

**Hog Bristle Paintbrushes
from China:
Non-Confidential
Initiation Report**

TR800/R/02/4

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Introduction

1. Paint Aids Ltd (PAL) and Haydn Brush Company Ltd (Haydn) have requested that the Chief Executive of the Ministry of Economic Development initiate a review, under section 14(8) of the Dumping and Countervailing Duties Act 1988 (the Act), of the anti-dumping duty on hog bristle paintbrushes from China.

2. PAL and Haydn are the only two known producers of paintbrushes in New Zealand.

3. The goods currently subject to the anti-dumping duty are described as follows:

Hog bristle paintbrushes for household or industrial use

4. The existing anti-dumping duty will, in terms of section 14(9) of the Act, cease to be payable on 29 October 2002 unless at that date the goods are subject to a review under section 14(8) of the Act. The application is therefore a request for the continuation of the anti-dumping duties.

Background

5. Anti-dumping duties were first imposed on hog bristle paintbrushes from China on 31 May 1988 by the Minister of Customs.

6. On 2 April 1992 the rate of anti-dumping duty was reassessed following a review which found that hog bristle paintbrushes from China were still being dumped and that the New Zealand industry would suffer material injury if the duties were to be removed. Under the legislation that existed at that time, China was considered to be a non-market economy and normal values were established on the basis of paintbrushes sold in the domestic market of a surrogate country, Sri Lanka.

7. On 29 October 1997 the rate of anti-dumping duty was again reassessed following a further review which found that hog bristle paintbrushes from China were still being dumped and that the New Zealand industry would suffer material injury if the duties were to be removed. Because no exporters co-operated with the review, normal values in this review were established by updating the normal values from the 1992 review by movements in the wholesale price index for Sri Lanka and by the movement in the exchange rate between the Sri Lankan rupee and the United States dollar.

8. The current duties are in the form of reference prices set at the full margin of dumping using normal value (value for duty equivalent) (NV (VFDE)) amounts established in United States dollars. There are a range of NV(VFDE) amounts according to the quality and size of the brush.

Legal Provisions

"Sunset" Provisions

9. Section 14(9) of the Act provides as follows:

(9) Anti-dumping duty or countervailing duty applying to any goods shall cease to be payable on those goods from the date that is [5 years] after-

- (a) The date of the final determination made under section 13 of this Act in relation to those goods; or
 - (b) The date of notice of any reassessment of duty given under subsection (6) of this section, following a review carried out under subsection (8) of this section,-
- whichever is the later, unless, at that date, the goods are subject to review under subsection (8) of this section.

Reviews

10. Reviews are provided for in section 14(8) of the Act as follows:

(8) The [Chief Executive] may, on his or her own initiative, and shall, where requested to do so by an interested party that submits positive evidence justifying the need for a review, initiate a review of the imposition of anti-dumping duty or countervailing duty in relation to goods and shall complete that review within 180 days of its initiation.

Reassessments

11. Should a review show that there is a continued need for the imposition of anti-dumping duties, a reassessment in terms of section 14(6) of the Act may be required. Section 14(6) provides for the reassessment of anti-dumping duties as follows:

(6) The [Chief Executive] may initiate a reassessment of any rate or amount of anti-dumping or countervailing duty determined under subsection (4) of this section, including any elements of any formula used to establish such a rate or amount,-

- (a) On the initiative of the [Chief Executive] ; or
- (b) Where a request for a reassessment is submitted to the [Chief Executive] by an interested party who submits evidence justifying the need for a reassessment; or
- (c) Following the completion of a review carried out under subsection (8) of this section- and the Minister may determine a new rate or amount in accordance with subsection (4) of this section, and, in that event, shall give notice of the new rate or amount.

12. Where, following a review, a reassessment results in lower duty, section 14(10) of the Act provides that a refund may take effect from the date of initiation of the review. However, the Act does not provide for retrospective collection of additional duty if a reassessment results in a higher duty.

Evidence Provided

13. PAL and Haydn lodged separate requests for a review. The evidence provided by each company in support of their request has therefore been assessed separately.

14. There is no "standing" requirement in the Act for a request for a review as exists for an application for a new investigation. (The "standing" requirement for an application for a new

investigation relates to the minimum level of support from members of the New Zealand industry producing like goods and is set out in section 10(3) of the Act).

15. If sufficient positive evidence is provided by only one producer then that would satisfy the requirements of section 14(8) of the Act. Alternatively, the requirements of section 14(8) could be satisfied by a combination of the evidence provided by each New Zealand producer, if neither company on their own provides sufficient positive evidence.

New Zealand Producers

16. At the time of the last review in 1997 there were three New Zealand producers of paintbrushes, Haydn Brush Company Ltd, Paint Aids Ltd and Waterford Manners Ltd. PAL has advised that Waterford no longer manufacture like goods in New Zealand and that it and Haydn are therefore the only remaining paintbrush manufacturers in New Zealand. The Ministry has been unable to locate any record of any paintbrush producers in New Zealand other than PAL and Haydn.

Like Goods

17. In the last review the Ministry was satisfied that the New Zealand paintbrush manufacturers were still producing hog bristle paintbrushes substantially the same as those produced at the time of the original investigation and the first review, and were therefore still producing like goods.

18. In its application for this review PAL said there have been no material changes to its production of like goods since the 1997 review. Haydn has not specifically commented on like goods, but it is clear it is still producing hog bristle paintbrushes.

Exporters

19. PAL has noted that it is unaware of any current sales of Chinese produced hog bristle paintbrushes on the New Zealand retail market that are subject to the existing anti-dumping duties. PAL has also listed the exporters identified during the last review and said it is unaware if they have continued to export. Haydn has made no mention of actual or possible exporters, but said in its estimation there are very few Chinese made hog bristle paintbrushes in the New Zealand market due to the anti-dumping duty.

20. None of the exporters identified in the last review exported paintbrushes of Chinese origin to New Zealand in the year ended 30 September 2002.

Importers

21. PAL listed the importers identified in the last review and said it is unaware if they have continued to import. Haydn has made no mention of actual or possible importers.

22. None of the importers identified in the last review imported paintbrushes of Chinese origin into New Zealand in the year ended 30 September 2002.

Evidence of Dumping

Export Price

Paint Aids Ltd

23. PAL said it has been unable to obtain Chinese producer export price lists for the subject goods but provided a "list of prices" for several types of hog bristle paintbrushes from its buying agent in Chinese Taipei. The prices are on a FOB Shanghai basis in United States dollars for a range of handyman and tradesman brushes produced by a factory in Shengfa Province.

24. PAL has provided an estimate of the costs from ex-factory to FOB from the Director of Freight Services for Asia at Mondiale Freight Services Ltd. These costs have been estimated at 2.5 percent of the FOB prices. PAL has noted that the estimated ex-factory prices do not include its buying agent's commission.

25. The following are the ex-factory export prices estimated on the basis set out above.

Brush Size	Handyman Brushes (US\$/Brush)	Tradesman Brushes (US\$/Brush)
25mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]
38mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]
50mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]
63mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]
75mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]
100mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]

26. PAL said it is unable to provide any details pertaining to costs associated with export transactions such as preparation for export and export related costs. PAL considers the estimated ex-factory prices provided as above represent the best information that is reasonably available to it.

Haydn Brush Co Ltd

27. Haydn said it has procured samples of hog bristle brushes made in China which equate to its line of DIY brushes made under its "Hilight" brand. Haydn said prices for these brushes have been quoted in United States dollars and listed in its application prices on a CIF basis in New Zealand dollars. Haydn said these prices were converted from United States dollars at an exchange rate of one NZ\$ equals US0.48.

28. Haydn subsequently provided additional evidence of export prices in the form of a quote from a Chinese manufacturer quoting prices FOB in United States dollars. The Chinese manufacturer said the brushes to which the quote relates were of "good quality". Haydn considered these brushes to be equivalent to the [text deleted due to confidentiality] range sold in New Zealand.

29. Haydn has provided an estimate of the costs from ex-factory to FOB from the Director of Freight Services for Asia at Mondiale Freight Services Ltd. These costs have been estimated at 2.5 percent of the FOB prices.

30. The following are the ex-factory export prices estimated by Haydn on the basis set out above.

Brush Size	[text deleted due to confidentiality] (US\$/Brush)
25mm	[text deleted due to confidentiality]
38mm	[text deleted due to confidentiality]
50mm	[text deleted due to confidentiality]
63mm	[text deleted due to confidentiality]
75mm	[text deleted due to confidentiality]
100mm	[text deleted due to confidentiality]

Normal Value

Paint Aids Ltd

31. PAL initially said the only evidence available to it of normal values is advice provided by its buying agent in Chinese Taipei that the ex-factory export prices recorded above, would need to be increased by 38 percent to reach a base price in the Chinese domestic market. PAL therefore adjusted the ex-factory export prices as above by adding 38 percent to derive estimated normal values.

32. PAL subsequently provided evidence of normal values in the form of correspondence from the Chinese manufacturer from whom Haydn provided export prices. This evidence is in the form of correspondence from this manufacturer in which the manufacturer advised that if the same brushes were sold in China the price would be 30 to 40 percent higher [than the export prices quoted to Haydn].

33. The following are the ex-factory normal values estimated by PAL on the basis of uplifting by 38 percent the export prices provided as above.

Brush Size	Handyman Brushes (US\$/Brush)	Tradesman Brushes (US\$/Brush)
25mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]
38mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]
50mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]
63mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]
75mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]
100mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]

Haydn Brush Co Ltd

34. Haydn provided evidence of normal values in the form of correspondence with the Chinese manufacturer from whom the export price quotes above were obtained. In this correspondence, the Chinese manufacturer advised that if the same brushes were sold in China the price would be 30 to 40 percent higher. On the basis of this advice, Haydn has adjusted the ex-factory export prices recorded above upwards by 38 percent.

35. The following are the ex-factory normal values estimated by Haydn on the basis set out above.

Brush Size	Handyman Brushes (US\$/Brush)
25mm	[text deleted due to confidentiality]
38mm	[text deleted due to confidentiality]
50mm	[text deleted due to confidentiality]
63mm	[text deleted due to confidentiality]
75mm	[text deleted due to confidentiality]
100mm	[text deleted due to confidentiality]

Comparison of Export Price and Normal Value

Paint Aids Ltd

36. The following table shows a comparison of the export prices and normal values (United States dollars per brush) provided by PAL.

Brush Size	Export Price	Normal Value	Dumping Margin (% of Export Price)
<i>Handyman Brushes</i>			
25mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%
38mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%
50mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%
63mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%
75mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%
100mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%
<i>Tradesman Brushes</i>			
25mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%

38mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%
50mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%
63mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%
75mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%
100mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%

Haydn Brush Co Ltd

37. The following table shows a comparison of the export prices and normal values (United States dollars per brush) provided by Haydn.

Brush Size	Export Price	Normal Value	Dumping Margin (% of Export Price)
<i>Handyman Brushes</i>			
25mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%
38mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%
50mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%
63mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%
75mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%
100mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	38%

Evaluation of Evidence of Dumping

38. Both PAL and Haydn have advised there is little or no evidence of Chinese hog bristle paintbrushes in the New Zealand market (see material injury below), indicating that the current duty has provided an effective remedy. In the absence of any significant imports, it is appropriate for PAL and Haydn to provide evidence of the likelihood of dumping recurring.

39. Documented evidence of the likelihood of a recurrence of dumping has been provided in the form of export prices from China and in the form of correspondence from a Chinese producer that domestic prices in China are 30 to 40 percent higher than export prices.

40. It is considered the evidence that dumping may recur if the duty were to be removed is sufficient to justify a review.

Evidence of Material Injury

Paint Aids Ltd

Import Volumes

41. PAL has provided import volume figures obtained from Statistics New Zealand for the tariff item and statistical keys that include the subject goods, for calendar years 1999, 2000, 2001 and for the six months ending June 2002.

42. PAL has commented that it has not been able to detect importers of hog bristle paintbrushes from China, but has noted imports under the tariff item and statistical key 9603.40.00 02D (under which most paintbrushes are entered) increased by 199 percent over calendar year 2000. PAL said this increase illustrates the likely potential of Chinese producers to significantly increase imports should anti-dumping duty be removed.

43. PAL referred to a submission made during the last review about the capacity of the Chinese paintbrush industry. PAL has also noted that its representatives recently visited China and are of the opinion that the Chinese brush making industry remains largely the same [since the last review] and therefore has the capacity to literally swamp the New Zealand market with dumped goods.

44. PAL subsequently provided some additional comment on likely import volumes. PAL said that if anti-dumping duty was removed importers could either flood the market immediately or commence a gradual process of importing the dumped goods. PAL considers that an immediate influx of dumped goods could enter the New Zealand market within one month by air freight, possibly from Australia, whilst goods imported under the gradual approach could enter New Zealand within two months.

45. PAL considers, on balance, that importers may elect to import on a gradual basis to allow time to penetrate the market, in which case import volumes could be approximately 200,000 units per month.

46. PAL considers the Chinese paintbrush industry has the excess capacity to substantially increase its exports to New Zealand. PAL referred to the recent imposition of a 300 percent anti-dumping duty by the United States against hog bristle paintbrushes from China and said this will mean Chinese producers will be looking for other markets in which to dump their goods. [The Ministry is aware that the United States has anti-dumping duty on hog bristle paintbrushes from China, but notes that this duty has been in place for some years].

Price Effects

47. PAL provided details of its costs of materials, labour and overheads to manufacture a range of brushes and noted that it would normally apply a **[text deleted due to confidentiality]** percent gross margin. PAL said to calculate comparable prices, it added

[text deleted due to confidentiality] percent to its own costs (materials, labour and overheads) and [text deleted due to confidentiality] percent to the FOB export prices as provided above. PAL said the [text deleted due to confidentiality] percent is made up of [text deleted due to confidentiality] percent for an importer's profit margin, six percent for freight and insurance, and one percent for port service charges, fees and customs broker's clearance costs. The FOB export prices were converted to New Zealand dollars using an exchange rate of one New Zealand dollar equals 0.47 United States dollars. The resulting prices are shown in the table below.

Brush Size	Estimated Price of Imported Brushes (NZ\$)	PAL Price (NZ\$)	Price Undercutting (% PAL Price)
<i>Handyman Brushes</i>			
25mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]
38mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]
50mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]
63mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]
75mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]
100mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]
<i>Tradesman Brushes</i>			
25mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]
38mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]
50mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]
63mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]
75mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]
100mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]

48. PAL said in its opinion Chinese paintbrushes would be dumped at prices much lower than those estimated above which would result in greater margins of price undercutting.

49. PAL said that if anti-dumping duty was removed it would be forced to depress its prices just to remain competitive. PAL said the extent to which it would depress its prices is regulated by the extent to which importers react to the removal of the duty. PAL considers it would initially be forced to depress its prices by [text deleted due to confidentiality]

percent, irrespective of import volume levels, and hope that customer loyalty and service would prevail.

50. However, PAL said if it was forced to depress its prices to levels to remain competitive with dumped goods it would be forced to sell below its cost of production.

Economic Impact

51. PAL said if was forced to depress its prices to compete with dumped goods it could lose between **[text deleted due to confidentiality]** to **[text deleted due to confidentiality]** percent of the market. PAL said this would result in loss of profits and very quickly the closure of the factory, which in turn would result in job losses.

52. PAL said the share of the market held by various participants has not changed to any large extent since 1997. PAL provided the following estimated market share table with and without anti-dumping duties in place.

	Without Anti-Dumping Duties	With Anti-Dumping Duties
Chinese Imports	70%	[text deleted due to confidentiality] %
Other Imports	15%	[text deleted due to confidentiality] %
NZ Producers	15%	[text deleted due to confidentiality] %

53. PAL estimated that if it was to lose **[text deleted due to confidentiality]** percent of its share of the New Zealand market, based on 2001 sales revenue, this would amount to a loss of sales revenue of \$**[text deleted due to confidentiality]**.

54. PAL said the likely effect on profits is difficult to determine, but would come from a combination of price undercutting and price depression. PAL said "A loss in profits to the serious levels estimated by PAL would be very difficult and totally unsustainable". No actual estimated loss of profit was provided.

55. PAL subsequently commented that it does not see any justification in providing a one year forecast on the impact of the removal of the duty when the New Zealand industry will collapse within a very short time should duty be removed.

56. PAL did not provide any actual financial results, but has noted that this information is "available for inspection at PAL's premises in Auckland". PAL did, however, subsequently comment that it has **[text deleted due to confidentiality]** over the last three years and has **[text deleted due to confidentiality]** output or **[text deleted due to confidentiality]** sales. PAL also provided its capacity utilisation rate and the dollar value of its exports in 2001/02 and the dollar value of its forecast exports for 2002/03.

Haydn Brush Co Ltd

Import Volumes

57. Haydn said in its estimation there are very few Chinese made hog bristle paintbrushes in the New Zealand market at present due to the presence of the anti-dumping duty. Haydn noted, however, that its sales representatives have seen the occasional sets of Chinese made hog bristle brushes in the \$2 bin at various retail outlets. Haydn said the price of such brushes indicates that they have not been subject to the anti-dumping duty, or they have entered New Zealand free of duty via Australia under ANZCERTA.

58. Haydn said if the anti-dumping duty was allowed to expire on 29 October imports of Chinese brushes would likely enter New Zealand from January 2003, as it would take an importer at least six weeks to finalise arrangements for an importation. In addition, Haydn said this six week period is a time when retailers are about to restock.

59. Haydn has estimated that, should the anti-dumping duty be removed, initially import volumes would be approximately 150,000 units per month of all brush sizes. Haydn said the basis for this estimation is that this number of units would allow importers the opportunity to gradually gain a foothold in the New Zealand market. Haydn has noted that it could not discount the possibility that an importer could decide to flood the New Zealand market with dumped goods, in which case monthly import volumes could be at least 500,000 units. Haydn considers that should the latter situation occur the New Zealand industry would be destroyed overnight.

60. Haydn said it could be very likely that imports of dumped goods could also enter New Zealand via Australia in quantities that could very quickly erode the New Zealand industry and cause injury. Haydn said it understands that the [text deleted due to confidentiality] has strong connections in [text deleted due to confidentiality] and could very easily air freight dumped brushes into New Zealand. Haydn said brushes in the past have been air freighted into New Zealand from Australia.

61. Haydn also noted that towards the end of last year a question was asked in the House by MP Rodney Hide as to the position on the anti-dumping duty on hog bristle paintbrushes, indicating that an importer may already have placed orders for Chinese paintbrushes, subject to the removal of the duty.

62. In relation to the capacity of the Chinese industry to substantially increase its exports to New Zealand, Haydn provided copies of correspondence with the Chinese manufacturer from whom export price and normal value information was provided. In this correspondence, the Chinese manufacturer advised that it produces 150,000 paintbrushes per day. Haydn noted that this equates to a production of 54.6 million brushes per annum based on the factory working seven days per week. By comparison, Haydn noted that the total New Zealand industry produces an estimated [text deleted due to confidentiality] brushes per annum, which represents a mere [text deleted due to confidentiality] percent of this one Chinese manufacturer's production.

63. Haydn said it understands that there are several factories in each of the Chinese provinces making hog bristle paintbrushes, which clearly indicates that the Chinese industry has the capacity to substantially increase its exports to New Zealand.

64. Haydn also said the United States government has recently imposed a 300 percent anti-dumping duty on natural (hog) bristle brushes from China. In support of this statement, Haydn provided an email from a [text deleted due to confidentiality] whose email address

includes the name [text deleted due to confidentiality]. Haydn did not advise who this person is. The email states that the anti-dumping duty on natural bristle brushes from China is 300 percent, but did not say when the duty was imposed. [The Ministry is aware that the United States has anti-dumping duty on hog bristle paintbrushes from China, but notes that this duty has been in place for some years].

65. Haydn submitted that this imposition of anti-dumping duty by the United States indicates that Chinese manufacturers will have surplus stock, and the New Zealand market, with anti-dumping duty removed, would be a logical place to dump goods.

Price Effects

66. Haydn provided details of its costs of the major components of its "Hilite" brand of brushes and has compared these costs to the NZ\$ CIF export prices provided as per paragraph 26 above. [text deleted due to confidentiality].

67. Haydn subsequently provided an estimate of the ex-wharf costs of the paintbrushes for which export prices are recorded in paragraph 29 above. Haydn has estimated the cost from FOB to ex-wharf to be 5.68 percent of the FOB price, being five percent to cover the cost of freight from Shanghai to New Zealand and 0.68 percent to cover the cost of New Zealand port and customs broker charges. To support this 5.68 percent cost, Haydn provided a shipment costing from [text deleted due to confidentiality]. (This costing also includes import duty at 5.5 percent). Haydn converted the United States dollar FOB price of the brushes to New Zealand dollars at an exchange rate of one New Zealand dollar equals 0.47 United States dollars.

68. The following table shows a comparison of the ex-wharf costs of the Chinese brushes estimated as above with Haydn's ex-factory prices for equivalent brushes.

Brush Size	Estimated Ex-Wharf Cost (NZ\$)	Haydn Ex-Factory Price (NZ\$)	Price Undercutting (% of Haydn Price)
25mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]
38mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]
50mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]
63mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]
75mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]
100mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]	[text deleted due to confidentiality]

69. Haydn estimated that the price of the dumped goods would be increased by 30 percent from ex-wharf by an importer to reach a wholesale price. Haydn has provided details of its

own wholesale prices of equivalent brushes and compared these with its estimate of the wholesale price of the imported brushes, as shown in the table below.

Brush Size	Estimated Wholesale Price of Imported Brushes (NZ\$)	Haydn Wholesale Price (NZ\$)
25mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]
38mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]
50mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]
63mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]
75mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]
100mm	[text deleted due to confidentiality]	[text deleted due to confidentiality]

70. Haydn said if it was forced to reduce its prices to those of the dumped imports, this would result in it having to sell at below the cost of production.

Economic Impact

71. Haydn provided details of its sales volume and revenue for the year ended 31 March 2002, which was [text deleted due to confidentiality] units and \$[text deleted due to confidentiality], and noted that its production for that year was [text deleted due to confidentiality].

72. Haydn considers that the main shares of the New Zealand market are held by Haydn, PAL, Oldfields (importer) and Rokset (importer).

73. Haydn said if it had to reduce its prices to match those of the dumped imports, this would result in a loss of profit, downturn in production and within six months closure of its factory. Haydn said it therefore does not see the need to provide a forecast for at least one year.

74. Haydn said that if the factory was closed, it is unlikely that its suppliers of bristles, ferrules and handles would take back unused stock, which would add to its losses. Haydn also said that there is very little market for brush making equipment around the world, so closure of the factory would badly affect the value of its plant. Haydn also noted that [text deleted due to confidentiality] would be seriously eroded.

Evaluation of Evidence of Injury

75. There is no evidence that there has been a continuation of injury, indicating that the duty has provided an effective remedy. In the absence of any continuation of injury, it is appropriate for PAL and Haydn to provide evidence of the likelihood of injury recurring.

76. Reasonable evidence has been provided by both companies of the extent to which prices are likely to be undercut should anti-dumping duties be removed. Pal and Haydn have provided an estimate of the likely import volumes should anti-dumping duties be removed. Haydn has provided reasonable evidence showing that the Chinese industry has the capacity to substantially increase its exports to New Zealand.

77. Neither company has provided any detailed forecasts of the economic impact of removing the duties although PAL has provided an estimate of the impact on its sales revenue and market share. Haydn and PAL, however, have said that if they were to reduce their prices to match the estimated Chinese prices, such prices would be below their cost of production which would result in closure of their factories and therefore one year forecasts were not necessary.

78. It is considered that the evidence of severe price and volume effects is such as to make it clear that there would be a material economic impact. It is therefore considered the evidence that injury may recur if the duty were to be removed is sufficient to justify a review.

79. However, any review will need to obtain detailed historical financial information from both companies to establish whether there is any evidence of actual injury, and if so, to assess whether there is a likelihood of a continuation of such injury should anti-dumping duties be removed. Any review will also need to obtain detailed forecasts of the likely volume, price and economic effects should duties be removed to enable a more detailed assessment to be made of the likelihood of a recurrence of injury.

Conclusion

80. The applicants have provided sufficient positive evidence to justify the initiation of a review of the imposition of anti-dumping duty on hog bristle paintbrushes from China.

Recommendation

81. It is recommended on the basis of the conclusion reached, and in accordance with section 14(8) of the Act, and acting under your delegated authority:

- a. that you formally initiate a review of the imposition of anti-dumping duty on hog bristle paintbrushes from China; and
- b. that you sign the attached notice of the initiation of the review for publication in the Gazette.

Robin Hill

Senior Investigator
Trade Remedies Group
Regulatory and Competition Policy Branch

Agreed

Anne Corrigan

Manager
Trade Remedies Group
Regulatory and Competition Policy Branch