

**PUBLIC FILE**

**TERMINATION REPORT**

**GLASS WOOL  
INSULATION FROM  
CHINESE TAIPEI**



**DUMPING AND COUNTERVAILING DUTIES ACT 1988**



# **Glass Wool Insulation from Chinese Taipei**

## **Non-Confidential Final Report**

**Dumping and Countervailing Duties Act 1988**

**Dumping Investigation**

Ministry of Economic Development

April 2003

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## Abbreviations

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The following abbreviations are used in this Report:

Act (the)	Dumping and Countervailing Duties Act 1988
ANZCERTA	Australia New Zealand Closer Economic Relations Trade Agreement
Anti-Dumping Agreement	WTO Agreement on Implementation of Article VI of the GATT 1994
Chief Executive	Chief Executive of the Ministry of Economic Development
CIF	Cost, Insurance and Freight
CSR	CSR Building Materials (NZ) Limited
Customs	New Zealand Customs Service
FOB	Free on Board
Kairos	Kairos Technologies Company
LDC	Less Developed Countries
Ministry (the)	Ministry of Economic Development
TWD	New Taiwanese Dollars
R-value	Measure of resistance to heat flow rating
Premier	Premier Insulation Limited
Taita	Taita Chemical Company Limited
Tasman Insulation NZ	Tasman Insulation New Zealand Limited
USD	United States dollars
WTO	World Trade Organisation
	Confidential information
xxxx	Text deleted due to confidentiality



# 1. Proceedings

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## 1.1 Proceedings

1. On 22 August 2002, the Chief Executive accepted a properly documented application from Tasman Insulation NZ Limited (Tasman Insulation NZ), alleging that glass wool insulation from Chinese Taipei was being dumped and by reason thereof causing and threatening to cause material injury to the New Zealand industry.

2. On 1 November 2002, the Chief Executive formally initiated an investigation pursuant to section 10 of the Dumping and Countervailing Duties Act 1988 (“the Act”), 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. In accordance with section 10 of the Act, the Ministry’s investigation was to determine both the existence and effect of the alleged dumping of glass wool insulation from Chinese Taipei.

4. Included in the application by Tasman Insulation NZ was a request for provisional measures under section 16(1) of the Act. On 26 February 2003, this request was withdrawn by Tasman Insulation NZ.

5. The purpose of this report is to provide a summary of the matters established by the investigating team as a basis for a termination to be made under section 11 of the Act as to whether or not the goods are being dumped and by reason thereof material injury to an industry has been or is being caused or is threatened. It should be noted that this report provides a summary only of the information, analysis and conclusions relevant to this investigation, and should not be accorded any status beyond that.

6. Following verification visits to all interested parties and in accordance with section 10A of the Act, the Ministry released to the parties to the investigation written advice of the essential facts and conclusions that would likely form the basis for any final determination to be made under section 13 of this Act. This Report includes consideration of responses made by parties as a result of that advice. The substantive Essential Facts and Conclusions Report is attached as Appendix 1 to this report.

## 1.2 Interested Parties

7. Tasman Insulation NZ is the sole manufacturer of glass wool insulation in New Zealand and as such constitutes the New Zealand industry for the purposes of this investigation.

8. The investigation established that there was only one exporter of the subject goods from Chinese Taipei. This was Taita Chemical Company Limited (Taita).

9. The investigation also established that there was only one importer of the subject goods from Chinese Taipei. This was Premier Insulation Limited (Premier).

10. A review of Customs data during the investigation established that CSR Building Materials (NZ) Limited (CSR), a major importer from Australia, had an interest in the investigation and that company was therefore added to the list of interested parties to the investigation. Anti-dumping action cannot be taken against goods of Australian origin under the Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA).

### 1.3 Imported Goods

11. The goods which were the subject of the application, referred to as glass wool insulation, or “subject goods”, were:

*“Glass wool insulation, with a resistance to heat flow rating in the range of R1.5 to R2.2 (inclusive)”*

12. During the investigation this definition of the subject goods was amended to:

*“Glass wool insulation, with a resistance to heat flow rating in the range of R1.5 to R2.5 (inclusive)”*

13. The reasons for this amendment are detailed in Appendix 1 to this report at paragraphs 14 to 24.

14. The goods are classified under tariff item 7019.39.00 and statistical key 01L. Goods in this tariff item attract a “Normal” duty rate of 6.5 percent and a Less Developed Country (LDC) rate of 5 percent. Goods from Chinese Taipei enter under the Normal rate.

### 1.4 Disclosure Of Information

15. The Ministry of Economic Development makes available all non-confidential information to any interested *party* through its Public File system.

16. Article 6.7 of the WTO Trade Organisation Anti-Dumping Agreement provides as follows:

In order to verify information provided or to obtain further details, the authorities may carry out investigations in the territory of other Members as required, provided they obtain the agreement of the firms concerned and notify the representatives of the government of the Member in question, and unless that Member objects to the investigation. The procedures described in Annex I shall apply to investigations carried out in the territory of other Members. Subject to the requirement to protect confidential information, the authorities shall make the results of any such investigations available, or shall provide disclosure thereof pursuant to paragraph 9, to the firms to which they pertain and may make such results available to the applicants.

17. A verification visit was made to the following exporter:

- Taita Chemical Company Limited



18. Verification visits were also made to the New Zealand industry, Tasman Insulation NZ and the two New Zealand importers of glass wool insulation, Premier Insulation Limited and CSR Building Materials (NZ) Limited. A copy of each Verification Report was provided to the interested parties visited, and non-confidential copies placed on the Public File.

19. Section 10A of the Act provides as follows:

(1) Subject to subsection (2) of this section, within 150 days after the initiation of an investigation under section 10 of this Act, the Chief Executive shall give to the parties to the investigation referred to in section 9(b) of this Act written advice of the essential facts and conclusions that will likely form the basis for any final determination to be made under section 13 of this Act.

(2) Nothing in subsection (1) of this section limits the Official Information Act 1982 or section 10(7) of this Act.

20. In order to meet this obligation, essential facts and conclusions were provided to interested parties on 26 March 2003. Comments received from Tasman Insulation NZ were taken into account in preparation of this Final Report. A late submission was received from CSR questioning the conversion factor used by the Ministry when converting price per kg to price per m<sup>2</sup>. This had an effect on the price undercutting calculations in Section 4.2 of the Essential Facts and Conclusions Report attached as Appendix I to this report. The figures have been corrected but do not affect the recommendation to terminate this case.



## 2. New Zealand Industry

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21. Section 3A 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.

22. “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:

### 2.1 Like Goods

23. 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.

24. The subject goods have been identified in section 1.3 of this Report as:

*“Glass wool insulation, with a resistance to heat flow rating in the range of R1.5 to R2.5 (inclusive)”*

(An R-value is a measure of thermal resistance used by the New Zealand building industry).

25. Tasman Insulation NZ provided detailed descriptions of the range of goods that it produces mainly for walls and ceilings in both blanket and pieces, which were within the parameters of the above description. Tasman Insulation NZ states that the goods that it manufactures in this range are like those that are being imported from Chinese Taipei.

26. The Ministry followed its normal framework in considering the “like goods” question. This takes into account the following considerations:

- a. Physical characteristics, which cover appearance, size and dimension, components, production methods and technology;
- b. Functions and usage;
- c. Pricing structures;
- d. Marketing issues such as distribution channels and customer advertising; and
- e. Other information which can include tariff classification, and any other matters which could be applicable in the circumstances.

27. From the information available, the Ministry considers that the glass wool insulation produced by Tasman Insulation NZ that is in the range of R1.5 to R2.2 is not identical to the glass wool insulation being imported from Chinese Taipei. It is, however, similar in terms of physical characteristics, process of manufacture, heat insulation properties, function and usage, pricing, competing in the same market, and having the same tariff classification. It is not similar to the subject goods in its colour, and distribution channels.

28. The Ministry considers that glass wool insulation, with a resistance to heat flow rating in the range of R1.5 to R2.2 (inclusive), while not identical has characteristics closely resembling the imported subject goods and is therefore "like goods" to the imported goods produced by Tasman Insulation NZ.

29. Full details of the Ministry's assessment of this issue can be found in the Initiation Report on the Ministry's Public File at paragraphs 24 to 63 and the amended Essential Facts and Conclusions Report in Appendix 1 to this report at paragraphs 37 to 53. Both of these documents are available on the Ministry's Public File of the investigation.

## **2.2 New Zealand Industry**
















30. The New Zealand producer of like goods by or on whose behalf the application was made, is listed in Section 1.2, paragraph 7 above. The investigation was initiated on the basis that the application met the requirements of section 10(3) of the Act with regard to required levels of support, and that the applicant had standing to make an application.

## **2.3 New Zealand Market**

31. Import data available at the initiation of the investigation for the imported subject goods was able to be refined to specifically identify the imports of the subject goods for a three-year period. These imports were established from import entries supplied by the importer and the exporter. Import figures for the goods from Australia were based on information from the major importer from Australia and imports from other sources were excluded based on information contained in the Customs data and from information about the market supplied by interested parties.

32. The following table shows the figures for the New Zealand market over the last three years.

**New Zealand Market (Kilograms)**

	<b>2000</b>	<b>2001</b>	<b>2002</b>
Imports from Chinese Taipei			
Other Imports (Australian Origin)			
Total Imports			
NZ Industry Sales			
New Zealand Market			



## 3. Dumping Investigation

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33. 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.”

34. The following is a summary of the dumping investigation and its conclusions, the details of which can be found in Appendix 1, paragraphs 58 to 120.

### 3.1 Export Prices

35. Export prices are determined in accordance with section 4 of the Act. Tasman Insulation NZ’s application identified one exporter of the subject goods. The exporter was also the manufacturer of the goods. Taita (the exporter) supplied a detailed response to the Ministry’s questionnaire. The Ministry visited the company and verified the information submitted and clarified issues where necessary.

36. It was established that Taita’s export sales to Premier (the importer) were made in arm’s length transactions over the period of investigation. The base prices from Taita to Premier were determined to be on a CIF basis.

37. Adjustments were made to these prices to find the ex-factory selling price for each product over the period. The adjustments made from the base prices were for the costs of clearance and handling which were made up of a terminal handling charge, a Customs’ clearance charge, and a bill of lading fee. Adjustments were also made for inland freight, ocean freight, duty in the form of a harbour tax, and insurance.

### 3.2 Normal Values

38. Normal values are determined in accordance with section 5 of the Act. The Ministry has established that glass wool insulation is sold by Taita only to distributors. The price to a distributor is mainly determined by the volume of sales and monthly discounts are given depending on the sales volume. The sales volume also influences the credit category in which distributors are classified, which in turn determines the list price, before discounts are applied.

39. Base prices were established as the prices paid by the customer selected by the Ministry with the closest sales volume per month to the volume of exports made to Premier and reasonably comparable terms and conditions.

40. The sales by Taita were also considered to be in the ordinary course of trade, as its domestic sales volume was greater than 5 percent of the export volume to New Zealand. This is the threshold test for deciding this issue as contained in Footnote 2 to Article 2 of the Anti-Dumping Agreement.

41. Adjustments were made to the base prices for discounts, inland freight, and for the difference in the cost of credit for the exports compared with the domestic sales.

### 3.3 Comparison Of Export Price and Normal Value

#### Margins of Dumping

42. The Ministry has established the dumping margins for the investigation period by comparing export prices and normal values. As a result of this comparison 100 percent of the exports from Chinese Taipei to New Zealand were found to be dumped with a combined weighted average margin of 40 percent. Individual weighted average margins for each product were for R1.5 (65mm) 37 percent, R1.8 (75mm) 42 percent, and R2.5 (100mm) 37 percent.

43. The following table shows the range of export prices, normal values and dumping margins for Taita.

**Range of Dumping Margins (TWD per Kilogram)**

	R1.5 (65mm)	R1.8 (75mm)	R2.5 (100mm)
Export Prices			
Normal Values			
Dumping Margins			
Margins % of EP	32 to 43	38 to 46	33 to 39

### 3.4 Volume of Dumped Goods

44. The volume of the dumped goods was as follows:

**Volume of Dumped Imports**

(Year to September 2002, Kgs, 000)

Dumped Imports		
Other Imports		
Total Imports		100%

45. On the basis of this information, imports of the subject goods were found not to be *de minimis*, that is, they are greater than 3 percent of all imports of the like goods and therefore are not a negligible volume of imports.



### **3.5 Conclusions Relating to Dumping**

46. The Ministry concluded that glass wool insulation from Chinese Taipei had been dumped during the period of investigation.

## 4. Injury Investigation

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47. 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 Secretary 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.

48. In the analysis of material injury the Chief Executive must consider the range of matters set out in section 8(2) of the Act. He/She shall have regard to:

- the extent to which there has been or is likely to be a significant increase in the volume of dumped goods, either in absolute terms or relative to production or consumption;
- the extent to which the prices of dumped 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;
- the extent to which the effect of the dumped goods is or is likely significantly to depress prices for like goods of New Zealand producers or significantly to prevent price increases for those goods that otherwise would have occurred;
- the economic impact of the dumped goods on the industry, including actual or potential decline in output, sales, market share, profits, productivity, return on investments, and utilisation of production capacity; factors affecting domestic prices; the magnitude of the margin of dumping; and actual and potential effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investments.

49. In addition, the Chief Executive must have regard to factors other than dumping which may be injuring the industry, as in accordance with Section 13 of the Act and Article 3 of the Anti-Dumping Agreement, it must be demonstrated that the dumped imports are, through the effects of dumping, causing material injury.

50. The demonstration of a causal relationship between the dumped imports and the injury to the New Zealand industry must be based on an examination of all relevant evidence before the authorities, who must examine any known factors other than the dumped imports which at the same time are injuring the New Zealand industry, and

the injury caused by these other factors must not be attributed to the dumped imports.

51. Factors which may be relevant in this respect include, inter alia, the volumes and prices of non-dumped imports of the product in question, contraction in demand or changes in the patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the New Zealand industry.

52. The following is a summary of the injury investigation and its conclusions, the details of which can be found in Appendix 1, paragraphs 127 to 255.

#### **4.1 Import Volumes**

53. The volume of imports of dumped goods and goods of Australian origin when considered together, increased significantly in absolute terms over the three year injury investigation period. Imports significantly increased relative to production and consumption in New Zealand in 2001 and 2002. The volume of dumped imports made small inroads into the sales of the New Zealand industry while the imported goods of Australian origin showed the greatest increase when compared to sales by the New Zealand industry.

#### **4.2 Price Effects**

54. When the New Zealand industry's ex-factory prices are compared to the exporter's store prices of the subject goods there is evidence of price undercutting. If Premier's [REDACTED] is compared with Tasman Insulation NZ's [REDACTED] prices are undercut by [REDACTED] percent and [REDACTED] percent respectively.

55. The impact is minimal as CSR's prices undercut the market in both these categories. Although the dumped goods may take some volume off the domestic industry the price effects are small because CSR's prices are lower and are effectively the selling price in the market. As no anti-dumping action can be taken against CSR's imports as they are of Australian origin, the maximum prices that Tasman Insulation NZ can obtain for its products are being affected by goods of Australian origin.

56. While there is limited price undercutting being caused by the dumped goods, it is unlikely that this is causing the domestic industry material injury given the price of goods of Australian origin in the market place.

57. It was concluded that the prices of the imported subject goods are undercutting the prices of the like goods produced by the New Zealand industry in two products. These goods are not causing material injury, however, given the lower price of goods of Australian origin in the market. There is no evidence of price depression or price suppression.

### 4.3 Economic Impact

58. The investigation of injury showed that there was evidence of actual significant decline in Tasman Insulation NZ's output and sales revenue when compared with the base year, 2000. There was evidence of a decline in the market share of the New Zealand industry while at the same time there was a small increase in the market share of the dumped goods and a significant increase in the market share for goods of Australian origin. There was evidence that the New Zealand industry had a decline in profits over the three year period (2000 to 2002), a decline in productivity, return on investments, and utilisation of production capacity.

59. The Ministry is not aware of any other factors which affected domestic prices. The magnitude of the weighted average dumping margin (40 percent) would be seen to be significant if the goods of Australian origin were not in the market place.

### 4.4 Other Adverse Effects

60. Other adverse effects on Tasman Insulation NZ were also considered by the Ministry. There was evidence of an overall decline in its cash flow. There was no evidence of a change in the level of inventories as the company used a just-in-time production system, and there was no effect on employment, growth or ability to raise capital.

### 4.5 Other Causes of Injury

61. The Ministry also considered whether there were any other causes of injury as the Chief Executive must have regard to factors other than dumping which may be injuring the industry, as in accordance with Section 13 of the Act and Article 3 of the Anti-Dumping Agreement, it must be demonstrated that the dumped imports are, through the effects of dumping, causing material injury.

62. In considering whether factors other than dumping have had an adverse impact on the New Zealand industry, the Ministry is of the view that it does not need to be satisfied that factors other than dumping have been a cause of injury to Tasman Insulation NZ. It must only be satisfied that dumping has been a cause of material injury. Dumping therefore does not need to be the only cause of material injury, or even the major cause of material injury, just a cause of material injury. Where economic indicators show that an industry has suffered injury, if factors other than dumping have been the real cause of the injury, it is important that such injury not be attributed to dumping.

63. When examining injury, the Ministry normally seeks to review data over a period both before and after the time period when injury due to dumping is alleged to have commenced. Data over a period before the commencement of injury then serves as a baseline against which subsequent performance can be measured. In dumping investigations it is usual that the onset of injury claimed by an industry occurs within a reasonably well-defined time period and this is demonstrated by declines in various economic indicators. If it is claimed that factors other than dumping are the cause of that injury then those other factors could be expected to have had a particular impact within the period when the economic indicators show the onset of injury. If there are

factors other than dumping causing injury to an industry, and those other factors have been constant over the time period, then it is unlikely that the onset of injury could be attributed to those other factors.

## 4.6 Non-dumped Goods

64. Under the ANZCERTA Australia and New Zealand are unable to take anti-dumping action against goods originating from either country. Goods of Australian origin can therefore set a benchmark for selling prices in the New Zealand market place as no action can be taken against them under the Act. The Ministry, therefore, is obliged to take cognisance of the prices of the goods of Australian origin when considering any question of whether or not prices of dumped imports are causing the domestic industry material injury.

65. The investigation has established that the prices of goods of Australian origin are undercutting both the New Zealand industry prices by between [REDACTED] and [REDACTED] and Premier's prices by [REDACTED] and [REDACTED] in four categories. In two categories Tasman Insulation NZ leads the market on price. The investigating team was advised by CSR that [REDACTED]

66. [REDACTED], CSR's prices [REDACTED] the lowest in the market in the four categories and set a benchmark for the level at which any comparison of prices would be made for the purpose of establishing price undercutting.

67. The Ministry has not found any other causes of injury to the New Zealand industry when it considered the following:

- potential contraction in demand or changes in patterns of consumption;
- restrictive trade practices of, and competition between, overseas and New Zealand producers;
- developments in technology;
- export performance;
- imports by the industry, and
- any other possible causes of injury.

68. The Ministry has concluded that goods of Australian origin imported by CSR are an important factor in the market and are clearly responsible for taking the majority of sales away from the domestic industry.

## **4.7 Causal Link**

69. The Ministry considers that the dumping of goods must be a cause of material injury in its own right, or put another way, the injury attributable to the dumping of goods must be material.

70. The dumping section of this report concluded that 100 percent of the goods shipped from Chinese Taipei during the period had been dumped with dumping margins ranging between 32 and 46 percent.

71. The analysis of injury in this report found that during the injury investigation period, the dumped imports had not caused material injury to the New Zealand industry. Rather imported Australian goods were the cause of the material injury.

72. A full discussion of the findings on causal linkages appears in Appendix 1 of this report at paragraphs 252 to 260.

## 5. Conclusions

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73. On the basis of the information available:

- (a) Import volumes of the subject goods have increased in absolute terms and relative to production and consumption in New Zealand, particularly goods of Australian origin;
- (b) There is significant price undercutting by goods of Australian origin but little undercutting by dumped goods. There is no evidence of price suppression or price depression;
- (c) Consequent upon the volume and price effects, there is evidence of an adverse economic impact reflected in actual decline in output, sales, market share, profits, productivity, return on investments and utilisation of production capacity;
- (d) Consequent upon the volume and price effects, there is evidence of an adverse effect on cash flow. There is no evidence of an adverse economic effect on inventories, employment, wages, growth, ability to raise capital and investments; and
- (e) There is evidence that the volume and prices of the goods of Australian origin have materially injured the New Zealand industry. There is no evidence of a contraction in demand or change in the pattern of consumption to other products. There is no evidence of restrictive trade practices, developments in technology, or that the export performance and productivity of the domestic industry has been responsible for any injury suffered by the New Zealand industry.
- (f) the goods imported from Chinese Taipei are dumped;
- (g) any injury being caused to the domestic industry by the dumped goods is not considered to be material.

74. The material injury being caused to the domestic industry is primarily being caused by imports of Australian origin which have:

- Significantly increased in volume over the injury period;
- Significantly increased their market share at the expense of the domestic industry; and
- Significantly undercut both the domestic industry and Premier's prices in the market place.

75. Section 11 of the Act provides that where the Minister is satisfied that there is insufficient evidence that material injury to a New Zealand industry has been or is being caused by means of the dumping of goods, the Minister shall terminate the investigation with respect to those goods.

76. In the absence of any evidence to the contrary, the findings in the amended Essential Facts and Conclusions Report provide grounds for the Minister to consider terminating the investigation.



## 6. Termination of an Investigation

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77. Copies of the Essential Facts and Conclusions Report were sent to interested parties on 26 March 2003 for comment and further submissions, if any, were requested to be lodged with the Ministry by 4 April 2003. Interested parties have not provided any further evidence that is contrary to the reported facts.

78. In these circumstances, the Minister must consider terminating the investigation. Section 11(1)(b) of the Act provides:

“Where the Minister, at any time before making a final determination under section 13 of the Act, is satisfied in respect of some or all of the goods under investigation, that –

*(b) there is insufficient evidence that material injury to a New Zealand industry has been or is being caused or is threatened or the establishment of an industry has been or is being materially retarded by means of the dumping or subsidisation of the goods;*

...

*the Minister shall-*

*(f) Terminate the investigation with respect to those goods; and*

*(g) Give notice of such termination.*

79As outlined in the conclusions above, the investigation has established that material injury to the New Zealand industry has not been caused by the dumping of the goods from Chinese Taipei and that any material injury occurring has been caused by goods of Australian origin.



# 7. Recommendation

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80 In view of the circumstances outlined in this report it is recommended that the Minister terminate the investigation using the statutory authority in section 11(1)(f) of the Act and as required by section 11(1)(g) sign a Gazette Notice which gives public notice of the termination.

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Investigating Team  
Trade Remedies Group  
Regulatory and Competition Policy Branch

**Glass Wool Insulation from  
Chinese Taipei**

**Non-Confidential  
Amended Essential Facts and  
Conclusions**

**Dumping and Countervailing Duties Act 1988**

April 2003

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## **ABBREVIATIONS**

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Act (the)	Dumping and Countervailing Duties Act 1988
ANZCERTA	Australia New Zealand Closer Economic Relations Trade Agreement
Anti-Dumping Agreement	WTO Agreement on Implementation of Article VI of the GATT 1994
BRANZ	Building Research Association of New Zealand
Chief Executive	Chief Executive of the Ministry of Economic Development
CIF	Cost, Insurance and Freight
CSR	CSR Building Materials (NZ) Limited
Customs	New Zealand Customs Service
EBIT	Earnings Before Interest and Tax
FOB	Free on Board
Kairos	Kairos Technologies Company
LDC	Less Developed Countries
LLDC	Least Developed Countries
Ministry (the)	Ministry of Economic Development
TWD	New Taiwanese Dollars
Pac	Forum Island Members of the South Pacific Regional Trade and Economic Cooperation Agreement
R-value	Measure of resistance to heat flow rating
Premier	Premier Insulation Limited
SAP	Systems Application Products & Data Processing System
Taita	Taita Chemical Company Limited
Tasman Insulation NZ	Tasman Insulation New Zealand Limited
Thermakraft	Thermakraft Industries (NZ) Limited
USD	United States dollars

VFD

Value for Duty

WTO

World Trade Organisation



Confidential information

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# 1. Proceedings

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## 1.1 Proceedings

1. On 22 August 2002, the Ministry of Economic Development accepted a properly documented application from Tasman Insulation New Zealand Limited (Tasman Insulation NZ), alleging that glass wool insulation from Chinese Taipei was being dumped and by reason thereof causing and threatening to cause material injury to the New Zealand industry.

2. On 1 November 2002, the Chief Executive formally initiated an investigation pursuant to section 10 of the Dumping and Countervailing Duties Act 1988 (“the Act”), on being satisfied that sufficient evidence had been provided that:

- a. the goods imported or intended to be imported into New Zealand were 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. In accordance with section 10 of the Act, the Ministry’s investigation was to determine both the existence and effect of the alleged dumping of glass wool insulation from Chinese Taipei.

4. Included in the application by Tasman Insulation NZ was a request for provisional measures under section 16(1) of the Act. On 26 February 2003 this request was withdrawn.

5. The purpose of that Report is to meet the obligation of section 10A of the Act which requires the Secretary to give notice to the interested parties to the investigation written advice of the essential facts and conclusions likely form the basis for any final determination under section 13 of the Act. It should be noted that this Report provides a summary only of the information relating to the essential facts and conclusions relevant to this investigation, and should not be accorded any status beyond that.

6. The Initiation Report of November 2002 is available to all interested parties as Public File document number 36. It contains information on the following matters:

- Proceedings;
- Grounds for the Application;
- Interested Parties;
- Imported Goods;
- Like Goods;
- The New Zealand Industry;

- Imports of Glass Wool Insulation; and
- The New Zealand Market.

7. Where necessary these topics have been updated to include additional information that has been made available to the Ministry during the course of this investigation.

## 1.2 Interested Parties

8. Two exporters, Kairos Technologies Company (Kairos) and Taita Chemical Company Limited (Taita), were named in the Initiation Report. Kairos of Chinese Taipei, is not an interested party because the glass wool insulation exported by it has been found by the investigating team in discussions with the importer, not to be the subject goods.

9. CSR Building Materials (NZ) Limited. (CSR), a major importer of the subject goods from Australia has been included as an interested party to the investigation, even though anti-dumping action cannot be taken against goods of Australian origin under the Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA). It has been found that goods of Australian origin have had a significant impact on the market.

10. The investigation has found that Premier Insulation Limited (Premier) an importer of the subject goods, is a solely owned subsidiary of a privately owned New Zealand company, Thermakraft Industries (NZ) Limited (Thermakraft), which is a distributor of glass wool insulation. Both directors of Premier share directorship and shareholding of Thermakraft.

11. The investigation has found that there is no relationship between the importer Premier and the exporter Taita other than a business relationship, and therefore it is considered all transactions between the two companies are at arm's length.

## 1.3 Imported Goods

### Variation in R-Values

12. An R-value is a measure of the resistance to heat flow of a given component of a building element. It is a widely accepted measure of thermal resistance and is used by the New Zealand Building Industry. The New Zealand Building Code records that an R-value is “equal to the temperature difference ( $^{\circ}\text{C}$ ) needed to produce heat flux ( $\text{W}/\text{m}^2$ ) through unit area ( $\text{m}^2$ ) under steady conditions. The units are  $^{\circ}\text{Cm}^2/\text{W}$ ” where  $\text{W} = \text{Watts}$ .

13. During the investigation it has been found that the R-values that Taita uses at times when referring to its exports to New Zealand, are slightly different for those products when measured by the Building Research Association of New Zealand (BRANZ) in New Zealand. Premier has had the products tested by BRANZ. It should be noted that these R-values are not used by Taita as product descriptions on the export invoices nor by Premier in referring to the products when imported. The goods exported to New Zealand do not vary in relation to each of the product's specifications or thicknesses.

## Goods Description

14. The goods which were the subject of the application, referred to as glass wool insulation or the “subject goods” were identified in the Initiation Report as:

*“Glass wool insulation, with a resistance to heat flow rating in the range of R1.5 to R2.2 (inclusive)”*

15. Since the initiation of the investigation and after further consideration and discussion at the industry verification visit in November 2002, Tasman Insulation NZ requested that the subject goods description be extended to include product with R-values from R2.2 up to and including R2.6 glass wool insulation being imported from Chinese Taipei. Tasman Insulation NZ states that goods in this range could also be injuring it because they can be substituted for the R1.8 product.

16. At the time of initiation, the specifications of the imports were not clear to the Ministry. The New Zealand Customs Service (Customs) data descriptions provided only generic descriptions of glass wool insulation and Tasman Insulation NZ was not sure of the specifications of the imports. Tasman Insulation NZ was aware that it was losing sales of R1.8 product and considered that the product being imported was probably either R1.8 or products that were substitutable for R1.8. The description of the imported subject goods defined in the Initiation Report, was therefore based on the best available information for the range of goods that Tasman Insulation NZ considered to be substituted for R1.8 at the time.

17. As a result of the overseas verification visit and information from Premier it has been found that some of the imported goods are of R2.5 (or R2.41 specification as measured by BRANZ). Product of less than R1.5 does not meet the New Zealand Building Standard requirements and therefore the R1.5 sets a lower limit to the goods that Tasman Insulation NZ consider substitutable imports. The only other imports from Chinese Taipei outside of the goods description that could be considered to be like goods are of R2.5. There are no R2.6 imports from Chinese Taipei.

18. The investigation team considers that goods of R-value 2.5 are substitutable for goods between R1.8 and R2.2 (particularly since the R2.5 imports are in fact R2.41). Information supporting this proposition was found during the overseas verification visit. Taita stated that its domestic R2.2 glass wool insulation could be compared with its exported R2.5 without any account required to be taken of physical differences, as long as the products were compared on a per kilogram basis. As this was the case the differences between the products were considered to be minor and the products substitutable.

19. In addition, during the investigation, it was found that though product thicknesses were constant for individual products, they could differ for products with the same or similar R-value. An example of this is the R1.5 and R1.8 imported from Taita. These are in fact R1.78 and R1.856 respectively (as measured by BRANZ), and are 65mm and 75mm in thickness respectively, a difference of 10mm.

20. The Ministry has decided to include goods up to R2.5 within the description of the subject goods, but not to extend it to R2.6 as requested by Tasman Insulation NZ as there are no imports of R2.6 product. The Ministry has sufficient information from

Taita on the exported R2.5 and its domestic R2.2 to make a comparison of the export prices and normal values.

21. The revised subject goods description is as follows:

*Glass wool insulation, with a resistance to heat flow rating in the range of R1.5 to R2.5 (inclusive)*

22. These R-values are nominal and cover thicknesses of glass wool of 65mm to 100mm for imports with a weight of 12 KG per M<sup>3</sup>. There will be some variation in the thickness as the product is compressed when packed and takes some time to “recover” its natural resting thickness.

23. The above facts do not alter the Customs’ opinion that the goods are classified under tariff item 7019.39.00 and statistical key 01L.

24. The investigating team has found that the subject goods were exported directly from Chinese Taipei, the country of origin of the goods.

## **1.4 Investigation Details**

25. The period of investigation for dumping is 1 October 2001 to 30 September 2002. Tasman Insulation NZ stated in its application that injury commenced in January 2001. The period for the investigation of injury has been determined to cover the evaluation of data for the period 1 October 1999 to 30 September 2002, (injury period) as this period will include a period of a year before which material injury is alleged to have occurred.

## **1.5 Exchange Rates**

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

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

<sup>8</sup> Normally, the date of sale would be the date of contract, purchase order, order confirmation, or invoice, whichever establishes the material terms of sale.

27. In this investigation normal values are expressed in New Taiwan Dollars (TWD), export transactions take place in United States dollars (USD), and any injurious effects are calculated in New Zealand dollars. The investigating team has used the date of export orders over the period of dumping to establish the date of sale and export transactions have been converted to TWD at the date of the order. The exchange rates are those recorded by OANDA.

28. In this Report, when dealing with Customs data, including VFD and CIF values in NZD, the amounts are converted to foreign VFD (\$US) and CIF values by use of the

Customs exchange rate applicable to that shipment or in force at the time of the investigation. The rates are published each fortnight in the Customs edition of the *New Zealand Gazette*.

## 1.6 Disclosure Of Information

29. The Ministry of Economic Development makes available all non-confidential information to any interested party through its Public File system. This meets the Ministry's obligation to provide interested parties access to all non-confidential information relevant to the presentation of their case, and that is used by the Chief Executive in the investigation.

30. Article 6.7 of the Anti-Dumping Agreement provides as follows:

In order to verify information provided or to obtain further details, the authorities may carry out investigations in the territory of other Members as required, provided they obtain the agreement of the firms concerned and notify the representatives of the government of the Member in question, and unless that Member objects to the investigation. The procedures described in Annex I shall apply to investigations carried out in the territory of other Members. Subject to the requirement to protect confidential information, the authorities shall make the results of any such investigations available, or shall provide disclosure thereof pursuant to paragraph 9, to the firms to which they pertain and may make such results available to the applicants.

31. A verification visit was made to the following exporter:

- Taita Chemical Company Limited, Taipei, Chinese Taipei

32. A copy of the Verification Report was provided to Taita and Taita has agreed with the Report. At this time a non-confidential copy of the report has been sought from Taita.

33. Article 6.8 of the Anti-Dumping Agreement provides as follows:

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

34. The exporter has responded in a comprehensive manner to the Ministry's requests for information.

35. Section 10A of the Act provides as follows:

(1) Subject to subsection (2) of this section, within 150 days after the initiation of an investigation under section 10 of this Act, the [Chief Executive] shall give to the parties to the investigation referred to in section 9(b) of this Act written advice of the essential facts and conclusions that will likely form the basis for any final determination to be made under section 13 of this Act.

(2) Nothing in subsection (1) of this section limits the Official Information Act 1982 or section 10(7) of this Act.

36. This Report fulfills the requirement to provide written advice of the essential facts and conclusions as required by section 10A of the Act.

## 2. New Zealand Industry

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“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:

### 2.1 Like Goods

37. 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.

38. The like goods description defined in the Initiation Report was:

*Glass wool insulation, with a resistance to heat flow rating in the range of R1.5 to R2.2 (inclusive)*

39. The subject goods have been identified in section 1.3 of this Report as:

*Glass wool insulation, with a resistance to heat flow rating in the range of R1.5 to R2.5 (inclusive)*

### Like Goods Considerations

#### Imported Subject Goods

40. The imported goods are considered by Taita to be nominally R1.5 (65mm), R1.8 (75mm) and R2.5 (100mm). As noted previously BRANZ testing shows that slightly different R-values were found to those used by Taita. Other than those products exported by Taita, no other products of the type under investigation were imported from Chinese Taipei during the period of the dumping investigation, that is, the year to September 2002.

41. The investigating team has found as a result of the verification visit to Taita that the subject goods imported from Chinese Taipei can be described as glass wool insulation, with a resistance to heat flow rating in the range of R1.5 to R2.5 (inclusive). The goods are imported in rolls only. Each product imported is of a standard length, width, thickness and density as follows:

R-Value	Density (KG/m <sup>3</sup> )	Length (metres)	Width (metres)	Thickness (millimetres)
R1.5	12	15	1.2	65

R1.8	12	15	1.2	75
R2.5	12	15	1.2	100

42. The importer's BRANZ test reports show that the imported R1.5 (65mm) product is equivalent to R1.78, the R1.8 (75mm) is R1.856 and the R2.5 (100mm) is R2.41.

### **Substitutability**

43. Tasman Insulation NZ claims that insulation in the range of R1.5 to R2.6 can be directly substituted by R1.8, without conflicting with the New Zealand Building Code requirements which have a minimum requirement of R1.5. The industry claims its products are being undercut on price in the Auckland market. Tasman Insulation NZ has stated that glass wool insulation of R1.5 to R2.6 is substitutable. There have, however, been no imports of R2.6. Tasman Insulation NZ has stated that most of the injury has been caused to the R1.6 to R2.2 product and submitted its application for a dumping investigation on that basis. It provided data on its R2.6 product during the verification visit although it has not claimed that the R2.6 product is being injured, but rather that there is the potential for Premier (the importer) to import R2.6 in the future (if they are not already doing so). This does not appear likely in the immediate future, as Taita is running at full capacity and so Premier would have to switch some of its current product mix or locate a new supplier. The Ministry considers that the threat of such imports is unlikely as R2.6 is used to a greater extent in other geographic areas outside of the Auckland area, where Premier does not operate.

### **Pricing**

44. Tasman Insulation NZ provided the investigating team with domestic sales data to determine actual average prices over the range of products in the injury period.

45. CSR imports from Australia and is a major player in the market. It maintains that the market in general is [REDACTED] there is little to distinguish the brands from a performance point of view.

46. In response to the Essential Facts and Conclusions Report CSR advised that builders [REDACTED].

47. The investigating team was given access to Premier's sale invoices and related quotes to establish its prices in the market place.

### **Marketing Issues**

48. Premier provides a "supply and installation" service for glass wool insulation and its clients are mainly building companies not individual builders.

49. Premier is not involved in any widespread advertising or product promotion, and has built its customer base on its personal service, knowledge and reputation of its Manager, Richard Watson.



50. Tasman Insulation NZ has factories in Auckland and Christchurch. It promotes its products to the end user, which is seen in its advertising campaign on national television and brochures held with its distributors. Its distributors sell to the retail market and to the building trade. Tasman Insulation NZ states that the market increased significantly from 2000 to 2001 due in part to Tasman Insulation NZ's own promotion, and other energy conservation promotions in the marketplace to promote higher insulation levels in all types of buildings.

51. The Ministry considers that there appears to be some difference in the distribution channels used by Tasman Insulation NZ compared with those used by Premier, particularly as Premier is only operating in the Auckland market. However, both the industry and Premier are competing for the same large volume customers in the Auckland tender market, which is primarily in the commercial building sector.

### **Other**

#### *Other Glass Wool Insulation Products*

52. There has been no comment from the industry concerning other glass wool products other than the substitutability arguments put forward above. The closest other product, blown glass wool, is cheaper but is considered to be an inferior product as it tends to be blown around in ceiling cavities and therefore consistent coverage cannot be guaranteed. It is not considered to be in the same market as the subject goods and so is not considered to be a like good.

#### *Other Types of Insulation*

53. No interested party has put forward an argument suggesting that other types of insulation are directly competing in the glass wool market or are having a direct impact on the prices of glass wool insulation.

### **Conclusions Relating to Like Goods**

54. The Ministry has considered the additional information made available by interested parties during the investigation. The information indicates that "glass wool insulation, with a resistance to heat flow rating in the range of R1.5 to R2.2 (inclusive)" can be considered to compete against the imported goods. These goods are therefore considered to be the like goods that the industry makes that are similar to the imported subject goods. These goods while not identical have characteristics, closely resembling the subject goods and are therefore the like goods subject to this investigation.










## **2.2 Imports Of Glass Wool Insulation**

55. The import figures for Chinese Taipei used for the initiation of this investigation were from Statistics New Zealand and were the gross weight of shipments entering New Zealand. These figures have been replaced and the actual import figures provided by Taita (the exporter) and Premier (the importer) for the last three years have been used. The "Other import" figures have been based on information from the New Zealand market that almost all other imports of the goods under

investigation are being imported from Australia. These other imports include information from CSR, the other major importer in the market.

56. The following table shows imports of the subject goods and total imports for the years ending September.
















**Table 2.1: Import Volumes of Subject Goods (Kilograms)**

	2000	2001	2002
Imports from Chinese Taipei			
Other Imports (Australian Origin)			
Total Imports			

## 2.3 New Zealand Market

57. The following table shows the New Zealand market for the glass wool insulation subject to investigation. Import volumes in the table were compiled on the same basis as Table 2.1 above. The New Zealand industry sales information was provided by Tasman Insulation NZ.

**Table 2.2: New Zealand Market (Kilograms)**

	2000	2001	2002
Imports from Chinese Taipei			
Other Imports (Australian Origin)			
Total Imports			
NZ Industry Sales			
New Zealand Market			

## 3. Dumping Investigation

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58. 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.”

### 3.1 Introduction

59. The Ministry’s Initiation Report established export prices and normal values of the goods based on the assessment of the information provided in the application made by Tasman Insulation NZ.

60. In the Initiation Report Tasman Insulation NZ based its calculation of export price on a deductive methodology to the ex-factory price in Chinese Taipei. The Ministry adopted a conservative approach using the deductive method to the FOB export price level, and compared the result with the relevant Customs data’s average VFD. The comparison of export price and normal value showed a significant dumping margin and was considered to be sufficient evidence that dumping had occurred.

61. In the Initiation Report the following topics were considered. These have been updated to include additional information made available during the course of this investigation.

- Export Prices
- Normal Values
- Comparison of Export Price and Normal Value
- Conclusions relating to Dumping

62. This section of the report explains how the investigating team established whether or not the glass wool insulation from Chinese Taipei was being dumped and the extent of any dumping in the year ended September 2002.

63. Export prices and normal values were compared on a transaction-to-transaction basis. This involves selecting an appropriate domestic transaction to compare with an export transaction. The domestic transaction selected is of a similar product and one that takes place at the same time or as close as possible to the time of the export order. The two values are then compared (after making deductions from the base prices or values selected for purposes of comparison) to establish whether or not each transaction was dumped and the extent of any dumping.

64. A comparison of normal value and export prices at the ex-factory level is the normal point of comparison referred to in Article 2.3 of the Anti-Dumping Agreement. Deductions from base prices were made for the costs involved in selling the goods ex-factory for both domestic and export sales.

65. Some adjustments listed below were also made to ensure that a fair comparison was made between export prices and normal values.

66. The exporter in Chinese Taipei, Taita, provided all the information available to it as requested by the investigating team.

## **3.2 Export Prices**

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

(1) Subject to this section, for the purposes of this Act, the export price of any goods imported or intended to be imported into New Zealand which have been purchased by the importer from the exporter shall be--

(a) Where the purchase of the goods by the importer was an [arm's] length transaction, the price paid or payable for the goods by the importer other than any part of that price that represents--

(i) Costs, charges, and expenses incurred in preparing the goods for shipment to New Zealand that are additional to those costs, charges, and expenses generally incurred on sales for home consumption; and

(ii) Any other costs, charges, and expenses resulting from the exportation of the goods, or arising after their shipment from the country of export;

### **Taita Chemical Company Limited.**

#### ***Export Sales Distribution***

68. Taita exported glass wool insulation to Premier in arm's length transactions during the year ended September 2002 (the dumping investigation period). Taita exported ██████████ kilograms of product during the period. This volume represented 100 percent of the volume of the allegedly dumped goods imported from Chinese Taipei during the period.

#### **Base Prices**

69. Taita provided all the export invoices for the period of the dumping investigation. Base prices were calculated from the invoice price (USD dollars, CIF) on a per kilogram basis. The exports were all of a weight of 12 kilograms per m<sup>3</sup>.

#### **Adjustments**

##### ***Cost of Packaging***

70. There were packaging costs for both exports and domestic sales. The company does not separate out the cost of the export and domestic packaging in its accounting records. The company considered that the difference in costs between the export packaging and the domestic packaging was minimal because heavier wrapping was used for the domestic packaging whereas more labour was required for the export sales.

71. In the absence of information on costs, no adjustment has been made for export packaging.

### ***Clearance and Handling***

72. The clearance and handling fee is made up of a Terminal Handling Charge (THC), a Customs' clearance charge, and a Bill of Lading fee.

#### Terminal Handling Charge

73. Invoices for export freight including the charges for the THC were provided for 42 percent of the shipments and were spread out over the investigation period. The charge of TWD [REDACTED] per container for the terminal handling was the same over the whole of the period.

74. A deduction was made on a per kilogram basis depending on the number of kilograms shipped per container.

#### Customs Clearance

75. Taita provided a schedule of the Chinese Taipei Customs Department charges in effect from 10 January 2001. These charges applied during the period of investigation. The schedule showed a graduated scale of the cost of clearance charges per container depending on the number of containers shipped. These costs were applied to all the shipments to New Zealand but they varied per shipment depending on the number of containers. They were calculated on a per kilogram basis for each shipment.

76. A deduction was made on a per kilogram basis for each shipment.

#### Bill of Lading Fee

77. On the same invoices as the terminal handling charges was the amount for the Bill of Lading Fee. This was a fixed amount of TWD [REDACTED] per shipment up to July 2002 and then increased to TWD [REDACTED] in August 2002. The cost of the Bill of Lading per shipment was allocated per kilogram across each shipment and varied according to the number of containers.

78. A deduction was made on a per kilogram basis for each shipment.

### ***Inland Freight***

79. A local trucking company carried containers from the factory to [REDACTED] port. A quotation was provided which was current for the period of investigation. The amount charged per container was TWD [REDACTED]. As only one specification of product is shipped per container an amount for inland freight was calculated for each size of product.

80. Deductions from base prices were made on a per kilogram basis for the amounts of TWD [REDACTED] for R1.5, TWD [REDACTED] for R1.8 and TWD [REDACTED] for R2.5.

### **Ocean Freight**

81. Taita provided overseas freight invoices from across the period of investigation. For those shipments for which freight invoices were not available, the cost of freight was calculated using the freight cost for a shipment where an invoice was available that was nearest to the date of the shipment.

82. The overseas freight costs have been calculated by converting the USD amount into TWD at the date of the export order. It was considered that using the exchange rate on the date of the order is the most relevant when comparing the price of that export sale to a domestic sale. These sales were compared as near as possible the same time as required for a transaction-to-transaction comparison of export price and normal value.

83. A deduction was made for overseas freight on a per kilogram basis for each shipment.

### **Taxes**

#### Duty (Harbour Tax)

84. Taita provided a standard costing sheet for R1.8, which included harbour taxes. The standard cost sheet showed the CIF value of a container of 12 KG density of 75mmx15x1.2 product.

85. A deduction for the average Harbour Tax cost of TWD [REDACTED] per KG has been applied to all shipments.

### **Insurance**

86. Taita provided the cost of insurance from its standard costing sheet. The method of the calculation was verified by the investigating team.

87. A deduction was made for the average insurance cost of TWD [REDACTED] per KG for all shipments.

### **Cost of Credit**

88. Premier has payment terms with Taita of [REDACTED] days from the invoice date and usually pays within that time.

89. The cost to Taita to extend this credit to Premier was calculated based on Taita's [REDACTED] borrowings for working capital, which was [REDACTED] percent.

90. As the number of days credit for exports to New Zealand exceeded the number of days credit extended on the domestic market, an adjustment was made for the cost of the additional credit given on export sales. The adjustment made for the difference in credit is recorded in the "Normal Value" section of this report.

### **Discounts and Rebates**

91. There are no discounts or rebates given on the export sales to New Zealand.

### **Export Storage**

92. The export product is packed into containers ready for shipping and stored outside the factory for an average of [REDACTED] before shipping. The company produces to order so there are no storage costs.

### **Duty Drawback**

93. Taita stated it does not use any imported component materials to manufacture glass wool and so cannot claim any duty back on imported components when the finished goods are exported.

### **Ex-Factory Export Prices**

94. The adjustments noted above were deducted from the base prices to arrive at the ex-factory export price that provided a fair comparison with the normal values. The range of adjusted export prices is shown in Table 3.1 below.

**Table 3.1 Range of Export Prices**

<b>R-Value</b>	<b>TWD per Kilogram</b>
R1.5 (65mm)	[REDACTED]
R1.8 (75mm)	[REDACTED]
R2.5 (100mm)	[REDACTED]

## **3.3 Normal Values**

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

(1) Subject to this section, for the purposes of this Act, the normal value of any goods imported or intended to be imported into New Zealand shall be the price paid for like goods sold in the ordinary course of trade for home 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.

(3) Where the normal value of goods imported or intended to be imported into New Zealand is the price paid for like goods, in order to effect a fair comparison for the purposes of this Act, the normal value and the export price shall be compared by the Secretary-

(a) At the same level of trade; and

(b) In respect of sales made at as nearly as possible the same time; and

(c) With due allowances made as appropriate for any differences in terms and conditions of sales, levels of trade, taxation, quantities, and physical characteristics, and any other differences that affect price comparability.

## Taita

### Domestic Sales Distribution

96. Taita is the sole producer of glass wool insulation in Taiwan. Glass wool insulation is only part of the company's product range. Taita sells glass wool throughout Chinese Taipei but only to distributors. The products are distributed by independent truck companies throughout Chinese Taipei. The price to a distributor is mainly determined by the volume of sales per month of all insulation products to that distributor, as monthly discounts are given depending on the sales volume. The sales volume also influences the credit category in which distributors are classified, which in turn determines the list price, before discounts are applied. Taita divides its distributors into those [REDACTED]. Within those categories [REDACTED] apply.

### Base Prices

97. Taita's prices generally reflect the monthly volume of sales by its distributors, however, the sales volume also reflects to some extent the credit categories which [REDACTED]. Each credit category has different list prices for glass wool insulation.

98. Base prices have been taken as the prices paid by the customer selected with the closest sales volume per month to the volume of exports to Premier and reasonably comparable terms and conditions (see below).

### Sales in the Ordinary Course of Trade

99. Domestic sales are made at a profit and the domestic sales volume is greater than 5 percent of the export volume to New Zealand. Domestic sales are therefore of sufficient quantity and price for the sales to be considered to be in the ordinary course of trade as required by Article 2.2 of the WTO Anti-Dumping Agreement. The Ministry considers that they are suitable to be used in determining normal values.

### Selection of a Domestic Customer

100. A domestic customer was selected for the transaction-to-transaction comparison with the exports to New Zealand. The selection process is outlined in more detail in Taita's Verification Report.

101. The customer selected had no relationship other than a business relationship with Taita. Total sales to this customer were on average a similar monthly volume with the exports to New Zealand. The customer chosen was not involved in supplying to projects and therefore its prices are not affected by special project discounts. Premier does not receive discounts as part of its purchase price.

### Discounts

102. Taita provided copies of the monthly discount records for the domestic customer chosen to compare with the exports. These were provided for each of the months in which sales had been made.



103. Deductions were made using the recorded sales price of the products for the transaction in the month in which they were made.

### ***Inland Freight***

104. Taita provided information to show that deliveries were made directly to customers from the company's only warehouse, which is located near the factory. Independent truck companies carry the freight. Freight is included in the cost of the product.

105. A deduction was made on a per kilogram basis for the average cost of inland freight of TWD [REDACTED], which was calculated by dividing the total domestic freight cost for the period by the total volume sold for the period.

### ***Cost of Credit***

106. Evidence of the length of time taken for payment by each chosen domestic customer was sighted by the investigation team.

107. The cost of credit in TWD has been calculated by taking the domestic sales price per kilogram, multiplied by the [REDACTED] days credit divided by 365 days, and then multiplied by [REDACTED] percent.

108. An adjustment has been made for the difference in the cost of credit for the exports compared with the domestic sales.

### ***Physical Differences***

109. Taita stated that there were no significant differences in the cost to manufacture the like product for the domestic market compared with a similar product exported to New Zealand, as long as it was measured on a per kilogram basis. The investigation team noted that the domestic and export products were different weights and have taken account of this difference by calculating adjustments on a per kilogram basis.

110. Physical difference adjustments have not been made between slightly different R-value products being compared on the domestic and export markets in the transaction-to-transaction comparison because the cost of producing a small physical variation in the products being compared is very small and the material content is almost the same.

### ***Tax***

111. Domestic sales tax of 5 percent payable on all sales was not included in the sales printouts provided for domestic customers and therefore all sales prices used are net of tax.

### ***Cost of Production***

112. The cost of production figures have been verified for the company's financial year January 2002 to December 2002, for the individual R-value glass wool insulation products.

113. Taita provided information down to the net profit level. The amounts for materials, direct labour, manufacturing overheads and packaging costs were verified from the costing report for the year 2002.

114. The total selling and administration costs for glass wool were allocated by being divided by the total volume of glass wool sold. These were checked for the year to September 2002.

### **Production Capacity**

115. Evidence was provided by Taita to show that its plant was producing at maximum capacity and that it could not increase production above the current level using its current facilities.

### **Forward Orders**

116. A schedule of forward orders received from Premier was provided by Taita.



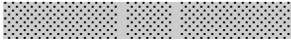
### **Other Differences Affecting Price Comparability**

117. Due allowance is made by the Ministry for any differences that affect the price comparability of domestic and export prices. Such an allowance is made on the basis of costs related to the price difference. Before such an allowance is made it must be demonstrated that the costs are directly related to the sales under consideration, that the buyer is aware of the matter for which costs are incurred (that is, it is a matter which is taken into account by buyer and seller), and the cost affects market value and price comparability. The Ministry is unaware of any other adjustments, than those made above that need to be made.

### **Ex-Factory Normal Values**

118. The adjustments recorded above under the heading "Normal Value" were deducted from base prices to arrive at ex-factory normal values that provide a fair basis for comparison with export prices. The range of normal values is shown in Table 3.2 below.

**Table 3.2 Range of Normal Values**

<b>R-Value</b>	<b>TWD per Kilogram</b>
<b>R1.5 (65mm)</b>	
<b>R1.8 (75mm)</b>	
<b>R2.5 (100mm)</b>	

### 3.4 Comparison Of Export Price and Normal Value

#### Margins of Dumping




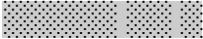
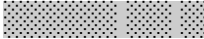




119. The Ministry has established the dumping margins for the investigation period by comparing export prices in section 3.2 above and normal values established in section 3.3 above. Comparisons of export prices and normal values and the calculation of dumping margins have been done on a transaction to transaction basis. In calculating overall weighted average dumping margins, the Ministry has used only those transactions where dumping was found.

#### Taita

120. There were 100 transactions of individual products between Taita and Premier over the period of investigation. Of these transactions 100 percent were found to be dumped with a combined weighted average margin of 40 percent. Individual weighted average margins for each product were for R1.5 (65mm) 37 percent, R1.8 (75mm) 42 percent, and R2.5 (100mm) 37 percent.

121. The following table shows the range of export prices, normal values and dumping margins for Taita.

**Table 3.3 Range of Dumping Margins (TWD per Kilogram)**

	R1.5 (65mm)	R1.8 (75mm)	R2.5 (100mm)
Export Prices			
Normal Values			
Dumping Margins			
Margins % of EP	32 to 43	38 to 46	33 to 39

### 3.5 Volume of Dumped Goods

122. 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 it 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 WTO Agreement.

123. The WTO Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 ("the Anti-Dumping Agreement"), deals with the negligibility of dumped imports under Article 5:8 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.

124. The Ministerial Conference at Doha 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 a 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 the consideration of negligible volumes of dumped imports was calculated using the period of data collection for the dumping investigation in this investigation.

125. All of the subject goods were found to have been dumped. The volume of dumped goods is therefore equal to the volume of imports of the subject goods. The volume of dumped goods and the volume of other imports covering the period of investigation of dumping are therefore shown in the table below:

**Table 3.4: Volume of Dumped Imports**

	Year to September 2002 (KGs, 000)	%
Dumped Imports	██████████	██████████
Other Imports	██████████	██████████
Total Imports	██████████	██████████

126. On the basis of this information, imports of the subject goods are greater than 3 percent of all imports of the like goods and therefore are not negligible.

### 3.6 Conclusions Relating to Dumping

127. The investigating team concludes, on the basis of the information available, that glass wool insulation from Chinese Taipei has been dumped during the period of investigation.

## 4. Injury Investigation

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### 4.1 Introduction

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

#### **8 Material injury**

(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.

129. The Ministry's Initiation Report established sufficient evidence of material injury to the New Zealand industry for the purposes of initiation based on an assessment of the information provided in its application. Tasman Insulation NZ has based this information predominantly on the effect on the like goods' prices and the impact of the dumped goods in the Auckland region.

130. Article 4.1(ii) of the Anti-Dumping Agreement provides that in exceptional circumstances the territory of a Member may, for the production in question, be divided into two or more competitive markets. However, the provisions are not reflected in the Act therefore the Ministry is required to assess material injury caused by dumped imports on the total New Zealand market.

131. The following topics were considered in the Initiation Report and have been updated to include additional information made available from the source documents during the course of this investigation.

- Import Volumes;
- Price Effects; and
- Economic Impact.

## 4.2 Material Injury Caused By Dumping

132. Section 13 of the Dumping and Countervailing Duties Act 1988 provides:

### 13 Final determination

... the Minister shall make a final determination as to whether or not, in relation to the importation or intended importation of goods into New Zealand,—

- (a) The goods are being dumped or subsidised; 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.

133. This means that the material injury must be caused by reason of the dumping of goods. The Ministry interprets this to mean that injury is to be considered in the context of the impact on the industry arising from the volume of the dumped goods and their effect on prices. This is consistent with Article 3 of the Anti-Dumping Agreement.

134. The Act goes on to set out a number of factors and indices which the Chief Executive shall have regard to, although noting that this is without limitation as to the matters the Chief Executive may consider. These factors and indices include:

- the extent to which there has been or is likely to be a significant increase in the volume of dumped goods, either in absolute terms or relative to production or consumption;
- the extent to which the prices of dumped 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;
- the extent to which the effect of the dumped goods is or is likely significantly to depress prices for like goods of New Zealand producers or significantly to prevent price increases for those goods that otherwise would have occurred;
- the economic impact of the dumped goods on the industry, including actual or potential decline in output, sales, market share, profits, productivity, return on investments, and utilisation of production capacity; factors affecting domestic prices; the magnitude of the margin of dumping; and actual and potential effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investments;

135. In addition, the Chief Executive must have regard to factors other than dumping which may be injuring the industry, since in accordance with Section 13 of the Act and Article 3 of the Anti-Dumping Agreement, it must be demonstrated that the dumped imports are, through the effects of dumping, causing material injury. The demonstration of a causal relationship between the dumped imports and the injury to the New Zealand industry must be based on an examination of all relevant evidence before the authorities, who must examine any known factors other than the dumped imports which at the same time are injuring the New Zealand industry, and the injury

caused by these other factors must not be attributed to the dumped imports. Factors which may be relevant in this respect include, inter alia, the volumes and prices of non-dumped imports of the product in question, contraction in demand or changes in the patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the New Zealand industry.

136. It should also be noted that Section 11 of the Act provides that where the Minister is satisfied that there is insufficient evidence that material injury to a New Zealand industry has been or is being caused or is threatened by means of the dumping of goods, the Minister shall terminate the investigation in respect to those goods.

### 4.3 Import Volumes

137. *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.*

138. The New Zealand Tariff does not contain a tariff item and statistical key specific to the importation of the goods under investigation and it is not a requirement for the importer to disclose to Customs the statistical quantities imported. The data from Statistics New Zealand showed the gross weight in kilograms imported into New Zealand but this figure could not be relied upon to establish accurate import volume figures, as it does not separate out the subject goods from other products imported under the tariff item.

139. To establish in absolute terms the volume of imports of glass wool insulation specific to the investigation, the investigating team requested source documents and was provided with:

- import entries and invoices that showed the volume of glass wool insulation in kilograms exported by Taita and imported by Premier over the injury period; and
- the volumes of glass wool insulation in kilograms, of Australian origin, considered to be equal to the volumes sold by CSR over the injury period (the sales volume of R2.7 have been excluded from these figures as it is not within the description of like goods).

140. Dumping has been established for imports of the subject goods from Chinese Taipei for the year ended September 2002. The investigation team has established that 100 percent of the volume of imports from Chinese Taipei were dumped over this period. For the purposes of the table below it has been assumed that the same proportion of imports from Chinese Taipei were dumped over the previous periods. This assumption is supported by the pricing trend over the injury period showing [REDACTED] in [REDACTED] from USD [REDACTED] per kilogram to USD [REDACTED] and in [REDACTED] to USD [REDACTED].

141. The volume of imports from other countries (other than Australia) as noted in the Initiation Report has not been included in the table below as interested parties

advised the investigating team that there is little if any other glass wool insulation product on the domestic market sourced from other countries.

142. The following table illustrates the volume of imports in kilograms from Chinese Taipei and Australia and the New Zealand industry sales.

**Table 4.1: Volume of Imports for Year Ended September (Kilograms)**

	2000	2001	2002
Dumped Imports	██████████	██████████	██████████
Other Imports (Australian Origin)	██████████	██████████	██████████
Total Imports	██████████	██████████	██████████
NZ Industry Sales	██████████	██████████	██████████
NZ Market	██████████	██████████	██████████
<i>Change from Previous Year:</i>			
- Dumped Imports		██████████	██████████
- Other Imports (Australian Origin)		██████████	██████████
- NZ Industry Sales		██████████	██████████
- NZ Market		██████████	██████████
<i>Dumped Imports as a % of:</i>			
- NZ Industry Sales	███%	███%	███%
- NZ Market	███%	███%	███%
<i>Other Imports (Australian Origin) as a % of:</i>			
- NZ Industry Sales	███%	███%	███%
- NZ Market	███%	███%	███%

143. The table above shows that the volume of dumped imports has made a modest increase in absolute terms over the injury period. The volume of dumped imports in relation to the New Zealand industry sales has increased in 2001 by █ percent and a further █ percent in 2002, again a modest increase. The volumes of dumped imports in relation to sales on the New Zealand market has also shown a modest increase from █ percent to █ percent over the injury period.

144. The other imports of Australian origin have increased by █ percent as a percentage of New Zealand sales in 2001 and a further █ percent in 2002. The other



imports as a percentage of the New Zealand market increased by 10 percent in 2001 and a further 10 percent in 2002. The volume of other imports has increased significantly in both absolute terms and relative to production and consumption over the injury period (Tasman Insulation NZ's production closely correlates to its sales volume).

## **Conclusion**

145. Overall the volume of imports of dumped goods and goods of Australian origin when considered together have increased significantly in absolute terms over the injury period and have significantly increased relative to production and consumption in New Zealand in 2001 and 2002. While the volume of dumped imports has made small inroads into the sales of the New Zealand industry it is the imported goods of Australian origin that show the greatest increase when compared to sales by the New Zealand industry.

## **4.4 Price Effects**

### **Price Undercutting**

146. *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.*

### **Level of Trade**

#### ***Introduction***

147. In considering price undercutting, the Ministry will normally seek to compare prices at the ex-factory and ex-importers store levels, to ensure that differences in distribution costs and margins do not confuse the impact of dumping. Accordingly, the Ministry's position is generally to compare importers' prices, including relevant selling and administration costs, which involve similar cost elements to those in the New Zealand industry's ex-factory price, but not including cost elements relating to the distribution of goods.

148. The relevant level of trade for imports is that at which the imported product first competes with the New Zealand industry's ex-factory price in the New Zealand market. The Ministry would normally consider the first point of competition to be the point at which the first potential buyer in the New Zealand market is faced with the economic choice of purchasing either the imported goods or the goods produced in New Zealand.

149. Details of the distribution systems and the basis on which sales are made are described below for Tasman Insulation NZ, Premier and CSR. The glass wool insulation imported by CSR is similar to the subject goods and those goods produced by the New Zealand industry, therefore these prices have been included in the price undercutting comparison.

### **Tasman Insulation NZ**

150. Tasman Insulation NZ sells all of its like goods to distributors free-into-store. There are no ex-store sales. The New Zealand industry's ex-factory price net of [REDACTED] and freight to distributors is the point at which the product first competes in the New Zealand domestic market.

### **Premier**

151. Premier is a wholesaler and installer of glass wool insulation and its products and services are supplied directly to the end user in the Auckland region. Premier advised the Ministry that the subject goods are sold on a supply and install basis only and it does not sell the product direct to the end user. The importer's installed price, therefore, is the first point at which the subject goods first compete in the New Zealand domestic market.

### **CSR**

152. CSR sells its glass wool insulation to distributors only on a free-into-store basis. [REDACTED]. The ex-importers store price net [REDACTED] and freight is the first point at which the goods are considered to compete in the New Zealand domestic market.

### **Conclusion**

153. The relevant level of trade for price undercutting purposes is the comparison of prices of the New Zealand industry's ex-factory price net of [REDACTED], and freight with Premier's ex-store price net of freight and installation costs and CSR's ex-store price net of [REDACTED] and freight.

### **Tasman Insulation NZ Ex-Factory Price**

154. Tasman Insulation NZ [REDACTED] with its distributors and offers [REDACTED] based on [REDACTED]. Tasman Insulation NZ also enters into [REDACTED] with [REDACTED] depending on certain parameters. All transactions are recorded in its computer based data management system (SAP) and [REDACTED] are undertaken on a monthly basis to ensure the [REDACTED] and/or [REDACTED] amounts are correct.

155. Tasman Insulation NZ provided the Ministry with a hard copy of its sales data generated from SAP for R-value 1.6 to 2.2 of Pink<sup>®</sup> Batts<sup>®</sup> insulation and Building Insulation Blankets over the injury period. The data is separated out into quarterly periods under the headings: kilos per bale, invoiced quantity, amount in kilograms, gross sales, [REDACTED], [REDACTED], freight, materials [cost of production], [REDACTED], [REDACTED], warehouse, marketing, administration, EBIT [actual], EBIT as a percentage of net revenue and EBIT per kilogram. The presentation of its data in quarterly periods allowed the investigating team to align it with the injury period. Tasman Insulation NZ provided separate sales data on R2.6. It was shown

during the investigation that there were no imports of R2.6 and the data was not required.

156. Tasman Insulation NZ submitted that [REDACTED] when it became apparent that dumped goods were in the market place. For price undercutting purposes the investigating team, therefore, has calculated an ex-factory price based on quarterly volume in kilograms and net revenue closest to the end of the injury period [September 2002]. To convert the kilograms to  $m^2$  conversion factors were based on the amount of kilograms per bale or bag and the area ( $m^2$ ) per bale or bag for each product. The range of conversion factors has been calculated to be 0.60 to 0.84.

### **Premier Ex-Importers Store Price**

157. Premier has informed the Ministry that its imports of the subject goods glass wool insulation from Chinese Taipei are blankets only. It installs R1.5 (65mm) glass wool insulation into walls, R1.8 (75mm) and R2.5 (100mm) glass wool insulation into the ceilings of structures. Its prices on the domestic market include the supply of glass wool insulation and installation. A sample of invoices pertaining to its sales on the domestic market was obtained from Premier for the quarter period ended September 2002. The kilograms per bale differed between the different R-values and a price ( $m^2$ ) was determined based on the weight of the product sold. The freight cost to transport the goods to the site and the installation cost were verified to remove these figures from the prices to determine an ex-importers store price.

### **CSR Ex-Importers Store Price**

158. CSR considers its pricing structure is similar to the New Zealand industry. It provided the Ministry with a cost build up to its selling price per kilogram averaged over the last year to 30 September 2002. The prices are for Bradford Gold pieces and blanket within the range of R1.8 to R2.7 for the New Zealand market [the pricing of R2.7 has been excluded, as it is not within the description of like goods].

159. CSR advised that the net price to customer is net of [REDACTED] and freight. For comparison purposes the price per kilogram has been converted to  $m^2$  using a conversion factor of 0.75.

160. In response to the Essential Facts and Conclusions Report CSR has advised that due to the different densities of its product the conversion factors from kilograms to square metres are in the range of [REDACTED]. This has an impact on the prices that the Ministry had calculated when considering price undercutting. The new prices per  $m^2$  are now reflected in the price undercutting section of this report, in particular Tables 4.3 and 4.4.

### **Price Undercutting comparison of Tasman Insulation NZ and Premier**

161. In its application Tasman Insulation NZ provided [REDACTED] Premier's prices in the market. These were shown [REDACTED]. The investigating team has compared Tasman Insulation NZ's ex-factory price with Premier's adjusted installed price to ensure that

differences in installation and distribution costs do not confuse other costs with the impact of dumped import prices.

162. The following table shows the extent of price undercutting on a square metre basis:

**Table 4.2: Price Undercutting of the New Zealand Industry by Premier**

**4.2.1: Tasman Insulation NZ's Prices Compared with Premier's**

R-value	Description of Goods	Tasman's average price m <sup>2</sup>	Premier's Prices m <sup>2</sup>	Price Undercutting	%
R1.8	Wall (Batts®)				
R1.9	Blanket				
R2.2	Wall (Batts®)				

**Note:** [Redacted]

**4.2.2: Tasman Insulation NZ's Prices Compared with Premier's**

R-value	Description of Goods	Tasman's average price m <sup>2</sup>	Premier's Prices m <sup>2</sup>	Price Undercutting	%
R1.6	Ceiling (Batts®)				
R1.7	Roofer Blanket				
R1.8	Ceiling (Batts®)				
R1.9	Blanket				
R2.2	Ceiling (Batts®)				

**Note:** [Redacted]

**4.2.3: Tasman Insulation NZ's Prices Compared with Premier's**

R-value	Description of Goods	Tasman's average price m <sup>2</sup>	Premier's Prices m <sup>2</sup>	Price Undercutting	%
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R1.6	Ceiling (Batts®)				
R1.7	Roofer Blanket				
R1.8	Ceiling (Batts®)				
R1.9	Blanket				
R2.2	Ceiling (Batts®)				

**Note:** [Redacted]

163. The above tables illustrate that the price of Premier's imports of [Redacted] undercuts the prices of the New Zealand industry [Redacted] for [Redacted]. The prices of Premier's imports of [Redacted] undercut the New Zealand industry's prices of [Redacted] for [Redacted] and Premier's imports of [Redacted] are not undercutting the prices of the like goods produced by the New Zealand industry. The amount of price undercutting by Premier's imports of Tasman Insulation NZ product is restricted to two lines. The impact of this undercutting on the injury being experienced by Tasman Insulation NZ is likely to be minimal and is discussed later in this section.

**Price Undercutting Comparison of Tasman Insulation New Zealand and CSR**

164. In this dumping investigation there are imports of glass wool insulation that are Australian in origin. By virtue of ANZCERTA and section 10(10) of the Act the Chief Executive is precluded from initiating an investigation in relation to any alleged dumping of goods of Australian origin. For price undercutting purposes the prices of the Australian goods can establish the lowest selling price in the New Zealand market. It is therefore important to compare these prices to those that the New Zealand industry is achieving in the market place.

165. The following table illustrates the prices of the imported product from Australia when compared with the prices of the New Zealand industry product.

**Table 4.3 Price Undercutting of the New Zealand Industry by CSR**

**4.3.1: Tasman Insulation NZ's Prices Compared with CSR's [Redacted]**

R-value	Description of Goods	Tasman's average price m <sup>2</sup>	CSR's Prices m <sup>2</sup>	Price Undercutting	%
R1.8	Wall (Batts®)				
R1.9	Blanket				
R2.2	Wall (Batts®)				

**Note:** [Redacted]

166. The change in CSR's prices as a result of using the correct conversion factor has not altered the price undercutting originally identified. It has, however, changed the extent of price undercutting.

**4.3.2: Tasman Insulation NZ's Prices Compared with CSR's** [Redacted]

R-value	Description of Goods	Tasman's average price m <sup>2</sup>	CSR's price m <sup>2</sup>	Price Undercutting	%
R1.8	Wall (Batts®)	[Redacted]	[Redacted]	[Redacted]	[Redacted]
R1.9	Blanket	[Redacted]	[Redacted]	[Redacted]	[Redacted]
R2.2	Wall (Batts®)	[Redacted]	[Redacted]	[Redacted]	[Redacted]

**Note:** [Redacted]

167. The change in CSR's prices as a result of using the correct conversion factor has resulted in [Redacted], no change from the original position regarding price undercutting of [Redacted].

**4.3.3: Tasman Insulation NZ's Prices Compared with CSR's** [Redacted]

R-value	Description of Goods	Tasman's average price m <sup>2</sup>	CSR's price m <sup>2</sup>	Price Undercutting	%
R1.6	Ceiling (Batts®)	[Redacted]	[Redacted]	[Redacted]	[Redacted]
R1.7	Roofer Blanket	[Redacted]	[Redacted]	[Redacted]	[Redacted]
R1.8	Ceiling (Batts®)	[Redacted]	[Redacted]	[Redacted]	[Redacted]
R1.8	Wall (Batts®)	[Redacted]	[Redacted]	[Redacted]	[Redacted]

R1.9	Blanket				
R2.2	Ceiling (Batts®)				
R2.2	Wall (Batts®)				

**Note:** [Redacted]

168. The change in CSR's prices as a result of using the correct conversion factor has resulted in no price undercutting in [Redacted]. The remaining products show a change in the extent of price undercutting from the original position.

**4.3.4: Tasman Insulation NZ's Prices Compared with CSR's** [Redacted]

R-value	Description of Goods	Tasman's average price m <sup>2</sup>	CSR's price m <sup>2</sup>	Price Undercutting	%
R1.6	Ceiling (Batts®)				
R1.7	Roofer Blanket				
R1.8	Ceiling (Batts®)				
R1.9	Blanket				
R2.2	Ceiling (Batts®)				

**Note:** [Redacted]

169. The change in CSR's prices as a result of using the correct conversion factor has changed only the extent of price undercutting from the original position.

170. Overall the above tables show that the price of [Redacted] are undercutting the prices of the New Zealand industry's [Redacted] and [Redacted]. The price of CSR's [Redacted] is undercutting the New Zealand industry's price of [Redacted]. The price of CSR's [Redacted] is undercutting the New Zealand industry's prices of [Redacted]. [Redacted] The price of [Redacted] are undercutting the New Zealand industry's prices of the [Redacted].

**Price Undercutting comparison of Premier's prices with Tasman and CSR's prices**

171. As mentioned previously in this report the goods of Australian origin can set the lowest price in the market place. The following tables are a comparison of Premier's prices with Tasman Insulation NZ's and CSR's prices, in order to establish the lowest price in each category of goods to determine if dumped goods or other imports of Australian origin are the principal cause of injury to the domestic industry.

**Table 4.4: Price Undercutting (m<sup>2</sup>): Comparison of Premier, CSR and Tasman's Prices**

Premier's		
CSR's		
Tasman's		
Lowest Price		
Premier's		
CSR's		
Tasman's		
Lowest Price		
Premier's		
CSR's		
Tasman's		
Lowest Price		
Premier's		
CSR's		
Tasman's		
Lowest Price		
Premier's		
CSR's		
Tasman's		
Lowest Price		



CSR's	[redacted]	[redacted]
Tasman's	[redacted]	[redacted]
Lowest Price	[redacted]	[redacted]

Note: [redacted]

172. Table 4.4 above shows that the prices of Premier's products are not the market leaders in any category of glass wool insulation. CSR has the lowest price in four categories while Tasman leads the market in two categories. Tasman Insulation NZ's [redacted] and it is CSR that leads the pricing in this market by undercutting Tasman Insulation NZ [redacted] per m<sup>2</sup> and Premier by [redacted] per m<sup>2</sup>. A similar situation exists in the [redacted] category where the margins are [redacted] per m<sup>2</sup> and [redacted] per m<sup>2</sup> in four categories. In two categories Tasman Insulation NZ leads the market on price.

### Conclusion

173. When the New Zealand industry's ex-factory prices are compared to the ex-importers store prices of the subject goods there is evidence of price undercutting. If Premier's [redacted] is compared with Tasman Insulation NZ's [redacted] prices are undercut by [redacted] percent and [redacted] percent respectively. The impact on the [redacted] is minimal, however, because of the wide difference in specification of the two products. The impact of [redacted] would be greater, but would still not be significant.

174. CSR's prices, however, undercut Tasman Insulation NZ's prices in both these categories [redacted] and although the dumped goods may take some volume off the domestic industry the price effects are minimal as CSR's prices are lower and are effectively the selling price in the market. As no anti-dumping action can be taken against CSR's imports as they are of Australian origin, the maximum prices that Tasman Insulation NZ can obtain for its products are being affected by goods of Australian origin.

175. While there is limited price undercutting being caused by the dumped goods, it is unlikely that this is causing the domestic industry material injury given the price of goods of Australian origin in the market place.

### Price Depression

176. 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.

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

178. Tasman Insulation NZ provided the investigating team with a substantial amount of data generated from SAP over the injury period to determine the ex-factory price per kilogram net of [REDACTED] and freight. Tasman Insulation NZ advised that despite competition from the imported product [REDACTED] of Pink<sup>®</sup> Batts<sup>®</sup> insulation and Building Insulation Blanket in the Auckland region and [REDACTED].

179. The investigating team grouped the Pink<sup>®</sup> Batts<sup>®</sup> insulation and Building Insulation Blanket according to its application and R-value. The investigating team calculated an average ex-factory price per kilogram from the net revenue and volume i.e. kilograms sold on a yearly basis over the injury period. The price depression analysis has not included R2.1 Building Insulation Blanket, R2.2 Wall Pink<sup>®</sup> Batts<sup>®</sup> insulation and R1.6 Ceiling Pink<sup>®</sup> Batts<sup>®</sup> insulation for the following reasons:

- The investigating team found no sales information pertaining to the [REDACTED] in the domestic market from year ended September 1999, which is outside of the injury period;
- [REDACTED] was sold in the year ended [REDACTED] only, which does not allow comparisons to be made; and
- [REDACTED] has not been sold over the injury period therefore comparisons cannot be made.

180. The following table illustrates the ex-factory price of the various R-values over the injury period.

**Table 4.5 Price Depression: Average Selling Price per Kilogram for Year Ended September**

	<b>R1.8 Wall Pink<sup>®</sup> Batts<sup>®</sup> Insulation</b>		
	<b>2000</b>	<b>2001</b>	<b>2002</b>
Average ex-factory sale price	[REDACTED]	[REDACTED]	[REDACTED]
Difference from YE 2000		[REDACTED]	[REDACTED]
% difference from YE 2000		[REDACTED]	[REDACTED]

	<b>R1.8 Ceiling Pink<sup>®</sup> Batts<sup>®</sup> Insulation</b>		
	<b>2000</b>	<b>2001</b>	<b>2002</b>
Average ex-factory sale price	[REDACTED]	[REDACTED]	[REDACTED]

Difference from YE 2000		
% difference from YE 2000		

**R1.7 Roofer Blanket**

	2000	2001	2002
Average ex-factory sale price			
Difference from YE 2000			
% difference from YE 2000			

**R1.9 Building Insulation Blanket**

	2000	2001	2002
Average ex-factory sale price			
Difference from YE 2000			
% difference from YE 2000			

**R2.2 Ceiling Pink® Batts® Insulation**

	2000	2001	2002
Average ex-factory sale price			
Difference from YE 2000			
% difference from YE 2000			

181. The tables above show a price decrease for the [redacted] and the [redacted] for year of 2001 but the prices in year 2002 have increased above the base year of 2000. All remaining R-values of Pink® Batts® insulation and Building Insulation Blankets show price increases over the injury period, [redacted].

**Conclusion**

182. On the evidence presented in the above tables dumped goods have not led to the depression of prices for the like goods of the New Zealand industry.

## Price Suppression

183. 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.

184. 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 EBIT expressed as a percentage of sales. Where cost savings have been made, the lack of any price increase will not normally be regarded as price suppression.

185. Tasman Insulation NZ claims cost increases are unable to be recovered due to price suppression and its gross margin in the Auckland region had decreased for calendar year 2001. Article 4.1(ii) of the Anti-Dumping Agreement provides that in exceptional circumstances the territory of a Member may, for the production in question, be divided into two or more competitive markets. However, the New Zealand anti-dumping legislation does not contain this provision and therefore any investigation must look at the total New Zealand market.

186. The following table shows Tasman Insulation NZ's cost of production, selling and administration expenses and total costs relative to sales. The price suppression analysis has not included R2.1 Building Insulation Blanket, R2.2 Wall Pink® Batts® insulation and R1.6 Ceiling Pink® Batts® insulation for the following reasons:

- there are no sales of the [REDACTED] in the injury period;
- the [REDACTED] has only been sold in one year; which does not allow for comparisons; and
- the [REDACTED] has not been sold throughout the injury period, which does not allow for comparison purposes.

### 4.6: Price Suppression per Kilogram for Year Ended 30 September

	R1.8 Wall Pink® Batts® Insulation		
	2000	2001	2002
Average ex-factory sale price	[REDACTED]	[REDACTED]	[REDACTED]
Cost of production	[REDACTED]	[REDACTED]	[REDACTED]
Selling and administration	[REDACTED]	[REDACTED]	[REDACTED]
Total Costs	[REDACTED]	[REDACTED]	[REDACTED]
<i>As a % of sales:</i>			
Cost of production	[REDACTED]%	[REDACTED]%	[REDACTED]%

Selling and administration	%	%	%
Total Costs	%	%	%

### R1.8 Ceiling Pink® Batts® Insulation

	2000	2001	2002
Average ex-factory sale price			
Cost of production			
Selling and administration			
Total Costs			
<i>As a % of sales:</i>			
Cost of production	%	%	%
Selling and administration	%	%	%
Total Costs	%	%	%

### R1.7 Roofer Blanket

	2000	2001	2002
Average ex-factory sale price			
Cost of production			
Selling and administration			
Total Costs			
<i>As a % of sales:</i>			
Cost of production	%	%	%
Selling and administration	%	%	%
Total Costs	%	%	%

### R1.9 Building Insulation Blanket

	2000	2001	2002
Average ex-factory sale price			
Cost of production			
Selling and administration			
Total Costs			
<i>As a % of sales:</i>			
Cost of production	%	%	%

Selling and administration	█%	█%	█%
Total Costs	█%	█%	█%

**R2.2 Ceiling Pink® Batts®  
Insulation**

	<b>2000</b>	<b>2001</b>	<b>2002</b>
Average ex-factory sale price	█	█	█
Cost of production	█	█	█
Selling and administration	█	█	█
Total Costs	█	█	█
<i>As a % of sales:</i>			
Cost of production	█%	█%	█%
Selling and administration	█%	█%	█%
Total Costs	█%	█%	█%

187. The tables above show the price of the █ has increased and the total costs as a percentage of sales has increased. The prices of the like goods other than █ have increased and the total costs as a percentage of sales have decreased over the injury period.

**Conclusion**

188. When the above costs are considered the effect of the dumped goods has not significantly prevented price increases to cover increases in the cost of production of the like goods of the New Zealand industry.

**Conclusion on Price Effects**

189. The prices of the imported subject goods are undercutting the prices of the like goods produced by the New Zealand industry in two products. It is unlikely that this undercutting is leading to actual material injury given the price of goods of Australian origin in the market. There is no evidence of price depression or suppression.

**4.5 Economic Impact**

190. 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

191. 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.

192. Tasman Insulation NZ advised that its sales in the Auckland region had declined in 2001 while the market for the product had significantly increased. Tasman Insulation NZ considered it should have seen an increase in output of [REDACTED] kilograms rather than the small decline it suffered. The Ministry has considered this aspect of injury over the total market rather than restricting any analysis to the Auckland market only.

193. Prior to the injury period the New Zealand industry introduced a just-in-time manufacturing process. As a consequence the warehouse at any given time, other than prior to the Christmas and New Year break, holds approximately [REDACTED] supply.

194. The following table shows Tasman Insulation NZ's sales volume and revenue from 2000 to 2002.

### 4.7: Industry Output and Sales Revenue for Year Ended September.

	2000	2001	2002
Volume (kilograms)	[REDACTED]	[REDACTED]	[REDACTED]
Change on the previous year		[REDACTED]	[REDACTED]
Volume as a % of 2000 sales	100%	[REDACTED]%	[REDACTED]%
Average volume of sales/month	[REDACTED]	[REDACTED]	[REDACTED]
Change on the previous year		[REDACTED]	[REDACTED]
Average sales per month as a % of 2000	100%	[REDACTED]%	[REDACTED]%
Industry sales revenue	[REDACTED]	[REDACTED]	[REDACTED]
Change on the previous year		[REDACTED]	[REDACTED]
Revenue as a % of 2000	100%	[REDACTED]%	[REDACTED]%
Revenue (\$) per kilogram	[REDACTED]	[REDACTED]	[REDACTED]
Average revenue per month	[REDACTED]	[REDACTED]	[REDACTED]
Change on the previous year		[REDACTED]	[REDACTED]
Average revenue per month-% of 2000	100%	[REDACTED]%	[REDACTED]%

195. The table above shows that the total sales volume of the New Zealand industry has declined in the year 2001 by [REDACTED] kilograms and it has declined by a

further [REDACTED] kilograms in 2002. In the year 2001 the sales revenue has decreased by [REDACTED] with a small increase in the year 2002. Under normal market conditions the New Zealand industry output would have increased in 2002 given the increased building activity, particularly in the Auckland area.

### Conclusion

196. There is evidence of actual significant decline in output and sales revenue over the injury period, particularly when compared with base year figures.

### Market Share

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

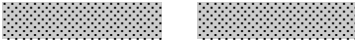

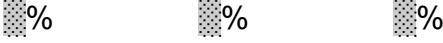

198. Tasman Insulation NZ stated that it has lost market share in the Auckland region [REDACTED]. The financial sales data generated from SAP has enabled the investigating team to determine the actual sales in kilograms. Premier and CSR have provided the investigating team with their actual sales volumes over the injury period.

199. The following table shows the actual market share and changes in market share from year ended September 2000 to 2002.

**Table 4.8: New Zealand Market for Year Ended September (Kilograms)**

	2000	2001	2002
NZ market	[REDACTED]	[REDACTED]	[REDACTED]
NZ Industry sales	[REDACTED]	[REDACTED]	[REDACTED]
Dumped Imports	[REDACTED]	[REDACTED]	[REDACTED]
Other Imports (Australian origin)	[REDACTED]	[REDACTED]	[REDACTED]
<i>Change in Volume from Previous Year:</i>			
- NZ Market		[REDACTED]	[REDACTED]
- NZ Industry Sales		[REDACTED]	[REDACTED]
- Dumped Imports		[REDACTED]	[REDACTED]



- Other Imports (Australian origin)	
<b>% Share Held By:</b>	
- NZ Industry	
- Dumped Imports	
- Other Imports (Australian origin)	

200. The table shows that the total New Zealand market size decreased by  percent in 2001 and increased in 2002 by just less than  percent so it is still not back to the 2000 level. The New Zealand industry sales as a percentage of the New Zealand market decreased in 2001 and 2002 by  percent and a further  percent respectively. The dumped imports as a percentage of the market increased in 2001 and 2002 by  percent and  percent. The other imports (goods of Australian origin) as a percentage of the market increased in 2001 and 2002 by  percent and a further  percent respectively. The loss of market share experienced by the New Zealand industry has been taken up primarily by sales of goods of Australian origin, with goods of Chinese Taipei origin making a small gain.

201. Tasman Insulation NZ informed the verification team that the building industry over the last year had been booming as their customers had reported an increase in demand. An indication as to the level of building activity can be measured by building consent figures. To establish a comparable trend over the injury period the investigating team has amassed the number of building consents issued, that are recorded with Statistics New Zealand in the years ended September.

**Table 4.9: Number of Building Consents Issued for New Zealand**

	2000	2001	2002
Residential Buildings	21,793	19,533	24,448
Percentage difference from previous year		-10.37%	25.16%
Non Residential Buildings	15,130	16,680	17,143
Percentage difference from previous year		10.24%	2.78%
Total number of building consents issued	36,923	36,213	41,591
Percentage difference from previous year		-2%	15%

202. The table above shows that the total number of building consents issued declined in 2001 by 2 percent and increased by 15 percent for 2002. The reduction in 2001 appears to be caused by a decrease in the number of issued consents for residential buildings. The movement in 2002 appears to be from both sectors with the majority increase from building consents issued for the residential building sector.

203.  With

the decrease in building activity recorded in 2001 it has had an impact on the New Zealand industry sales but with the significant increase to 25.16 percent in 2002 an increase in market share is to be expected. However, as evidenced in the table above the New Zealand industry's share of the market has declined by 1.5 percent and is less than the percentage held in 2000.

### Conclusion

204. There is evidence of actual decline in market share experienced by the New Zealand industry, however the majority of this share has been taken up by goods of Australian origin.

### Profits

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

206. In an investigation, the Ministry's assessment of the impact of dumped imports is based on an examination of trends in actual profits in order to establish whether or not there is an actual or potential decline in profits. In some circumstances, it may be possible to determine that injury is being caused where profits are not declining, but that would depend on the circumstances of the case and would need to be based on positive evidence. Such an impact would also need to be attributable to the dumping of imports.

207. The following table represents the earnings before interest and tax (EBIT) for the years ended September 2000 to 2002.

**Table 4.10: Earnings Before Interest and Tax for Year Ended September**

	2000	2001	2002
EBIT	100%	75%	125%
Change on previous year		-25%	25%
% of 2000	100%	75%	125%
% of revenue	10%	8%	12%
EBIT per kg	\$1.00	\$0.75	\$1.25
Change on previous year		-25%	25%
% of 2000	100%	75%	125%

208. The above table shows that the EBIT as a percentage of revenue has declined in the year 2001 and significantly improved in 2002. The EBIT per kilogram in 2002 is greater than the base year of 2000, which is consistent with the lack of price depression and price suppression.

209. Tasman Insulation NZ has stated that it saw a substantial drop in earnings per kilogram from the year 2000 to the year 2001 of \$0.25 per kilogram (Tasman

Insulation NZ accounting year is 1 July to 30 June) as it started to feel the initial effects of the dumped product. In response Tasman Insulation NZ

## Conclusion

210. It is evident that there was a significant decline in EBIT from 2000 to 2001 with an improvement in 2002 but this level of EBIT has not returned to the level shown for the year 2000. On the basis of this evidence there has been a decline in profit over the injury period, despite the improvement in EBIT per kg for the year ended 2002.

## Productivity

211. 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.

212. Tasman Insulation NZ provided the number of employees over the injury period of both plants, i.e. Auckland and Christchurch. The following table shows the productivity in kilograms per employee since 2000.

**Table 4.11: Productivity on an Annual Basis (Kilograms)**

	2000	2001	2002
Sales volume of like goods			
Number of employees (production & temporary)			
Number of employees (total)			
Productivity/production & temporary			
Productivity/total number of employees			

213. Evidence produced by the New Zealand industry shows the number of employees has declined in 2001 especially in the number of temporary employees. The number of employees for 2002 is below the base year of 2000. The productivity rate per employee has significantly declined over the injury period because of the loss of output to dumped and imported product.

## Conclusion

214. There has been a decline in productivity over the injury period.

## Return on Investments

215. 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.

216. Tasman Insulation NZ submitted that the return on assets had declined over the injury period. It used the figures from its asset register to determine the value of the fixed assets to produce glass wool insulation and the EBIT for the year ended June specific to the like goods to determine any return. The following table illustrates the return on assets over the injury period.

**4.12: Return on Assets/Investments (Year ended June)**

	2000	2001	2002
Assets - Glasswool Plant	██████████	██████████	██████████
██████████	██████████	██████████	██████████
Total Assets	██████████	██████████	██████████
EBIT of like products	██████████	██████████	██████████
EBIT as a % of Assets	████%	████%	████%

217. The above table shows that the actual return on investment in the plant has declined over the injury period by █████ percent. These figures are consistent with the actual decline in output.

**Conclusion**

218. There is evidence of a decline in the return on investments over the injury period.





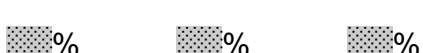
**Utilisation of Production Capacity**




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

220. Tasman Insulation NZ operates two manufacturing plants i.e. one in Auckland and one in Christchurch. According to the data generated from SAP, to operate at full capacity the glass wool plant would produce █████ tonnes per annum. To determine the utilisation of production capacity the investigating team has calculated the total production in kilograms based on the completion rate per hour and the hours each month that the line runs. The data from SAP to determine utilisation of production capacity includes the production of all glass wool and export orders. The following table separates out the production of like goods i.e. export production and other glass wool products are excluded and compares it with the total production capacity.

**Table 4.13: Utilisation of Production Capacity (Kilograms)**

	2000	2001	2002
Total production	██████████	██████████	██████████
Total Production Capacity	██████████	██████████	██████████

Under-utilised capacity	
Percentage utilised	
Volume of like goods (kgs)	
% of total production	
Volume of like goods as % of total production capacity	

221. The table above illustrates that at the time the market was unaffected by the dumped goods the utilisation rate for Tasman Insulation NZ's plant was  percent for like goods. In 2001 the utilisation rate decreased by  percent and decreased in 2002 by a further  percent.

### Conclusion



222. There is evidence that the New Zealand industry is experiencing a decline in utilisation of production capacity.

### Factors Affecting Domestic Prices

223. The investigating team is not aware of any other factors other than the dumped goods and the imports from Australia that are affecting domestic prices.

### Magnitude of the Margin of Dumping

224. The magnitude of the margin of dumping can be a useful indicator of the extent to which injury can be attributed to dumping, particularly when it is compared with the level of price undercutting.

225. The dumping margins for imports by Premier range between 32 and 46 percent with a weighted average margin of dumping of 40 percent. The investigating team established that the prices of Premier's imports undercut the New Zealand industry's prices by between  and  percent on two lines of product but the goods of Australian origin are setting a price below those levels. Any increase in prices by the elimination of the dumping margin would have little or no effect on the position of the New Zealand industry.

### Other Adverse Effects

#### Cash Flow

226. Tasman Insulation NZ bases its cash flow on the amount of revenue that it generates from sales. The following table shows the operating cash based on the domestic revenue and cost of sales.

**4.14: Table on Cash Flow over the Injury Period**

	2000	2001	2002
Domestic Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Cost of Sales	[REDACTED]	[REDACTED]	[REDACTED]
Operating Cash	[REDACTED]	[REDACTED]	[REDACTED]

227. As evidenced above there has been a significant decline in cash flow in the year 2001 with a small increase in 2002 but not to the level of 2000.

**Inventories**

228. Prior to the injury period Tasman Insulation NZ introduced a Just-in-Time production system. This process ensures that its storeroom only holds [REDACTED] of stock at any given time. Tasman Insulation NZ states that there is no actual and potential effects on the inventory level other [REDACTED]. There is therefore no adverse effect on the level of inventory, but this situation does impact on other indices such as output, productivity and utilisation of production capacity.

**Employment and Wages**

229. Tasman Insulation NZ submitted that over the injury period it has reduced the number of [REDACTED]. Technological changes [REDACTED] natural attrition. Tasman Insulation NZ claims it has no concerns regarding industrial relations and the investigating team did not find any evidence of actual effects on employment.

**Growth**

230. Tasman Insulation NZ is looking to [REDACTED]. Tasman Insulation NZ stated it is presently researching the costs and benefits of [REDACTED]. The investigating team could find no evidence that there was any effect on the New Zealand industry's [REDACTED].

**Ability to Raise Capital and Investments**

231. Tasman Insulation NZ advised that its ability to raise capital and investment had not been affected, as it is a private company [REDACTED].

## 4.6 Other Causes of Injury

232. Section 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*
- v. export performance and productivity of the New Zealand producers; and*
- vi. the nature and extent of importations of dumped or subsidised goods by New Zealand producers of like goods, including the value, quantity, frequency and purpose of any such importations.*

### Introduction

233. In considering whether factors other than dumping have had an adverse impact on the New Zealand industry, the Ministry is of the view that it does not need to be satisfied that factors other than dumping have not been a cause of injury to Tasman Insulation NZ, it must only be satisfied that dumping has been a cause of material injury. Dumping therefore does not need to be the only cause of material injury, or even the major cause of material injury, just a cause of material injury. Where economic indicators show that an industry has suffered injury, if factors other than dumping have been the real cause of the injury, it is important that such injury not be attributed to dumping.

234. When examining injury, the Ministry normally seeks to review data over a period both before and after the time period when injury due to dumping is alleged to have commenced. Data over a period before the commencement of injury then serves as a baseline against which subsequent performance can be measured. In dumping investigations it is usual that the onset of injury claimed by an industry occurs within a reasonable well-defined time period and this is demonstrated by declines in various economic indicators. If it is claimed that factors other than dumping are the cause of that injury then those other factors could be expected to have had a particular impact within the period when the economic indicators show the onset of injury. If there are factors other than dumping causing injury to an industry, but those other factors have been constant over the time period, then it is unlikely that the onset of injury could be attributed to those other factors.

### Non Dumped Imports

235. The investigating team was informed that there are no known importers of glass wool insulation other than the subject goods from Chinese Taipei and Bradford Gold from Australia.

236. The Ministry's legislative guidance in its investigation on goods of Australian origin can be found in ANZCERTA. Article 13(3)(d) states as follows:

Article 13

...

3. Additional measures which may be implemented by the Member States may include any of the following:

...

- (d) exemption from the operation of anti-dumping action;...

237. The provisions above are reflected in section 10(10) of the Act which is as follows:

Section 10

...

- (10) Nothing in this section shall authorise the Chief Executive to initiate an investigation in relation to any alleged dumping of goods of Australian origin.

238. By virtue of ANZCERTA the prices of goods of Australian origin set a benchmark for a selling price in the market place. The Ministry, therefore, is obliged to take cognisance of the prices of the goods of Australian origin when considering any question of whether or not dumped import prices are causing the domestic industry material injury.

239. Since the date of initiation [REDACTED] imported by CSR. The goods have [REDACTED]

240. The investigating team established that the prices of goods of Australian origin are undercutting both the New Zealand industry prices by between [REDACTED] and [REDACTED] percent and Premier's prices by [REDACTED] and [REDACTED] percent. The investigating team was advised by CSR that [REDACTED]



241. CSR's prices would still remain the lowest in the market and set a benchmark for the level at which any comparison of prices would be made for the purpose of establishing price undercutting.

### **Contraction in Demand or Change in Pattern of Consumption**

242. Since 1977 it has been mandatory under the building code for New Zealand homes to be insulated and the minimum requirement is a heat resistance rating of R1.5. There are other types of insulation on the domestic market i.e. Polyester, wool/polyester blanket, cellulose loose fill and wool loose fill insulation. Glasswool insulation is considered by the Consumer Organisation of New Zealand to be the most common of all the insulation range and the cheapest<sup>1</sup>.

243. Some time ago the International Agency for Research on Cancer, a part of the World Health Organisation considered fibreglass [glass wool] as a possible cause of cancer. However, the World Health Organisation now considers that fibreglass [glass wool] is not classifiable as carcinogenic to humans.

244. The investigating team has found no evidence that there has been or is a contraction in demand for glass wool insulation or a change in the pattern of consumption over recent years.

### **Restrictive Trade Practices of, and Competition Between, Overseas and New Zealand Producers**

245. Tasman Insulation NZ sells its products to distributors only. It does not hold [redacted] with its distributors but it does hold [redacted]. The distributors purchase the product from the New Zealand industry and in some conditions [redacted]. The investigating team has found no evidence that the New Zealand industry operates in a manner that restricts other parties from entering the market.

246. The investigating team has found no evidence of restrictive trade practices, and competition between, overseas and New Zealand producers other than goods of Australian origin that have adversely impacted on Tasman Insulation NZ.

### **Developments in Technology**

247. Tasman Insulation NZ [redacted] Owens Corning Corporation, United States. Tasman Insulation NZ [redacted] consequently its glass wool insulation is of an international standard. Tasman Insulation NZ's plant is continually maintained. The [redacted] runs for [redacted] hours a day, [redacted] days a week and its life span is [redacted] years. However, improved technology means [redacted] have a life span of [redacted] years.

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<sup>1</sup> Consumer Magazine Number 416, July 2002 Pages 36 to 39

248. The investigating team concludes that the New Zealand industry has benefited from technology changes in its production process. There is no evidence that developments in technology have caused the New Zealand industry to be exposed by out of date technology and it claims to have taken steps to improve its processes at every opportunity.

## **Export Performance**

249. Tasman Insulation NZ provided the investigating team with data specific to its exports (data provided by Tasman Insulation NZ on the material injury allegedly caused on the domestic market excludes any figures relating to export activities). Tasman Insulation NZ fulfilled an export order to ██████████ in the calendar year of 2001 which has in the investigating team's opinion led to greater utilisation of its machinery and plant resulting in greater economies of scale. There is no evidence that the export performance of the New Zealand industry has caused material injury and in fact it has led to the retention of staff and increased volumes of production.

## **Imports by the Industry**

250. Tasman Insulation NZ imports specialty products, which are not like goods, for resale. The investigating team concludes that the imports by the industry are minor as a percentage of total sales and since these sales fall outside of the description of the like goods they cannot be attributed to a cause of material injury.

## **Other Factors**

251. Premier claims that it is providing an exceptional personal service to its customers which has impacted on the New Zealand industry sales and led to its introduction of Pinkfit™ into the market. It also claims that the importation of the goods of Australian origin have had a significant impact on the market for the New Zealand industry both in form of volumes and in pricing and that impact occurred well before the subject goods entered the New Zealand market.

## **Conclusion**

252. Goods of Australian origin imported by CSR are an important factor in the market and are clearly responsible for taking the majority of sales from the domestic industry. The Chief Executive must have regard to factors other than dumping which may be injuring the industry, since in accordance with Section 13 of the Act and Article 3 of the Anti-Dumping Agreement, it must be demonstrated that the dumped imports are, through the effects of dumping, causing material injury.

## **4.7 Causality**


253. Article 3.5 of the WTO Agreement states as follows:

It must be demonstrated that the dumped imports are, through the effects of dumping, as set forth in paragraphs 2 and 4, causing injury within the meaning of this Agreement. The demonstration of a causal relationship between the dumped imports and the injury to the domestic industry shall be based on an examination of all relevant evidence before the authorities. The authorities shall also examine any known factors other than

the dumped imports which at the same time are injuring the domestic industry, and the injuries caused by these other factors must not be attributed to the dumped imports...

254. The Ministry considers that the dumping of goods must be a cause of material injury in its own right, or put another way, the injury attributable to the dumping of goods must be material.

255. Dumping does not need to be the only cause of material injury, but it must be a cause of material injury to the domestic industry, regardless of the intent of exporters. Injury arising from other factors or causes should not be attributed to dumping.

256. Section 3 of this report concluded on the basis of the information available, that glass wool insulation from Chinese Taipei had been dumped during the period of the investigation. All  shipments verified during the verification visit to Taiwan were dumped with dumping margins ranging from 32 to 46 percent.

257. Next, consideration must be given as to whether or not those dumped goods are causing injury as required by section 8 of the Act. Section 4.1 to 4.5 of this report provides analysis of each of the individual factors that the Chief Executive shall examine. In summary the analysis shows:

- Import volumes of the subject goods have increased in absolute terms and relative to production and consumption in New Zealand, particularly goods of Australian origin;
- There is significant price undercutting by goods of Australian origin but little undercutting by dumped goods. There is no evidence of price suppression or price depression;
- The findings in relation to volume and price effects show that there is evidence, in the period of the injury investigation, of an adverse economic impact on the New Zealand industry reflected in actual decline in output, sales, market share, profits, productivity, return on investments and utilisation of production capacity;
- The findings in relation to volume and price effects show that there is evidence during the period of the injury investigation of an adverse effect on cash flow to the New Zealand industry. There is no evidence of an adverse economic effect on inventories, employment, wages, growth, ability to raise capital and investments; and
- There is evidence that the volume and prices of the goods of Australian origin have materially injured the New Zealand industry. There is no evidence of a contraction in demand or change in the pattern of consumption to other products. There is no evidence of restrictive trade practices, developments in technology, export performance and nature and extent of importations that have injured the New Zealand industry.

258. Section 4.6 of the Report looks at Other Causes of Injury and the investigating team has concluded that imports of Australian origin have had a significant role in the New Zealand market. They have:

- Significantly increased in volume over the injury period;

- Significantly increased market share at the expense of the NZ industry;
- Significantly undercut both the domestic industry and the importers (Premiers) prices in the market place;

259. This situation has led to an actual decline in sales volume and sales revenue, in effect reducing Tasman Insulation NZ's cash flow, level of profit, productivity, return on investment and utilisation of production capacity. The market size has remained constant over the injury period but the market share held by the New Zealand industry has declined and has primarily been replaced by goods of Australian origin and a small volume of dumped goods of Chinese Taipei origin.

### **Conclusion**

260. The investigating team has concluded, based on positive evidence and an objective examination of both, (a) the volume of the dumped goods and the effect of the dumped imports on prices in the domestic market for like products, and (b) the consequent impact of these imports on domestic producers of such products that the dumped imports have not caused material injury to the domestic industry.

261. Injury has been caused by imports of goods of Australian origin, however section 10(10) of the Act prevents the Chief Executive from initiating an investigation in relation to these goods.

## **4.8 Conclusions Relating To Injury**

- (a) Import volumes of the subject goods have increased in absolute terms and relative to production and consumption in New Zealand, particularly goods of Australian origin;
- (b) There is significant price undercutting by goods of Australian origin but little undercutting by dumped goods. There is no evidence of price suppression or price depression;
- (c) Consequent upon the volume and price effects, there is evidence of an adverse economic impact reflected in actual decline in output, sales, market share, profits, productivity, return on investments and utilisation of production capacity;
- (d) Consequent upon the volume and price effects, there is evidence of an adverse effect on cash flow. There is no evidence of an adverse economic effect on inventories, employment, wages, growth, ability to raise capital and investments; and
- (e) There is evidence that the volume and prices of the goods not sold at dumped prices have materially injured the New Zealand industry. There is no evidence of a contraction in demand or change in the pattern of consumption to other products. There is no evidence of restrictive trade practices, developments in technology, export performance and nature and extent of importations that have injured the New Zealand industry.

## 5. Conclusions

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262. On the basis of the information available, it is concluded that:

- a. the goods under investigation are being dumped;
- b. any injury being caused to the domestic industry by the dumped goods is not considered to be material; and
- c. The material injury being caused to the domestic industry is primarily being caused by imports of Australian origin which have:
  - Significantly increased in volume over the injury period;
  - Significantly increased their market share at the expense of the domestic industry; and
  - Significantly undercut both the domestic industry and Premier's prices in the market place.
- c. Section 11 of the Act provides that where the Minister is satisfied that there is insufficient evidence that material injury to a New Zealand industry has been or is being caused by means of the dumping of goods, the Minister shall terminate the investigation with respect to those goods.
- d. In the absence of any evidence to the contrary, the findings in the Essential Facts and Conclusions Report provide grounds for the Minister to consider terminating the investigation.