

**Reinforcing Steel Bar and Coil
from
Malaysia and Thailand**

Confidential Initiation Report

**Dumping and Countervailing Duties Act 1988
Dumping Application**

Trade Remedies Group
Ministry of Economic Development
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Abbreviations

The following abbreviations are used in this Report:

Act (the)	Dumping and Countervailing Duties Act 1988
Anti-Dumping Agreement (the Agreement)	WTO Agreement on Implementation of Article VI of the GATT 1994
ASTM	American Society for Testing and Materials
BSI	British Standards Institute
Chief Executive	Chief Executive of the Ministry of Economic Development
CIF	Cost, Insurance and Freight
Customs	New Zealand Customs Service
EBIT	Earnings Before Interest and Taxation
FOB	Free on Board
INFOS	Statistics New Zealand <i>Te Tari Tatau</i>
JIS	Japanese Industrial Standard
LDC	Less Developed Countries
LLDC	Least Developed Countries
Minister (the)	The Minister of Commerce of New Zealand
Ministry (the)	Ministry of Economic Development
MYR	Malaysian Ringgit
NZD	New Zealand Dollar
OANDA	www.oanda.com (the currency site™)
OPS	Other Preferential Sources
Pac	Forum Island Members of the South Pacific Regional Trade and Economic Cooperation Agreement
Siam Iron	Siam Iron and Steel Co Limited
SD	Thai Steel Standard
THB	Thai Baht

VFD	Value for Duty
WTO	World Trade Organisation

1. Executive Summary

Introduction

1. On 27 May 2003, the Ministry of Economic Development (the Ministry) accepted a properly documented application for a dumping investigation from Pacific Steel, a division of Fletcher Steel Limited. Pacific Steel claims that imports of reinforcing steel bar and coil from Malaysia and Thailand are being dumped and are causing material injury to the New Zealand industry.

Goods Subject to the Investigation

2. The goods subject to the investigation are described as follows:

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

Grounds for the Application

3. Pacific Steel claims the imports of allegedly dumped reinforcing steel bar and coil from Malaysia and Thailand are affecting the prices of like goods produced by the New Zealand industry and consequently adversely impacting the industry.

Provisional Measures

4. Pacific Steel believes the continued importation of the dumped goods during the period of investigation will increase the materiality of injury and, therefore, has requested the imposition of provisional anti-dumping duty in accordance with section 16 of the Dumping and Countervailing Duties Act 1988 (the Act).

Dumping

5. The Ministry is satisfied that Pacific Steel has provided sufficient evidence of export prices and normal values for purposes of initiation of an investigation. On the basis of the information provided in the application, dumping is alleged to have occurred in 2002. Dumping margins range from 15 percent to 31 percent, expressed as a percentage of export price, for goods imported from Malaysia and 5 to 29 percent, expressed as a percentage of export price, for goods from Thailand.

Injury

6. The Ministry is satisfied, on the basis of the information and evidence provided by Pacific Steel, that there is sufficient evidence that the import volumes of the subject goods have increased significantly, and the New Zealand industry's prices have been undercut, depressed and suppressed by the imports resulting in significant declines in market share, profit, return on investments, and a significant increase in inventories.

Injury Factors Other Than the Dumped Goods

7. Pacific Steel states that there are no other known causes of injury, than from the allegedly dumped imports and observes that any effect on profits as a result of the recent high electricity prices will affect later financial periods than those addressed in the application.

Causal Link

8. Pacific Steel has provided evidence in support of its claim that material injury has been caused by the allegedly dumped goods.

Conclusion

9. The Chief Executive of the Ministry of Economic Development (Chief Executive) is satisfied that sufficient evidence has been provided in the application to demonstrate that goods imported into New Zealand are being dumped and by reason thereof are causing material injury to the New Zealand industry producing like goods.

Recommendation

10. This report recommends that the Chief Executive formally initiate an investigation to determine both the existence and effect of any alleged dumping of reinforcing steel bar and coil from Malaysia and Thailand.

2. Introduction

2.1 Assessment of Application

11. An industry applying for a dumping investigation is required to provide information and supporting evidence, which is reasonably available to it, on export prices and normal values, material injury and a causal link between dumping and material injury.

12. The Chief Executive of the Ministry of Economic Development (Chief Executive), is required to assess the accuracy and adequacy of the information, to establish whether the application is properly documented and contains sufficient evidence that the subject goods imported into New Zealand are dumped, and have caused, are causing, or threaten to cause, material injury to the New Zealand industry producing like goods.

13. The evidence must go beyond mere assertion¹ and be of a nature and extent that indicate a likelihood of dumping and injury requiring investigation. The Chief Executive is required to be satisfied as to the sufficiency of the evidence, not of the existence of dumping and injury. The question of whether dumping is occurring and causing injury in fact is one for an investigation.

14. It should be noted that the inclusion of any information in this report does not indicate that the Ministry of Economic Development (the Ministry) necessarily accepts that information or any conclusions arising from it. Any final determination of whether or not goods are dumped and causing injury can only be made after a full investigation carried out in accordance with the Dumping and Countervailing Duties Act 1988 (the Act).

2.2 Dumping

15. Dumping is price discrimination between markets. It occurs when an exporter sells goods to New Zealand at a price less than the price charged in its domestic market.

16. The price at which goods are sold in the domestic market of the exporting country is referred to as the "normal value" of those goods. The "export price" is based on the price that the New Zealand importer pays for the goods.

17. Imported goods are dumped if their "export price" is less than their "normal value", once adjustments have been made to ensure that the price comparison is fair.

18. Section 3(1) of the Act states:

Dumping, in relation to goods, means the situation where the export price of goods imported into New Zealand or intended to be imported into New Zealand is less than

¹ *Kerry (NZ) Limited v Taylor* (1988) 3 TCLR 265 per Gault J

the normal value of the goods as determined in accordance with the provisions of this Act, and **dumped** has a corresponding meaning:

2.3 Injury

19. In order to assess claims of injury as required by section 8 of the Act, the application must have evidence showing:

- The volume of imports of dumped goods; and
- The effect of the dumped goods on prices in New Zealand for like goods; and
- The consequent impact of the dumped goods on the relevant New Zealand industry.

20. Any assessment the Ministry makes on the threat of injury is done on the basis of guidelines set down in Articles 3.7 and 3.8 of the World Trade Organisation (WTO) Agreement on Implementation of Article VI of the GATT 1994 (the Anti-dumping Agreement.)

2.4 Causal Link

21. An application must show evidence of a causal link between the alleged dumping and the alleged injury.

22. It should be noted that the Ministry approaches investigations on the basis that injury and threat of injury are alternatives, i.e. an industry is either injured or threatened with injury.

3. Proceedings

3.1 Application

23. On 27 May 2003, the Ministry accepted a properly documented application from Pacific Steel, a division of Fletcher Steel Limited. The application alleged that imports of reinforcing steel bar and coil from Malaysia and Thailand were being dumped and by reason thereof causing material injury to the New Zealand industry.

24. In accordance with section 10 of the Act, on receipt of a properly documented application, the Chief Executive may initiate an investigation to determine both the existence and effect of any alleged dumping of any goods on being satisfied that sufficient evidence has been provided that:

- a. the goods imported, or intended to be imported, into New Zealand are being dumped; and
- b. by reason thereof material injury to an industry has been or is being caused or is threatened, or the establishment of an industry has been or is being materially retarded.

3.2 Basis for the Application

25. Pacific Steel claims that as a result of the alleged dumping, material injury is resulting from:

- increased volume of the allegedly dumped imports;
- price undercutting, price depression, and price suppression;

and is resulting in:

- decline in sales volume and sales revenue (that would have been achieved but for the alleged dumped imports);
- decline in market share;
- decline in profits;
- decline in return on investments; and
- decline in utilisation of production capacity.

26. Pacific Steel states in its application that since [REDACTED] it has experienced a decline in profitability, but material injury as a consequence of the importation of allegedly dumped goods became evident in [REDACTED]

27. Pacific Steel has requested the imposition of provisional anti-dumping duties to prevent increased material injury being caused during the period of investigation. Provisional anti-dumping duties may be imposed no earlier than 60 days after initiation of an investigation, if the Minister of Commerce of New Zealand (the

Minister) has reasonable cause to believe that the imported goods are being dumped and are causing material injury to an industry, and is satisfied action is necessary to prevent material injury being caused during the period of investigation. Provisional measures will be considered if the case is initiated.

3.3 Interested Parties

New Zealand Industry

28. Pacific Steel, a division of Fletcher Steel Limited, has advised that it is the only company in New Zealand that produces reinforcing steel bar and coil.

Exporters

29. Pacific Steel has identified the following manufacturers and exporters of the imported goods:

Malaysia:

Amsteel Mills Sdn Bhd
Lot 1, Japan Waja, Bukit Raja Industrial Estate
41050, Klang
Selangor Darul Ehsan, Malaysia
Telephone: (603) 3341 2323/22 (General Line)
Facsimile: (603) 3343 2190/3342 1942

Thailand:

Millennium Steel
(the Siam Construction Steel Company)
(currently at, but shortly moving from)
1 Siam Cement Road
Bangsue, Bangkok 10800, Thailand
Telephone: (662) 2586 3287
Facsimile: (662) 2586 2986

30. The New Zealand Customs Service (Customs) data for the year ended 31 July 2003 indicates that the following firms, listed in alphabetical order, are suppliers of reinforcing steel bar and coil from Malaysia and Thailand which has been classified under the tariff items and statistical keys identified by Pacific Steel and additional tariff items and statistical keys identified by Customs that cover the subject goods description presented by the applicant:

Malaysia:

Amsteel Mills Sdn Bhd
Chung Yih Steel Sdn Bhd
CMC Australia Pty Limited
Gayathri Steels
Malayawata Steel Berhad
SK Global Co Limited

Stahl Trading Pty Limited

Thailand:

Sanwa Pty Limited
SCT Co Limited [Millennium Steel]
Siam Yamoto Steel Co Limited

31. In respect of imports from Malaysia, Customs data shows in some instances the exporting country is [REDACTED] with Malaysia as the country of origin and for imports from Thailand, Customs data shows the country of origin as Thailand and [REDACTED] the country of export is [REDACTED]. Any investigation will need to identify the suppliers of the goods and establish whether such goods have any degree of manufacture in the country of export, or whether they are merely trans-shipped.

Importers

32. Pacific Steel has identified the following companies as the importers of the goods:

Malaysia

Euro Corporation Limited
PO Box 36 246
Northcote
Auckland
Telephone: (09) 262 1070

Thailand

Vulcan Steel
29 Neales Road, East Tamaki
PO Box 58009
Greenmount
Auckland
Telephone: (09) 273 7214
Facsimile: (09) 273 7219

33. Customs data for the year ended 31 July 2003 indicates that the following firms, listed in alphabetical order, are importers of reinforcing steel bar and coil classified under the tariff items and statistical keys identified within the subject goods description presented by the applicant.

Consolidated Manufacturing Industries Limited
Euro Corporation Limited
HJ Asmuss & Co Limited
Kiwi Steel NZ Limited (was Steelco Sunkyong Steel)
MR Steel Limited
Nauhria Building Supplies Limited
Quail Glen Industrial Limited
Reo Services Limited
Steelplus Limited

Southern Mesh Supplies Limited
Vulcan Steel Limited

34. Due to the number of exporters identified, should an investigation be initiated it is intended to specifically investigate those exporters (and their associated importers) representing the top 99 percent of imports (by volume) of the subject goods over the year ended July 2003. All other suppliers and importers will have the opportunity to provide submissions but these will not be directly solicited.

35. Exporters and importers falling into the above category are as follows:

Malaysia

Amsteel Mills Sdn Bhd
CMC Australia Pty Ltd
Gayathri Steels
Malayawata Steel Berhad
SK Global Ltd

Thailand

Sanwa Pty Ltd
SCT Co Ltd

Importers

Euro Corporation Ltd
HJ Asmuss & Co Ltd
Kiwi Steel Ltd
MR Steel Ltd
Nauhria Building Supplies Ltd
Quail Glen Industrial Ltd
Reo Services Ltd
Steel Plus Ltd
Vulcan Steel Ltd

36. Any investigation will have to establish the extent to which the parties listed above are importing the goods subject to this application.

3.4 Imported Goods

37. The goods which are the subject of the application, hereinafter referred to as reinforcing steel bar and coil or “subject goods”, are:

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

38. Customs provided the Ministry with a list of all tariff items and statistical keys that applied to the applicant’s subject goods description. The list had twenty-one tariff items and statistical keys, greater than the number provided in the application. However, the list excluded tariff items and statistical keys 7214.20.90 09B and

7214.99.90 05F which were listed by the applicant as tariff items and statistical keys under which the subject goods could be entering New Zealand. The exclusion was on the basis that their dimensions are outside of the subject goods description presented by the applicant.

39. The Ministry sought comment from the applicant on tariff classification. Pacific Steel agreed the additional tariff items and statistical keys were applicable to the subject goods, but the amounts involved were minimal and therefore did not warrant revised calculation, on their behalf, at the application stage. Pacific Steel indicated, however the additional items should be included in any injury analysis.

40. The Ministry has taken all applicable tariff items and statistical keys into account in preparing this report. A full list of tariff items and statistical keys under which the subject goods could enter is set out below. Items that are in italics are included for completeness and comprehension of the tariff items and statistical keys that follow.

72.13	Bars and rods, hot-rolled, in irregularly wound coils, Of iron or non-alloy steel:		
7213.10			- Containing indentations, ribs, grooves or other deformations produced during the rolling process:
<i>7213.10.10</i>			- - <i>Of cross-section in the shape of "flattened circles" or "modified rectangles"</i>
7213.10.90			- - Other
	01E	kg	. . . Of a circular cross-section measuring less than 14 mm in diameter
	09L	kg	. . . Other
<i>7213.20</i>			- <i>Of free cutting steel:</i>
7213.91			- - Of circular cross-section measuring less than 14 mm in diameter:
<i>7213.91.10</i>			- - - <i>Of cross-section in the shape of "flattened circles" or "modified rectangles"</i>
7213.91.90			- - - Other
	01J	kg	. . . . Containing by weight less than 0.25% of carbon
	05A	kg	. . . . Containing by weight 0.25% or more but less than 0.6% of carbon
	09D	kg	. . . . Other
<i>7213.99.10</i>			- - - <i>Of cross-section in the shape of "flattened circles" or "modified rectangles"</i>
7213.99.90			- - - Other
	01E	kg	. . . . Containing by weight less than 0.25% of carbon
	05H	kg	. . . . Containing by weight 0.25% or more but less than 0.6% of carbon
	09L	kg	. . . . Other
72.14	Other bars and rods of iron or non-alloy steel, not further worked than forged, hot rolled, hot drawn or hot-extruded, but including those twisted after rolling:		
<i>7214.10.00</i>			- <i>Forged</i>
7214.20			- Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling:

7214.20.10		- - <i>Of cross-section in the shape of "flattened circles" or "modified rectangles"</i>
7214.20.90		- - Other
		. . . . Of circular cross-section measuring:
	01G kg	. . . . Less than 14 mm in diameter
	05K kg	. . . . 14 mm or more, but less than 42 mm in diameter
7214.30		- <i>Of free cutting steel:</i>
7214.91.00		- - <i>Of rectangular (other than square) cross section</i>
7214.99		- - Other:
7214.99.10		- - - <i>Of cross-section in the shape of "flattened circles" or modified rectangles"</i>
7214.99.90		- - - Other
		. . . . . Containing by weight less than 0.25% of carbon:
		. . . . . Of circular cross-section measuring:
	01C kg	. . . . . Less than 14 mm in diameter
	03K kg	. . . . . 14 mm or more, but less than 42 mm in diameter
		. . . . . Containing by weight 0.25% or more but less than 0.6% of carbon
		. . . . . Of circular cross-section measuring:
	11L kg	. . . . . Less than 14 mm in diameter
	13G kg	. . . . . 14 mm or more, but less than 42 mm in diameter
		. . . . . Other:
	21H kg	. . . . . Of circular cross-section
72.27		Bars and rods, hot rolled, in irregularly wound coils, of other alloy steel:
7227.10.00		- <i>Of high speed steel</i>
7227.20.00		- <i>Of silico-manganese steel</i>
7227.90.00		- Other
		. . . . Of cross-section in the shape of "flattened circles" or "modified rectangles":
		. . . . . <i>Of a height of 80 mm or more:</i>
		. . . . . Other:
	11B kg	. . . . . Wire rod
	19H kg	. . . . . Other
72.28		Other bars and rods of other alloy steel: angles, shapes and sections, of other alloy steel; hollow drill bars and rods, of alloy or non-alloy steel:
7228.10.00		- <i>Bars and rods, of high speed steel</i>
7228.20.00		- <i>Bars and rods, of silico-manganese steel</i>
7228.30.00		- Other bars and rods, not further worked than hot-rolled, hot-drawn or extruded
		. . . . Of cross-section in the shape of "flattened circles" or "modified rectangles":

			<i>Of a height of 80 mm or more:</i>
			Other:
	11J	kg	Wire rod
	19D	kg	Other
7228.50.00			- Other bars and rods, not further worked than cold-formed or cold-finished:
			<i>Of cross-section in the shape of "flattened circles" or "modified rectangles":</i>
	19A	kg	Other
7228.60.00			- Other bars and rods
			<i>Of cross-section in the shape of "flattened circles" or "modified rectangles":</i>
			Other:
	11K	kg	<i>Welding</i>
	19E	kg	Other

41. Applicable duty rates are:

Normal	5 %
Australia	Free
Canada	Free
LDC	Free
LLDC	Free
OPS	Free
Pac	Free

42. Data obtained by the Ministry from Customs on imports of the subject goods from Malaysia and Thailand indicates that imports are entering under the normal tariff rate of 5 percent.

43. Pacific Steel has provided data obtained from Statistics New Zealand (INFOS) on the volume of imports classified under the extended list of tariff items and statistical keys from all sources. The data has been presented in calendar years from 1999 to 2002. Pacific Steel also provided updated import data up to May 2003.

44. Pacific Steel has advised that its financial year is 1 July to 30 June. The financial data in the application has been presented in years ended June for 2000 to 2002 and for the 6 months ended December 2002.

45. In this report years are ended June and dollar values are New Zealand Dollars (NZD) unless stated otherwise. In tables, column totals may differ from individual figures because of rounding.

46. Should an investigation be initiated, the period for considering claims of dumping will be the year ended 31 July 2003, while the consideration of injury will involve, assuming the latest information is available, evaluation of data from 1 June 1999 to 30 June 2003.

4. New Zealand Industry

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

3A. Meaning of “industry”—For the purposes of this Act, the term “industry”, in relation to any goods, means—

- (a) The New Zealand producers of like goods; or
- (b) Such New Zealand producers of like goods whose collective output constitutes a major proportion of the New Zealand production of like goods.

“Like goods” is defined in section 3 of the Act:

“Like goods”, in relation to any goods, means—

- (a) Other goods that are like those goods in all respects; or
- (b) In the absence of goods referred to in paragraph (a) of this definition, goods which have characteristics closely resembling those goods:

4.1 Like Goods

48. In order to establish the existence and extent of the New Zealand industry for the purposes of an investigation into injury, and having identified the subject goods, it is necessary to determine whether there are New Zealand producers of goods which are like those goods in all respects, and if not, whether there are New Zealand producers of other goods which have characteristics closely resembling the subject goods.

The Imported Goods

49. The subject goods have been identified (in section 3.4 of this Report) as:

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

New Zealand Production

50. Pacific Steel produces reinforcing steel bar in straight lengths (bars) or in coil form. Pacific Steel’s reinforcing bar is available in the following forms:

- With surface deformations, in straight lengths;
- Without surface deformations, in straight lengths;
- With surface deformations, in coiled form;
- Without surface deformations, in coiled form.

51. The reinforcing steel size range currently produced by Pacific Steel is 6 -16mm in coil form and 10 - 40mm in bar form. Pacific Steel has advised that coils can be straightened and cut to form bars, however it is not possible to produce coils from bars.

52. Pacific Steel considers its reinforcing steel bar and coil may not be the same in all respects to the subject goods but have characteristics that closely resemble the subject goods and therefore are like goods within the definition of section 3 of the Act. Pacific Steel considers its product has the same end use, method of manufacture and distribution system as the subject goods. Its basic chemistry, deformations, types, sizes and physical form closely resemble the imported product.

Imported Goods

53. Pacific Steel advised that the allegedly dumped goods are steel reinforcing bar and coil. The majority of imported reinforcing steel is presented in 12-14mm and 16-32mm bars.

Like Goods Considerations

54. In identifying like goods the Ministry uses the following framework to consider what goods produced in New Zealand are like goods to the allegedly dumped imports.

- a. Physical characteristics. This covers appearance, size and dimensions, composition, production methods and technology.
- b. Function/usage. This covers consumer perceptions/expectations, end uses, and will lead to any conclusions on the issue of substitutability where relevant.
- c. Pricing structures.
- d. Marketing. This covers distribution channels, customers and advertising.
- e. Other. This can include tariff classification if applicable, and any other matters which could be applicable in the circumstances.

55. Pacific Steel has not identified other goods that could be considered like to the subject goods, but has identified substitutable goods which are:

- steel fibres mixed in with concrete;
- stainless steel (which is significantly more expensive); and
- fibres of plastic and other materials.

56. Pacific Steel considers the utilisation of all the substitutable products to be uncommon in New Zealand and claims that there are limited substitutes for carbon steel reinforcing bar.

57. The Ministry notes from Pacific Steel's website that in addition to the production and sale of reinforcing steel bar and coil it manufactures merchant steel bars. The merchant steel bars are presented in mid and large flats of Grade 300; AS/NZS3679 (joint Australian/New Zealand steel standard on hot rolled bars and sections.) Pacific Steel has advised the Ministry that merchant steel bars are not a 'like good' to reinforcing steel bar and coils. Merchant steel is used to make all manner of built structures, for example trailers, power pylons, shelving, and agricultural equipment, it is normally fabricated into end products by cutting, forming, drilling and then welding or bolting. Merchant steel bars are of cross sectional shapes equal angle, unequal angle, channel, flat or round. By contrast reinforcing steel bars and coil always have a round cross section and merchant bar does not have surface indentations or ribs like reinforcing steel bar

Physical Characteristics

Size and Dimensions

58. Pacific Steel advised that the goods it produces are similar in size to the subject goods.

59. The size range currently produced by Pacific Steel is 6-16mm (nominal diameter) in coil form and 10-40mm (nominal diameter) in bar form. According to Pacific Steel's website the preferred lengths for bars are 6m, 9m, & 12m in all diameters and 6m, 9m, 12m, 15m & 18m for diameters greater than or equal to 10mm. The approximate weight of each coil of any size is 1.45 tonne.

Composition

60. Pacific Steel states that the goods it produces share a similar basic chemistry with the subject goods.

61. On its website Pacific Steel states its SEISMIC 500® is a micro alloyed product conforming to the chemical composition requirements of the new reinforcing steel standard AS/NZS 4671 (joint Australian/New Zealand steel reinforcing materials.) The carbon content and the carbon equivalent are maintained within the maximum limits set by the standard to allow weldability of the product.

Product Specifications

62. In its application Pacific Steel advised that there are a variety of steel specifications used for reinforcing steel bars worldwide. Common accreditations are JIS (Japanese Industrial Standard), ASTM (American Society for Testing and Materials), and BSI (British Standards Institute.)

63. Pacific Steel advised that the imports from Thailand adhere to the SD40 standard (a Thai standard), which is represented as equivalent to Pacific Steel's NZS500E product by the importer. Pacific Steel has not advised the Ministry of any product specifications of the subject goods from Malaysia.

64. According to its website Pacific Steel produces reinforcing bars and coils in Grade 300 and Grade 500 to comply with the new joint standard AS/NZS 4671, Class E (E for earthquake), which has been written specifically to suit New Zealand

construction requirements. This new standard came into effect on 2 April 2002 and all earlier standards for steel reinforcing materials have been withdrawn and only AS/NZS 4671 applies.

Production Methods

65. Pacific Steel has advised that the imported subject goods from Malaysia and Thailand are produced by the same method as the New Zealand product.

66. Pacific Steel manufactures steel billets in an electric arc furnace from scrap steel materials sourced from Sims Pacific Metals Limited, a related company. A billet is a semi-finished steel product of 150mm² cross section and 6 to 8.9 metres long. The rolling mill heats the billet feed and hot rolls it into a variety of sizes of deformed and plain bars and coils. Once rolled, finished bars are cut to specific lengths and bundled in preparation for dispatch, while coils may be straightened and cut to length or dispatched in coil form.

Technology

67. Pacific Steel has not provided the Ministry with any comments regarding the technology used in the production of the subject goods from Malaysia or Thailand nor that used in the production of like goods.

68. The Ministry considers that as the exporting manufacturers are large companies that export worldwide it is most likely that the technology utilised in their production process would be similar to that used by Pacific Steel.

Function and Usage

69. Pacific Steel advised that its reinforcing steel bar and coil is used in reinforced ferro-cement construction, embedded in concrete to give a concrete structure critical aspects of its structural integrity. The majority of a reinforcing bar and coil's surface area features surface ribs and indentations, which grip the surrounding concrete.

Pricing

70. As part of its price undercutting evidence Pacific Steel provided, its estimate of the importers ex-store prices. For the six months to December 2002 when the prices were separated for Malaysia and Thailand, the prices were NZD [REDACTED] and NZD [REDACTED] respectively. Pacific Steel's average ex-factory domestic sale price for the same time period is between NZD [REDACTED] to NZD [REDACTED]. The domestically produced and imported goods prices do not differ to an extent that they may be considered not like goods.

71. To evidence material injury caused by the alleged dumped goods, Pacific Steel has provided copies and notes of [REDACTED]
[REDACTED], has compared the price of the imported product with that of the product produced by Pacific Steel, which indicates that Pacific Steel's products are perceived as like goods to the imported product.

Marketing Issues

72. Pacific Steel states that the subject goods are distributed via the same distribution channels and to the same end users as domestically produced like goods, but it has not provided specific details of distribution channels.

73. Fletcher Building Limited's website states that 43 percent of Pacific Steel's customers are steel merchants and 57 percent are steel processors. In the year ended June 2000, 88 percent of Pacific Steel's total sales were to Fletcher Building Limited's steel divisions.

74. Pacific Steel bars have the brand names SEISMIC 300® and SEISMIC 500® on their deformed coils and bars denoting respectively, Grade 300E and Grade 500E. Pacific Steel has not provided the Ministry with any brand names associated with the imported product.

Other

Tariff Classification

75. The subject goods are classified according to the Tariff of New Zealand under the tariff item and statistical keys as set out following paragraph 40.

Pacific Steel advised that their product, if imported into New Zealand, would be classified under the same tariff item and statistical keys provided by Customs as applicable to the imported subject goods from Malaysia and Thailand.

Conclusions Relating to Like Goods

76. The subject goods imported from Malaysia and Thailand are mostly in 12-14mm and 16-32mm bars, and while not like in all respects, they have characteristics that closely resemble the subject goods. Pacific Steel considers its reinforcing steel bar and coil's basic chemistry, physical form, deformation, type and sizes closely resemble the subject goods. The method of manufacture, distribution systems and end-use are also like to the subject goods. In addition the price of the domestically produced product when compared to the imported product prices, do not differ to such an extent that they could be considered not like to the imported product. The Ministry concludes that reinforcing steel bar and coil produced by Pacific Steel, while not like in all respects, has characteristics that closely resemble the subject goods, and therefore are like goods to the subject goods, for the purpose of any investigation.

77. Pacific Steel produces another steel product, merchant steel. However, based on its function, the Ministry concludes it is not a like good to the subject goods.

4.2 New Zealand Industry

78. An investigation may not be initiated unless the Chief Executive is satisfied that the requirements of section 10(3) of the Act are met. These requirements are that the collective output of those New Zealand producers who have, in writing, expressed support for the application constitutes:

- a. Twenty-five percent or more of the total New Zealand production of like goods produced for domestic consumption (assessed during the most recent representative period, being not less than six months); and
- b. More than 50 percent of the total production of like goods produced for domestic consumption (as so assessed) by those New Zealand producers who have, in writing, expressed support for or opposition to the application.

79. The applicant, Pacific Steel, states it is the only New Zealand manufacturer of reinforcing steel bar and coil. The Ministry has found no evidence of any other company in New Zealand that manufactures like goods. Therefore, based on the information available, the application meets the domestic industry standing requirements of section 10(3) of the Act.

4.3 Imports of Reinforcing Steel Bar and Coil

80. Section 11(1) of the Act provides that where the Minister is satisfied in respect of some, or all of the goods under investigation, that there is insufficient evidence of dumping or injury to justify proceeding with the investigation then the investigation shall be terminated. Section 11(2) of the Act provides that evidence of dumping shall be regarded as insufficient if the volume of imports of dumped goods, expressed as a percentage of total imports of like goods into New Zealand is negligible, having regard to New Zealand's obligations as a party to the Anti-Dumping Agreement Article 5:8. which deals with the negligibility of dumped imports as follows:

5.8 An application under paragraph 1 shall be rejected and an investigation shall be terminated promptly as soon as the authorities concerned are satisfied that there is not sufficient evidence of either dumping or of injury to justify proceeding with the case. There shall be immediate termination in cases where the authorities determine that the margin of dumping is *de minimis*, or that the volume of dumped imports, actual or potential, or the injury, is negligible. The margin of dumping shall be considered to be *de minimis* if this margin is less than 2 per cent, expressed as a percentage of the export price. The volume of dumped imports shall normally be regarded as negligible if the volume of dumped imports from a particular country is found to account for less than 3 per cent of imports of the like product in the importing Member, unless countries which individually account for less than 3 per cent of the imports of the like product in the importing Member collectively account for more than 7 per cent of imports of the like product in the importing Member.

81. The fourth Ministerial Conference at Doha in November 2001 decided that a number of implementation-related issues and concerns in the anti-dumping area needed to be addressed. One such issue was to ensure the maximum possible predictability and objectivity in the application of timeframes when determining the volume of dumped imports that can be considered negligible. New Zealand notified the WTO Committee on Anti-dumping Practices in document G/ADP/N/100/NZL of 24 January 2003, that, in determining negligible import volumes, it will use "the period of data collection for the dumping investigation" as its preferred timeframe in all future investigations. Accordingly, in determining whether the volume of dumped

imports is negligible the Ministry has used data available to it for the most recent 12 consecutive months

82. To determine whether the volume of imports of dumped goods, expressed as a percentage of total imports of like goods into New Zealand, is negligible the Ministry has used Customs data, for all the tariff items covering the subject goods as identified, over the last 12 consecutive months available.

Table 4.1: Share of Imports in 2002 (tonnes)

	Year ended July 2003	Percentage
Imports from Malaysia		16%
Imports from Thailand		23%
Other Imports		60%
Total Imports		100%

83. Table 4.1 shows the allegedly dumped imports from Malaysia and Thailand, as a percentage of total imports of like goods into New Zealand, is greater than 3 percent. Therefore the volume of imports is not negligible according to Article 5.8 of the Anti-dumping agreement.

4.4 New Zealand Market

84. Pacific Steel's application included INFOS data for import volumes for calendar years 1999 to 2003. In response to the classification advice from Customs, Pacific Steel provided updated data for the period January 1999 to May 2003 for all tariff items and statistical keys identified as relevant to the subject goods description. The Ministry has used this updated data for import volume information provided by Pacific Steel. The figures for Malaysia and Thailand were similar to those originally provided by the applicant, but were higher for imports from other sources, due in large part to the addition of further tariff items and statistical keys within the subject goods description.

85. Table 4.2 below shows INFOS import volume figures for all tariff items and statistical keys identified by Customs. New Zealand sales volume figures were supplied by Pacific Steel.

Table 4.2: New Zealand Market for Years ended June (Tonnes)

	2000	2001	2002	6 months to Dec 2002
Imports from Malaysia	458	104	2,037	2,249
Imports from Thailand	8,507	4,197	4,081	3,059
Other Imports	10,603	8,113	10,206	8,804
Total Imports	19,568	12,414	16,324	14,112
NZ Industry Sales				
NZ Market				

5. Evidence of Dumping

86. Section 3(1) of the Act states:

“Dumping”, in relation to goods, means the situation where the export price of goods imported into New Zealand or intended to be imported into New Zealand is less than the normal value of the goods as determined in accordance with the provisions of this Act, and ‘dumped’ has a corresponding meaning:”

87. Information was provided in the application concerning the export price and the normal value of the subject goods. Assessment of the information provided follows.

5.1 Export Prices

88. Export prices are determined in accordance with section 4 of the Act.

89. Pacific Steel has not provided any information on whether it considers there is any relationship between the buyers (importers) and sellers (exporters) of the subject goods. For the purposes of this report it has been assumed that the purchase of the subject goods from Malaysia and Thailand by the importers listed are at arm’s length.

Base Prices

90. Pacific Steel advised that it was [REDACTED] to obtain invoices [REDACTED] [REDACTED] export prices of the subject goods from Malaysia and Thailand therefore it has calculated the ex-factory export prices by a deductive method based on trade data from INFOS. The deductions are evidenced by information obtained [REDACTED] [REDACTED] in Malaysia and Thailand.

91. The base prices, in determining the ex-factory export prices of the subject goods from Malaysia and Thailand, is the average value for duty (VFD) per tonne published for each month of the calendar year 2002 when imports are recorded, sourced from INFOS.

Import Data

92. Pacific Steel has provided import data from INFOS for the months of January 1999 to December 2002 for imports from all sources, which contains volume in tonnes, VFD in NZD, CIF in NZD, NZD VFD per tonne, and NZD CIF per tonne. Upon the Ministry’s request Pacific Steel provided updated data from January to May 2003.

Exchange Rates

93. The exchange rates that Pacific Steel used were obtained from Customs and averaged on a monthly basis and applied in respect to each month of calendar year 2002 when imports are recorded. The Ministry notes however that there are no official Customs rates for Malaysia as the Malaysian government has stipulated that no exports are to be made in Malaysian Ringgits (MYR.)

94. When calculating exchange rates the Ministry used the following process. The VFD per tonne was converted from NZD to Thai Bhat (THB) using the monthly average Customs exchange rate. THB values requiring conversion to MYR were calculated using Customs THB rates into NZD and subsequently converted to MYR using the www.oanda.com (OANDA) interbank monthly average exchange rate. Any NZD values that needed to be converted into MYR were calculated using the OANDA rate. The OANDA rates used for MYR conversions are close to the rates that Pacific Steel provided for MYR conversions.

Unit of Measure

95. In accordance with the Tariff of New Zealand the import unit of measure is kilograms. For the purposes of establishing ex-factory export prices Pacific Steel has calculated the prices on a per tonne basis. All calculations within the report are on a per tonne basis.

Adjustments

96. Pacific Steel has provided what it considers to be the costs, charges and expenses incurred in preparing the goods for shipment to New Zealand which are additional to those generally incurred on sales for domestic consumption.

Malaysia

Cost of Credit

97. Pacific Steel estimates that the credit term is [REDACTED] days. This is based on an estimate of the time it takes for the goods to be shipped from Malaysia to New Zealand (20 days), and the probability that the importer is receiving credit for [REDACTED] days from the date the goods are received into store. The balance is made up of rounding to the nearest month. In its [REDACTED] with [REDACTED] [REDACTED], on [REDACTED] 2002 Pacific Steel was advised that the interest cost is around [REDACTED] percent. The VFD per tonne in MYR has been multiplied by [REDACTED] percent then divided by [REDACTED] to arrive at an amount that represents the cost of working capital.

98. The Ministry has checked the information against the statistics held on the Central Bank of Malaysia's website, www.bnm.gov.my, and the interest rate and time period for payment suggested by Pacific Steel is considered reasonable.

Customs Costs

99. Pacific Steel has based the customs costs on NZD [REDACTED] per container converted to MYR. Customs costs have been sourced from an in-market assessment undertaken by [REDACTED] in [REDACTED] 2000. The [REDACTED] worksheet refers to local container costs in Thailand, freight costs to New Zealand and local charges in New Zealand. Pacific Steel considers that it is reasonable to use these costs as a basis because in its [REDACTED] 2002 it was advised that the

costs to export goods from Malaysia are not dissimilar to those from Thailand. The cost per tonne has been estimated at MYR [REDACTED].

100. The Ministry notes from the [REDACTED] worksheet that the customs costs are noted also in Thai Baht, i.e. THB [REDACTED]. Therefore, rather than using the exchange rate from September 2000, the Ministry has converted THB [REDACTED] to NZD using the applicable average monthly exchange rate from Customs, which has then been converted to MYR using the average OANDA monthly exchange rate.

101. The cost per container has been divided by 20 as Pacific Steel advised that each 20-foot container normally holds ten 2 tonne bundles.

102. The Ministry has recalculated the customs costs per tonne for 2002 and it ranges from MYR [REDACTED] per tonne. The recalculation results in an adjustment significantly less than the amount advised by Pacific Steel.

Terminal Handling and Port Charges

103. Pacific Steel provided the [REDACTED] worksheet, which shows the terminal handling cost at THB [REDACTED] or NZ\$ [REDACTED] per container. In NZD the present price would have risen to THB [REDACTED] per container, Pacific Steel therefore estimates the present cost is THB [REDACTED]. Pacific Steel has calculated an adjustment of MYR [REDACTED] per tonne.

104. The Ministry, in its recalculation of terminal handling costs in MYR per container, has used the same method of conversion as described under the heading 'Customs Costs'. It is based on THB [REDACTED] as provided in the [REDACTED] worksheet as the Ministry does not consider that this charge would have increased significantly since the time the quote was [REDACTED]. The adjustment is MYR [REDACTED] per tonne.

Lift Off at Port

105. Lift off costs at the Malaysian port are also based on the [REDACTED] worksheet. Pacific Steel estimates the amount based on the rate equivalent to THB [REDACTED] per container as MYR [REDACTED] per tonne.

106. The Ministry has used the same method of conversion to MYR as described under the heading of 'Customs Costs' and recalculated the adjustment at MYR [REDACTED] per tonne. [REDACTED] Transport to Klang Port

107. Pacific Steel has provided an estimated cost for delivery to Klang port from the factory. It is considered to be the equivalent in to NZD [REDACTED] per tonne, which is the sum that might be expected to be charged by a New Zealand carrier for the same distance.

108. The Ministry has recalculated the adjustment for transport to Klang Port from the factory by converting THB to NZD using the Customs monthly average exchange rate (as provided by Pacific Steel) and NZD to MYR using OANDA monthly average exchange rates for each month of 2002 when imports are recorded. The costs to transport the goods from the factory to the port range from MYR [REDACTED] per tonne.

Container Lift on at Works

109. Pacific Steel has calculated its adjustment based on the [REDACTED] worksheet. Pacific Steel has estimated the adjustment at NZD [REDACTED] tonne or MYR [REDACTED] per tonne.

110. The Ministry has used the same method of conversion to MYR as described under the heading 'Customs Costs' based on THB [REDACTED] per container, as disclosed in [REDACTED] worksheet, which results in the same adjustment as provided by Pacific Steel.

Equipment Hire

111. Pacific Steel has estimated the equipment hire at NZD [REDACTED] or MYR [REDACTED] per tonne. This amount is based on the [REDACTED] worksheet and an understanding that non-standard equipment will be used to load the containers because the bundles are loaded first. Also the 6-metre length product is too long to fit into the 20 foot container and must be stacked diagonally.

112. The [REDACTED] worksheet shows the equipment hire at THB [REDACTED] or NZD [REDACTED] per container. This equates to THB [REDACTED] or NZD [REDACTED] per tonne. Considering non-standard equipment may be involved in packing the 6-metre lengths the Ministry considers a cost of NZD [REDACTED] per tonne reasonable. The Ministry has converted NZD [REDACTED] to MYR using the OANDA monthly average exchange rate and the recalculated adjustment is MYR [REDACTED] or MYR [REDACTED] per tonne.

Export Labelling, Strapping & Dunnage

113. The export labelling, strapping and dunnage adjustment is based on Pacific Steel's own dunnage cost for its own exports of one 20 foot container holding [REDACTED]. The cost is estimated at NZD [REDACTED] or MYR [REDACTED] per tonne.

114. The Ministry has recalculated the cost using the OANDA monthly exchange rate for each month of 2002 at MYR [REDACTED] per tonne.

Export Price Calculation

115. Table 5.1 below shows the recalculation of the ex-factory export price for the allegedly dumped goods based on the monthly average VFD figures for months imports were recorded with recalculation of adjustments as provided by Pacific Steel.

Table 5.1: Export Price (MYR) for Calendar Year 2002 per Tonne

	Jan	April	May	July	Aug	Sep	Dec
Base price (NZD VFD)	560	543	522	509	558	550	535
OANDA exchange rate (monthly average)	1.57	1.64	1.69	1.82	1.69	1.71	1.85
Base price (VFD MYR)	876	890	885	924	946	941	991
Less [REDACTED] days of credit at [REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Customs costs per tonne	█	█	█	█	█	█	█
Terminal Handling & Port Charge per tonne	█	█	█	█	█	█	█
Lift off cost per tonne	█	█	█	█	█	█	█
Transport to Klang Port	█	█	█	█	█	█	█
Lift on cost per tonne	█	█	█	█	█	█	█
Equipment hire	█	█	█	█	█	█	█
Export Labelling, strapping & dunnage	█	█	█	█	█	█	█
Ex-factory export price (MYR)	█	█	█	█	█	█	█

116. The Ministry considers that the evidence used to calculate the ex-factory export price in Table 5.1 is sufficient for the purposes of initiation of an investigation.

Thailand

Cost of Credit

117. Pacific Steel has estimated the cost of credit based on █ days at a rate of █ percent per annum. This is based on information from █ who provided information on █ 2003 and is partially supported by information found on Siam Iron and Steel Co Limited's (Siam Iron) website, which states that █ days of credit is offered to its clients. Pacific Steel considers that it is reasonable to assume that this credit term would be offered to the New Zealand importer. █ states that the interest rate on working capital is probably about █ percent. █ indicated that the commercial overdraft interest rate is about █ percent. Pacific Steel considers that the interest rate provided by █ is preferable as it is █ and █. Pacific Steel has calculated the adjustment at THB █ per tonne on the basis of █ percent.

118. As at 25 August 2003 the average loan rate of Thai banks as shown by the Bank of Thailand website, www.ipod2.bot.or.th, is between 6.2885 to 6.5769 percent. The Ministry used the interest rate from the Kasikornbank Public Company Limited (formally known as the Thai Farmers Bank) which shows the lending rate for export as at 25 August 2003 at 5.5 percent. The Ministry considers that the rate of interest provided by the Bureau of Primary Industries of █ percent appears to be more reasonable than that supplied by █ therefore the Ministry has based the adjustment on █ percent which equates to THB █ to █ per tonne.

█ Customs Costs

119. Pacific Steel has sourced its information on customs costs from the █ worksheet. Pacific Steel has based the adjustment on NZD █ per container.

120. To establish an adjustment the Ministry has used the customs costs of THB [REDACTED] per container as shown in the [REDACTED] worksheet, and divided it by 20. The adjustment is THB [REDACTED] per tonne.

Terminal Handling and Port Charges

121. Pacific Steel has estimated an amount based on a rate equivalent to THB [REDACTED] per container from the [REDACTED] worksheet which shows terminal handling cost at THB [REDACTED] or NZ\$ [REDACTED] per container. In NZD terms this would today be equivalent to THB [REDACTED] per container, therefore Pacific Steel considers it is reasonable to assume that the cost in 2002 was THB [REDACTED] or THB [REDACTED] per tonne.

122. The Ministry has based the adjustment for terminal handling and port charges on THB [REDACTED] per container, as it does not consider that this charge would have increased substantially since the [REDACTED] was [REDACTED]. The adjustment has been recalculated at THB [REDACTED] per tonne.

Lift off at Port

123. Pacific Steel used the [REDACTED] worksheet, which has estimated lift off at port costs at THB [REDACTED] per container or THB [REDACTED] per tonne.

124. The Ministry has established that the costs of lift off at port is the same as provided by Pacific Steel.

Transport to Laem Chebang Port

125. Pacific Steel estimated the cost to transport the subject goods from the factory to Laem Chebang port at THB [REDACTED] per container. The estimate is based on data obtained from [REDACTED] of [REDACTED], on [REDACTED] 2000, which shows that from the Saraburi plant to the Map Ta Phut Port in Laem Chebang the transport charge is THB [REDACTED] per container. Alternatively if coming from Rayong to the Map Ta Phut Port in Laem Chebang the transport charge is THB [REDACTED] per container.

126. Pacific Steel has advised that the principal mill supplier is known to be Siam's Rayong plant but some may also come from the works at Ta Luang at Saraburi north of Bangkok. Pacific Steel has also provided a [REDACTED] from [REDACTED] dated 9 October 2000, which quotes the cost of delivery from Rayong area to Bangkok, (a greater distance than from Rayong to Laem Chebang), is THB [REDACTED] per tonne or THB [REDACTED] per container. Pacific Steel estimated the cost at THB [REDACTED] per tonne.

127. The Ministry calculates the transport costs to port as the same as those provided by Pacific Steel.

Lift on at Works

128. Pacific Steel estimates the amount at NZD [REDACTED] per tonne for lift on at works, which is supported by [REDACTED] worksheet. After conversion the amount is THB [REDACTED] per tonne.

129. According to the [redacted] worksheet it costs THB [redacted] per container for lift on at works. This equates to THB [redacted] per tonne. The Ministry agrees with the figure provided by Pacific Steel.

Equipment Hire

130. Pacific Steel estimates the charge of equipment hire at NZD [redacted] per tonne, supported by the [redacted] worksheet. Pacific Steel understands that non-standard equipment would be used to load the containers as the bundles are loaded end first. Also, the 6-metre length product is too long to fit into a 20 foot container lengthways therefore it needs to be stacked diagonally. After conversion the cost is estimated at THB [redacted] per tonne.

131. The [redacted] worksheet shows the cost per container of equipment hire at THB [redacted]. This equates to THB [redacted] per tonne, which is less than that provided by Pacific Steel. As there may be extra charges due to the difference in loading as a result of the length of product the Ministry considers the estimate provided by Pacific Steel is reasonable and converted NZD [redacted] per tonne to THB using the Customs monthly exchange rates. The cost per tonne ranges from THB [redacted] to THB [redacted].

Export Labelling, Strapping and Dunnage

132. Pacific Steel estimates the cost at NZD [redacted] per tonne, based on its own export costs for one 20 foot container with a charge of NZD [redacted] each for [redacted] pieces with total dunnage cost being NZD [redacted] per tonne. After conversion the cost per tonne is THB [redacted].

133. The Ministry has recalculated the export labelling, strapping and dunnage using the Customs monthly conversion rates and it ranges from THB [redacted] to THB [redacted] per tonne.

Export Price Calculation

134. Table 5.2 below shows the recalculation of the ex-factory export price for the allegedly dumped goods based on the monthly average VFD figures, when imports are recorded, with adjustments as provided by Pacific Steel.

Table 5.2: Export Price (THB) for Calendar Year 2002 (per tonne)

	Jan	Feb	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Base price (NZD VFD)	664	620	585	563	545	537	549	575	571	572	566
Customs exchange rate	18.15	18.18	18.71	19.03	20.02	19.69	18.86	19.33	20.27	20.70	21.07
Base price (VFD THB)	12042	11275	10942	10723	10903	10573	10353	11117	11570	11834	11923
Less [redacted] days credit at [redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Less customs costs	█	█	█	█	█	█	█	█	█	█	█
Terminal handling & port charges	█	█	█	█	█	█	█	█	█	█	█
Lift off per tonne	█	█	█	█	█	█	█	█	█	█	█
Transport to Port	█	█	█	█	█	█	█	█	█	█	█
Lift on at works per tonne	█	█	█	█	█	█	█	█	█	█	█
Equipment hire	█	█	█	█	█	█	█	█	█	█	█
Export labelling, strapping & dunnage	█	█	█	█	█	█	█	█	█	█	█
Ex-factory export price	█	█	█	█	█	█	█	█	█	█	█

135. The Ministry considers that the information used to calculate the ex-factory export prices in Table 5.2 is sufficient for the purposes of initiation of an investigation.

5.2 Normal Values

136. Normal values are determined in accordance with section 5 of the Act.

Introduction

137. The normal value of any goods imported or intended to be imported into New Zealand is the price paid for like goods sold in the ordinary course of trade for domestic consumption in the country of export, in sales that are arm's length transactions by the exporter or, if like goods are not so sold by the exporter, by other sellers of like goods.

Malaysia

Base Prices

138. Pacific Steel has used Malaysian government ceiling prices as base prices for normal values. Pacific Steel has used an average of the ceiling prices for 12 – 14 mm and 16 – 32 mm reinforcing bar of MYR1,157. Evidence of ceiling prices was provided by █ taken in █ 2002. The Ministry notes that the ceiling prices are published on the Malaysian Ministry of Domestic Trade and Consumer Affairs' website, www.kpdnhq.my/english/index_eng, which is noted

as applying to high tensile deformed bar. Pacific Steel has received advice that steel is usually priced in the Kuala Lumpur/Klang area on an FIS basis.

139. Pacific Steel states reinforcing steel bar and coil does not attract sales tax in Malaysia and the ceiling prices figures provided are exclusive of any sales tax or discounts that may be applicable.

140. Pacific Steel states that the base price on which to establish normal values is the FIS price [REDACTED] by [REDACTED] which the Ministry notes is supported by the website of the Malaysian Ministry of Domestic Trade and Consumer Affairs' list of control items.

Adjustments

Discounts

141. Pacific Steel was advised by [REDACTED] on the [REDACTED] 2002, that it is standard practice for mills to offer variable discounts below the ceiling prices. The discounts move over time depending upon demand and supply and the volume of purchases. [REDACTED] did not specify the percentage of discount but did advise that it related to the volume purchased.

142. Pacific Steel estimates that a customer who purchases an annual volume equivalent to that purchased by Euro Corporation might qualify for a discount of up to [REDACTED] percent off the ceiling price. This is based on its own discount policy and the information it obtained from [REDACTED] advised that a typical discount off the ceiling price is between [REDACTED] and [REDACTED] percent. Therefore given Pacific Steel's own discount policy and the information from Malaysian businesses, Pacific Steel consider [REDACTED] percent a reasonable discount.

143. The Ministry has calculated the discount as [REDACTED] percent and established an adjustment of MYR [REDACTED] per tonne.

Delivery Costs

144. Pacific Steel estimates that the delivery cost is NZD [REDACTED] or MYR [REDACTED] per tonne, which would be expected to be charged by a New Zealand carrier. The Ministry has recalculated the delivery cost from NZD to MYR using the applicable average monthly OANDA exchange rate and established it at MYR [REDACTED] to [REDACTED] per tonne.

Cost of Credit

145. Pacific Steel has been advised in [REDACTED] Malaysian businesses that [REDACTED] of credit in the steel industry is offered on the domestic market. In [REDACTED] with [REDACTED] Pacific Steel was advised that the interest cost is around [REDACTED] percent. Pacific Steel estimate the credit adjustment at MYR [REDACTED] per tonne.

146. The Ministry has multiplied the base price by [redacted] percent then divided by [redacted] ([redacted]) to arrive at an amount that represents the cost of working capital. The credit adjustment is MYR [redacted] per tonne.

Normal Value Calculation

147. The Ministry in its recalculation of the normal value has used for its base price the average ceiling price for 12 - 14 mm and 16 - 32 mm reinforcing bar of MYR1,157. Table 5.3 below shows the adjusted normal value.

Table 5.3: Normal Value for Calendar Year 2002 per Tonne

	Jan	Apr	May	Jul	Aug	Sep	Dec
Base Price (FIS price)	1157	1157	1157	1157	1157	1157	1157
Volume discount	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Cost of delivery	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Less 14 days of credit at 8%	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Normal Value	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

148. Pacific Steel considers the base price is conservative as it has provided evidence that the Malaysian government has announced, effective from April 2003, an increase in ceiling prices for steel bars of 8.75 percent, therefore it considers since this time the normal values are likely to have increased. The Ministry notes that the ceiling prices shown on the Malaysian Ministry of Domestic Trade and Consumer Affairs website which supports the base price provided by Pacific Steel, was last updated on 10 March 2003, prior to the Government's announcement that ceiling prices will increase.

149. The Ministry considers that the evidence on normal values provided by Pacific Steel is sufficient for the purposes of considering initiation of an investigation.

Thailand

Base Prices

150. Pacific Steel considers the base price to establish normal values is an ex-factory price of THB [redacted] in the early part of 2002 with a price reduction to THB [redacted] in the later part of 2002, based on [redacted] steel purchasers and reflecting seasonal differences.

151. Pacific Steel has provided the Ministry with a printout from Siam Iron's website that shows the suggested price of deformed bar. The price of Grade SD40 deformed bar, effective from 16 March 1998, is on average THB14,472 per tonne, ex-factory and excluding valued added tax. In [redacted] with [redacted] on [redacted] 2003 Pacific Steel was advised that the current ex-factory price of reinforced bar (SD40 Grade) is THB [redacted] per tonne, but it increased to this level from THB [redacted] around December 2002. In addition Pacific Steel was advised that over the last 2-3 years prices have been higher in the

months of January to July than in the following 5 months of August through to December, therefore Pacific Steel considers the base price is seasonal.

152. Base prices for Thai normal values have been provided for each month that imports were recorded. From January to July the base price is THB [REDACTED] and August to December 2002 the base price is THB [REDACTED] on an ex-factory basis, which is lower than that quoted to Pacific Steel as the current price.

Cost of Credit

153. The term of credit provided by Pacific Steel is [REDACTED], supported by prices on Siam Iron's website and [REDACTED] conducted by Pacific Steel.

[REDACTED] a steel distributor [REDACTED], advised that it receives [REDACTED] credit. Pacific Steel considers that since [REDACTED] is [REDACTED] the working capital funding is [REDACTED] percent per annum. Pacific Steel estimates the cost of credit as THB [REDACTED] per tonne.

154. In establishing the cost of credit adjustment the Ministry has used a cost of working capital of [REDACTED] percent per annum. The Ministry has recalculated the cost of credit at THB [REDACTED] to THB [REDACTED] per tonne.

Volume Discount

155. Pacific Steel considers as [REDACTED] it would be entitled to a volume discount, therefore any volume discount inherent in the [REDACTED] base value needs to be added back into a standard price, as a New Zealand importer would not be eligible for any volume discounts. Pacific Steel estimates [REDACTED] volume discount from [REDACTED] suppliers at [REDACTED] percent, which equates to THB [REDACTED] per tonne.

156. The Ministry considers since the base price used is that [REDACTED] it is reasonable that the price is net of a volume discount, therefore any discount should be added back to the base price. The Ministry has recalculated the volume discount on [REDACTED] percent and established an adjustment of THB [REDACTED] to THB [REDACTED] per tonne.

Short Length Premium

157. In [REDACTED] with [REDACTED] Pacific Steel was advised that 6-metre lengths attract an extra charge of THB [REDACTED] per tonne. Considering that this is the length that the importer purchases, Pacific Steel states an adjustment of THB [REDACTED] per tonne should be added back to the base price.

158. The Ministry has calculated the cost as the same as that provided by Pacific Steel.

Normal Value Calculation

159. Pacific Steel considers the base price on which to establish normal values is based on the evidence provided to it by [REDACTED]. Adjustments are based on considerations of, along with cost of credit, differences in volume purchased and short length premium.

Table 5.4: Normal Value for Calendar Year 2002 per Tonne

	Jan	Feb	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Base Price (ex-factory)	████████	████████	████████	████████	████████	████████	████████	████████	████████	████████	████████
Less ██████████ credit at ██████%	████████	████████	████████	████████	████████	████████	████████	████████	████████	████████	████████
Volume discount	████████	████████	████████	████████	████████	████████	████████	████████	████████	████████	████████
Short length Premium	████████	████████	████████	████████	████████	████████	████████	████████	████████	████████	████████
Normal Value	████████	████████	████████	████████	████████	████████	████████	████████	████████	████████	████████

160. Table 5.4 above shows the adjusted normal value decreasing over calendar year 2002 because of the seasonal demand as identified by Pacific Steel. The Ministry considers that the information on normal values provided by Pacific Steel is sufficient for the purposes of considering initiation of an investigation.

5.3 Comparison of Export Price and Normal Value

161. The tables below show the export price, normal value and dumping margin calculations for Malaysia and Thailand.

Malaysia

Table 5.5: Dumping Margin (MYR) per Tonne in 2002

	Jan	Apr	May	Jul	Aug	Sep	Dec
Normal Value	████████	████████	████████	████████	████████	████████	████████
Export Price (EP)	████████	████████	████████	████████	████████	████████	████████
Dumping Margin (DM)	████████	████████	████████	████████	████████	████████	████████
DM as a % of EP	████████	████████	████████	████████	████████	████████	████████

162. Table 5.5 above shows a dumping margin expressed as a percentage of export prices ranging from 15 to 31 percent. Pacific Steel consider that this is a conservative dumping margin as it has provided evidence that ceiling prices have increased since December 2002, in effect increasing the dumping margin.

163. The evidence provided in the application shows the alleged margins of dumping are not *de minimis* in terms of Article 5.8 of the Agreement, as they are greater than 2 percent expressed as a percentage of export prices.

164. The occurrence of a price increase in Malaysia is supported by an article in the Business Times, of Malaysia dated 14 April 2003, headed "Building contractors and developers are accusing steel producers and distributors of creating an artificial shortage of the metal, a controlled item, and increasing its price". Building contractors and developers claim it costs MYR1,354 per tonne and they are contemplating importing cheaper steel bar from Singapore. A written quote from a local supplier was provided to the press, without any letterhead, which referred to the supply of steel bars with diameters of 16mm to 32mm at MYR1,354 per tonne. The article states "this [lack of letterhead] was purposely done to avoid legal complications as the supplier knows it is wrong to ask for a price which is more than what the Government has approved".

165. Pacific Steel has provided the Ministry with updated INFOS import data for January to May 2003. The Ministry notes that the INFOS figures for Malaysia from March 2003 do not include figures relating to imports under tariff items and statistical keys 7214.20.90 01G and 05K. Statistics New Zealand has suppressed import information for these two items for 24 months as shown on its website at <http://www.stats.govt.nz/domino/external/web/Aboutsnz.nsf/htmldocs/Confidential+items+-+imports>. The Ministry has used INFOS information for January and February 2003 and Customs data for the months of March and May 2003 (there were no relevant imports in April) to calculate base VFD per unit export prices.

166. Using the same adjustments as described above with an average monthly exchange rate from OANDA, and applying an increase of 8.75 percent in normal values effective from April 2003, the Ministry has calculated dumping margins for the period January to May 2003. These dumping margins range from 1 to 9 percent expressed as a percentage of export price. The 1 percent margin occurred in February 2003. The value for duty of one import entry line in the Customs data for May 2003 was reduced by the Ministry by one decimal point because a comparison of unit values indicated the value of that shipment had been over-declared by about ten times.

167. The dumping margin expressed as a percentage of export price on a per annum basis is 21 percent for calendar year 2002 and 13 percent for the year ended May 2003.

168. The Ministry also had access to Customs data for the months of June and July 2003. A negative dumping margin of 1.5 percent was calculated for June 2003, but the value for duty of one import entry line in the Customs data appeared to be substantially over-declared, resulting in a base export price that appeared to be higher than it should be. A positive dumping margin of 1.5 percent was calculated for July 2003. The Ministry remains satisfied that the applicant has provided sufficient evidence of dumping from Malaysia for purposes of initiation of an investigation.

Thailand

Table 5.6: Dumping Margin (THB) per Tonne in 2002

	Jan	Feb	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Normal Value	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████
Export Price (EP)	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████
Dumping Margin (DM)	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████
DM as a % of EP	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████	██████████

169. Table 5.6 above shows a dumping margin expressed as a percentage of export price ranging from 5 to 29 percent with the margin declining at the end of 2002 to █ percent. In response to this trend Pacific Steel argued it has provided evidence that the normal values (ceiling prices) have increased in March 2003, and the dumping margin is likely to be greater than the figures shown above as a result.

170. Pacific Steel has provided updated INFOS import data from January to May 2003. The Ministry notes that the INFOS figures for Thailand from February 2003 do not include figures relating to imports under tariff items and statistical keys 7214.20.90 01G and 05K. Statistics New Zealand has suppressed import information for these two items for 24 months as described under paragraph 163 above. The Ministry has used INFOS information for January 2003 and Customs data for the months of February to May 2003 (there were no relevant imports in April) to calculate base VFD per unit export prices.

171. Based on the same adjustments and an increase in normal value, effective from March 2003, the Ministry has calculated dumping margins for the period January to May 2003. These dumping margins range from 6 to 21 percent expressed as a percentage of export price.

172. The dumping margin expressed as a percentage of export price on a per annum basis is 19 percent for calendar year 2002 and 13 percent for the year ended May 2003.

173. The Ministry also had access to Customs data for the months of June and July 2003 and noted that average export prices in those months increased significantly, resulting in calculations showing negative dumping margins ranging from █ to █ percent. The Ministry notes that Pacific Steel had publicly declared on 6 June 2003 that it had lodged an application for a dumping investigation and that this may have resulted in increased export prices in June and July 2003. The Ministry remains satisfied that the applicant has provided sufficient evidence of dumping from Malaysia for purposes of initiation of an investigation.

174. The evidence provided by the applicant shows that the alleged margins of dumping are not *de minimis* in terms of Article 5.8 of the Agreement as they are greater than 2 percent expressed as a percentage of export prices.

5.4 Conclusions Relating to Dumping

Malaysia

175. Pacific Steel has calculated an export price using a deductive method based on the average monthly VFD with relevant adjustments. The normal values are based on an average ceiling price with relevant adjustments.

176. The Ministry's analysis found dumping margins greater than 2 percent expressed as a percentage of export price and not *de minimis* in terms of Article 5.8 of the Agreement.

177. The Ministry is satisfied on the basis of the information and evidence provided by Pacific Steel that the comparison of the export price and normal value has provided sufficient evidence of dumping in 2002 for the purposes of initiation.

Thailand

178. Pacific Steel has calculated export prices using a deductive method based on the average monthly VFD with relevant adjustments. The normal values are based on [REDACTED] and considerations of seasonal differences.

179. The Ministry's analysis found dumping margins greater than 2 percent therefore the alleged dumping is not *de minimis* in terms of Article 5.8 of the Agreement.

180. The Ministry is satisfied on the basis of the information and evidence provided by Pacific Steel that the comparison of the export price and normal value has provided sufficient evidence of dumping in 2002 for the purposes of initiation.

181. Any investigation will need to consider export price and normal value in terms of sections 4 and section 5 of the Act respectively, and in particular the application of the appropriate adjustments under 4(1)(a)(i) and (ii) and 5(3).

6. Evidence of Injury

6.1 Material Injury

182. The basis for considering material injury is set out in section 8(1) of the Act:

8. Material injury to industry—(1) In determining for the purposes of this Act whether or not any material injury to an industry has been or is being caused or is threatened or whether or not the establishment of an industry has been or is being materially retarded by means of the dumping or subsidisation of goods imported or intended to be imported into New Zealand from another country, the [Chief Executive] shall examine—

- (a) The volume of imports of the dumped or subsidised goods; and
- (b) The effect of the dumped or subsidised goods on prices in New Zealand for like goods; and
- (c) The consequent impact of the dumped or subsidised goods on the relevant New Zealand industry.

183. Pacific Steel has advised that since [REDACTED] “there has been a steady decline in profitability, and injury has become particularly significant in [REDACTED].”

184. The financial information and import information in the injury analysis section of this report is presented in years ended 30 June, which aligns with Pacific Steel’s financial year.

6.2 Import Volumes

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

186. Pacific Steel provided import information from INFOS for the period January 1999 to May 2003. Table 6.1 shows details of imports for the years ended June 2000 to 2002 and for the six months to December 2002, for all tariff items and statistical keys within the subject goods description.

Table 6.1: Import Volumes (Tonnes)

	2000	2001	2002	YTD Dec 2002
Malaysia	458	104	2,037	2,249
Thailand	8,507	4,197	4,081	3,059
Subject Imports	8,965	4,301	6,118	5,308
Other Imports	10,603	8,113	10,206	8,804
Total Imports	19,568	12,414	16,324	14,112

NZ Industry Sales    

NZ Market    

Change on Previous Year:


Malaysia -354 1933

Thailand -4310 -116

Subject Imports -4664 1817

Other Imports -2490 2093

Total Imports -7154 3910

NZ Industry Sales  

NZ Market  

Percentage Change:

Malaysia -77% 1859%


Thailand -51% -3%

Subject Imports -52% 42%

Other Imports -23% 26%

Total Imports -37% 31%

NZ Industry Sales  


NZ Market  

Malaysian Imports as a percentage of:

NZ Industry Sales    


NZ Market    


Thai Imports as a percentage of:

NZ Industry Sales    

NZ Market    

Subject Imports as a percentage of:

NZ Industry Sales    

NZ Market    

187. Import volumes from Malaysia have increased significantly in absolute terms and relative to New Zealand production and consumption, from a relatively low level in 2000 and 2001, to significant levels in 2002 and for the six months ended December 2002. Import volumes from Malaysia for the six months ended December 2002 are above the level for the year ended June 2002.

188. Import volumes from Thailand in 2001 and 2002 were below half the level they were in 2000. Imports for the six months ended December 2002 have already reached 75 percent of the full year 2002, demonstrating a significant increase. Import volumes from Thailand have increased, relative to New Zealand production and consumption for the six months ending December 2002.

189. Import volumes of the subject goods from Malaysia and Thailand in 2001 and 2002 were at 48 and 68 percent respectively of 2000 levels. Import volumes of the subject goods increased significantly in 2002 and for the six months ended December 2002 have already reached 59 percent of the full year 2002.

Conclusion

190. There is sufficient evidence that import volumes of the subject goods have increased significantly in absolute terms and relative to New Zealand production and consumption.

6.3 Price Effects

Price Undercutting

191. Section 8(2)(b) of the Act provides that the Chief Executive shall have regard to the extent to which the prices of the dumped or subsidised goods, represent significant price undercutting, in relation to prices in New Zealand (at the relevant level of trade,) for like goods of New Zealand producers.

















































192. Price undercutting occurs when the imported goods are presented for sale within the New Zealand market at a price lower than the domestically produced good, undercutting the price that the domestic manufacturer can obtain for the like goods. In considering price undercutting, the Ministry will normally seek to compare prices at the ex-factory and ex-importers' store levels, to ensure any differences in distribution costs and margins do not confuse the impact of dumping.

193. Pacific Steel has provided its average ex-factory prices and estimated ex-store importers' selling prices for calendar years 2000 to 2002 and six months ending December 2002.

194. To calculate an importer's selling price, Pacific Steel has added import duty, importer's costs and margin to CIF values. The import duty is at the normal tariff of 5 percent, the importer's costs (transport from the wharf into store, port service charges, and customs clearance) of NZD [REDACTED] was calculated from advice received by Pacific Steel from [REDACTED], and the importer's margin is based on Pacific Steel's own experience.

195. The Ministry has recalculated the figures to separate out importer's selling prices for Malaysian and Thai imports.

Table 6.2: Price Undercutting (NZD per Tonne)

	2000	2001	2002	YTD Dec 2002
Malaysia				
CIF per Tonne	531	698	571	533
Customs duty 5%	36	42	32	30
Importers' costs				
Importers' Margin %				
Importer's Selling Price				
Industry Average Price				
Undercutting (Malaysia)				
% Undercutting (Malaysia)				
Thailand				
CIF per Tonne	503	601	596	566
Customs duty 5%	31	36	35	34
Importers' costs				
Importers' Margin %				
Importer's Selling Price				
Industry Average Price				
Undercutting (Thailand)				
% Undercutting (Thailand)				

196. Table 6.2 shows that for Malaysian imports the margin of undercutting by goods from Malaysia was at its highest in 2000, and dropped to negative levels in 2001 and in 2002 the undercutting margin rose but is still lower than in 2000. For Thai imports there was significant price undercutting in 2000, decreased undercutting in 2001 and in 2002 the undercutting percentage rose although not to 2000 levels. For the six months ended December 2002 undercutting was the same percentage as that for 2002 for Malaysian imports and was 92 percent of 2002 levels for Thai imports.

Conclusion

197. The Ministry considers that there is sufficient evidence of price undercutting.

Price Depression

198. Section 8(2)(c) of the Act provides that the Chief Executive shall have regard to the extent to which the effect of the dumped or subsidised goods is or is likely significantly to depress prices for like goods of New Zealand producers.

199. Price depression occurs when prices are lower than those in a market unaffected by dumping, usually in a previous period.

200. Pacific Steel states it has had “to reduce its reinforcing bar prices in order to compete with the dumped imports”, noting that it has had to “peg its reinforcing bar prices relative to import prices, which include the price of the dumped goods”.

201. Pacific Steel states that injury has occurred through price depression, and provided its average domestic ex-factory selling prices for its reinforcing steel bar for years 2000 to 2002 and six months to December 2002.

Table 6.3: Average Selling Price (NZD per Tonne)

	2000	2001	2002	YTD Dec 2002
Average Price	██████████	██████████	██████████	██████████
Increase/Decrease		██████████	██████████	██████████
Percentage Change		██████████	██████████	██████████

202. Table 6.3 illustrates that unit prices decreased ██████████ in 2001, increased in 2002 and decreased ██████████ in the six months ended 31 December 2002 to an average selling price that was ██████████ than 2001 level.

Conclusion

203. There is sufficient evidence that prices have been depressed in 2001 and in the six months ending December 2002.

Price Suppression

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

205. The Ministry has generally based 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 declines in gross profit and Earnings Before Interest and Taxation (EBIT) expressed as a percentage of sales. Where costs savings have been made, the lack of any price increase will not normally be regarded as price suppression. While the inability to recover cost increases in prices is the main indicator of price suppression, the Ministry will consider any other factors raised as positive evidence of price suppression.

206. Pacific Steel states that “a progressive squeeze has occurred wherein the billet margin has progressively reduced.” The billet margin is the difference between revenue and billet cost.

207. Pacific Steel notes that the scrap feed sold to it by a related company, Sims Pacific Metals, does not distort “the economics of production flow from scrap, through billet, into reinforcing bar.” Pacific Steel states the lack of distortion of related party transactions is due to scrap and billet transfer [REDACTED]. Scrap feed is sold [REDACTED] and billet is transferred from the steel plant to the rolling mill on the basis of [REDACTED].

208. Table 6.4 shows the industry’s costs and gross profit relative to sales revenue.

Table 6.4: Price Suppression: Revenue, Costs and Gross Profit per Tonne

	2000	2001	2002 YTD	Dec 2002
Ave. Selling Price	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cost of Production	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Gross Profit	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
S & A Expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
As a % of Revenue				
- Cost of Production	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
- Gross Profit	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
- S & A Expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
- Total Costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

209. Figures in Table 6.4 show that the industry’s cost of production per tonne increased [REDACTED] in 2001 and [REDACTED] in 2002 and declined for the six months ended December 2002. Cost of production as a percentage of sales revenue has increased year-on-year and, consequently gross profit has been declining.

210. While selling and administration expenses per tonne have been declining, at the same time total costs as a percentage of sales revenue have been increasing.

211. Sales revenue per tonne increased in 2002, but not to the extent [REDACTED] per tonne. The decline in revenue for the six months ended December 2002 was greater than the decline in costs. There is evidence indicating that prices have been suppressed since 2000.

Conclusion

212. There is sufficient evidence that prices have been suppressed.

Conclusion on Price Effects

213. There is sufficient evidence of price undercutting, price depression and price suppression for the purposes of initiation.

6.4 Economic Impact

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

- (i) Actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilisation of production capacity; and
- (ii) Factors affecting domestic prices; and
- (iii) The magnitude of the margin of dumping; and
- (iv) Actual and potential effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investments.

Output and Sales

215. 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.

Output

216. Pacific Steel has made no claims about production volumes. The company has provided production figures for reinforcing steel bar for the New Zealand market.

Table 6.5: Output (Tonnes '000)

	2001	2002	YTD Dec 2002
Reinforcing steel bar	██████████	██████████	██████████
Increase/Decrease		██████████	
Percentage Change		██████████	

217. The figures in Table 6.5. show that output for domestic consumption declined in 2002. Output for the six months ended December 2002 is ██████ percent of the full year 2002, indicating that output in 2003 may not decline.

218. There is evidence of a decline on output in 2002, but there is no evidence of a likely decline in output in 2003. There is insufficient evidence of an overall decline in output.

Sales Volume and Revenue

219. Pacific Steel claims that sales volume has been lost because of the allegedly dumped imports.

Table 6.6: Sales Volume and Sales Revenue

	2000	2001	2002	YTD Dec 2002
Sales Volume (Tonnes)	██████████	██████████	██████████	██████████
Increase/Decrease		██████████	██████████	
Percentage Change		██████████	██████████	
Sales Revenue (NZD000)	██████████	██████████	██████████	██████████
Increase/Decrease		██████████	██████████	
Percentage Change		██████████	██████████	
Sales Revenue per Tonne (NZD)	██████████	██████████	██████████	██████████
Increase/Decrease		██████████	██████████	██████████
Percentage Change		██████████	██████████	██████████

Sales Volume

220. The figures in Table 6.6 show that the industry's domestic sales volume increased ██████████ in 2001, but declined ██████████ in 2002, although sales volume in 2002 was higher than in 2000. Figures for the six months ended December 2002 are ██████ percent of the full year 2002, indicating that sales volume may increase in the full year 2003.

221. There is insufficient evidence of an overall decline in sales volumes since 2000.

222. Pacific Steel argues that if the dumped goods had not been in the New Zealand market "any other higher priced supply (such supply most likely being from Pacific Steel) would have been sold in greater volumes". In other words, Pacific Steel is arguing that, but for the dumping, its sales volumes would have been greater and that it has therefore lost sales equivalent to the volumes of dumped imports.

Sales Revenue

223. Sales revenue increased ██████████ in 2001 and then declined in 2002, but sales revenue in 2002 was still ██████████ higher than in 2000. Figures for the six months ended December 2002 are ██████ percent of the full year 2002, indicating that sales revenue may not decline in 2003. Sales revenue per tonne declined ██████████ in 2001, increased in 2002 to a higher level in 2000 and declined for the six months ended December 2002 to a level lower than in any of the three preceding years.

224. There is insufficient evidence that total sales revenue has declined overall since 2000, although sales revenue per tonne declined in 2001 and also in the six months ended December 2002.

Market Share

225. The analysis of market share must take account of changes in the growth of the market as a whole. A decline in the share of the market held by the domestic industry, in a situation where the market as a whole is growing, will not necessarily indicate that injury is being caused to the domestic industry, particularly if the domestic industry's sales are also growing. There is no "entitlement" to a particular market share.

226. Pacific Steel claims that it has lost market share to dumped imports.

Table 6.7: Market Share (Tonnes)

	2000	2001	2002	YTD Dec 2002
NZ Industry Sales				
Subject Imports	8,965	4,301	6,118	5,308
- Malaysian Imports	458	104	2,037	2,249
- Thai Imports	8,507	4,197	4,081	3,059
Other Imports	10,603	8,113	10,206	8,804
NZ Market				
<u>As a Percentage of Total Market:</u>				
- NZ Industry Sales				
- Subject Imports				
- Malaysian Imports				
- Thai Imports				
Other Imports				

227. Table 6.7 shows that the New Zealand industry's market share increased [redacted] in 2001, but has since fallen by [redacted] percentage points in 2002 and a further [redacted] percentage points for the six months ended December 2002, to a level below the market share achieved in 2000.

228. The market share for Thai imports fell significantly in 2001 and has remained fairly static, with a slight increase for the six months ended December 2002. The market share for Malaysian imports has increased significantly from minimal market share in 2000 and 2001 to a significant market share in 2002 and the six months ending December 2002. The combined market share of Malaysian and Thai imports declined significantly in 2001, but since has been increasing significantly to the extent that for the six months ended December 2002 market share was only slightly below that attained in the full year 2000. The market share for other imports has

fluctuated; decreasing in 2001 but increasing in 2002 and the six months ended December 2002.

229. Of the New Zealand industry decline in market share of [REDACTED] percentage points since 2001, [REDACTED] percentage points have been replaced by imports from Malaysia and Thailand with the remaining [REDACTED] percent being replaced by imports from other sources.

230. There is sufficient evidence that the New Zealand industry has suffered a significant decline in market share.

Profits

231. 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 alleged commencement of dumping.

232. Pacific Steel claims that it has been injured by having to provide [REDACTED] to various [REDACTED].

Table 6.8: Earnings Before Interest and Tax (NZD000)

	2000	2001	2002	YTD Dec 2002
Sales Revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
EBIT	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
As % of Revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Per Tonne EBIT	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
EBIT Change		[REDACTED]	[REDACTED]	
% EBIT Change		[REDACTED]	[REDACTED]	
Per Tonne Change		[REDACTED]	[REDACTED]	[REDACTED]
% Per Tonne Change		[REDACTED]	[REDACTED]	[REDACTED]

233. Table 6.8 shows EBIT declined [REDACTED] in 2002. EBIT as a percentage of revenue declined by [REDACTED] percentage points in 2001 and 2002, and has declined by [REDACTED] percentage points in six months to December 2002. EBIT per tonne has been declining [REDACTED] since 2001.

234. The Ministry considers that there is sufficient evidence of a significant decline in profit.

Productivity

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

Pacific Steel has made no claims in respect of productivity. The company has provided productivity figures for its total operations, but not for reinforcing steel bar for domestic sale separately. Productivity for Pacific Steel's total operations is shown in Table 6.9.

Table 6.9: Productivity for Total Operations (Tonnes '000)

	2000	2001	2002	YTD Dec 2002
Tonnes Per Employee	██████████	██████████	██████████	██████████
Increase/Decrease		██████████	██████████	
Percentage Change		██████████	██████████	

236. Table 6.9 shows that overall output per employee has been increasing. Pacific Steel has not claimed that there has been any decline in productivity due to dumping, nor have separate figures for domestic sales of reinforcing steel bar been provided.

237. There is no evidence that productivity has been adversely affected.

Return on Investments

238. 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.

239. Pacific Steel claims that it has suffered a reduced return on assets, a decline in shareholders' funds and a declining return on shareholders' funds.

240. Table 6.10 shows changes in returns on assets employed in the production of reinforcing steel bar for the domestic market.

Table 6.10: Return on Assets (\$000)

	2000	2001	2002	YTD Dec 2002
Average Assets	██████████	██████████	██████████	██████████
EBIT	██████████	██████████	██████████	██████████
EBIT as % of Assets	██████████	██████████	██████████	██████████

241. The figures in Table 6.10 show that return on assets increased in 2001, but has declined ██████████ in 2002. Assets increased ██████████ for the six months ended December 2002 while return on assets for the latest half year indicates that return on assets for the full year 2003 will not increase.

242. The Ministry questioned why the average shareholders' funds is higher than average assets for each period, as the reverse would be expected with assets less liabilities equalling shareholders' funds. Pacific Steel explained that the difference is due to a ██████████ that is included in the calculation of the average shareholders' funds but not within the average assets figure.

243. Table 6.11 shows changes in returns on shareholders' funds employed in the production of reinforcing steel bar for the domestic market.

Table 6.11: Return on Shareholders' Funds (\$000)

	2000	2001	2002	YTD Dec 2002
Average SF	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
EBIT	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
EBIT as % of SF	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

244. Table 6.11 shows that return on shareholders' funds increased in 2001 attributable to a decline in shareholders' funds, but declined [REDACTED] in 2002 due to a [REDACTED] decline in profits. Shareholders' funds increased [REDACTED] for the six months ended December 2002 and return on shareholders' funds for the six months ended December 2002 indicates that return on shareholders' funds for the full year 2003 will not increase.

245. There is sufficient evidence in the application of a decline in return on investments.

Utilisation of Production Capacity

246. The utilisation of production capacity reflects changes in the level of product produced, although in some cases it will arise from an increase or decrease in production capacity. In either case, a decline in the utilisation of production capacity will lead to an increase in the unit cost of production, and a consequent loss of profit.

247. Pacific Steel claims that it has suffered reduced utilisation of production capacity as a result of the dumping. The company has provided utilisation of production capacity figures for all bar production (including merchant bar), but not for reinforcing steel bar for domestic sale separately.

248. Table 6.12 shows output of reinforcing steel bar from 2001 as a proportion of production capacity for all bar.

Table 6.12: Utilisation of Production Capacity (Tonnes 000)

	2001	2002	YTD Dec 2002
Capacity	[REDACTED]	[REDACTED]	[REDACTED]
Production	[REDACTED]	[REDACTED]	[REDACTED]
Utilisation %	[REDACTED]	[REDACTED]	[REDACTED]

249. Figures in Table 6.12 indicate that production capacity has increased and utilisation of production capacity has declined. However the overall decline in utilisation percentage appears to be mainly due to an increase in capacity, rather than an overall decline in production.

250. There is insufficient evidence that utilisation of production capacity has declined due to dumping.

Other Adverse Effects

251. In considering other adverse effects, the Ministry considers actual and potential effects on cash flow, inventory, employment, wages, growth, ability to raise capital, and investments.

Cash Flow

252. Pacific Steel has made no claim in respect of adverse impacts on cash flow, although the company has provided net cash flow from operations figures for its total operation. The Ministry cannot draw any separate conclusions from these figures in relation to domestic sales of steel reinforcing bar.

Inventories

253. Pacific Steel has made no claims in respect of inventories.

Table 6.13: Inventories (\$000)

	2000	2001	2002	YTD Dec 2002
Finished goods at balance date	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change		[REDACTED]	[REDACTED]	[REDACTED]
As a % of 2000	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finished Goods at balance date as % sales revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

254. Figures in Table 6.13 show that inventory levels declined in 2001 and 2002, but there is evidence of a [REDACTED] increase in inventory levels for the six months ended December 2002 to a higher level than at the end of 2000.

Employment and Wages

255. Pacific Steel states that [REDACTED]

Pacific Steel states that the injury caused to it by dumping “has been significant enough to [REDACTED], and as a result places the [REDACTED]

256. Pacific Steel has provided productivity figures that allow total employment figures for total production of bar (including merchant bar and bar for export) to be calculated.

Table 6.14: Employment

	2000	2001	2002	YTD Dec 2002
Employees	■	■	■	■
Increase/Decrease		■	■	■
Percentage Change		■	■	■

257. Figures in Table 6.14 show that employment numbers increased in 2001 but have since returned to 2000 levels.

258. There has been an overall decline in the number of employees making reinforcing steel bar.

Growth

259. Pacific Steel has made no claim about any adverse impact on growth.

Ability to Raise Capital

260. Pacific Steel has made no claim about any adverse impact on its ability to raise capital.

Investments

261. Pacific Steel has made no claims in relation to investments.

6.5 Other Causes of Injury

Sections 8(2)(e) and (f) of the Act provide that the Chief Executive shall have regard to factors other than the dumped goods which have injured, or are injuring, the industry, including—

- i. The volume and prices of goods that are not sold at dumped prices; and*
- ii. Contraction in demand or changes in the patterns of consumption; and*
- iii. Restrictive trade practices of, and competition between, overseas and New Zealand producers; and*
- iv. Developments in technology; and*
- v. Export performance and productivity of the New Zealand producers; and*

the nature and extent of importations of dumped or subsidised goods by New Zealand producers of like goods, including the value, quantity, frequency and purpose of any such importations.

Factors Other than Dumping

262. Pacific Steel points to no other specific causes of injury than the dumped imports, and comments that any effect of recently increased electricity prices on its results would only affect financial periods after those in its application.

Non-dumped Imports

263. Pacific Steel has made no claims in respect of non-dumped imports. Imports from sources other than Malaysia and Thailand vary slightly in their market share from 12.5 percent to 13.5 percent as shown above in Table 6.7, with 12.5 percent in 2000 declining in 2001 and increasing 2002 and the six months ended December 2002 to 13.5 percent.

264. Import information provided by Pacific Steel shows that the main sources of imports from other sources for the period July 2002 to May 2003 are Australia and Singapore (with occasional large import volumes from Indonesia and Japan.) Australia averages an import volume share of 35 percent and Singapore averages a 20 percent import volume share, while Malaysia and Thailand hold 12 percent and 37 percent respectively. However the average NZD CIF per tonne of Australian imports is 1005 and Singapore's is 778, both higher than those of Malaysia at 648, and Thailand at 677. While the level of imports from Singapore and Australia is high, Thai imports represent a greater percentage of total imports for the period than the Australian imports do. The average NZD CIF per tonne that Malaysia and Thailand record are well below those of large imports from other sources.

Demand or Consumption Change

265. The applicant industry has not identified any changes in demand or consumption.

Restrictive Trade Practices

266. The applicant industry has not identified any restrictive trade practices that are having an adverse impact on the industry.

Developments in Technology

267. The applicant industry has made no comments on developments in technology that might be causing injury to the New Zealand industry. The Ministry notes that the New Zealand Herald, on 17 July 2003, reported engineers' safety concerns about new Grade 500E reinforcing steel produced by Pacific Steel. Any investigation will need to consider the extent to which such concerns may have impacted, if at all, on sales by Pacific Steel. At this stage, there is no evidence that Pacific Steel's sales have been adversely affected by negative publicity surrounding the Grade 500E product.

Export Performance

268. The applicant industry has provided figures for production for exports. The Ministry understands that the financial information relating to domestic production

and sales of steel reinforcing bar does not include financial information relating to exports.

269. There is no evidence that exports have impacted on the industry's domestic business.

Imports by the New Zealand industry

270. The Customs import data indicates that Pacific Steel has imported [REDACTED] tonnes of steel reinforcing bar in the past three and a half years from Australia. Pacific Steel imported [REDACTED] tonnes in 1988, [REDACTED] tonnes in 1999, [REDACTED] tonnes in 2000, and [REDACTED] tonnes in 2001. No imports have been made since August 2001.

271. The level of imports by the domestic industry is minimal in relation to overall import volumes for the same period and no imports of the subject goods have been made.

Other

272. No evidence was provided of any other factors that might be causing material injury.

Conclusion on Other Factors

273. There is no evidence that injury was being caused by other factors during the financial period used in the application.

6.6 Conclusions Relating to Injury

Import Volumes

274. There is sufficient evidence that import volumes of the subject goods have increased significantly in absolute terms and relative to New Zealand production and consumption.

Price Effects

275. There is sufficient evidence of price undercutting, price depression and suppression.

Economic Impact

276. There is sufficient evidence that the New Zealand industry has suffered the following adverse effects:

- significant decline in market share;
- significant decline in profit;
- decline in return on investments; and

- significant increase in inventories.

277. There is insufficient evidence of:

- an overall decline in output or sales volumes;
- an overall decline in sales revenue, although sales revenue per tonne declined in 2001 and again in the six months ended December 2002;
- decline in utilisation of production capacity due to dumping.

278. There is no evidence of an adverse effect on productivity, cash flow, inventory, employment, wages, growth, ability to raise capital, and investments.

Other Causes of Injury

279. There is no evidence that injury may be being caused by other factors such as non-dumped imports from other sources.

6.7 Causal Link

280. The Act does not require sufficient evidence on a country-by-country basis on injury and causation for each country being investigated, but refers simply to a causal relationship between dumped imports and injury without specifying that such dumped imports must be from a single country. Injurious effects of imports from Malaysia and Thailand countries can, therefore, be cumulated provided the provisions of Article 3.3 of the Anti-Dumping Agreement are met.

281. The provisions of Article 3.3 of the Agreement that states as follows:

Where imports of a product from more than one country are simultaneously subject to anti-dumping investigations, the investigating authorities may cumulatively assess the effects of such imports only if they determine that (a) the margin of dumping established in relation to the imports from each country is more than *de minimis* as defined in paragraph 8 of Article 5 and the volume of imports from each country is not negligible and (b) a cumulative assessment of the effects of the imports is appropriate in light of the conditions of competition between the imported products and the conditions of competition between the imported products and the like domestic product.

282. For purposes of initiation of an investigation, when information about the imported goods is limited, it is sufficient to note that the goods from the two exporting countries, Malaysia and Thailand, appear to be interchangeable. One importer sources from both countries indicating that channels of distribution are likely to be similar. In these circumstances, it appears that the goods imported from each country would compete both, with each other, and with the like goods made in New Zealand. The Ministry is satisfied, for purposes of initiation, that the injurious effects of the imports from Malaysia and Thailand may be cumulated.

283. Pacific Steel has provided in support of its application that material injury is being caused by dumping, extracts of [REDACTED] which anecdotally link the impact of the allegedly dumped imports on [REDACTED]

sales for Pacific Steel. Pacific Steel highlights [REDACTED] of its [REDACTED], that indicates an intention to source both locally and through importation to take advantages of price differences.

284. The Ministry also notes that evidence has been provided that price undercutting is causing domestic customers to consider importing, the New Zealand industry's prices have been depressed and suppressed and much of the market share lost by the New Zealand industry has been taken up by the allegedly dumped imports. The Ministry is satisfied that, for purposes of initiation, there is sufficient evidence that material injury is being caused by dumping.

7. Conclusions

285. On the basis of the information available, it is concluded that sufficient evidence has been provided that:

- a. reinforcing steel bar and coil from Malaysia and Thailand is being dumped; and
- b. by reason thereof, material injury to the New Zealand industry has been, or is being caused.

8. Recommendations

286. It is recommended on the basis of the conclusions reached and in accordance with section 10 of the Dumping and Countervailing Duties Act 1988:

- a. that the Chief Executive formally initiate an investigation to establish whether imports of reinforcing steel bar and coil from Malaysia and Thailand are being dumped and thereby causing material injury to the New Zealand industry producing like goods; and
- b. that the Chief Executive sign the attached *Gazette* notice, and give notice to interested parties in accordance with section 9 of the Act.

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Investigating Team
Trade Remedies Group

Agreed/Not Agreed

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