” importers) then this opens the possibility that other importers could seek to channel their imports through Candida to take advantage of the lower rates. Balanced against this possibility is the fact that the other importers are competitors of Candida and there would be no incentive for Candida to provide them with access to a lower rate of duty.

755. Alternatively, other importers could simply seek to purchase CBS from Candida in New Zealand after it has been imported. The difference in the rates of duty, however, may not be significant enough to warrant this course of action, given that the purchase price from Candida would include its margin. The Ministry consequently considers that the likelihood of the duties being circumvented as a result of imposing duties specific to Candida to be relatively low.

Impact on other Importers

756. The imposition of a separate rate of duty for imports by Candida would mean (because a lower rate would apply to Candida) that it would be placed in a more advantageous position in relation to other importers. Candida has submitted that this would be an appropriate outcome as it has cooperated more fully with the investigation than other importers.

757. The Ministry notes that information provided by Candida did not establish  weighted average dumping margin for each sub-category. Information provided by an importer may confirm the types of goods exported to New Zealand over the POI and provide information regarding volume effects, price effects and economic effects on the New Zealand industry that may or may not be caused by the dumped imports. In circumstances where information has not been provided by an exporter, information from an importer may assist in establishing whether the goods to New Zealand are sold at dumped prices.

758. Candida’s supplier, however, provided a questionnaire response and allowed the Ministry to carry out a visit to verify and obtain additional information. Consequently, the weighted average dumping margins for each sub-category have been largely established on the basis of information provided by Chee Wah. Dumping is carried out by exporters; dumping margins are consequently calculated

for exporters not importers and the determination of whether dumping margins are *de minimis* is assessed for each exporter.

759. The Ministry therefore does not consider there is any justification in this case for discriminating between importers importing from the same exporter by imposing a separate rate of duty for Candida that would place it in a more advantageous position in relation to other importers with whom it is competing in the New Zealand market.

760. For the foregoing reasons, the Ministry considers that anti-dumping duties should be imposed on an exporter specific basis only.

Developing Country Considerations

761. For the purposes of dumping investigations and the imposition of anti-dumping duties, Malaysia is considered to be a developing country and therefore Article 15 of the 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.

762. The Ministry has not received a submission from the government of Malaysia about possible constructive remedies or about the affect of anti-dumping duties on its essential interests as a developing country.

763. The WTO Dispute Settlement Panel in *Cotton-Type Bed Linen from India* stated that “the imposition of a “lesser duty” or a price undertaking would constitute “constructive remedies” within the meaning of the Article 15...”²

764. Starting from paragraph 766 below the Ministry has considered whether duties at less than the margin of dumping (lesser duties) should apply and has concluded that duties should apply at the full margin of dumping. No offers of price undertakings were received. The Ministry considers that to the extent that it is able to do so by the Act, it has explored the possibilities of constructive remedies provided for by Article 15 of the Agreement.

Amount of Anti-Dumping Duty

Ruho Corporation

765. All of the exports by Ruho were found to be not dumped. In terms of Article 5.8 of the Agreement the investigation must be terminated in respect of Ruho. To give this practical effect, any exports of CBS manufactured by Ruho will be exempt from the anti-dumping duty.

² Report by the Panel on European Communities-Anti-Dumping Duties on Imports of Cotton-Type Bed Linen from India, WT/DS141/R, 30 October 2000, at paragraph 6.229.

Consideration of Lesser Duty

766. Section 14(5) of the Act requires that the Minister has 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. To this end the Ministry's usual practice is to use either one of two methods to determine whether a lesser duty should apply.

767. The first involves the calculation of non-injurious free on board (NIFOB) amounts and normal values (value for duty equivalent) (NV(VFDE)) amounts. If the NIFOB is less than the NV(VFDE) this normally indicates that a lesser duty should apply. If the NIFOB is more than the NV(VFDE) this normally indicates that duty should apply at the full margin of dumping.

768. NIFOB's are calculated by deducting from the industry's non-injurious price (NIP) the costs arising after FOB up to the level of trade at which the imported product first competes with the New Zealand industry's product. NV(VFDE) amounts are calculated by adding to normal values the costs incurred between the ex-factory and FOB levels in the country of origin.

769. The second method is adding back the margin of dumping to the export price and comparing this price to the industry's NIP. If there is still price undercutting then this normally indicates that an anti-dumping duty should be imposed at the full margin of dumping and if there is no price undercutting this normally indicates that a lesser anti-dumping duty should apply.

770. It has been concluded above that a percentage ad valorem duty is the most appropriate form of duty in this case. The NIFOB/NV(VFDE) approach requires the establishment of reference prices and therefore this method cannot be used to determine whether a lesser duty in the form of a percentage ad valorem duty should apply, meaning the other method must be used. The Ministry notes that the determination of whether a lesser duty should apply is not affected by which method is used as either approach will result in the same outcome.

New Zealand Industry's Non-injurious Prices

771. For both methods the Ministry must first establish a NIP or NIPs for the New Zealand industry. The NIP refers to the price the New Zealand industry could achieve in the absence of dumped product in the New Zealand market. The methods that can normally be applied are:

- the current cost of production plus industry profits taken at a time when the industry was unaffected by dumped imports;
- using pre-injury prices scaled up by a relevant index; or
- determining the lowest priced non-dumped product in the market such as the price of goods originating from Australia or China.

772. The Ministry does not consider that it would be feasible to scale up prices using an index such as the producer price index from as far back as 2000 given the

general nature of such an index and the length of time over which prices would need to updated.


773. In considering the use of the lowest priced non-dumped product, the Ministry notes that even after Croxley has depressed its prices there is still significant price undercutting by dumped imports. While this price undercutting in conjunction with volume effects and the consequent economic impact have been a cause of material injury, it has not resulted in a massive or very large scale loss of sales. This suggests that there is a premium attached to Croxley's brand and/or its ability to service its customers. The Ministry therefore does not consider it would be reasonable to set Croxley's NIPs on the basis of the lowest priced non-dumped imports. There would also be considerable difficulty in establishing the lowest priced non-dumped imports from countries other than Malaysia for either individual products or for the four sub-categories used in this report, because of a lack of detailed pricing information.

774. The Ministry consequently considers that the best method to use in this case is that based on current costs of production adjusted for a profit margin achievable in the absence of dumped imports. In considering the use of this method the Ministry notes that Croxley has claimed that material injury as a result of dumping was first experienced in 2001 and that the material injury became serious in 2005. Information on gross margins relating to Croxley's production of like goods is available only from 2003 and therefore does not include a period prior to when Croxley claims to have been unaffected by dumped imports.

775. The use of this method is therefore necessarily based on imperfect information. However, Croxley has used rebates extensively as a means of reducing its prices and an approach to approximating the pricing levels that could be achieved in the absence of dumped imports would therefore be to calculate gross margins achieved in the absence of rebates. There has, however, been some depression of prices even in the absence of rebates suggesting that adding back rebates would not necessarily derive prices equivalent to those that might be achieved in the absence of dumped imports.

776. At the same time, when costs of production relative to sales revenue in the absence of rebates is examined from 2003 to 2006, cost of production has been maintained at about the same level proportionate to sales, indicating that depression of prices (in the absence of rebates) has been matched by reductions in the cost of production, suggesting that prices have not been suppressed in the absence of rebates. This data indicates that the reduction in prices through the use of rebates can be used as a reasonable estimate of the extent to which prices have been depressed in response to dumped imports.

777. The Ministry recognises that adding back rebates to net sales revenue may not necessarily result in margins that would have been achieved in the absence of dumped imports given that Croxley claims to have been injured as far back as 2001, but in the absence of information on gross margins back to this date, adjusting for rebates is the best estimate within the limitations of the data available.

778. Even after adjusting for rebates there is a small variation in the gross margin as a percentage of sales before the deduction of rebates, this percentage being 

percent in 2003, █ percent in 2004, █ percent in 2005 and █ percent in 2006. The Ministry has therefore calculated an average of this percentage for each of the four sub-categories from sales revenue in the absence of rebates and gross profit figures from each year from 2003 to 2006. The results are shown in the table below.

Table 6.1: Gross Profit as Percentage of Sales

Pads	Hard	Limp/Soft	Wire	Total
█%	█%	█%	█%	█%

779. To calculate a NIP for each sub-category, the Ministry has calculated the per unit gross profit for each sub-category using the percentages in the table above from the per unit cost of production for 2006. The results of this calculation are shown in the table below.

Table 6.2: Calculation of NIPs

	2006 COP Per Unit	Gross Profit Per Unit	NIP Per Unit
Pads	█	█	█
Hard	█	█	█
Limp/Soft	█	█	█
Wire	█	█	█

Calculations Relating to whether a Lesser Duty should apply

780. To establish whether a lesser duty should apply the Ministry has compared the extent to which Croxley's non-injurious prices (NIPs) have been undercut by the dumped exports to which the weighted average dumping margin has been added. Where the margin of dumping is less than the amount of price undercutting this indicates that a duty at the full margin of dumping should be imposed. Where the margin of dumping is greater than the amount of price undercutting indicates that a duty at less than the margin of dumping should be imposed.

781. To calculate prices for each exporter for each sub-category, the prices of dumped exports have been calculated on a weighted average basis at the same level of trade at which the price undercutting comparison was conducted, as set out in section 5.3 above. The weighted average margin of dumping for each sub-category has been converted from MYR to NZD at the average exchange over the period taken from the OANDA currency conversion web site of 1NZD = 2.37829 MYR.

782. The following tables show the result of the comparison carried out on the basis set out above.

Table 6.3: Chee Wah Price Undercutting Inclusive of Dumping Margin

Category	Croxley's NIP	Chee Wah's Weighted Average Prices Inclusive of Dumping Margin	Price Undercutting	Full Margin or Lesser Duty
Hard				Full Margin
Wire				Full Margin

783. In the "Limp/Soft category none of Chee Wah's exports were dumped so the above comparison was not necessary in this category. There was insufficient information to carry out this comparison for the "Pads" category so duty should also apply at the full margin of dumping for this category.

Table 6.4: NM Paper Price Undercutting Inclusive of Dumping Margin

Category	Croxley's NIP	NM Paper's Weighted Average Prices Inclusive of Dumping Margin	Price Undercutting	Full Margin or Lesser Duty
Hard				Full Margin
Wire				Full Margin

784. None of NM Paper's exports were dumped in the "Soft/Limp" category so the above comparison was not necessary in this category. NM Paper did not export any goods in the "Pads" category over the POI.

Table 6.5: Tan Eng Hong Price Undercutting Inclusive of Dumping Margin

Category	Croxley's NIP	TEH's Weighted Average Prices Inclusive of Dumping Margin	Price Undercutting	Full Margin or Lesser Duty
Pads				Full Margin

785. None of Tan Eng Hong's exports were dumped in the "Soft/Limp" category so the above comparison was not necessary for this category. Tan Eng Hong did not export any goods in the other two categories over the POI.

786. On the basis of the above considerations the Ministry concludes that in all cases anti-dumping duties should be applied at the full margin of dumping.

Rates of Anti-Dumping Duty

787. The rates of duty are to be set on a percentage ad valorem basis at the full margin of dumping, to be applied to the value for duty of the goods. The percentage rate of duty will therefore be equal to the weighted average margin of dumping established for each exporter investigated for each of the four sub-categories, as shown in the following table.

Table 6.6: Weighted Average Margins of Dumping

Company	Sub-Categories			
	Pads	Hard	Limp/Soft	Wire
Chee Wah	8%	43%	Not Dumped	73%
NM Paper	No Transactions	3%	Not Dumped	5%
Tan Eng Hong	18%	No Transactions	Not Dumped	No Transactions

788. None of the goods in the “Limp/Soft category was dumped and therefore it is proposed that stationery falling within this category not be subject to an anti-dumping duty.

Residual Rates of Duty

789. It is necessary to establish a residual rate of duty that will apply to exporters not investigated in this investigation and to exporters within the Ministry’s selection, who did not export in all sub-categories.

790. The Ministry has investigated a selection of exporters and producers under paragraph 10 of Article 6 of the Agreement, representing the largest percentage of the exports that could reasonably be investigated. As a consequence, the provisions of paragraph 4 of Article 9 of the Agreement apply in setting residual duties.

791. Paragraph 4 of Article 9 of the Agreement requires that in setting a residual rate it is not to exceed the weighted average margin of dumping of the selected exporters and producers and the Ministry is required to disregard any zero and *de minimis* margins and margins established in the circumstances of Paragraph 8 of Article 6 of the Agreement. Paragraph 8 of Article 6 of the Agreement provides that in cases where an interested party refuses access to, or otherwise does not provide necessary information within a reasonable period or significantly impedes the investigation, a determination may be made on the basis of the facts available.

792. Because no dumping was found in respect of goods in the “Limp/Soft” category, the Ministry considers that no residual rate of duty should apply to this category. The dumping margins established in respect of Chee Wah were based in small part on the facts available. The Ministry has therefore calculated weighted average dumping margins for each of the three categories to which a duty is to apply on the basis of

transactions relating to NM Paper and Tan Eng Hong only. The following table shows the proposed residual rates of duty calculated on the basis set out above.

Table 6.8: Ad Valorem Residual Rates of Duty

Pads	Hard	Wire
18%	3%	5%

Consideration of a Cap on Ad Valorem Rates

793. The Ministry has considered whether a cap in the form of a NV(VFDE) reference price should apply to the ad valorem percentage rates of duty proposed above. If the ad valorem rates of duty were to be subject to such a cap, the cap would come into effect if the amount of duty payable through the application of the NV(VFDE) reference price was less than the amount of duty payable through the application of the ad valorem percentage rate.

794. The Ministry has calculated NV(VFDE) amounts for each of the three sub-categories to which it is proposed the duty should apply for each of the exporters investigated. Because of differences in the product mix exported by each exporter in each sub-category, there is a wide variation in the caps that would apply to each exporter. For example, the NV(VFDE) cap that would apply to exports by Chee Wah and NM Paper of stationery in the “Wire” sub-category is ████████ MYR and ████████ MYR per unit respectively.

795. The Ministry does not consider it would be reasonable to cap the ad valorem rates by such widely differing amounts. While the different amounts reflect differences in the product mix, there is no certainty that the product mix will stay the same in future and such widely differing caps may in fact drive changes in the types of products exported to New Zealand and highlight why reference prices are not a suitable way of imposing duties on this product. At the same time, the Ministry considers that the dumping margins on which the ad valorem percentages rates of duty are based are more likely to be representative of the price discrimination between different product types that may be exported in future.

796. The Ministry therefore proposes that no reference price caps should apply to the ad valorem rates of duty. The Ministry notes that if importers consider that duty has been paid in excess of the margin of dumping, they can apply to the Ministry for a refund of any such excess.

Summary of Proposed Exporter Specific and Residual Duty Rates

797. The following table summarises the proposed rates of duty calculated on the basis set out above.

Table 6.9: Summary of Proposed Duty Rates

	Sub-Categories			
	Pads	Hard	Limp/Soft	Wire
Chee Wah	8%	43%	No Duty	73%
NM Paper	18%	3%	No Duty	5%
Tan Eng Hong	18%	3%	No Duty	5%
Residual Rate for other Exporters	18%	3%	No Duty	5%
Ruho Corporation	Exempt from all duties			

Reassessment for Exporters not Investigated

798. The Act, at section 14(6), provides for the initiation of a reassessment on the initiative of the Chief Executive or at the request of an interested party who submits evidence justifying the need for a reassessment. The Ministry would not normally carry out a reassessment for at least six months after the completion of an investigation in order to allow sufficient time for the operation of the duties to be properly assessed.

799. However, paragraph 5 of Article 9 of the Agreement provides that authorities shall promptly carry out an accelerated review, for the purpose of establishing individual dumping margins for any exporter or producer of that product in the exporting country who has not exported the product to the importing country during the period of investigation. The Ministry considers this provision would allow exporters in the Ministry's selection who did not export stationery in a particular sub-category during the investigation, to apply for a separate rate for that sub-category.

800. The Ministry also interprets Article 9.5 to apply to parties who have exported the goods under investigation to New Zealand during the period of investigation, but who were not one of those exporters or producers selected for investigation under paragraph 10 of Article 6 of the Agreement.

Effective Dates

801. Section 14(2) of the Act requires that anti-dumping duty shall be collected and paid on the demand of Customs the day after the date the notice of the rate or amount of duty determined is published in the *New Zealand Gazette*. Under section 17 of the Act, the rate or amount determined is payable from either (a) the day after the date of the Minister's final determination on the investigation, or (b) a specified day after this date.

802. It is proposed that the anti-dumping duties should apply from the day after the date of the Minister's final determination on the investigation.

Impact of Anti-Dumping Duties

803. For those sub-categories that were dumped prices to importers will increase by the percentage rates of duty that are proposed above. No duty is proposed for imports of stationery in the "Limp/Soft" sub-category, so prices of stationery falling within this sub-category will not be affected by the imposition of anti-dumping duties.

804. The increase in prices to importers for those sub-categories to which it is proposed duties should apply means it is possible that consumers will pay a higher price, however it is difficult to gauge the extent of any price increase to consumers as there is competition from imports from other countries. Any increase in prices will mitigate the downward pressure on the New Zealand industry's prices caused by dumped imports from Malaysia.

7. Conclusions

805. On the basis of the information available, the Ministry has concludes that:

- a. CBS from Malaysia is being dumped, except for exports by Ruho Corporation;
- b. material injury to Croxley, as the New Zealand industry, has been caused by the dumped Malaysian CBS; and
- c. anti-dumping duties should be imposed using an *ad valorem* methodology at the weighted-average dumping margin for each of the three sub-categories of CBS found to be dumped on an exporter specific basis, except for exports by Ruho Corporation which should be exempt from anti-dumping duty.

8. Recommendations

806. It is recommended on the basis of the information obtained during the course of the investigation into the dumping of certain bound stationery from Malaysia:

1. That the Minister determine pursuant to section 13 of the Act that in relation to the importation or intended importation of certain bound stationery from Malaysia:
 - a. goods are being dumped, except for those falling within the “Limp/Soft” sub-category and except for exports by Ruho Corporation; and
 - b. by reason thereof material injury to an industry has been or is being caused.
2. That the Minister, having made a determination under section 13 of the Act, give notice pursuant to section 14(1) of the rate or amount of duty determined under section 14(4) of the Act to be imposed in respect of the certain bound stationery from Malaysia that is dumped, on the basis set out in Table 6.9 above.
3. That the Minister sign the attached Gazette notice, and give notice of the final determination and imposition of duties in respect of Malaysia, to interested parties in accordance with sections 9, 13 and 14 of the Act.

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Investigating Team
Trade Rules and Remedies Group

Appendix One

807. A full copy of the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 can be found at:

http://www.wto.org/english/docs_e/legal_e/19-adp.pdf.

808. A full copy of the Dumping and Countervailing Duties Act 1988 can be found at:

http://www.legislation.govt.nz/browse_vw.asp?content-set=pal_statutes