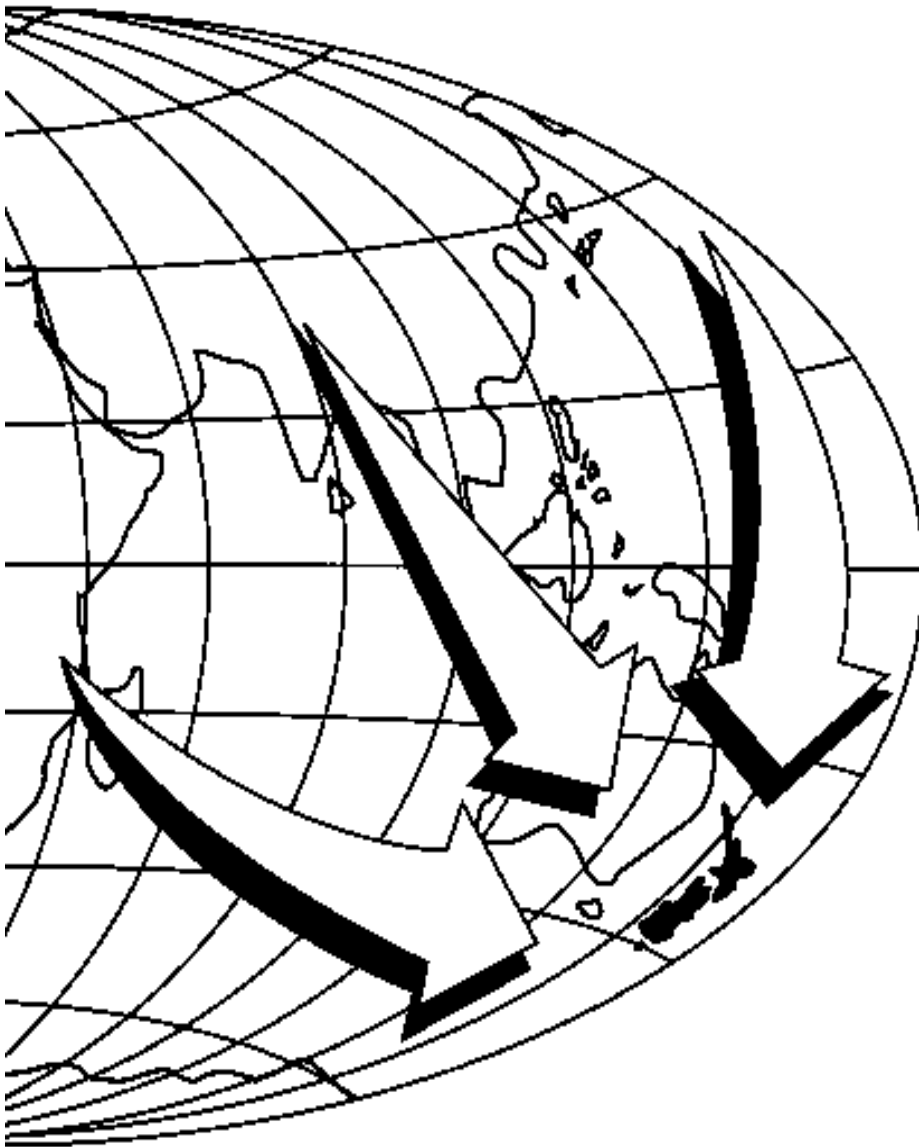


**PUBLIC FILE
FINAL REPORT**

**GALVANISED WIRE
FROM
SOUTH AFRICA**



DUMPING AND COUNTERVAILING DUTIES ACT 1988

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Trade Remedies Group
Ministry of Economic Development

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Abbreviations

The following abbreviations are used in this Report:

Act (the)	Dumping and Countervailing Duties Act 1988
Anti-Dumping Agreement	WTO Agreement on Implementation of Article VI of the GATT 1994
CFR	Cost and Freight
Chief Executive	Chief Executive of the Ministry of Economic Development
CIF	Cost, Insurance and Freight
CIP	Cost and Insurance Paid
EBIT	Earnings Before Interest and Tax
EF&C	Essential Facts and Conclusions Report
FOB	Free on Board
HWP	Hurricane Wire Products
LDC	Less Developed Countries
LLDC	Least Developed Countries
Ministry (the)	Ministry of Economic Development
NIP	Non-Injurious Price
Pac	Forum Island Members of the South Pacific Regional Trade and Economic Cooperation Agreement
PW	Pacific Wire
VFD	Value for Duty
WTO	World Trade Organisation
ZA	South Africa
	Denotes confidential information

1. Proceedings

1.1 Proceedings

1. On 28 June 2002, the Chief Executive of the Ministry of Economic Development (the Chief Executive), acting pursuant to section 10 of the Dumping and Countervailing Duties Act 1988 (hereinafter also referred to as “the Act”) formally initiated an investigation into the dumping of galvanised steel wire, on being satisfied that sufficient evidence had 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.

2. In accordance with section 10 of the Act the purpose of the Ministry’s investigation is to determine both the existence and effect of the alleged dumping of the subject goods.

3. On 30 October 2002, the Minister of Commerce gave a provisional direction under section 16(1) of the Act that payment of duty in respect of the goods should be secured in accordance with sections 156 and 157 of the Customs and Excise Act 1996, on the grounds that the Minister had reasonable cause to believe that the subject goods were being dumped and by reason thereof causing material injury to an industry, and was satisfied that action under section 16 was necessary to prevent material injury being caused during the period of investigation.

Grounds for Application

4. In its application, Pacific Wire (PW) claimed that as a result of the alleged dumping, material injury was arising from:

- increased import volumes;
- price undercutting by the dumped imports; and
- price suppression;

resulting in:

- loss of profit;
- loss of sales volume;
- loss of market share;
- reduced return on assets;
- decline in shareholders funds;
- declining return on shareholders’ funds; and

- reduced capacity utilisation.

5. PW has stated that the material injury resulting from the importation of the allegedly dumped galvanised wire commenced in 1999.

6. It should be noted that the Ministry approaches investigations on the basis that injury and threat of injury are alternatives, i.e. an industry is either injured or threatened with injury, but both cannot apply at the same time.

1.2 Interested Parties

New Zealand Industry

7. The application was submitted by PW, a division of Fletcher Steel Limited. PW is the only producer of galvanised wire in New Zealand.

Importers and Exporters

Exporters

8. The investigating team has identified from the Customs data for the year ended 31 May 2002 the following South African exporters of galvanised wire under investigation:

African Gabions (Pty) Ltd (African Gabions);

Cape Gate Export Dvn (Pty) Ltd (Cape Gate);

Consolidated Wire Industries (Pty) Ltd (Consolidated);

Finmesa Investment Corporation (Finmesa); and

Independent Galvanising (Pty) Ltd (Independent).

9. All other exporters and importers have the opportunity to provide submissions but these have not been directly solicited.

African Gabions

10. African Gabions is manufacturer and supplier of gabions made out of galvanised and galvanised plus PVC coated wire. African Gabions does, however, supply [REDACTED] with the gabions. This [REDACTED], which is galvanised, is exported in coils of 25kgs to the New Zealand importer, [REDACTED].

11. African Gabions provided no response to the questionnaire sent by the investigating team as it considered its exports to New Zealand negligible.

Cape Gate

12. Cape Gate is the [REDACTED] supplier of galvanised wire from South Africa. It supplied [REDACTED] percent of the total export volume to New Zealand during the period of investigation, being year ended 31 May 2002.

13. Cape Gate is a [REDACTED]. It operates a [REDACTED].

14. Cape Gate provided no response to the questionnaire sent by the investigating team as it considered its information to be highly sensitive. It did, however, provide a one page response [REDACTED]. The investigating team wrote to Cape Gate advising that this information was inadequate and lacking in detail. The information provided by Cape Gate also fell outside the period of investigation. The Ministry visited Cape Gate but Cape Gate continued to decline to provide information.

Consolidated

15. Consolidated is a manufacturer and exporter of galvanised wire to New Zealand. Consolidated is owned by Iscor (50 percent) and Scaw Metals (50 percent). Consolidated has been identified as the [REDACTED] supplier of galvanised wire over the period of investigation. All of these wires were supplied to [REDACTED] in [REDACTED].

16. Consolidated provided a response to the manufacturer's questionnaire and the allowed the investigating team to verify information.

Finmesa Investment

17. Finmesa is a trading house that supplied galvanised wire [REDACTED]. [REDACTED] advised the Ministry that Finmesa had closed down and was no longer trading. An initiation package containing the exporters questionnaire was sent to Finmesa but was returned to the Ministry via return courier.

Independent

18. Independent is a manufacturer and supplier of galvanised wire from South Africa. Independent is owned [REDACTED]. Independent does not have subsidiaries or branches in other countries. Independent has been identified as a supplier of galvanised wire to [REDACTED] New Zealand importers [REDACTED].

19. Independent provided a response to the questionnaires and allowed the investigating team to verify information.

Importers

20. The companies identified from NZCS information as importing the subject goods from the above South African exporters over the period of investigation are:

- Anchor Wire Limited (Anchor);
- Euro Corporation Limited (Euro Corp);
- Hurricane Wire Products (HWP);
- Maccaferri NZ Limited (Maccaferri);
- Paul Industries; and
- Ullrich Machinery Corporation Limited (Ullrich).

Anchor Wire

21. Anchor is a small producer of wire products made from galvanised wire. The company is located in Auckland. Anchor Wire stated that it does not distribute galvanised wire but uses it to manufacture other finished wire product in its Manukau factory. It claims that [REDACTED] of galvanised wire.

22. While Anchor initially provided a partial response to the questionnaire sent by the investigating team, it subsequently provided all information requested relating to the investigation. The investigating team has calculated Anchor's imports over the period of investigation at approximately [REDACTED] tonnes.

Euro Corporation

23. Euro Corp is an Auckland based importer, who sources its galvanised wire from [REDACTED] in South Africa. Euro Corp was [REDACTED] importer over the period of investigation, importing approximately [REDACTED] tonnes of galvanised wire [REDACTED].

24. Euro Corp provided a partial response to the importer's questionnaire, stating that any further information would be supplied by its supplier ([REDACTED]) in South Africa.

HWP

25. HWP was also identified from the NZCS data as an importer of galvanised wire from South Africa. HWP is based in Auckland and is also [REDACTED]. HWP distributes a large quantity of [REDACTED] to New Zealand rural resellers and the manufacturing sector. HWP imported approximately [REDACTED] tonnes of galvanised wire over the period of investigation.

26. HWP did not respond to the importer's questionnaire.

Maccaferri

27. Maccaferri is an importer of galvanised wire from [REDACTED] in South Africa. The NZCS data identified Maccaferri as the [REDACTED] importer of galvanised wire from South Africa. Maccaferri stated that it had imported galvanised wire to be used as [REDACTED].

28. Maccaferri did not provide a substantive response to the importer's questionnaire, however it did provide copies of invoice and import certificate relating to its imports ([REDACTED] tonnes over the period of investigation) of galvanised wire over the period of investigation.

Paul Industries

29. Paul Industries is an importer of galvanised wire based in Tauranga. Paul [REDACTED]. Paul industries imported approximately [REDACTED] tonnes of galvanised wire from South Africa over the period of investigation.

30. Paul Industries did not respond to the importer's questionnaire, but it did write a one page letter, which contained very little information.

31. Paul Industries, in its response to the Essential Facts and Conclusions Report (EF&C), stated that PW manufactures HiSpan V and Extra heavy HiSpan V galvanised wire which are premium products and cannot be compared with any South African wire. Paul Industries did not provide any supporting evidence for this argument. The investigating team is of the view that the wire imported from South Africa is a substitutable product to PW's galvanised wire which has directly competed with PW's premium as well as standard galvanised wire since its entry into the New Zealand market in 1999. This was dealt by the investigating team under its "like goods" section. (see section 2.1)

Ullrich

32. Ullrich is a South Island based importer of galvanised wire from South Africa. Ullrich provided no response to the importer's questionnaire. Ullrich imported approximately [REDACTED] tonnes of galvanised wire from South Africa over the period of investigation.

1.3 Imported Goods

33. The goods which are the subject of the investigation, hereinafter referred to as galvanised wire, or "subject goods", are:

Galvanised steel wire of high, medium and low tensile strength between 2 mm and 4.5 mm in diameter.

34. The NZCS has stated that the subject goods enter under the following tariff classifications:

- 7217 Wire of iron or non-alloy steel
- 7217.20 -Plated or coated with Zinc:
- 7217.20.10 --Containing by weight less than 0.6% carbon
 - ... Containing by weight less than 0.25 % carbon:
 - Fencing Wire:
 - 1.6 mm or more, but less than 2.5 mm in diameter:
 - 05L kg Coils, not exceeding 50 kg
 - 07G kg Other
 - 2.5 mm or more, but less than 4 mm in diameter:
 - 08E kg Coils, not exceeding 50 kg
 - 09C Other
 - 4 mm or more in diameter:
 - 11E kg Coils, not exceeding 50 kg
 - 13A kg Other
 - Other:
 - 15H kg 1.6 mm or more, but less than 2.5 mm in diameter
 - 16F kg 2.5 mm or more, but less than 3.55 mm in diameter
 - 17D kg 3.55 mm or more, but less than 4.5 mm in diameter
 - 18B kg 4.5 mm or more, but less than 5.5 mm in diameter
 - ... Other:
 - Fencing Wire:
 - 1.6 mm or more, but less than 2.5 mm in diameter:
 - 25E kg Coils, not exceeding 50 kg
 - 27A kg Other
 - 2.5 mm or more, but less than 4 mm in diameter:
 - 28K kg Coils not exceeding 50 kg
 - 29H kg Other
 - 4 mm or more in diameter:
 - 31K kg Coils, not exceeding 50 kg
 - 33F kg Other
 - Other
 - 35B kg 1.6 mm or more, but less than 2.5 mm in diameter
 - 36L kg 2.5 mm or more, but less than 3.55 mm in diameter
 - 37J kg 3.55 mm or more, but less than 4.5 mm in diameter
 - 39E kg 4.5 mm or more in diameter
 - 7217.20.90 --Other
 - ... Fencing Wire:
 - 1.6 mm or more, but less than 2.5 mm in diameter:
 - 05D kg Coils, not exceeding 50 kg
 - 07L kg Other
 - 2.5 mm or more, but less than 4 mm in diameter
 - 08J kg Coils, not exceeding 50 kg
 - 09G kg Other
 - 4 mm or more in diameter:
 - 11J kg Coils, not exceeding 50 kg
 - 13E kg Other
 - ... Other:

| | | |
|-----|----|---|
| 15A | kg | 1.6 mm or more, but less than 2.5 mm in diameter |
| 16K | kg | 2.5 mm or more, but less than 3.55 mm in diameter |
| 17H | kg | 3.55 mm or more, but less than 4.5 mm in diameter |
| 18F | kg | 4.5 mm or more in diameter |

35. Applicable duty rates are:

| | |
|-----------|------|
| Normal | 6.5% |
| Australia | Free |
| Canada | Free |
| LDC | 5% |
| LLDC | Free |
| Pac | Free |

36. The data requested from NZCS from 1998 to March 2002 indicates that imports of galvanised wire have also entered New Zealand under tariff classifications and statistical keys, which are additional to those provided by PW. This report incorporates imports of galvanised wire on all tariff items and statistical keys listed in paragraph 34 above.

37. Customs data shows that the subject goods are being exported direct to New Zealand from South Africa.

38. In this report, unless otherwise stated, years are June years and dollar values are NZ\$. Year to date (YTD) figures refer to the period July to December 2002, unless specified otherwise. In tables, column totals may differ from individual figures because of rounding.

39. In this report, the period of investigation is from 1 June 2001 to 31 May 2002. This period was used for assessing whether dumping is occurring. This was also the period for which NZCS data as close as practicable to the date of initiation was available.

40. PW stated in its application that the material injury resulting from the importation of allegedly dumped galvanised wire commenced in 2001, but also later stated that material injury had occurred as early as 1999. The period over which evidence of injury has been considered is from year ending June 1998 to year ending June 2002, or to the most recent date for which data is available. This period includes one year before material injury is alleged to have first occurred, which is the year ending June 1998.

1.4 Exchange Rates

41. Article 2.4.1 of the WTO 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 sale⁸, provided that when a sale of foreign currency on forward markets is directly linked to the export sale involved, the rate of exchange in the forward sale shall be used. Fluctuations in exchange rates shall be ignored and in an investigation the authorities shall allow exporters at least 60 days to have

adjusted their export prices to reflect sustained movements in exchange rates during the period of investigation.

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

42. In this report, when dealing with Customs data, including average monthly VFD values in NZ\$, the amounts have been converted to foreign VFD values using average monthly Customs exchange rates applicable for the relevant month. The rates are published each fortnight in the Customs edition of the New Zealand Gazette.

43. In this report normal values are expressed in South African rand, export transactions take place in US dollars and rands and any injurious effect is reflected in New Zealand dollars. The investigating team has used the invoice data to establish the date of sale and export transactions have been converted into South African rand at the date of the sale. The exchange rates used are the interbank rates listed by OANDA currency conversion site on the internet, or where available, exchange rates used by exporters.

1.5 Disclosure of Information

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

45. Article 6.8 of the 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.

46. Section 6, subsections (1) and (2) of the Act reflect this and state in relation to export prices and normal values:

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

(2) For the purposes of subsection (1) of this section, the [Chief Executive] may disregard any information that the [Chief Executive] considers to be unreliable.

47. As noted in section 1.2 above, information was requested, but not received or not received to the extent required, from African Gabions, Cape Gate, HWP, Paul Industries and Ullrich. In view of the failure to provide all of the necessary information, decisions regarding these companies have been made having regard to all available information, that is, on the basis of the best information available, in accordance with section 6 of the Act. Details of the information used and the

conclusions drawn are shown in sections 3 and 4 of this report. A summary of the Essential Facts and Conclusions was sent to the parties on 18 November 2002, well before 150 days after the initiation of the investigation, as required by Section 10A(1) of the Act. Comments were received from PW, Euro Corp, Paul Industries, Anchor Wire and Consolidated, which have been taken into account in preparing the final report.

2. New Zealand Industry

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

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

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

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

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

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

2.1 Like Goods

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

The Imported Goods

50. The subject goods have been identified in section 1.3 of this report as:

*Galvanised steel wire of high, medium and low tensile strength
between 2mm and 4.5mm diameter*

New Zealand Production

51. PW produces galvanised “smooth” wire in high, medium and low tensile strengths and in diameters ranging from 1.6 mm to 5.0 mm in diameter. PW considers that the galvanised smooth wire it manufactures is a like good to the imported subject goods.

Like Goods Considerations

52. In deciding like goods issues the Ministry takes into account the following considerations:

- a. physical characteristics, which cover appearance, size and dimensions, components, production methods and technology.
- b. function/usage. This covers consumer perceptions/expectations, end uses, and will lead to any conclusions on the issue of substitutability where relevant.
- c. pricing structures.
- d. marketing issues such as distribution channels and customers' advertising.
- e. other. This can include tariff classification if applicable, and any other matters which could be applicable in the circumstances.

53. This framework will be used to consider what goods produced in New Zealand are like goods to the allegedly dumped imports.

54. Other goods that could also be like goods to the subject goods include galvanised iron wire, barbed wire, bright steel wire, and plastic-coated wire. Galvanised iron wire is not available in the New Zealand market and does not need to be considered further.

Physical Characteristics

Appearance

55. The subject goods are described as strand or smooth galvanised wire. The galvanising gives the wire a dull grey coloration. The subject goods are predominantly round (in cross section) but there is some oval wire on the market. PW's galvanised wire is round in cross section. The galvanised wire made in New Zealand by PW and the galvanised wire imported from South Africa have the same basic appearance.

56. Barbed wire differs from galvanised wire in appearance, as it usually takes the form of two galvanised strands of wire twisted together along their length with a "barb" or short piece of galvanised wire fixed within the twists. Bright steel wire and plastic-coated wire are not galvanised and differ in that respect from the appearance of galvanised wire.

Product Specifications

57. The subject goods and the domestically-produced galvanised wire appear to be similar in terms of their physical characteristics although the exact composition of the subject goods is not known.

58. Galvanised wire is made from steel wire called "bright" wire, that is, wire drawn out from steel billet. The composition of the steel billet, in the main, determines the tensile strength of the wire. The main character that contributes to the tensile strength of the wire is the percentage of carbon contained in the steel. PW has indicated that a low tensile strength of the steel wire is typically less than or equal to

0.2 percent carbon content in the steel, medium tensile strength is greater than 0.2 percent and less than or equal to 0.55 percent carbon content, and high tensile strength is greater than 0.55 percent. Carbon content, however, is not the only indicator of tensile strength. Heat treatment processes or

59. Another factor which affects the strength of the wire is its diameter. The difference in wire diameters does not influence the tensile strength per se, however, because different wire diameters can have the same breaking strain due to different carbon composition.

60. Galvanised wire is bright steel wire that has been given a coating of zinc. The amount of coating, in general terms, is indicated on packaging by stating whether the wire is lightly galvanised or heavily galvanised. The packaging is likely to be marked with a minimum galvanised coat weight, which indicates the amount of zinc in the coating. The amount of zinc coating determines whether it will withstand outdoor conditions or should only be used indoors. The galvanising process protects the wire from environmental degradation, but the other characteristics of galvanised wire depend almost entirely on the attributes of the wire from which it is made.

61. Galvanised wire is available in a wide range of wire specifications. The size and dimensions are usually specified in diameter, the minimum length of the coil, and nominal weight of the wire pack. The "steel grade" may be recorded on packaging, as well as whether the tensile strength is high, medium or low and information relating to this may be recorded as "minimum break load" and "recommended straining tension".

62. The imported subject goods are galvanised steel wire of 2.0mm to 4.5mm in diameter and are believed to consist mostly of heavily galvanised and of high tensile strength. The import pack size is likely to be (but not necessarily) 25 kgs, which is approximately 648 metres of wire.

63. PW's galvanised steel wire ranges from 1.6 mm to 5.0 mm in diameter and consists of high, medium and low tensile strengths. Heavily galvanised wire is made for fencing. The domestic pack sizes range from smaller sizes of 25 to 39 kg coils to 700 to 800 kg coils.

64. New Zealand has "standards" relating to galvanised wire. Wire packaging may be marked as meeting a New Zealand standard. Both New Zealand and the imported product adhere to predetermined standards, namely, New Zealand Standard 3471 1974, which was withdrawn but reinstated in February 2000, New Zealand Standard NZS 4534, and an Australian/New Zealand Standard ANZS 4534.

65. Bright steel wire has similar diameters and tensile strengths to galvanised wire, but differs in being not galvanised. No product specification material was provided on barbed wire and plastic-coated wire.


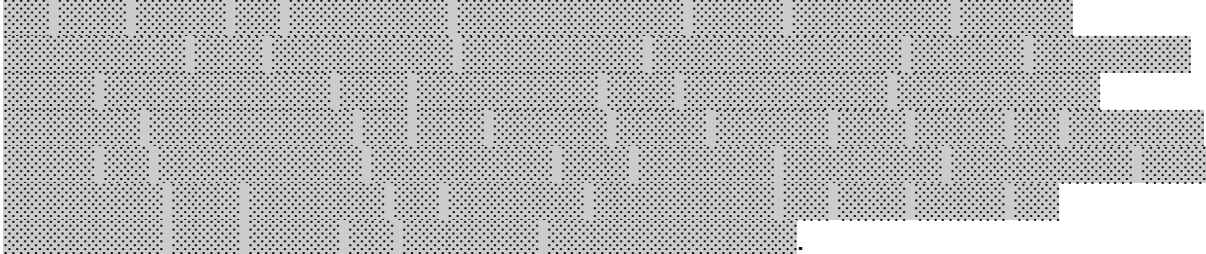
Production Methods

66. Both the subject goods and the domestic galvanised wire are understood to be made by similar processes.

67. The manufacturing process required to galvanise wire involves dipping bright wire into a vat of liquid zinc at about 400°C, resulting in the zinc being chemically bonded to the steel. After emerging from the zinc bath the wire is cooled by spraying with water. The galvanised wire is then rolled up and cut into predetermined lengths of similar weight. PW wraps and labels those destined for distribution to the retail market, the majority of which is distributed to merchants. The larger coils which may be 500 kg to 800 kg in size are sold to down-stream manufacturers for further processing.

68. Production of bright steel wire involves only part of the production process of galvanised wire. Barbed wire and plastic-coated wire are produced using additional or different finishing processes to galvanised wire.

Technology

69. On current information, PW has made 


70. PW noted that there was another substitutable type of coated wire being imported from Australia which was thought to be coated with approximately 95 percent zinc and approximately 5 percent aluminum.

Function and Usage

71. Galvanised steel wire is used in the agricultural and horticultural industries, mainly for fencing, and also in down-stream manufacturing processes. PW advises that high tensile material tends to be used for line wire and as a component in fabricated fencing, whereas medium and low tensile material tends to be used for fabricated fencing.

72. The imported galvanised wire and the domestically produced galvanised wire have the same function and can be used in the same circumstances. PW stated that the galvanised manufacturing wire imported from South Africa could easily be used as fencing wire. The domestic industry manufactures galvanised wire in the range of 1.6mm to 5.0mm and states that different galvanised wire types within this range are to some extent substitutable for each other.

73. Heavily galvanised wire is used for outdoor applications. Lightly galvanised wire is used for indoor applications. There may be some substitution of the heavily galvanised product for indoor use but the lightly galvanised wire is not used outdoors

because of New Zealand's weather conditions. The outdoor uses include fences and in vineyards and other agricultural and horticultural applications. Galvanised wire can also be used for garden stands, fence droppers and earth stakes. Uses for lightly galvanised wire include bucket handles, coat hangers, racks and hanging baskets.

74. The larger size coils produced by PW are used by other companies to produce fabricated products such as woven fence material. PW has advised that fabricated fences may be made from combinations of low, medium and high tensile galvanised wires.

75. PW states that bright steel wire is used principally for nails and other manufacturing purposes, or as feed for reinforcing mesh. PW considers that bright wire is not substitutable for galvanised wire "because galvanising provides a high degree of corrosion resistance which is essential in outdoor applications such as farm fencing and on vineyards. Bright wire has no resistance to corrosion and so cannot be used for those purposes."

76. Barbed wire is sometimes used in fences where galvanised wire could be used. Barbed wire is usually used as a deterrent in particular circumstances, and is not considered by PW to be a competitive product.

77. Currently there do not appear to be any products in the New Zealand market that are readily substitutable for galvanised wire. There are categories of wire products available that could potentially be used in place of galvanised wire, for example, plastic coated wire, but presumably for reasons of cost or practicality these do not appear to be used.

Pricing

78. PW has two brands, HiSpan V and Standard. HiSpan V is its premium brand and is only heavily galvanised, high tensile, and produced in 2.5mm diameter. The Standard brand is available in both lightly and heavily galvanised and in a range of tensile strengths and diameters and is less expensive than the HiSpan V.

[REDACTED] Each has a premium brand and a standard brand. PW competes with these brands in the New Zealand market.

79. PW has noted that the input cost of bright wire is usually higher for the smaller wire diameters. This is mainly because the wire takes longer to produce, which is then reflected in the cost of a major input material. When the wire is drawn out from the wire rod, thinner wire must have its diameter reduced and therefore it takes a longer production time. The thicker the finished wire, the faster it is to produce.

80. Barbed wire is more expensive to make than galvanised wire because of the additional wire input, labour and manufacturing costs, and it is assumed that barbed wire is more highly-priced than galvanised wire. No pricing information was provided for plastic-coated wire.

Marketing Issues

81. The New Zealand galvanised wire market is made up [REDACTED] percent) of heavily galvanised, high tensile wire of approximately 2.5mm in diameter. This is generally referred to as “fencing” wire and includes wire used in vineyards.

82. PW has two distinct types of customers in New Zealand for galvanised wire - distributors (or merchants) which sell their products to retail customers and manufacturers which further process the wire. Some of the distributors are also manufacturers.

83. In New Zealand’s environmental conditions, heavily galvanised wire is used for outdoor applications, and lightly galvanised wire is used for indoor applications.

84. Information from PW indicates that the imports from South Africa are competing against PW in selling to distributors which supply the end-use customers in the fencing market with the 25 kg packs of galvanised wire. It is understood that the importers may either on-sell to distributors or they may be distributors or manufacturers importing on their own behalf. It is understood that the imports from South Africa may be delivered directly to the distributors’ customers if a full container load was ordered.

85. PW considered that large coils (for example 500 to 800kgs) were not thought to be currently imported from South Africa in any great quantity, however, Consolidated subsequently advised that it [REDACTED] coils to its New Zealand importer. These are generally used by manufacturers as they are too large for retail customers. There are only a few downstream manufacturers in New Zealand that use this size of coil. It is understood that some manufacturers (who may also be distributors) are supplied by PW and by imports, mainly from Australia.

86. PW sells its products to both the manufacturers and distributors. It competes with the imports from South Africa at the point of sale to the distributors and/or manufacturers. The distributors on-sell into the retail market.

87. PW considers that its main competition with the imports from South Africa is in the smaller retail size coils of 25 and 39 kgs. Although the imports are thought to be mainly in the 25 kg pack size, [REDACTED], PW has been producing the 39 kgs packs of 1000m, which are 30 percent greater in length without becoming too large or heavy to handle. These are often sold by distributors into the vineyard market.

88. PW has noted that the retail market has been changing over time. There has been some movement in [REDACTED]). PW states that this has contributed to the decline in sales of HiSpan V, and the price pressure from the South African imports is alleged to be a major contributor to this decline. Price is said to be a major factor causing these shifts in the market and although brand

loyalty tends to be quite strong, it is still able to be eroded by cheaper substitutable products, namely, products with the same specifications.

89. The distributors (or merchants) stock the retail packs of wire (25 and 39 kg) in their stores. PW may also deliver product directly to the distributors' customers if the orders are large enough (for example 10,000 kgs).

90. 

91. The sales of heavily galvanised, high tensile wire are seasonal. PW notes that there are usually two peaks in sales during a calendar year. Most sales to the farming industry occur between March and August peaking in about July, and for the vineyards there is a longer season with most of the sales occurring between May and November and peaking between August and September.

92. No information was provided on marketing issues relating to bright steel wire, barbed wire, and plastic-coated wire.

Other

93. It is likely that the galvanised wire produced by PW would be classified under the same tariff items as the subject goods.

Conclusions Relating to Like Goods

94. Bright steel wire is similar to the subject goods in terms of tensile strength and diameters. Bright steel wire differs from the subject goods in terms of appearance, lack of a galvanised coating, production methods and function and usage. From the information available, bright steel wire does not have characteristics closely resembling the subject goods and is not considered to be like goods.

95. Barbed wire is similar to the subject goods in terms of its galvanised coating and possibly technical specifications. Barbed wire differs from the subject goods in terms of appearance, production methods, function and usage and pricing structure. From the information available, barbed wire does not have characteristics closely resembling the subject goods and is not considered to be like goods.

96. Plastic-coated wire differs from the subject goods in terms of appearance, lack of a galvanised coating, production methods and function and usage. From the information available, plastic coated wire does not have characteristics closely resembling the subject goods and is not considered to be like goods.

97. Galvanised wire produced by PW is similar to the subject goods in terms of appearance, some specifications and tensile strengths, a range of diameters, degree of galvanising, some pack sizes, production methods, function and usage, and tariff classification. Galvanised wire produced by PW differs from the subject goods in

terms of some specifications and tensile strengths, and some diameters and pack sizes.

98. While PW manufactures a wider diameter range of galvanised wire than the imports, this range includes the diameters of the imported wire, and PW states that all the wire within the range is substitutable to some extent.

99. The markets for the domestically produced galvanised wire are potentially the same as those of the subject imported goods from South Africa [REDACTED]. PW's products are sold to the manufacturing and the distributor markets.

100. On the basis of the information available, the Ministry considers that the galvanised wire produced by PW, while not like those goods in all respects, has characteristics closely resembling the subject goods.

101. The definition of the like goods, is therefore, the range of galvanised wire that the domestic industry manufactures, which is

Galvanised steel wire of high, medium and low tensile strength between 1.6mm and 5.0mm in diameter.

2.2 New Zealand Industry

102. The application was submitted by PW, a division of Fletcher Steel. Fletcher Building Limited, a publicly listed company, has a number of wholly owned business units, which include the applicant Fletcher Steel Limited.

103. Fletcher Steel is the holding company for Fletcher Building's Group of steel manufacturing, processing and distribution businesses. PW's business is wire drawing and galvanising.

104. The products made by PW are:

- bright wire, a product principally used for nails and other manufacturing purposes, or as feed for reinforcing mesh; and
- galvanised wire, principally used for agricultural fencing, vineyard trellises and the manufacture into woven fence products.

105. PW is the sole New Zealand producer of galvanised steel wire in New Zealand and the Ministry's research has found no evidence of any other company in New Zealand that galvanises steel wire.

2.3 Imports Of Galvanised Wire

106. The following table shows import volumes of the subject goods. The import figures have been taken from the NZCS data covering goods imported into New Zealand under the tariff item and statistical keys shown in section 1.3 above. The

NZCS tariff classification shows that the subject goods could enter New Zealand under 30 different tariff items and statistical keys.

107. The investigating team discovered during the process of the investigation that the NZCS data relating to Anchor's imports of galvanised wire over the period of investigation was understated by about [REDACTED] tonnes, or [REDACTED] percent of recorded imports in the period of investigation, due to a classification error. This was subsequently clarified using the exporters information, which was obtained during the verification visit and obtaining customs entry information from NZCS. The investigating team has adjusted the import volumes in the YE June 2002 period by [REDACTED] percent. The investigating team has also changed the import volumes from South Africa for the other years by the same percentage as well.

Table 2.1: Import Volumes of Subject Goods (tonnes) (June Years)

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|---------------------------|-------|-------|-------|-------|-------|
| Imports from South Africa | 798 | 1137 | 813 | 775 | 1420 |
| Other Imports | 6,831 | 6582 | 9,084 | 8,121 | 8,521 |
| Total imports | 7,629 | 7,719 | 9,897 | 8,896 | 9,941 |

2.4 New Zealand Market

108. The following table shows the New Zealand market for galvanised wire. Import volume figures in the table were compiled on the same basis as those in Table 2.1 above. New Zealand industry sales information was provided by PW.

Table 2.2: New Zealand Market (tonnes) (June Years)

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|-------------------|------------|------------|------------|------------|------------|
| Subject Goods | 798 | 1,137 | 813 | 775 | 1,420 |
| Other Imports | 6,831 | 6,582 | 9,084 | 8,121 | 8,521 |
| Total Imports | 7,629 | 7,719 | 9,897 | 8,896 | 9,941 |
| NZ Industry Sales | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| NZ Market | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

3. Dumping Investigation

109. 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

110. This section of the report explains how the investigating team established whether galvanised wire from South Africa was being dumped and the extent of any dumping in the year ended 31 May 2002.

111. The investigating team compared export prices and normal values on a transaction-to-transaction basis. This basis of comparison involves selecting or estimating an appropriate domestic transaction value for comparison with each export transaction value. The investigating team was then able to compare the two values to establish whether or not each transaction was dumped and the extent of any dumping.

112. Export prices and normal values were compared at the ex-factory level, which is the normal point of comparison referred to in Article 2.3 of the Anti-Dumping Agreement. To arrive at the ex-factory values, the investigating team made a number of deductions from the base prices and values selected for purposes of comparison.

113. The investigating team also made some adjustments to ensure that a fair comparison was made between export prices and normal values.

114. Consolidated and Independent were the only South African manufacturers to complete questionnaires and agree to verification visits. Cape Gate provided a small amount of information and that information was outside of the period of investigation.

115. In the absence of required information, the New Zealand legislation provides for a decision to be made having regard to all available information, that is, on the basis of the best available information. In using best available information, the Ministry has borne in mind the commercial context in which the information has been provided.

3.2 Export Prices

116. Section 4 of the Act provides, inter alia, as follows:

(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; or

117. Where sufficient information has not been furnished or is not available, export prices can be established under section 6 of the Act. The provisions of section 6 are shown in section 1.5 above.

Cape Gate

Export Sales Distribution

118. Cape Gate exported to [REDACTED] and [REDACTED] during the period of investigation. Cape Gate exported [REDACTED] volume of galvanised wire from South Africa to New Zealand during the period of investigation, representing [REDACTED] percent of imports of the subject goods from South Africa.

Base Prices

119. [REDACTED], provided invoices covering only [REDACTED] import entry lines of galvanised wire from Cape Gate in the period of investigation. No export price information was provided by Cape Gate for the period of investigation and its other New Zealand customer, [REDACTED], provided no information. Cape Gate provided export prices for a shipment in [REDACTED], which is outside the period of investigation.

120. Where invoices had been provided, actual invoice values were used as base export prices. Transactions on invoices were on a [REDACTED] basis. Where no invoices had been provided, the Ministry used Customs values for duties as base export prices.

Adjustments

Ocean Freight

121. For those transactions for which invoices on a [REDACTED] basis were provided, deductions were made for ocean freight based on NZCS data on the cost of freight. Where no invoices were provided, no deductions were required because Customs values for duty do not include ocean freight.

Marine Insurance

122. For those transactions for which invoices were provided, deductions were made for marine insurance based on NZCS data on the cost of insurance. Where no invoices were provided, no deductions were required because Customs values for duty do not include marine insurance.

123. In the absence of information from Cape Gate, the investigating team has used information from [REDACTED] to make the following deductions and adjustments.

Terminal Handling Charges

124. A deduction was made for terminal handling charges on the basis of the average costs incurred by [REDACTED].

Wharfage Costs

125. A deduction was made for wharfage costs on the basis of the average costs incurred by [REDACTED].

Documentation Charges

126. A deduction was made for documentation charges on the basis of the average costs incurred by [REDACTED].

Inland Freight

127. A deduction was made for inland freight costs to the port of export on the basis of the average costs incurred by [REDACTED].

Export Packaging

128. A deduction was made for the costs of additional export packaging on the basis of the average costs incurred by [REDACTED].

Cost Of Credit

129. Cape Gate offers [REDACTED] credit of [REDACTED] days from the bill of lading date. Cape Gate provided no cost of credit information on domestic sales, so the investigating team examined domestic cost of credit information provided by other parties. On domestic sales, Independent offers [REDACTED] days settlement. Consolidated's payment terms on domestic sales are [REDACTED] days after statement. PW estimated in its application that cost of credit on domestic sales was [REDACTED] days. The investigating team considers that [REDACTED] days is a reasonable estimate of credit extended on domestic sales, and that an adjustment should be made to Cape Gate's export sales prices to New Zealand to reflect the [REDACTED] days credit extended to New Zealand importers. Adjustments for the additional cost of credit on export sales to New Zealand were based on prime overdraft rates provided by Nedbank applied to the [REDACTED] value.

Ex-Factory Export Prices

130. The adjustments noted above were deducted from base prices to arrive at ex-factory export prices that provide a fair basis for comparison with normal values. The range of export prices is shown in Table 3.1 in section 3.4 below.

Consolidated

Export Sales Distribution

131. Consolidated exported to [REDACTED] during the period of investigation. Consolidated advised that there is no relationship between itself and [REDACTED], other than buyer and seller, and that all transactions between the two companies are at arm's length. Export volumes of galvanised wire from South Africa to New Zealand during the period of investigation, represented [REDACTED] percent of imports of the subject goods from South Africa.

Base Prices

132. Consolidated provided invoices for each of its galvanised wire exports to New Zealand in the period of investigation.

133. The actual transaction values per kilogram shown on invoices were used as the base prices for export prices from Consolidated to [REDACTED]. All sales were invoiced in South African Rands on the basis of [REDACTED].

Adjustments

Ocean Freight

134. Consolidated provided invoices for each export shipment showing costs of ocean freight and bunker adjustment factor in US dollars. Exchange rates used to convert these charges from US dollars to Rand were shown on invoices. Deductions were made for ocean freight and bunker adjustment factor for each export transaction on a per kilogram basis.

Marine Insurance

135. For each export transaction, the investigating team calculated the cost of marine insurance per kilogram from costs shown on certificates of insurance and made deductions.

Terminal Handling Charges

136. Invoices were provided for merchant haul release, which represents terminal handling charges, and deductions were made on a per kilogram basis from the value of each export transaction.

Wharfage Costs

137. Wharfage was charged at a fixed percentage of the FOB value of each export transaction and the investigating team made deductions at this rate for wharfage costs.

Documentation Charges

138. A standard letter of credit documentation charge per shipment was used to make deductions from the base export prices on a per kilogram basis for the cost of letter of credit documentation by dividing the documentation charge by the number of kilograms in each shipment.

Inland Freight

139. Consolidated engages a freight company to handle both rail and truck transport involved in bringing empty containers from Johannesburg to the factory, transporting full containers from the factory to the rail freight point, and railing them to the export port of Durban. The investigating team used copies of invoices for freight charged to Consolidated to calculate transport costs to the port of export for each export transaction and made deductions for the cost of inland freight on a per kilogram basis.

Export Packaging

140. Galvanised wire for export is wrapped in PVC and a sachet of silica gel is included, whereas galvanised wire for sale on the domestic market is not wrapped. The investigating team calculated the cost per kilogram of additional export packaging and a deduction was made to the export price to reflect this difference.

Cost of Credit

141. Although Consolidated's stated terms of payment on invoices from June to August 2001 were "[REDACTED]" and from September 2001 were "[REDACTED]", actual payment dates by the New Zealand importer varied considerably. The investigating team established that credit was extended for more days on all export sales than on domestic sales. Using prime overdraft rates provided by Nedbank, the investigating team made deductions to export prices for the cost of additional credit given on export sales.

Ex-Factory Export Prices

142. The adjustments noted above were deducted from base prices to arrive at ex-factory export prices that provide a fair basis for comparison with normal values. The range of export prices is shown in Table 3.2 in section 3.4 below.

Independent

Export Sales Distribution

143. Independent exported to [REDACTED] and [REDACTED] during the period of investigation. Independent advised that all transactions to New Zealand importers are arm's length transactions and that it has no direct or indirect relationship with importers other than of buyer and seller. Export volumes of galvanised wire from South Africa to New Zealand during the period of investigation, represented [REDACTED] percent of imports of the subject goods from South Africa.

Base Prices

144. Independent provided copies of invoices for each of its galvanised wire exports to New Zealand in the period of investigation. The actual transaction values per kilogram shown on invoices were used as the base prices for export prices from Consolidated to New Zealand importers. All sales were invoiced in South African Rands on a [REDACTED] basis and in [REDACTED].

145. [REDACTED] amounts were converted to South African Rands using the interbank rate taken from the OANDA internet currency converter <http://www.oanda.com>.

Adjustments

Ocean Freight

146. Independent provided invoices for each export shipment showing costs of overseas freight, bunker adjustment factor and handover fee. These charges were all in [REDACTED] and were converted to South African Rands using the exchange rate information mentioned in the preceding paragraph. Deductions were made for overseas freight, bunker adjustment factor and handover fee for each export transaction on a per kilogram basis.

Marine Insurance

147. Independent's prices were on a [REDACTED] basis, which does not include marine insurance. No deductions needed to be made therefore for insurance.

Terminal Handling Charges

148. Independent provided invoices showing terminal handling charges and deductions were made on a per kilogram basis from the value of each export transaction.

Wharfage Costs

149. Independent provided invoices showing wharfage costs. The investigating team used these costs to calculate deductions for wharfage on a per kilogram basis for each export transaction.

Documentation Charges

150. Independent provided invoices showing charges for each export transaction for documentation, telephone, fax and stamps. These charges were used to calculate deductions for each export transaction on a per kilogram basis.

151. Independent is sometimes required to provide a certificate of origin for some shipments. Invoices showing charges for certificates of origin were provided to the investigating team. For those shipments where a certificate of origin was required, the investigating team calculated per kilogram amounts which were deducted from the base prices.

Inland Freight

152. Independent provided invoices showing the cost of internal freight and railage. This is the cost of transporting the galvanised wire from Independent's factory to the port at Durban. The investigating team calculated transport costs to the port of export for each export transaction and made deductions for the cost of inland freight on a per kilogram basis.

Finance Fee

153. Independent provided invoices for each export shipment showing a finance fee to cover disbursements made by freight forwarders and clearing agents to cover costs such as freight, wharfage and THC. The investigating team calculated and made deductions from each export transaction on a per kilogram basis for the finance fee.

Export Packaging

154. Independent did not provide any export packaging cost information on the basis that additional export packaging constitutes a very minuscule amount compared to the price of the galvanised wire. In the absence of information from Independent, the investigating team made an adjustment for the additional costs of export packaging using [REDACTED].

Cost of Credit

155. Independent stated that overseas customers pay by telegraphic transfer on the faxed invoice. The number of days it actually took New Zealand importers to make payments for their imports from Independent ranged from [REDACTED] days. Independent's terms of payment to domestic customers are [REDACTED] days. The investigating team established that in some cases credit extended on export sales exceeded that extended on domestic sales and in some cases the reverse was the case. Where the cost of credit was additional on domestic sales, the cost of credit difference was deducted from domestic prices and where the cost of credit was additional on export sales, the cost of credit difference was deducted from export prices.

156. The investigating team used the South African prime interest rate applicable at the time of the sale to calculate the cost of credit.

Other Adjustments

157. Independent also stated that the [REDACTED]
[REDACTED] which is managed by [REDACTED]
[REDACTED] Independent

stated that the [REDACTED] is not part of its costing and the investigating team made no deduction for [REDACTED]

158. The investigating team noted in Independent's profit and loss statement [REDACTED]. Independent did not provide answers to questions the investigating team posed about [REDACTED]. The Court of Appeal in *Auckland Harbour Board v The Collector of Customs* [1992] 3 NZLR 392 held that, to the extent that the element of unfair competition is a subsidy, the matter had to be dealt with under the countervailing action provisions and the authorities could not resort to the anti-dumping provisions of the Act. This decision provided that no element of price reduction resulting from a subsidy should be included in an anti-dumping remedy. In the absence of information about whether these [REDACTED] are subsidies that reduce export prices of galvanised wire, the investigating team has not made any adjustment to export prices.

Ex-Factory Export Prices

159. The adjustments noted above were deducted from base prices to arrive at ex-factory export prices that provide a fair basis for comparison with normal values. The range of export prices is shown in Table 3.3 in section 3.4 below.

African Gabions and Finmesa

Export Sales Distribution

160. African Gabions and Finmesa exported to [REDACTED] during the period of investigation. Export volumes of galvanised wire from South Africa to New Zealand during the period of investigation were [REDACTED], representing less than [REDACTED] percent of imports of the subject goods from South Africa.

Base Prices

161. [REDACTED] provided invoices for its [REDACTED] shipments from African Gabions and Finmesa. The imported wire is [REDACTED] and was imported under statistical keys for wire other than fencing. The actual invoice transaction values were used as the base prices for export prices from Finmesa and African Gabions to [REDACTED]. All sales were invoiced in [REDACTED] and were on a [REDACTED] basis.

Adjustments

Ocean Freight

162. Deductions for ocean freight were made on the basis of NZCS information.

Marine Insurance

163. Deductions for marine insurance were made on the basis of NZCS information.

Exporter's Margin

164. Neither African Gabions nor Finmesa are manufacturers of the galvanised wire. No information was available on any margin taken by these exporters and the investigating team has no information on margins achieved in South Africa by exporters. The only information from recent investigations involving South Africa are in respect of agents' and brokers' commissions on export sales. A percentage commission of [REDACTED] percent of sales value appears to be representative of commissions taken by parties involved in facilitating the exportation of goods from South Africa to New Zealand. In the absence of other information, a deduction of this percentage has been made to represent each exporter's margin on the export sales.

Cost Of Credit

165. Terms of payment for both Finmesa and African Gabions are [REDACTED] days. As mentioned for Cape Gate above, in the absence of information from the exporter, the investigating team considers that [REDACTED] days is a reasonable estimate of credit extended on domestic sales. Adjustments have been made to African Gabion's and Finmesa's export transactions to New Zealand to reflect the additional [REDACTED] days credit extended to New Zealand importers. Adjustments for the additional cost of credit on export sales to New Zealand were based on prime overdraft rates provided by Nedbank applied to the [REDACTED] value for each transaction.

Other Costs

166. In the absence of information from African Gabions and Finmesa, the average costs [REDACTED] were used to make deductions for costs relating to terminal handling, wharfage, documentation, inland freight to port and additional export packaging.

Export Price Calculations

167. The adjustments noted above were deducted from base prices to arrive at ex-factory export prices that provide a fair basis for comparison with normal values. The range of export prices is shown in Table 3.4 in section 3.4 below.

3.3 Normal Values

168. Normal values are determined in accordance with section 5 of the Act, which inter alia, provides as follows:

(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 [Chief Executive]-

- (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.
- (5) Where-
- (a) The actual country of export of goods imported or intended to be imported into New Zealand is not the county of origin of the goods; and
 - (b) The [Chief Executive] is of the opinion that the normal value of the goods should be ascertained for the purposes of this Act as if the country of origin were the country of export,-
- the [Chief Executive] may direct that the normal value of the goods shall be so ascertained.

169. Where sufficient information has not been provided or is not available in an investigation, normal values can be established under section 6 of the Act. The provisions of section 6 are shown in section 1.5 above and allow the Chief Executive to ascertain normal values having regard to all available information. As a result of having received from Cape Gate only a small amount of information outside of the period of investigation, the Ministry has had to derive normal values for Cape Gate on the basis of the best information available.

170. In the provisional measures report, in the absence of sufficient information, the investigating team first examined information provided by the South African suppliers and then, where necessary, any additional information including that provided by the applicant.

Cape Gate

Domestic Sales Distribution

171. Cape Gate provided no information about its distribution of domestic sales.

Base Prices

172. Cape Gate decided not to respond to the Ministry's questionnaire and instead provided a spreadsheet showing a comparison of ex-works export prices and domestic prices for various sizes of both fencing wire and manufacturing wire for [REDACTED], being outside the period of investigation.

173. The spreadsheet indicates that in [REDACTED], highly galvanised fencing wires [REDACTED]

174. The Ministry examined NZCS data and established that all imports of galvanised wire from Cape Gate were entered under tariff items and statistical keys that indicated the imports consisted only of fencing wire within a range of diameters from 1.6 mm to 4 mm or more in diameter.

Best Information Available

175. The investigating team considered the following information in assessing normal values for fencing wire for Cape Gate:

- Ex-works domestic prices for [REDACTED] provided by [REDACTED];
- Price lists for domestic sales of galvanised wire provided by other South African exporters; and
- Invoices provided by other South African exporters

176. The [REDACTED] domestic price information provided by Cape Gate was not supported by any invoices, has not been verified and is outside the investigation period. Cape Gate was informed that the pricing information it provided does not constitute a response to the questionnaire and was given a further opportunity to provide the required information but did not respond. The investigating team visited Cape Gate briefly, but no further information was provided. The investigating team considered whether Cape Gate's information should be used or disregarded and had regard to the provisions of Article 6.8 and Annex II of the Agreement.

177. Article 6.8 of the Agreement states:

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.

178. The investigating team, in accordance with Article 6.1 of the Agreement, notified Cape Gate "... of the information which the authorities require and ample opportunity to present in writing all evidence that they [interested parties] consider relevant in respect of the investigation in question." Notice of the necessary information was given in the form of a questionnaire and the Ministry also followed the more detailed requirements of Annex II.1 of the Agreement relating to provision of information and the consequences of not providing timely information.

179. While Cape Gate did not provide the necessary information required by the Ministry, it did provide information that it considered relevant to the investigation.

180. Annex II.3 of the Agreement clarifies what information should be taken into account when determinations are made. Annex II.3 states in part:

All information which is verifiable, which is appropriately submitted so that it can be used in the investigation without undue difficulties, which is supplied in a timely fashion . . . should be taken into account when determinations are made.

181. Annex II.5 states:

Even though the information may not be ideal in all respects, this should not justify the authorities from disregarding it, provided the interested party has acted to the best of its ability.

182. Cape Gate has provided information which is potentially verifiable. The information cannot be used in the investigation without some difficulty, as it is outside of the period of investigation. Cape Gate has acted selectively and has certainly not acted to the best of its ability.

183. Section 6(1) of the Act provides that, where sufficient information has not been furnished or is not available to enable the normal value to be ascertained under section 5 of the Act, the normal value “shall be such amount as determined by the Minister having regard to all available information.” Section 6(2) states that:

For the purposes of subsection (1) of this section, the Minister may disregard any information that the Minister considers to be unreliable.

184. The investigating team considers that it could be justified in disregarding the [REDACTED] domestic pricing information provided by Cape Gate on grounds that it is not necessary information in terms of Article 6.8 of the Agreement and is not relevant to the period of investigation. At the same time, since the information is available and the Chief Executive must have regard to all available information, the investigating team considers that it should use that information to the extent possible in establishing normal values for Cape Gate for the period of investigation, provided the information is not considered to be unreliable.

Information from Other South African Exporters

185. The Ministry considered domestic pricing information provided by other South African exporters. The Ministry estimated that imports from Cape Gate in the period of investigation related to export sales made over the period April 2001 to May 2002. The Ministry also noted that Customs data and Cape Gate’s [REDACTED] information indicated that a [REDACTED] range of sizes of wire had been exported to New Zealand.

186. [REDACTED] provided the most comprehensive information in terms of complete price lists that covered the full period mentioned in the preceding paragraph and a full range of wire types and sizes. [REDACTED] provided some parts of price lists for part of the period mentioned in the preceding paragraph. The best available information therefore is [REDACTED].

Cape Gate’s Information

187. The investigating team has tested the extent to which the information provided in [REDACTED] would relate to the [REDACTED] information provided by Cape Gate. Cape Gate gave [REDACTED] domestic net ex-works price for wire of diameters [REDACTED] of [REDACTED] Rand per kilogram. The average price for those diameters in [REDACTED] was [REDACTED] Rand. Net adjustments from [REDACTED] net price after discount were on average [REDACTED] percent. Discounts offered by [REDACTED] ranged from [REDACTED] percent to [REDACTED] percent. A discount of [REDACTED] percent from [REDACTED] price, followed by a [REDACTED] percent adjustment to a fair comparison ex-factory

price would result in a value that is very close to the [REDACTED] net ex-works price provided by Cape Gate.

188. While this calculation is a rough estimate only (it is based on simple averages, does not take account of different adjustments that may apply in the case of Cape Gate and includes some physical difference adjustments that would not apply) it does confirm that [REDACTED] may be used as the starting-point for estimating normal values for Cape Gate. At the same time, Cape Gate's net ex-works prices are unverified and the level of trade is not identified, so the investigating team does not consider that it can automatically assume that Cape Gate's prices are necessarily discounted by the level shown in the preceding paragraph.

Base Prices

189. Having considered all of the available information that could be used to calculate normal values for Cape Gate, the Ministry considers that the best information available on base prices that could be applied in the case of Cape Gate is found in [REDACTED]. The investigating team has used listed prices for [REDACTED] galvanised wire in 50 kg coils as base prices.

Adjustments

Terms and Conditions of Sale

Discounts

190. Over the period April 2001 to May 2002, Consolidated gave discounts to the selected domestic customer ranging from [REDACTED] percent in April and May 2001 to [REDACTED] percent in July and August 2001. Independent gave discounts to the selected customer ranging from [REDACTED] to [REDACTED] percent from January 2001 to March 2002. Comparison of July 2001 price lists indicate that [REDACTED] listed prices were [REDACTED] than [REDACTED] listed prices. The calculations relating to Cape Gate in the preceding paragraphs indicate that a discount rate of [REDACTED] percent could apply in the case of Cape Gate.

191. The [REDACTED] discount rate applied by a South African exporter was [REDACTED] percent and only applied after July 2001. Other discount rates were in the range of [REDACTED] percent to [REDACTED] percent, but price lists may differ and therefore affect the extent of discount that a company may be prepared to offer. The investigating team has reservations, as expressed above, relating to the accuracy of the calculation, lack of verification and unknown factors such as level of trade, that mean that it can not be satisfied that a rate of discount of [REDACTED] percent should apply in the case of Cape Gate and, in the absence of information from Cape Gate, a higher rate of discount cannot be justified. In these circumstances, the investigating team's remaining option is to apply the lowest discount rate of [REDACTED] percent as the best information available. This rate has been used to establish net domestic selling prices for Cape Gate.

Inland Freight

192. The investigating team has assumed that, like the other South African manufacturers, Cape Gate's prices would be on a free-into-store basis. [REDACTED]

average freight cost per kilogram has been used to deduct freight costs from the estimated domestic prices for Cape Gate.

Cost of Credit

193. As explained in section 3.2 above, the investigating team considers that credit extended on export sales exceeded that extended on domestic sales and the additional cost of credit on export sales was deducted from export prices.

Level of Trade

194. The investigating team has no information that would suggest an adjustment is required for level of trade.

Sales At As Nearly As Possible The Same Time

195. The investigating team has carried out a transaction-to-transaction comparison for the entire period of investigation, comparing export prices with the nearest available South African domestic values. The domestic values were based on listed prices that applied at the same time as the export transactions were made.

Taxation

196. A value-added tax (VAT) of 14 percent applies in South Africa to sales of galvanised wire. The domestic prices used for normal values were those shown on price lists before VAT. No adjustments for taxation differences were therefore required.

Quantities

197. The investigating team has no information that would suggest any adjustments are required in respect of differences in quantities sold.

Physical Characteristics

198. Where Customs data indicates that export sales are in jumbo coils, the investigating team has deducted from domestic prices for 50 kg coils an amount for cutting and tying conversion to allow a fair comparison. The investigating team used for this adjustment.

Other Differences Affecting Price Comparability

199. Due allowance is made by the Ministry for any differences that affect the comparability of domestic and export prices. Such an allowance is made on the basis of costs related to the price difference. Before such 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 adjustments, other than those already made above, that need to be made.

Normal Value Calculations

200. The adjustments noted above were deducted from base prices to arrive at estimated ex-factory normal values that provide a fair basis for comparison with export prices. The range of normal values is shown in Table 3.1 in section 3.4 below.

Consolidated

Domestic Sales Distribution

201. Consolidated sells to [REDACTED] over 250 specifications of galvanised wire on the South African domestic market in large jumbo coils and smaller coils for mainly agricultural use. Consolidated's primary markets for its total range of products consist of farmers (agricultural co-operatives), builders (hardware outlets), mines, fencing contractors and various state departments.

202. Domestic sales are well in excess of sales to New Zealand and are considered a sufficient quantity for the determination of the normal value.

Base Prices

203. The verification team selected domestic sales to a particular customer for comparison with export sales and these sales were priced on the basis of discounts from price lists. The investigating team was satisfied that the selected domestic customer was not related to Consolidated.

204. As explained below, [REDACTED] the verification team considered that those sales [REDACTED] were not sales in the ordinary course of trade.

205. Constructed normal values were used as base values for sales [REDACTED] and actual invoiced prices were used as base prices [REDACTED].

Sales in the Ordinary Course of Trade

206. Consideration of functions of customers and the distribution chain indicates that transactions with the New Zealand importer may be compared fairly with transactions with agricultural co-operatives in South Africa. A sufficient number of relevant transactions were available in respect of the customer [REDACTED] and the verification team selected sales to that company for comparison with sales to the New Zealand importer for the period of investigation.

207. Consolidated provided further information on domestic sales and argued that the investigating team should have selected a different customer to the one the team chose. Consolidated considered that the verification team should have selected the [REDACTED] domestic prices rather than those to [REDACTED], based on the fact that most sales volumes in the six months to [REDACTED] were to those two companies.

208. The New Zealand importer was sold [REDACTED] tonnes of galvanised wire in the period of investigation, the year ended 31 May 2002. Consolidated advised that in the year ended 30 June 2002 it made total sales of galvanised wire of [REDACTED] tonnes to [REDACTED] and [REDACTED] tonnes to [REDACTED]. On the basis of total sales volumes of galvanised wire, the domestic customer selected by the verification team was sold a reasonably similar volume to that sold to the New Zealand importer, whereas the volume sold to the domestic customer selected by Consolidated was more than [REDACTED] times the volume sold to the New Zealand importer.

209. The verification team is satisfied that, taking account of its functions, type of wire purchased, place in the distribution chain and volumes of sales, the prices of the domestic customer it selected, [REDACTED], are suitable and appropriate for comparison with export sales to the New Zealand importer.

Constructed Normal Values

210. Article 2.2.1 of the Agreement provides that domestic market sales of like product made at a loss “may be treated as not being in the ordinary course of trade by reason of price and may be disregarded in determining normal value only if the authorities determine that such sales are made within an extended period of time in substantial quantities and are at prices which do not provide for the recovery of all costs within a reasonable period of time.”

211. The investigating team noted that the sales it selected [REDACTED].
[REDACTED]
[REDACTED]. Costing information provided by Consolidated shows that the prices [REDACTED] for the period of the investigation.

212. The verification team considers that selected domestic market sales [REDACTED] should be regarded as not being in the ordinary course of trade because the evidence indicates that galvanised wire [REDACTED].
[REDACTED].

213. The investigating team asked Consolidated to advise a reasonable amount for profit on domestic sales in [REDACTED], the months for which normal values were being constructed. Consolidated advised that [REDACTED]. The investigating team considered it reasonable to apply a nil rate of profit, being the actual rate or amount incurred and realised by Consolidated in respect of production and sales in South Africa of galvanised wire at that time.

214. In response to the essential facts and conclusions report, Bell Gully stated that “normally when sales are at a loss and a constructed price is used the profit figure is that normally made by other parties selling similar products in the same market not

one provided by the seller making the loss". The investigating team notes that Article 2.2.2(i) of the Agreement provides that amounts for profits used in constructed values may be determined on the basis of "the actual amounts incurred and realized by the exporter or producer in question in respect of production and sales in the domestic market of the country of origin of the same general category of goods." The investigating team is satisfied that the actual profit level realized by Consolidated on domestic sales of all types and sizes of galvanized wire, rather than just the subject goods, may be used in constructing a normal value and that, when that profit level is nil, a nil rate of profit is appropriate.

215. Normal values for [REDACTED] have been constructed using the verified costing information, including actual costs of production and administrative, selling and general costs.

Adjustments

Terms and Conditions of Sale

Discounts

216. The sales prices selected from invoices by the investigating team were net of discounts, except for a [REDACTED] percent discount given to customers who pay within 30 days of statement. An adjustment for this amount was made to the invoiced prices used for [REDACTED].

Inland Freight

217. The sales to the selected domestic customer were on a free-into-store basis. The investigating team calculated the cost of inland freight to the selected customer on a per kilogram basis and deducted this amount from the base prices.

Cost of Credit

218. As explained in section 3.2 above, credit extended on export sales exceeded that extended on domestic sales and the additional cost of credit on export sales was deducted from export prices.

Level of Trade

219. The investigating team compared the sales to New Zealand at the level of sales to agricultural co-operatives in South Africa, which is considered to be the same level of trade as sales to the New Zealand importer. No adjustment was required.

Sales At As Nearly As Possible The Same Time

220. The investigating team has carried out a transaction-to-transaction comparison for the entire period of investigation, comparing export prices with the nearest available South African domestic values or constructed normal values. Differences between export and domestic sales dates varied from between one and 19 days.

Taxation

221. A value-added tax (VAT) of 14 percent applies in South Africa to sales of galvanised wire. The domestic prices used for normal values were those shown on invoices before VAT. All costing information provided by the company was exclusive of VAT. No claim was made for drawback of any duty. No adjustments for taxation were therefore required.

Quantities

222. Prices on the domestic market did not vary according to the quantity of individual sales therefore no adjustment was required.

Physical Characteristics

223. The exported product was compared with the closest like product sold on the domestic market in terms of diameter, galvanising and tensile strength. The domestic product had a lesser diameter than the exported product and was sold in much smaller coil sizes – 50 kg compared with jumbo coils of 600 to 900 kg.

224. From costings provided for both the exported coils and the coils sold on the domestic market, the investigating team calculated the difference in conversion costs per kilogram for processing the different wire diameters and coil size and for cutting and tying the smaller coils. These additional costs per kilogram have been deducted from the domestic prices for [REDACTED] to ensure that the export prices are compared fairly with normal values.

225. No adjustment was required to constructed normal values as these were based on the costs applying to the same product as that exported to New Zealand.

Other Differences Affecting Price Comparability

226. Due allowance is made by the Ministry for any differences that affect the comparability of domestic and export prices. Such an allowance is made on the basis of costs related to the price difference. Before such 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 adjustments that need to be made, other than those already made above.

Normal Value Calculations

227. The adjustments noted above 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 in section 3.4 below.

Independent

Domestic Sales Distribution

228. Independent sells to distributors and end users in South Africa, but mainly supplies the agricultural and manufacturing market through domestic galvanised wire distributors.

229. Domestic sales are well in excess of sales to New Zealand and are considered a sufficient quantity for the determination of the normal value.

Base Prices

230. The verification team selected domestic sales to a manufacturer of galvanised wire products [REDACTED] for comparison with export sales and these sales were priced on the basis of discounts from price lists. The investigating team was satisfied that the selected domestic customer was not related to Independent.

Sales in the Ordinary Course of Trade

231. Consideration of functions of customers and the distribution chain indicates that transactions with the New Zealand importer may be compared fairly with transactions of manufacturers of galvanised wire products in South Africa.

232. All of the selected domestic sales were made at a profit and are considered to be sales made in the ordinary course of trade.

Adjustments

Terms and Conditions of Sale

Discounts

233. The sales prices selected from invoices by the investigating team were net of discounts, except for a prompt payment discount given to customers who pay within 30 days of statement. The investigating team calculated the discount to be [REDACTED] percent of the invoice price and an adjustment for this amount was made to the invoiced prices.

Inland Freight

234. The sales to the selected domestic customer were on a free-into-store basis. The investigating team calculated the cost of inland freight to the selected customer on a per kilogram basis and deducted this amount from the base prices.

Cost of Credit

235. As explained in section 3.2 above, in some cases credit extended on export sales exceeded that extended on domestic sales and in some cases the reverse was

the case. Where the cost of credit was additional on domestic sales, the cost of credit difference was deducted from domestic prices.

Level of Trade

236. The investigating team compared the sales to New Zealand at the level of sales to manufacturers of galvanised wire products in South Africa, which is considered to be the same level of trade as sales to the New Zealand importer. No adjustment was required.

Sales At As Nearly As Possible The Same Time

237. The investigating team has carried out a transaction-to-transaction comparison for the entire period of investigation, comparing export prices with the nearest available South African domestic values. Differences between export and domestic sales dates varied by up to a maximum of 35 days.

Taxation

238. A value-added tax (VAT) of 14 percent applies in South Africa to sales of galvanised wire. The domestic prices used for normal values were those shown on invoices before VAT. All costing information provided by the company was exclusive of VAT. No claim was made for drawback of any duty. No adjustments for taxation were therefore required.

Quantities

239. Prices on the domestic market did not vary according to the size of individual sales therefore no adjustment was required.

Physical Characteristics

240. The exported product was compared with the closest comparable like product sold on the domestic market. For one size of domestic product, sales were only available for a lightly galvanised product whereas the export product is heavily galvanised. To ensure a fair comparison, the domestic price was increased by the percentage price difference between lightly galvanised and heavily galvanised wire.

241. The processing wire supplied to the domestic customer contained low levels of carbon, but some product with high levels of carbon was exported to New Zealand. The investigating team made an adjustment to the high carbon wire by calculating a proportionate difference between the cost of production of 2.5mm low carbon and 2.5mm high carbon wire.

Other Differences Affecting Price Comparability

242. Due allowance is made by the Ministry for any differences that affect the comparability of domestic and export prices. Such an allowance is made on the basis of costs related to the price difference. Before such 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 adjustments, other than those already made above, that need to be made.

Normal Value Calculations

243. The adjustments noted above 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 3.3 in section 3.4 below.

African Gabions and Finmesa.

Base Prices

244. African Gabions chose not to participate in this investigation [REDACTED] of trade it does in New Zealand. Finmesa, was not able to be contacted and may have ceased to exist.

245. The Ministry considers the best information to be used to establish normal values for these companies is the price list information provided by [REDACTED]. Since the export wire is manufacturing wire, the prices taken are those that relate to [REDACTED] wire which the investigating team understands is lightly galvanised manufacturing wire.

Adjustments

Terms and Conditions of Sale

Discounts

246. The rate of discount used for Cape Gate has been used to arrive at net domestic prices.

247. In response to the essential facts and conclusions report, Bell Gully queried why the discount rate used for Cape Gate should be applied to African Gabions/Finmesa, since Cape Gate “is a non-co-operating party”. The investigating team notes that rates of discount were not available for either Cape Gate or African Gabions/Finmesa to arrive at net domestic prices, and the lowest discount rate applied by other South African exporters has been applied in the case of both Cape Gate (as explained above in paragraph 190) and African Gabions/Finmesa.

Inland Freight

248. The average amount of inland freight per kilogram for [REDACTED] has been deducted for the domestic prices.

Cost of Credit

249. No information is available on whether credit is extended on domestic sales, but the investigating team considers that [REDACTED] days is a reasonable estimate of the credit period extended to domestic customers. Based on available information, the cost of

credit on domestic sales is less than on export sales to New Zealand. An adjustment for the difference in cost of credit was made to the export price.

Level of Trade

250. The investigating team has no information that would suggest an adjustment is required for level of trade.

Sales At As Nearly As Possible The Same Time

251. The investigating team has carried out a transaction-to-transaction comparison for the entire period of investigation, comparing export prices with the nearest available South African domestic values. The domestic values were based on listed prices that applied at the same time as the export transactions were made.

Taxation

252. A value-added tax (VAT) of 14 percent applies in South Africa to sales of galvanised wire. The domestic prices used for normal values were those shown on price lists before VAT. No adjustments for taxation differences were therefore required.

Quantities

253. The investigating team has no information that would suggest any adjustments are required in respect of differences in quantities sold.

Physical Characteristics

254. The exported product was of a different diameter to any of the product listed in the price lists. A proportionate adjustment was made to the prices based on the difference between the prices of wire of diameters either side of the diameter of the exported product.

Other Differences Affecting Price Comparability

255. Due allowance is made by the Ministry for any differences that affect the comparability of domestic and export prices. Such an allowance is made on the basis of costs related to the price difference. Before such 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 adjustments, other than those already made above, that need to be made.

Normal Value Calculations

256. The adjustments noted above 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 3.4 in section 3.4 below.

3.4 Comparison Of Export Price and Normal Value

Margins of Dumping

257. The Ministry has established the dumping margins for the investigation period by comparing export prices established 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 company-specific overall weighted average dumping margins, the Ministry has used all export prices and normal values in its weighted calculations, including those where no dumping or negative dumping was found.

Cape Gate

258. There were 100 import entry lines related to Cape Gate. Of these transactions, 100 percent were found to be dumped with a weighted average dumping margin over the period of investigation of 47.7 percent.

259. The following table shows the ranges of normal values, export prices and dumping margins for Cape Gate:

Table 3.1: Range of Dumping Margins
(Rands per Kilogram)

| | |
|-----------------|------------|
| Normal Values | 100 to 100 |
| Export Prices | 100 to 100 |
| Dumping Margins | 100 to 100 |
| Margins % of EP | 19% to 91% |

Consolidated

260. Consolidated had 100 shipments of the subject goods during the investigation period 1 June 2001 to 31 May 2002. Of these transactions, 100 percent were found to be dumped with a weighted average dumping margin of 33.3% percent.

261. The following table shows the ranges of normal values, export prices and dumping margins for Consolidated:

Table 3.2: Range of Dumping Margins
(Rands per Kilogram)

| | |
|-----------------|------------|
| Normal Values | 100 to 100 |
| Export Prices | 100 to 100 |
| Dumping Margins | 100 to 100 |
| Margins % of EP | 22% to 54% |

Independent

262. Independent had 100 shipments of the subject goods during the investigation period 1 June 2001 to 31 May 2002. Of the total volumes of subject goods

transactions, [redacted] percent were found to be dumped with an overall weighted average (negative) dumping margin of -0.2 percent over the period of investigation.

263. The following table shows the ranges of normal values, export prices and dumping margins for Independent:

Table 3.3: Range of Dumping Margins (Rands per Kilogram)

| | |
|-----------------|--------------------------|
| Normal Values | [redacted] to [redacted] |
| Export Prices | [redacted] to [redacted] |
| Dumping Margins | [redacted] to [redacted] |
| Margins % of EP | -22 to 25% |

Finmesa/African Gabions

264. [redacted] had [redacted] transactions with Finmesa and then [redacted] with African Gabions after the demise of Finmesa under the same terms, during the investigation period. Of the total volumes of subject goods transactions, none were found to be dumped and an overall weighted average (negative) dumping margin of -10.7 percent applied over the period of investigation.

265. The following table shows the ranges of normal values, export prices and dumping margins for Finmesa/African Gabions:

Table 3.4: Range of Dumping Margins (Rands per Kilogram)

| | |
|-----------------|--------------------------|
| Normal Values | [redacted] |
| Export Prices | [redacted] to [redacted] |
| Dumping Margins | Not Dumped |
| Margins % of EP | Not Dumped |

3.5 Volume of Dumped Goods

266. The following table shows the volumes of dumped and non-dumped goods on a company-specific basis and on an overall basis.

Table 3.5: Volumes of Dumped Goods (Kilograms)

| | Dumped | Not Dumped | % Dumped |
|-------------------------|------------|------------|------------|
| Cape Gate | [redacted] | [redacted] | 100% |
| Consolidated | [redacted] | [redacted] | 100% |
| Independent | [redacted] | [redacted] | [redacted] |
| African Gabions/Finmesa | [redacted] | [redacted] | 0% |
| Total | 1,244,814 | 167,327 | 88.15% |

267. 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. 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.

268. The volume of dumped goods and the volume of non dumped goods as well as other imports for the investigation period from 1 June 01 to 31 May 02, and the percentage of total dumped and non dumped imports of the subject goods is shown in the following table:

Table 3.5: Volume of Dumped Imports

| | Kilograms | % |
|-------------------------|-----------|-------|
| Dumped Imports | 1,244,814 | 12.5% |
| Non-Dumped Imports (ZA) | 167,327 | 1.7% |
| Other Imports | 8,562,161 | 85.8% |
| Total Imports | 9,974,302 | |

On the basis of this information, dumped imports of the subject goods from South Africa are not negligible.

3.6 Conclusions Relating To Dumping

269. The investigating team concludes, based on the information available, that galvanised wire from South Africa has been dumped during the investigation period.

4. Injury

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

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

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

4.1 Material Injury Caused by Dumping

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

... 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.

272. This means that the material injury must be caused by reason of the dumping of goods.

273. Section 8 of the Dumping and Countervailing Duties Act 1988 sets out the injury factors which must be examined by the Chief Executive. These are:

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

274. 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 WTO Anti-Dumping Agreement.

275. 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 facts 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;
- 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; and actual and potential effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investments.

276. In addition, the Chief Executive must have regard to factors other than dumping which may be injuring the industry, since in accordance with Article 3 of the WTO 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 domestic 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 domestic industry, and the injuries 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 domestic industry.

277. Section 11(1) of the Act provides for the termination of an investigation where the Minister is satisfied in respect of some or all of the goods under investigation, 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 the goods.

278. It should be noted that the financial information on which the investigation of injury is based relates only to galvanised wire produced in New Zealand and sold on the New Zealand market. PW stated that it imported [REDACTED] wire in 2001 and 2002. PW provided its injury information for 2002 exclusive of the imports but stated that it could not provide the 2001 injury information in the same manner as it was not accounted for separately that year. The investigating team discussed with PW whether a proportionate difference between 2002 injury information (import inclusive) and 2002 injury information (import exclusive) could be applied to 2001 injury information (inclusive of imports) to

calculate the 2001 (exclusive of imports) injury information. PW stated that [REDACTED], it was plausible to apply the 2002 proportionate difference to the 2001 injury information. The investigating team made the necessary adjustments to the 2001 injury information to reflect PW's imports in that year.

4.2 Import Volumes

279. 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.











280. The table below shows the volume of dumped imports into New Zealand and compares them with the New Zealand industry's sales and the total New Zealand market.

281. Dumping was established for imports of the subject goods from South Africa for the year ended 31 May 2002. As recorded in section 3 above, 88 percent of imports from South Africa were found to be dumped over this period. For the purpose of the table below, for each year, it has been assumed that the same proportion of imports from South Africa were dumped.

Table 4.1: Import Volumes (tonnes) (YE June)

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|---------------------------|------------|------------|------------|------------|------------|
| Dumped Imports | 703 | 1,002 | 717 | 683 | 1,252 |
| Non-Dumped Imports (ZA) | 95 | 135 | 96 | 92 | 168 |
| Other Imports | 6,831 | 6,582 | 9,085 | 8,121 | 8,521 |
| NZ Industry Sales | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| NZ Market | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Change in: | | | | | |
| - Dumped Imports | | 299 | -285 | -34 | 569 |
| - Non-Dumped Imports (ZA) | | 40 | -39 | -4 | 76 |
| - Other Imports | | -249 | 2,503 | -964 | 401 |
| - NZ Industry Sales | | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| - NZ Market | | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Dumped imports as | | | | | |




a % of:

| | | | | | |
|---------------------|---|---|---|---|---|
| - NZ Industry Sales |  |  |  |  |  |
| - NZ Market |  |  |  |  |  |

282. The above table shows that imports of dumped goods increased significantly in 1999 and again in 2002. Imports of dumped goods in 2000 and 2001 were at similar levels to import volumes of dumped goods in 1998.

283. Relative to New Zealand industry’s sales and the total New Zealand market, imports of the dumped goods also increased significantly in 1999 and again in 2002.

284. As noted above PW imported small amounts of galvanised wire from sources other than South Africa in 2001 and 2002. Such imports have been excluded from PW’s sales information, and included in other imports.

285. Consolidated, in response to the EF&C report, stated that its exports cannot be having an injurious effect on PW as its volumes are  percent of the total New Zealand market. The investigating team is of the view that while Consolidated’s imports amount to  percent of the total NZ market, its exports are  percent of the total volume of the galvanised wire exported from South Africa. The investigating team is also of the view that the South African wire exported to New Zealand should be looked at in its totality, rather than on the basis of the individual exporters in order to fully assess the injury suffered by the New Zealand industry from the dumped imports.

Conclusion

286. Import volumes of the dumped goods have increased significantly in absolute terms and relative to production and consumption in New Zealand in 2002.

4.3 Price Effects

Price Undercutting

287. *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.*

Introduction

288. 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.

289. Details of the distribution systems and the basis on which sales are made are described below for PW and each of the importers (where information was made available). The point at which prices are compared, resulting from the distribution and sales process, is also recorded below for each importer.

Level of Trade

290. PW stated that importers of galvanised wire have the option of selling it either at the distributor level e.g. [REDACTED], or at the level of the rural merchants e.g. [REDACTED]. [REDACTED], however, it would sell to the importers if it were approached for business.

291. PW was of the view that [REDACTED] percent of its galvanised wire is [REDACTED]. PW's main concern is the fencing market and not the manufacturing market, however, PW was of the view that [REDACTED]. PW also supplies [REDACTED] percent of its manufacturing galvanised wire for rural manufacturing.

292. Importers such as Anchor, Paul Industries and Maccaferri have indicated that some of their imports of galvanised wire are for manufacturing purposes, but the investigating team notes that most imports have been entered under statistical keys for fencing wire. Although Anchor's imports have been entered under statistical keys for fencing wire, it advised us that all of its galvanised wire imported from South Africa was for manufacturing. Euro Corp, which is [REDACTED] importer of galvanised wire from South Africa services the New Zealand fencing market, in particular the South Island rural supply chain.

293. The domestic industry's ex-factory selling price to distributors is the point at which the product first enters the New Zealand market. The relevant level of trade for imports is that at which the imported product first competes with the domestic industry's ex-factory price in the New Zealand market. The Ministry would normally consider the first point of competition (before the goods are distributed) 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. An importer (on-selling to rural resellers or end-users) is faced with an economic choice of buying from either PW or from the exporter and bearing the import costs to the ex-wharf level. The relevant level of trade for price undercutting comparison is therefore at the ex-wharf level.

294. The level at which any price undercutting comparison should be done is at the first point of competition between the imported goods and PW's galvanised wire, i.e., ex-wharf for the importers and ex-factory for PW.

PW's Ex-factory Prices

295. PW provided the investigating team with a spreadsheet with sales details in relation to its two major customers, [REDACTED] for the year ending June 2002. This information was divided between fencing and manufacturing galvanised wire. The information provided from PW related to the sales volumes, revenues and [REDACTED] for different sizes and types of galvanised wire sold to [REDACTED]. The investigating team calculated the ex-factory prices per kilogram for both [REDACTED] on a weighted average basis after deducting the [REDACTED] and freight amounts from the total sales figure.

296. The investigating team has compared the ex-wharf costs of the imported galvanised wire with both PW's fencing and manufacturing wire prices as PW is of the view that the [REDACTED] importers should decide to market it as such.

Ex-factory Prices-Manufacturing Wire

297. The investigating team calculated a combined weighted average ex-factory price for the manufacturing wire for [REDACTED], which was found to be between [REDACTED] and [REDACTED] per tonne, depending on the sizes (1.6mm to 5.0mm). The investigating team noted that the [REDACTED]. The investigating team did not have information relating to manufacturing wire broken down between HiSpan V and Standard to carry out separate price undercutting comparisons.

298. The investigating team compared the overall PW ex-factory price of the manufacturing galvanised wire against the ex-wharf price of the South African wire below under each supplier separately.

Ex-factory Prices-Fencing Wire

299. The investigating team calculated combined weighted average ex-factory prices for the fencing wire for [REDACTED], which were found to be between [REDACTED] and [REDACTED] per tonne depending on the diameter, coil size and the type of galvanised wire (HiSpan V, Std, [REDACTED]). The [REDACTED] wires are all classified as "Standard" wire.

300. Where possible, the investigating team has compared individually the importer's ex-wharf prices to PW's ex-factory prices of its HiSpan V and Standard galvanised wire. The investigating team also compared the importer's ex-wharf price to PW's overall weighted average price of the same sized galvanised wire. The overall weighted average price combines the prices of the HiSpan V and Standard galvanised wires that are of the same size.

301. Where PW does not produce the same sized galvanised wire as that imported from South Africa, the investigating team has not carried out a price undercutting comparison for those sizes. The investigating team was of the view that it would be somewhat artificial to calculate theoretical prices for imports based on wire prices of

the sizes that were produced by PW and then draw conclusions that the prices of this wire were undercutting or not undercutting wire that PW does not sell.

302. The investigating team compared PW's ex-factory price of the fencing and manufacturing wire against the ex-wharf costs of the South African wire below separately under each importer. The comparison was done on the basis of the diameter (in millimeters) of the wire.

Non-Injurious Price (NIP)

303. In carrying out a comparison of prices to establish the extent of any price undercutting, it is necessary to establish the unsuppressed price at which the New Zealand industry can sell its product. The unsuppressed selling price refers to the price achievable in the absence of dumped product in the New Zealand market. The New Zealand industry's unsuppressed selling price is normally referred to as its non-injurious price (NIP). Establishing the level of the NIP is significant because any remedy at less than the margin of dumping would be set at a level designed to ensure that the imported product does not undercut the New Zealand industry's NIP.

304. PW submitted that its average selling prices over the year ended 31 May 2002 has been suppressed and therefore any price undercutting comparison using these prices will understate the level of price undercutting. The investigating team agrees that there has been price suppression (see below) and therefore considers the calculation of a NIP appropriate in this case.

305. PW has provided a submission relating to the calculation of its unsuppressed selling price and this is summarised below.

306. PW has submitted that in the absence of the dumped galvanised wire from South Africa, it would

[REDACTED] PW stated that in 1998, its marketing strategy was centered around [REDACTED]. PW also stated that [REDACTED], which was having a material impact on [REDACTED].

307. PW stated that its production costs have increased and had it not been for the pricing pressure from dumped imports

[REDACTED]. PW was of the view that temporary cost fluctuations usually associated with billet prices, zinc prices or exchange rate movements are [REDACTED]. PW stated that its temporary cost savings are not [REDACTED].

308. PW submitted that in the year 1998/99, it achieved a gross margin of [REDACTED] percent of sales revenue of HiSpan V coils and [REDACTED] percent of sales revenue for standard fencing coils and a weighted average gross margin of [REDACTED] percent of sales revenue. PW believes that it is [REDACTED].

309. PW stated that the fixed cost components increased the cost of production from [REDACTED] per tonne for the year ending October 1999 to [REDACTED] per tonne for the 2001 year. PW further stated that while there has been some cost savings in the past year as a result of the strengthening currency and a lower world billet cost, these are considered [REDACTED].

310. PW submitted that the cost of production for standard and HiSpan V fencing coils are [REDACTED] and the current benchmark cost of production would be for the year ending 2001 and without any adjustment [REDACTED].

Ministry's Consideration of the Issues

311. Establishing a non-injurious price to measure the extent of price undercutting is not controversial in international or New Zealand trade remedy practice. The concept of a NIP is widely accepted and has been used extensively by those countries with a "lesser duty" rule in their domestic trade remedy legislation, most notably Australia and the European Union.

312. In establishing an unsuppressed selling price the investigating team is of the view that market prices in a period not affected by dumping are the best indicator of likely unsuppressed selling prices, provided that those market prices are from a period reasonably close to the period for which unsuppressed selling prices are being established. In this case the most recent period unaffected by dumping is the year ended June 1998, which has been used as a benchmark to calculate the NIP. The investigating team has used the year ending May 2002 cost of production information to calculate the NIP. The investigating team is unaware of any significant changes in the market or the economy which would make the year ended 1998 data unreliable for benchmarking purpose.

313. PW submitted that a NIP should be calculated by applying gross margin achieved in the year ended 30 June 1998 as a percentage of cost of production to its current cost of production. The investigating team considered that this was a reasonable approach. [REDACTED]

[REDACTED] been [REDACTED] above PW's prices (see paragraphs 489-496). A NIP has therefore been calculated on this basis for HiSpan V and Standard wire, and on an overall weighted average basis for both types of wire.

314. The investigating team also calculated an overall NIP. The investigating team firstly calculated the overall gross margin as a percentage of the cost of production for YE June 1998, which was then added to the overall current cost of production.

315. The following is the NIP for PW's HiSpan V, Standard and overall galvanised wire based on the methodology above.

| | NIP/kg (NZD) |
|----------|--------------|
| HiSpan V | [REDACTED] |
| Standard | [REDACTED] |
| Overall | [REDACTED] |

316. Details of price undercutting when compared to the unsuppressed selling prices (NIPs) are shown in the tables below under each importer.

317. As PW had provided an overall NIP for its HiSpan V and Standard galvanised wire, which includes all types and sizes of wire, the investigating team calculated for each importer an overall weighted average ex-wharf price for the imported wire. These prices were then compared to PW's overall NIP for purposes of price undercutting. The levels of price undercutting are detailed below under each importer.

Differences in Credit terms

318. The Ministry takes the view that where there are differences in credit terms offered by the local manufacturer that directly affect the price, an adjustment should be made to reflect the true price of the product for the purposes of a price undercutting comparison.

319. PW stated that it generally extends [REDACTED]. The investigating team notes, however, that the cost of credit is an overhead cost, which will be reflected in PW's prices and therefore an adjustment should be made where the credit terms extended to importers differ from those allowed by PW.

320. The investigating team has identified from its visit to Independent and Consolidated in South Africa the credit terms and cost of credit for at least three of the six importers over the period of investigation. None of the other importers have advised what their credit terms are with their South African suppliers and whether the cost of credit is included in the price paid to the South African suppliers. The investigating team, however, has an invoice from Euro Corp and Maccaferri which stipulates their payment terms.

321. On the basis of the submission made by PW, Independent and Consolidated and the common commercial practice of giving discounts for cash or prompt payments, the investigating team considers it reasonable to assume that credit terms do affect the price paid by importers. Adjustments have therefore been made to the selling prices to take account of differences in length of credit. Details of the credit

terms and the basis on which adjustments have been made, are shown below under each company.

322. [REDACTED]

323. [REDACTED]

Freight

324. The Ministry takes the view that where there are freight costs that directly affect the price, an adjustment be made to reflect the true ex-factory price of the product for the purposes of price undercutting comparison.

325. PW said that it delivers galvanised wire [REDACTED]. PW transports galvanised wire by truck [REDACTED]. Net sales figures are therefore [REDACTED] but include [REDACTED].

326. PW provided the investigating team with its freight costs calculations for its domestic galvanised wire for the 1998 to 2002 financial years, which ranged from [REDACTED] percent to [REDACTED] percent of the net sales ([REDACTED]).

327. As PW's price to its customers is [REDACTED], an adjustment was made to the net sales revenue ([REDACTED]) to calculate the true-ex-factory price for the purposes of price undercutting comparison. The investigating team calculated a weighted average freight cost based on the 1998 to 2002 annual freight cost provided by PW, which [REDACTED] or [REDACTED] percent of sales ([REDACTED]). This was applied to each type of PW galvanised wire to calculate the true ex-factory prices. In response to the EF&C report, PW stated that adjustments should be made to the cost of sales as this includes the [REDACTED]. The investigating team agrees with this and has made the necessary adjustments to the overall cost of sales figure for the 1998 to 2002 period.

Independent

328. [REDACTED] provided the Ministry with details of its imports of galvanised wire over the period of investigation. [REDACTED] imported all its galvanised wire from Independent over this period. The sizes of the wire were 2.5, 3.15 and 4.0mm in diameter. The wires imported over the period of investigation were heavy galvanised, high tensile and in coils of 600kg. [REDACTED] price in New Zealand dollars for these imports as well as its into store cost for its 2.5, 3.15 and 4.0mm wire.

329. For the reasons stated in paragraphs 290-294, the investigating team considers that the appropriate point of comparison is [REDACTED] ex-wharf cost versus PW's ex-factory price. The investigating team calculated the weighted average ex-wharf cost for each size of galvanised wire using the C&F invoiced prices which were converted to New Zealand dollars using the exchange rate at the date of the invoice, and adding customs duty (6.5 percent as per the NZCS data over the period of investigation), port clearance fees, overseas insurance and freight.

330. The number of credit days extended by Independent to [REDACTED] ranged from [REDACTED]. PW extends [REDACTED] credit to its customers. As a result of this difference, [REDACTED] ex-wharf price was [REDACTED] by the difference in the number of days, which ranged from [REDACTED]. An adjustment of [REDACTED] was made to [REDACTED] ex-wharf price to reflect the difference in the credit terms.

331. The investigating team calculated [REDACTED] overall weighted average ex-wharf price of its galvanised wire at [REDACTED] per kilogram.

332. Anchor has submitted that it is not aware of high tensile wire being imported, therefore any comparison with PW's fencing wire is unnecessary. The investigating team has determined under its like goods section above after looking at various factors such as characteristics, use, substitutability, physical difference and price, that the galvanised wire produced by PW are like goods to the imported South African galvanised wire, therefore a comparison between imported galvanised wire and PW's fencing wire is justified.

333. The following table shows the extent of price undercutting in relation to the PW ex-factory price over the period of investigation.

Table 4.2: Price Undercutting: [REDACTED] Imports from Independent

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory Price/kg | | | Price Undercutting/kg | | |
|----------------------|-----------------------------|--------------------------|------------|------------|-----------------------|------------|------------|
| | | HiSpan | Std | Overall | HiSpan | Std | Overall |
| <i>Manufacturing</i> | | | | | | | |
| 2.5mm | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| 3.15mm | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

| | | | | | | | |
|----------------|--------|--------|--------|--------|--------|--------|--------|
| 4.0mm | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ |
| <i>Fencing</i> | | | | | | | |
| 2.5mm | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ |
| 3.15mm | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ |
| 4.0mm | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ |

334. The table shows that ██████ imports are undercutting the equivalent PW galvanised wire. When PW's overall weighted average price for the manufacturing wire is compared, the price undercutting expressed as a percentage of the PW price is █████ and █████ percent for the 3.15 and 2.15mm wire respectively. For the fencing category, the table shows price undercutting ranging from █████ to █████ percent for the 2.5, 3.15 and the 4.00mm wire imported by █████.

335. On the basis set out above, the following table shows the extent of price undercutting by █████ of PW's NIPs.

Table 4.3: Price Undercutting: █████ Imports from Independent

| Importers Ex-wharf Cost/kg | PW's Ex-factory NIP Price/kg | | | Price Undercutting/kg | | |
|----------------------------|------------------------------|--------|---------|-----------------------|--------|---------|
| | HiSpan | Std | Overall | HiSpan | Std | Overall |
| ██████ | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ |

336. The table shows that █████ imports are undercutting PW's HiSpan V and Standard galvanised wire NIPs by █████ percent respectively. When PW's overall NIP is compared, the price undercutting expressed as a percentage of the PW price is █████ percent.

██████

337. █████ did not make any submissions in relation to this investigation. For the purposes of price undercutting, the investigating team has used the NZCS CIF data to calculate its ex-wharf price. According to the NZCS data, █████ imported █████ shipments of fencing galvanised wire over the period of investigation. These shipments included wires of 2.0, 2.24 and 2.5 mm in diameter, heavy galvanised and totalled about █████ tonnes in volume. The investigating team does not have any information regarding the coil sizes imported.

338. The investigating team does not have any information from █████ on its cost build up to ex-wharf. In order to carry out a fair price undercutting comparison, the investigation team considers that other importers' costs relating to port clearance charges can be used to calculate HWP' ex-wharf cost.

339. The number of credit days extended by Independent to [redacted] ranged from [redacted] [redacted]. PW extends [redacted] credit to its customers. As a result of this difference, [redacted] ex-wharf price was [redacted] by the difference in the number of days, which ranged from [redacted] days, using the prime interest rate provided by Independent. An adjustment of [redacted] was made to [redacted] ex-wharf price to reflect the difference in the credit terms.

340. The investigating team calculated [redacted] overall weighted average ex-wharf price of its imported galvanised wire at [redacted] per kilogram.

341. The following table shows the extent of price undercutting in relation to the PW's ex-factory price over the period of investigation.

Table 4.4: Price Undercutting: [redacted] Imports from Independent

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory Price | | | Price Undercutting | | |
|----------------------|-----------------------------|-----------------------|------------|------------|--------------------|------------|------------|
| | | HiSpan | Std | Overall | HiSpan | Std | Overall |
| <u>Manufacturing</u> | | | | | | | |
| 2.00mm | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| 2.5mm | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| 2.24mm | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| <u>Fencing</u> | | | | | | | |
| 2.00mm | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| 2.5mm | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |

342. The above table shows that [redacted] wires are undercutting PW's manufacturing wires when compared to the overall weighted average prices by [redacted] percent of PW price. For the fencing category, the price undercutting ranges from [redacted] percent when the imported wire price is compared to PW's HiSpan V, Standard and overall weighted average price. There is no price undercutting comparison shown for the [redacted] fencing wire as no sales of these were made by PW over the year ended June 2002.

343. On the basis set out above, the following table shows the extent of price undercutting by [redacted] of PW's NIPs.

Table 4.5: Price Undercutting: [REDACTED] Imports from Independent

| Importers Ex-wharf Cost/kg | PW's Ex-factory NIP Price/kg | | | Price Undercutting/kg | | |
|----------------------------|------------------------------|------------|------------|-----------------------|------------|------------|
| | HiSpan | Std | Overall | HiSpan | Std | Overall |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

344. The table shows that [REDACTED] imports are undercutting PW's HiSpan V and Standard galvanised wire by [REDACTED] percent respectively. When PW's overall NIP is compared, the price undercutting expressed as a percentage of the PW price is [REDACTED] percent.

Consolidated

[REDACTED]

345. The NZCS data shows [REDACTED] was the only importer of galvanised wire from Consolidated over the period of investigation. [REDACTED] imported [REDACTED] shipments of fencing galvanised wire from South Africa over the period of investigation consisting of heavy galvanised and high tensile wire of 2.46 and 3.15mm in diameter and in 600-900kg coils. According to Consolidated, [REDACTED] converts these into 25kg coils before selling them on the New Zealand market.

346. The investigating team has used the CIF invoiced prices to calculate [REDACTED] ex-wharf costs to compare against PW's ex-factory NIPs. The investigating team has relied on other importers' information on port clearance charges as [REDACTED] has not provided any information on its cost-build up.

347. Out of the [REDACTED] shipments from South Africa, [REDACTED] were of 2.46mm galvanised wire according to the Consolidated submission, and [REDACTED] was of 3.15mm galvanised wire.

348. The number of credit days extended by Consolidated to [REDACTED] ranged from [REDACTED] days. PW extends [REDACTED] credit to its customers. As a result of this difference, [REDACTED] ex-wharf price was [REDACTED] by the difference in the number of days, being [REDACTED] days, using the prime interest rate provided by Consolidated. An adjustment ranging from [REDACTED] was made to [REDACTED] ex-wharf price to reflect the difference in the credit terms.

349. The investigating team calculated [REDACTED] overall weighted average ex-wharf price of its imported galvanised wire at [REDACTED] per kilogram.

350. The following table shows the extent of price undercutting in relation to the PW ex-factory price over the period of investigation.

Table 4.6: Price Undercutting: [REDACTED] Imports from Consolidated

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory Price | | | Price Undercutting | | |
|----------------------|-----------------------------|-----------------------|------------|------------|--------------------|------------|------------|
| | | HiSpan | Std | Overall | HiSpan | Std | Overall |
| <u>Manufacturing</u> | | | | | | | |
| 2.46mm | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| 3.15mm | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| <u>Fencing</u> | | | | | | | |
| 3.15mm | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

351. The table shows that [REDACTED] 2.46mm and 3.15mm galvanised wire is undercutting PW's wire in the manufacturing category by [REDACTED] percent respectively.

352. For the fencing category, there was price undercutting of the PW HiSpan V, Standard 3.15mm galvanised wire, which was [REDACTED] percent of the total volumes imported over the period of investigation. There was no equivalent 2.46mm PW wire for comparison against the imported 2.46mm galvanised wire, however, if the imported 2.46mm wire is compared to PW's 2.5mm or 2.0mm HiSpan V or Standard wire in the fencing category, there is evidence of price undercutting.

353. On the basis set out above, the following table shows the extent of price undercutting by [REDACTED] in relation to PW's NIPs.

Table 4.7: Price Undercutting: [REDACTED] Imports from Consolidated

| Importers Ex-wharf Cost/kg | PW's Ex-factory NIP Price/kg | | | Price Undercutting/kg | | |
|----------------------------|------------------------------|------------|------------|-----------------------|------------|------------|
| | HiSpan | Std | Overall | HiSpan | Std | Overall |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

354. The table shows that [REDACTED] imports are undercutting PW's HiSpan V and Standard galvanised wire NIPs by [REDACTED] percent respectively. When PW's overall NIP is compared, the price undercutting expressed as a percentage of the PW price is [REDACTED] percent.

Cape Gate

[REDACTED]

355. [REDACTED] imported [REDACTED] shipments of fencing galvanised wire from Cape Gate over the period of investigation. As stated above, [REDACTED] ex-wharf

price is compared to PW’s ex-factory NIP price for price undercutting purposes. [redacted] provided the investigating team with an invoice for one of its [redacted] shipments. The NZCS data shows that [redacted] purchases a range of different sizes of galvanised wire with different tensile strengths in 25kg coils. Due to lack of detailed description in the NZCS data and invoices from [redacted], the investigating team is not able to calculate individual prices for the different sizes of galvanised wire. However, the investigating team was able to calculate ex-wharf prices for a range of galvanised wire imported by [redacted] as well as an overall weighted average ex-wharf price for the imported galvanised wire. The ranges were based on the diameter of the galvanised wire as follows:

- 1.6 mm to 2.5mm
- 2.5mm to 4.0mm
- greater than 4.0mm

356. For the purposes of price undercutting comparison, the investigating team is of the view that [redacted] ex-wharf price calculated from the NZCS CIF data for the above ranges should be compared to PW’s ex-factory price. [redacted] provided information on the following costs: Customs entry fee, EDI processing fee, obtaining delivery order fee and port services charges, which were added to the CIF amount from the NZCS data to calculate its ex-wharf price.

357. The number of credit days extended by Cape Gate to [redacted] was [redacted]. PW extends [redacted] credit to its customers. As a result of this difference, [redacted] ex-wharf price was [redacted] by the difference, being [redacted]. An adjustment ranging from [redacted] was made to [redacted] ex-wharf price to reflect the difference in the credit terms. As [redacted] had not provided any information, the investigating team used the average prime interest rate in South Africa over the period of investigation, which was based on information provided by Independent. The average interest rate was calculated at 13.85 percent and the cost of credit was calculated on this basis.

358. The investigating team calculated [redacted] weighted average ex-wharf price of its imported galvanised wire at [redacted] per kilogram.

359. The following table shows the extent of price undercutting in relation to the PW ex-factory price over the period of investigation.

Table 4.8: Price Undercutting: [redacted] Imports from Cape Gate Export Dvn.

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory Price | | | Price Undercutting | | |
|----------------------|-----------------------------|-----------------------|------------|------------|--------------------|------------|------------|
| | | HiSpan | Std | Overall | HiSpan | Std | Overall |
| <i>Manufacturing</i> | | | | | | | |
| 1.6mm-2.5mm | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |

| | | | | | | | |
|-------------------|--------|--------|--------|--------|--------|--------|--------|
| 2.5mm-4mm | ██████ | ████ | ████ | ██████ | ████ | ████ | ██████ |
| > 4.0mm | ██████ | ████ | ████ | ██████ | ████ | ████ | ██████ |
| <i>Fencing</i> | | | | | | | |
| =<1.6mm
>2.5mm | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ |
| =<2.5mm
>4mm | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ |
| >4.0mm | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ |

360. The above table shows that there was no price undercutting for the three ranges of wire imported when compared with PW's manufacturing category of wire. However, there was price undercutting in the fencing category, for all the three ranges, from ██████ percent.

361. The investigating team notes that in the fencing category, all galvanised wire imported by ██████ over the period of investigation shows evidence of price undercutting.

362. On the basis set out above, the following table shows the extent of price undercutting by ██████ of PW's NIPs.

Table 4.9: Price Undercutting: ██████ Imports from Cape Gate Export Division.

| Importers
Ex-wharf
Price/kg | PW's Ex-factory NIP | | | Price Undercutting/kg | | |
|-----------------------------------|---------------------|--------|---------|-----------------------|--------|---------|
| | Price/kg | | | HiSpan | Std | Overall |
| | HiSpan | Std | Overall | | | |
| ██████ | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ |

363. The table shows that ██████ imports are undercutting PW's HiSpan V and Standard galvanised wire by ██████ percent respectively. When PW's overall NIP is compared, the price undercutting expressed as a percentage of the PW price is ██████ percent. The investigating team notes that 100 percent of ██████ imports over the period of investigation are undercutting PW's NIP's.

364. ██████, in response to the EF&C report stated that it disagrees with the Ministry's view that its prices are undercutting PW's prices. ██████ stated that it has been in direct competition with PW and ██████ but has been unsuccessful due to PW offering cheaper prices. ██████ provided the Ministry with its average prices to its resellers, however, it did not provide any invoices to back up these prices. ██████ has also stated that the ██████ and discounts offered by PW would have deflected the true market price of PW's galvanised wire.

365. The investigating team, due to lack of co-operation from [REDACTED] supplier (Cape Gate) and very limited information from [REDACTED], has relied on the best available information i.e. the New Zealand Customs data to calculate its ex-wharf prices. The investigating team [REDACTED] and has made the necessary adjustments to PW's selling price to calculate its ex-factory price. Any price undercutting comparison is based on PW's selling price after deductions have been made for the [REDACTED] and freight charges incurred by it over the period of investigation. (see paragraphs 322-327 above)

[REDACTED]

366. [REDACTED] imported [REDACTED] shipments of galvanised wire from South Africa over the period of investigation from Cape Gate. As both Cape Gate and [REDACTED] have not provided any information, the investigating team has calculated [REDACTED] ex-wharf cost based on the NZCS data. The investigating team has also relied on other importers' cost information to calculate [REDACTED] ex-wharf cost.

367. The NZCS data shows that [REDACTED] has imported approximately [REDACTED] of galvanised wire over the period of investigation. The investigating team was able to identify what the products were for [REDACTED] of the [REDACTED] shipments. Due to lack of detailed description of the products imported in the NZCS data, the investigating team was unable to identify what [REDACTED] shipment consisted of.

368. The investigating team used the NZCS CIF data and other importers' cost information to calculate [REDACTED] ex-wharf price.

369. There was no information on the number of days credit extended by Cape Gate to [REDACTED]. The investigating team relied on [REDACTED] information, as it imported from Cape Gate over the period of investigation. The investigating team assumes, therefore, that [REDACTED] would be granted the same number of credit days as [REDACTED]. The investigating team therefore applied [REDACTED] credit to [REDACTED] based on [REDACTED] information. PW extends [REDACTED] credit to its customers. As a result of this difference, [REDACTED] ex-wharf price was [REDACTED] by the difference in the number of days, being [REDACTED]. An adjustment of [REDACTED] was made to [REDACTED] ex-wharf price to reflect the difference in the credit terms. An average South African prime rate (13.85 percent), calculated using Independent's information was used to calculate the cost of credit for [REDACTED] imports.

370. The investigating team calculated [REDACTED] overall weighted average ex-wharf price of its imported galvanised wire at [REDACTED] per kilogram.

371. The following table shows the extent of price undercutting in relation to the PW ex-factory price over the period of investigation.

Table 4.10: Price Undercutting: [REDACTED] Imports from Cape Gate Export Dvn.

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory Price | | | Price Undercutting | | |
|----------------------|-----------------------------|-----------------------|------------|------------|--------------------|------------|------------|
| | | HiSpan | Std | Overall | HiSpan | Std | Overall |
| <i>Manufacturing</i> | | | | | | | |
| 2.24mm | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| 2.5mm | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| <i>Fencing</i> | | | | | | | |
| 2.5mm | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

372. The above table shows price undercutting for the 2.24mm and 2.5mm wire in the manufacturing category of [REDACTED] percent respectively when compared to PW's overall weighted average price. For the fencing category, there was price undercutting for the 2.5mm wire ranging from [REDACTED] percent of the PW ex-factory price. There was [REDACTED] imported 2.24mm wire, however, there is evidence of price undercutting when the imported 2.24mm wire [REDACTED] HiSpan V and Standard wire.

373. On the basis set out above, the following table shows the extent of price undercutting by [REDACTED] of PW's NIPs.

Table 4.11: Price Undercutting: [REDACTED] Imports from Cape Gate Export Division.

| Importers Ex-wharf Price/kg | PW's Ex-factory NIP Price/kg | | | Price Undercutting/kg | | |
|-----------------------------|------------------------------|------------|------------|-----------------------|------------|------------|
| | HiSpan | Std | Overall | HiSpan | Std | Overall |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

374. The table shows that [REDACTED] imports are undercutting PW's HiSpan V and Standard galvanised wire by [REDACTED] percent respectively. When PW's overall NIP is compared, the price undercutting expressed as a percentage of the PW price is [REDACTED] percent.

Finmesa Investment Corporation

[REDACTED]

375. [REDACTED] imported [REDACTED] shipments of galvanised wire from Finmesa over the period of investigation. One shipment was of galvanised [REDACTED] wire and the other of galvanised [REDACTED]. [REDACTED] has indicated in its submission that these wires were of 2.2 mm in diameter and imported in 25kg coils.

376. [redacted] stated in its submission that it does not service the fencing or the manufacturing market with this imported galvanised wire but uses it as a [redacted] for its [redacted]. As these galvanised wires are imported from the subject country, in 25kg coils and fall within the description of the subject goods, it has the potential to be used for fencing or in the vineyard market, therefore, it is appropriate for the investigating team to include these imports in the investigation and carry out a price undercutting comparison. The investigating team notes that all of [redacted] imports over the period of investigation are subject to [redacted], which have been in effect from [redacted].

377. [redacted] ex-wharf price has been calculated from the NZCS data. As [redacted] has not provided any cost build up information, a reasonable amount for port clearance fees and NZCS charges has been added to the CIF, based on information provided by other importers to calculate a fair ex-wharf price.

378. The number of credit days extended by Finmesa to [redacted] was [redacted]. PW extends [redacted] credit to its customers. As a result of this difference, [redacted] ex-wharf price was [redacted] by the difference in the number of days, being [redacted]. An average prime interest rate (13.85 percent) based on Independent’s information was used to calculate the cost of credit. An adjustment of [redacted] was made to [redacted] ex-wharf price to reflect the difference in the credit terms.

379. The investigating team has not carried out a price undercutting comparison of [redacted] imports from Finmesa with PW’s current ex-factory price as PW does not produce the equivalent wire.

380. The investigating team calculated [redacted] overall weighted average ex-wharf price of its imported galvanised wire at [redacted] per kilogram and compared it to PW’s NIPs.

Table 4.12: Price Undercutting: [redacted] Imports from Finmesa

| Wtd. Avg Ex-Wharf Price/kg | PW's Ex-factory NIP/kg | | | Price Undercutting/kg | | |
|----------------------------|------------------------|------------|------------|-----------------------|-----|---------|
| | HiSpan | Std | Overall | HiSpan | Std | Overall |
| [redacted] | [redacted] | [redacted] | [redacted] | Nil | Nil | Nil |

381. The above table shows that [redacted] imports from South Africa did not undercut PW’s NIPs over the period of investigation.

African Gabions

[redacted]

382. [redacted] imported one shipment from African Gabions, which consisted of galvanised [redacted] wire (for [redacted]) of 2.2mm wire in 25kg coils. For the reasons mentioned above, the investigating

team is of the view that these wires are subject to investigation, therefore it is appropriate to carry out a price undercutting comparison.

383. The NZCS data along with reasonable cost build up information from other importers were used to calculate [REDACTED] ex-wharf price.

384. The number of days credit extended by African Gabions to [REDACTED] was [REDACTED]. PW extends [REDACTED] credit to its customers. As a result of this difference, [REDACTED] ex-wharf price was [REDACTED] by the difference in the number of days, being [REDACTED]. An adjustment of [REDACTED] was made to [REDACTED] ex-wharf price to reflect the difference in the credit terms. An average prime interest rate (13.85 percent) based on Independent's information was used to calculate the cost of credit.

385. The investigating team calculated [REDACTED] weighted average ex-wharf price of its imported galvanised wire at [REDACTED] per kilogram.

386. The investigating team has not carried out a price undercutting comparison of [REDACTED] imports from African Gabions with PW's current ex-factory price as PW does not produce the equivalent wire.

387. On the basis set out above, the following table shows a comparison of PW's ex-factory NIP with [REDACTED] overall weighted average ex-wharf price for its imports from African Gabions.

Table 4.13: Price Undercutting: [REDACTED] Imports from African Gabions

| Wtd. Avg
Ex-Wharf
Price/kg | PW's Ex-factory NIP/kg | | | Price Undercutting/kg | | |
|----------------------------------|------------------------|------------|------------|-----------------------|------------|------------|
| | HiSpan | Std | Overall | HiSpan | Std | Overall |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

388. The table shows that [REDACTED] imports are undercutting PW's HiSpan V galvanised wire by [REDACTED] percent, whereas there is no evidence of price undercutting when compared to PW's Standard galvanised wire NIP.

Conclusion

389. When the overall prices are considered, the investigating team concludes that 99.9 percent of the imported fencing galvanised wire over the period of investigation has undercut PW's ex-factory NIP.

Price Undercutting and the Margin of Dumping

390. The margin of price undercutting must be related to the margin of dumping in order to establish the extent to which price undercutting can be attributed to dumping. The investigating team has calculated the overall weighted average margin of dumping for the galvanised wire supplied by Consolidated, Independent, Cape Gate,

African Gabions and Finmesa. The investigating team has added the margin of dumping to the importers overall weighted average ex-wharf prices shown in the tables above and compared the result to PWs ex-factory NIP. The figures are shown below.

Independent

[REDACTED]

391. The investigating team carried out a transaction to transaction comparison to calculate dumping margins. The investigating team found that for Independent, [REDACTED] of the [REDACTED] transactions were dumped. This resulted in the overall weighted average of negative 0.2 percent of the export price. The investigating team also notes that a negative overall weighted average margin does not necessarily indicate that no injury has occurred or that no duty should be imposed, particularly when over 50 percent of the transactions show dumping.

Consolidated

[REDACTED]

Table 4.14: Price Undercutting: [REDACTED] Imports from Consolidated

| Wtd. Avg Ex-Wharf Price/kg +D/M | PW's Ex-factory NIP/kg | | | Price Undercutting/kg | | |
|---------------------------------|------------------------|------------|------------|-----------------------|------------|------------|
| | HiSpan | Std | Overall | HiSpan | Std | Overall |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

392. The table shows that there is still price undercutting. This indicates that in the case of imports from Consolidated, anti-dumping duty at the full margin of dumping would be appropriate to remedy injury suffered by PW due to the dumped galvanised wire.

Cape Gate

[REDACTED]

Table 4.15: Price Undercutting: [REDACTED] Imports from Cape Gate

| Wtd. Avg Ex-Wharf Price/kg +D/M | PW's Ex-factory NIP/kg | | | Price Undercutting/kg | | |
|---------------------------------|------------------------|------------|------------|-----------------------|------------|------------|
| | HiSpan | Std | Overall | HiSpan | Std | Overall |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

393. The above table shows no price undercutting after the weighted average dumping margin is added back to [REDACTED] ex-wharf price. This indicates that a lesser duty is appropriate.

[REDACTED]

Table 4.16: Price Undercutting: [REDACTED] Imports from Cape Gate

| Wtd. Avg Ex-Wharf Price/kg +D/M | PW's Ex-factory NIP/kg | | | Price Undercutting/kg | | |
|---------------------------------|------------------------|------------|------------|-----------------------|------------|------------|
| | HiSpan | Std | Overall | HiSpan | Std | Overall |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

394. The above table shows that there is no price undercutting after the dumping margins are added to [REDACTED] ex-wharf prices. As [REDACTED] and [REDACTED] both import from Cape Gate, a lesser duty for Cape Gate is appropriate.

Finmesa Investments and African Gabions

[REDACTED]

395. None of the individual transactions were dumped and the overall weighted average dumping margin for Finmesa and African Gabions is at zero percent of the export price. For this reason, the investigating team is unable to calculate a price inclusive of the dumping margins for galvanised wire supplied by Finmesa and African Gabions to consider whether lesser duty or duty at the full margin of dumping would be applicable.

Conclusion

396. When PW's current prices are compared to the prices of the imported goods there is significant price undercutting by a large majority of imported galvanised wire. The investigating team notes that 99.9 and 35 percent (by volume) of imports were undercutting PW's fencing and manufacturing galvanised wire respectively over the period of investigation.

397. When PW's NIPs are compared to the prices of the imported goods, there is price undercutting by 99.9 percent (by volume) of the goods imported over the period of investigation.

398. When PW's non-injurious prices are compared with the margin of dumping added to the prices of the imported goods, there is still price undercutting by [REDACTED] percent (by volume imported) of the subject goods, indicating that anti-dumping duty for [REDACTED] percent of the imports should be imposed at the full margin of dumping.

Price Depression

399. 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.

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

401. PW has provided its overall average selling prices [redacted] for all its galvanised wire (includes HiSpan V, Standard and 5-Star) sold over the 1998 to 2002 financial years. PW did not provide average ex-factory selling prices [redacted] separately for HiSpan V and Standard galvanised wires. The following table shows the overall average selling price for PW’s galvanised wire over the 1998 to 2002 period in June years.

Table 4.17: Price Depression: Average Selling Prices/kg (June Years)

| 1998 | 1999 | 2000 | 2001 | 2002 |
|------------|------------|------------|------------|------------|
| [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |

402. The table shows an increase in the overall average price in 1999 and a decrease (compared to 1998) in 2000 and 2001 by [redacted] and [redacted] respectively, however the average prices in 2002 increased to a level higher than 1998, the period unaffected by the dumped South African imports.

403. PW stated that the average prices in 2000 [redacted]. PW has also stated that in 2000, it launched “jumbo” coils of 1,000 and 1,100 metres in 10 tonne quantities. [redacted] PW also stated that [redacted] reduce prices as a result of market prices going down because of the South African galvanised wire.

404. [redacted]

405. The investigating team calculated the percentage difference between the current prices of the HiSpan V, Standard and 5-Star product based on the information provided by PW. The Standard galvanised wire is sold approximately [redacted] percent [redacted] than the HiSpan V and the 5-Star is sold [redacted] percent and [redacted] percent [redacted] than the HiSpan V and Standard wire respectively.

406. Despite the introduction of the [REDACTED], the average selling price has increased due to the majority of the sales being of Standard and HiSpan V wire to [REDACTED]. Because of the

[REDACTED] wires and changes in the sales mix, namely [REDACTED], PW expects that the average selling price will decline. PW also stated that the [REDACTED]

407. PW's pricing information for its HiSpan V and Standard products shows that the price of HiSpan V in 25kg coils increased by [REDACTED] percent since February 2000. The price of HiSpan V in 39kg coils has decreased by [REDACTED] percent since December 2000 and the price of Standard 25-kg coils have increased by [REDACTED] percent since February 2000. The Ministry is of the view that price depression must be demonstrated taking into account all sales of like goods. It is not sufficient to show that prices of certain models only have been depressed. The Ministry has noted that [REDACTED]

Conclusion

408. When the above overall average selling prices are considered there was evidence of slight price depression in 2000 and 2001 but there is no evidence of price depression in the most recent financial year.

Price Suppression

409. *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.*

410. 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. While the inability to recover cost increases in prices is the main indicator of price suppression, the Ministry will consider any other factors raised as positive evidence of price suppression.

411. The following table shows PW's cost of production, selling and administration expenses and total cost relative to sales.

Table 4.18: Price Suppression (Years Ended June)

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|--------------------|------------|------------|------------|------------|------------|
| Sales Revenue | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Cost of Production | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| S&A Expenses | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Total Costs | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| As % of Sales: | | | | | |
| -Cost of Prod. | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| -S&A Expenses | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| -Total Costs | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

412. The above table shows a [REDACTED] increase in costs relative to sales revenue from 1999 to 2002 when compared to the 1998 financial year.

413. PW states that injury has occurred through its inability to increase prices for its finished goods as a result of increases in the cost of raw materials. PW stated that its inability to recover cost increases was caused by the presence in the New Zealand market of dumped South African imports.

414. PW stated that the fixed overhead costs were calculated at standard costs until this was reviewed in December 2000. PW stated that as a result of a review, a [REDACTED] was made to the galvanising line. PW allocates fixed costs for acid recovery (chemical cleaning), boiler house, maintenance, hydrogen plant, pole trucks, labour and inspection. However, PW stated that the effect of the revisions will not alter the fixed or variable overheads in the injury tables as it has used actual fixed costs and actual variable costs for all years from 1998 to 2002.

[REDACTED]

415. According to PW, there are two key raw materials for galvanised wire: wire rod and zinc. PW sources its wire rod from Pacific Steel, which is a subsidiary of Fletcher Steel. PW has bought its rod at arm's length, based on Import Parity Pricing, since 1999. PW stated that Pacific Steel also sells wire rod to other New Zealand customers and these prices are also based on import parity. The rod price is quoted off the London Metal Bulletin at the ANZ spot rate on the last day of the month and is adjusted for costs e.g. transport. PW stated that there is a [REDACTED]

[REDACTED] According to PW,

the rod prices since [REDACTED] have decreased as exchange rates have improved.

416. PW sources its zinc from [REDACTED], through [REDACTED]. PW stated that it has forward foreign exchange contracts in relation to its [REDACTED]

417. PW also provided a graphical representation of the costs of rod and zinc as part of their application. The graph representing zinc costs showed that the cost of zinc in [REDACTED] was [REDACTED] per kg, an increase of approximately [REDACTED] percent since [REDACTED]. The graph also showed that, since [REDACTED], the cost of wire rod had increased by [REDACTED] percent in [REDACTED], after which it started to decrease due to exchange rate improvements.

Conclusion

418. Total costs have increased relative to sales since the period unaffected by dumping indicating prices have been suppressed.

Conclusion on Price Effects

419. There is significant price undercutting by a large majority of imported galvanised wire and prices have been suppressed. There is evidence of slight price depression in 2000 and 2001.

4.4 Economic Impact

420. *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

421. 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.

422. PW has advised that it sells on a “made to order “ basis, therefore its production closely follows its sales.

423. The following table shows PW’s sales volume and revenue from 1998 to 2002. PW’s imports have been excluded from the volume and revenue figures.

Table 4.19: Sales of Galvanised Wire (June Years)

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|--------------------------------|------------|------------|------------|------------|------------|
| Volume(tonnes) | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ |
| Change on the previous year | | ██████████ | ██████████ | ██████████ | ██████████ |
| Vol.-% of 1998 | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ |
| Avg. Vol. Sales/month | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ |
| Change on the previous year | | ██████████ | ██████████ | ██████████ | ██████████ |
| Avg. Sales per month-% of 1998 | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ |
| Revenue(\$000) | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ |
| Change on Previous Year | | ██████████ | ██████████ | ██████████ | ██████████ |
| Revenue-% of 1998 | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ |
| Revenue per kg | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ |
| Avg. Revenue per month | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ |
| Change on Previous Year | | ██████████ | ██████████ | ██████████ | ██████████ |
| Avg. Rev. per month-% of 1998 | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ |

424. As noted previously, the Ministry considers that injury must be assessed in relation to financial data covering all like goods. In the period from 1999 to 2002, the table shows that sales volumes increased each year. The volume of galvanised wire sold in 2002 was ██████ percent higher than the 1998 period. The table also shows that sales revenue increased each year since 1999. The 2002 sales revenue was ██████ percent higher than the 1998 period and the average sales revenue per month increased each year since 1999. The Ministry notes that sales volume and revenue

increases occurred within the context of growing market which increased in size by [REDACTED] percent between 1998 and 2002.

425. On a per kg basis, there is evidence of loss of sales revenue in 2000 and 2001, although this increased in 2002 to a level higher than was achieved in the four preceding years.

426. The above table also shows that the sales volumes and revenue decreased in 1999, which is when, according to PW, the dumped South African imports started impacting PW's sales.

427. PW stated that the increased sales volume and revenue since 1999 can be attributed to the [REDACTED]

[REDACTED] to increased rural demand due to stronger export returns, vineyard growth and conversions from sheep to dairy farms in Otago and Southland area, which meant more fences and gates for the farms.

Conclusion

428. There is no historic evidence of a significant loss of PW's absolute sales volume or revenue in the context of a large increase in market size. There is, however, evidence of a loss of sales revenue in 2000 and 2001 on a per kg basis.

Market Share

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

430. PW stated that it has lost market share due to dumped South African imports and imports from other sources. Under price suppression, PW has also stated that it has been constrained in its ability to increase prices due to the South African dumped imports.

431. The following table shows actual market share and changes in market share from YE June 1998 to 2002.

Table 4.20: Market Share (Tonnes) (Years Ended June)

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|----------------------|------------|------------|------------|------------|------------|
| NZ Market | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| NZ Industry Sales | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Dumped Imports(ZA) | 798 | 1,137 | 813 | 775 | 1,420 |
| Other Imports | 6,831 | 6,582 | 9,085 | 8,121 | 8,521 |
| Change in Volume: | | | | | |
| - NZ Market | | [redacted] | [redacted] | [redacted] | [redacted] |
| - NZ Industry Sales | | [redacted] | [redacted] | [redacted] | [redacted] |
| - Dumped Imports(ZA) | | 299 | -285 | -34 | 569 |
| - Other Imports | | -249 | 2,503 | -964 | 401 |
| % Share Held By: | | | | | |
| - NZ Industry | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| - Dumped Imports(ZA) | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| - Other Imports | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |

432. The table shows that the market size has increased by [redacted] percent between 1998 and 2002. The table also shows a [redacted] decline in the New Zealand industry's market share in 1999 (when injury is claimed to have commenced). In 2000, the New Zealand industry market share was maintained at the same level as that achieved in 1999. It is evident from the above table that the New Zealand industry's market share decreased as a result of the South African imports in 1999 as the market share held by imports from other sources remained constant. PW's market share picked up to a level higher than it was in the period unaffected by dumping in 2001 and 2002. The import volumes and consequent effect on market share have been limited by [redacted] from South Africa as a result of [redacted]. If PW had not adopted this strategy, the investigating team is of the view that import volumes from South Africa would have increased significantly at the expense of PW's market share. In the most recent year the increase in market share for South African imports has been at the expense of the market share of other imports. While PW's [redacted] strategy enabled it to maintain its market share, its profit levels declined significantly.

433. PW stated that it has [redacted]

[REDACTED]

434. The information available does not show any significant overall decline in market share over the period from 1999, which is the year when injury is claimed to have commenced.

435. PW stated that the vineyard market differs from the rural market in that the vineyards predominantly use the [REDACTED] coils whereas the rural market demand is for the smaller [REDACTED] coils.

436. According to the time scale of the seasonal fluctuation provided by PW, the rural market demand consisting of the [REDACTED] wire starts growing sharply just after January and peaks around May/June, tapering off by September.

437. The vineyard market picks up around the end of June, peaks in the July-September period and starts slowing down in the December-January period and consists of the [REDACTED] wire. PW contends that the South African imports target the July-September vineyard market but also catch some of the March-June fencing market.

438. PW said that the overall market for wire was predicted to contract as farmers expect a weaker season next year (after three good seasons) and the benefits of the weak exchange rate have gone, no longer resulting in strong commodity prices. PW was of the view that the vineyard market is not expected to fall, although it cannot say whether the market is near saturation point or will continue to grow.

439. PW expects that its sales in terms of volume will increase because of the [REDACTED]. PW stated that brand preference for HiSpan V continues in some regional areas with others preferring the Standard brand. [REDACTED]

Conclusion

440. There is no evidence of a significant loss of market share.

Profits

441. 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.

442. 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.

Table 4.21: EBIT (YE June)

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|-------------------------|------------|------------|------------|------------|------------|
| EBIT (\$000) | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Change on previous year | | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| % of 1998 | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| % of Revenue | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| EBIT per kg | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Change on previous year | | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| % of 1998 | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

443. The above table shows a [REDACTED] decline in the EBIT since 1998, the period unaffected by dumping. PW is of the view that the South African dumped imports have contributed to the [REDACTED] decline of the EBIT through its inability to increase prices as a result of increased costs.

444. The [REDACTED]

Conclusion

445. There is evidence of a [REDACTED] decline in PW's EBIT since 1998.

Productivity

446. 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.

447. PW stated that it does not measure domestic output based on employee numbers as it does not allocate employees between its domestic and export volume production, however, it provided information on the number of employees that would be involved in the galvanised wire side of the business. PW stated that there is a certain maximum volume for production but this is dependent on the [REDACTED]

[REDACTED]

448. [REDACTED]

449. PW stated that the number of employees has remained fairly constant since 1998. PW said that numbers tend to remain relatively stable given the processes used in its factory, however it has [REDACTED]

450. The following table shows PW’s productivity per employee since 1998 to the 2002 and for the remaining period of the investigation.

Table 4.22: Productivity (tonnes)

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|------------------------|------------|------------|------------|------------|------------|
| Volume Produced | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| No. of Employee | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Productivity /employee | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

451. There was a [REDACTED] drop in PW’s productivity in 1999, however, its productivity improved with the employee numbers remaining fairly stable from 2000 to 2002. This is due to PW’s [REDACTED] and PW’s sales volume increasing [REDACTED] since 1999.

Return on Investments/Shareholders Funds

452. 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.

453. PW stated that fixed assets and shareholders’ funds have been apportioned according to the percentage of total tonnes of galvanised wire to total tonnes of production.

454. The following table shows PW’s information on return on investments and shareholders funds.

Table 4.23: Return on Assets and Shareholders Funds

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|----------------------------|------------|------------|------------|------------|------------|
| Average Assets (\$000) | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Average Shareholders Funds | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| EBIT (\$000) | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| EBIT as a % of Avg. Assets | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| EBIT as a % of SH Funds | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

455. The above table shows that PW's EBIT decreased [REDACTED] since 1998, which has resulted in a decreased return on assets and shareholders funds.

456. The above table shows that the average assets has increased by [REDACTED] percent over the 5 years. The shareholders funds has increased [REDACTED] over the same period.

457. The average assets and shareholders funds have increased in 2002 by [REDACTED] and [REDACTED] percent respectively since 2001. PW stated that it [REDACTED].

458. There has been a [REDACTED] decrease in the return on shareholders funds and assets since the period unaffected by dumping.

Utilisation of Production Capacity

459. 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.

460. PW's galvanising production capacity can exceed [REDACTED] tonnes if the right mix is achieved. A capacity of [REDACTED] could be reached if wires with a diameter of 2.50mm and above were produced, whereas a capacity of [REDACTED] would be achieved if smaller diameters were produced such as 1.60 and 2.0mm wires.

461. The following table shows PW's utilisation of its production capacity of galvanised wire from 1998 to 2002.

Table 4.24: Utilisation of production Capacity (tonnes)

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|-------------|------|------|------|------|------|
| Capacity | | | | | |
| Production | | | | | |
| Utilisation | | | | | |

462. The table shows that PW's utilisation of its production capacity decreased in 1999, which is when the injury is first claimed to have occurred, but increased to levels higher than the 1998 period as market size grew. PW said it has tried to maintain its market share while competing with the imported South African galvanised wire. PW said it has achieved this by , despite cost of production increasing over the years.

463. PW has stated that its production lines have not changed since their initial set up with no additional capacity added, .

464. There is no evidence of a decline in utilisation of PW's production capacity.

Factors Affecting Domestic Prices

465. The investigating team is not aware of an adverse economic impact by the subject goods relating to factors affecting domestic prices.

Magnitude of the Margin of Dumping

466. 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.

467. The analysis of price undercutting above has related the margin of dumping to the margin of price undercutting and has concluded that anti-dumping duty for the subject goods should in some cases be imposed at the full margin of dumping and in other cases at less than the margin of dumping.

Other Adverse Effects

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

Cash Flow

469. PW provided the Ministry with cash flow information for its entire operational branch as well as for the galvanised wire business from 1998 to 2002.

470. PW uses unlevered cashflow to measure its business cash returns. “Unlevered cashflow” is cashflow from operations i.e. the operating result of the company, whereby operating net profit is used to calculate the cashflow. PW adds the depreciation, which is a non-cash item, back to the operating results of the business. The depreciation amount was calculated in the normal manner for the whole of PW and an allocation made to galvanised wire based on galvanised wire revenue to total revenue for PW. This methodology has been used for every year (1998-2002). According to PW, it is a basic calculation that is used across the board, even at Fletcher Building level. At the Fletcher Building level, there may be adjustments made for royalties etc, but at PW’s operations level, there are no such adjustments to be made to cashflow.

471. The following table shows the operational cashflow for the galvanised wire part of the business.

Table 4.25: Galvanised Operational Cashflow

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|------------------|------------|------------|------------|------------|------------|
| Domestic Revenue | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ |
| Cost of Sales | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ |
| Depreciation | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ |
| Operating Cash | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ |

472. The table shows a ██████████ decline in operating cash since 1998.

Inventories

473. PW provided its galvanised wire inventory data at balance date for YE June 1998 to 2002 as follows:

Table 4.26: Inventories (\$000)

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|------------|------------|------------|------------|------------|
| Finished Goods Quantity at Balance Date | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ |
| Change from Previous Year | | ██████████ | ██████████ | ██████████ | ██████████ |
| As a percentage of 1998 | | ██████████ | ██████████ | ██████████ | ██████████ |

474. The above table shows that PW’s inventory levels increased ██████████ since 1998, however, the most recent year’s results show that the inventory levels are well below the levels in 1998, the period unaffected by dumping.

475. PW values its inventory using the standard cost method. Every item, including the coils of galvanised wire, has a lot number which is identified by the barcode on

the token. PW does not have a first in first out (FIFO) or last in first out (LIFO) inventory system in place as most of its production is based on a “made to order” basis. PW stated that it might have stock build up just prior to a season (for example stock is built up in January in anticipation of a February increase in sales), as a result of overruns or cancellations. PW also stated that the galvanised wires have a shelf life of 3-4 months after which they become dull in appearance.

476. The investigating team concludes that the South African galvanised wire imports have not impacted on PW’s inventory levels.

Employment and Wages

477. [REDACTED]

478. In 1998 PW estimated that [REDACTED] permanent and [REDACTED] temporary full time equivalent (FTE) staff were employed in galvanising operations. In 2002, [REDACTED] permanent and [REDACTED] temporary FTEs were employed in galvanising operations. PW stated that the dumped galvanised wire has not resulted in [REDACTED]. PW has a [REDACTED]

[REDACTED]. PW employees work all statutory days except Christmas and Easter.

479. The investigating team observes that there has been a decrease in permanent staff members in the galvanised wire part of the business by [REDACTED] since 1998, but also notes that the temporary staff has been increased from [REDACTED]. With PW’s increasing its production volumes and temporary employee numbers, there is no evidence that the South African imports have had any impact on the employee levels.

480. The investigating team concludes that the reduction in PW’s permanent staff numbers cannot be materially attributed to the effects of dumping.

Growth, Ability to Raise Capital and Investments

481. Fletcher Building’s weighted average cost of capital is [REDACTED] percent. All investments are reviewed by [REDACTED]. Potential investments are accompanied by a financial forecast and analysis (typically over a [REDACTED] period), calculated on a free cashflow and

simple payback system. PW is looking [REDACTED]

482. PW was of the view that if it didn't trade profitably, it would affect Fletcher Building Limited's decision on future investments in PW. PW stated that its profitability has been constrained due to the South African dumped imports. PW said [REDACTED] would consider that in its evaluation of any PW capital expenditure proposal.

483. PW classifies its capital expenditure as either development or stay-in-business capital expenditure. PW stated that stay-in-business capital expenditure is that necessary to maintain the base business. The development expenditure is likely to be available to companies whose profitability is sound, has a strong growth path and has low identifiable risks. [REDACTED]

484. The investigating team concludes that PW's declining profitability levels over the last 5 years has had an adverse impact on PW's growth. There is no evidence that dumped imports have yet impacted on PW's ability to raise capital and investments.

4.5 Other Causes Of Injury

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

- i. the volume and prices of goods that are not sold at dumped prices; and*
- ii. contraction in demand or changes in the patterns of consumption; and*
- iii. restrictive trade practices of, and competition between, overseas and New Zealand producers; and*
- iv. developments in technology; and*
- v. export performance and productivity of the New Zealand producers; and*
- vi. the nature and extent of importations of dumped or subsidised goods by New Zealand producers of like goods, including the value, quantity, frequency and purpose of any such importations.*

Introduction

486. 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 PW, it must only be satisfied that dumping has been a cause of material injury to PW.

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.

487. 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 period under review, then it is unlikely that the onset of injury could be attributed to those other factors.

Factors Other than Dumping

Non-dumped Imports

488. The investigating team notes that from table 4.1 above that imports from sources other than South Africa have increased substantially since 1999 as New Zealand's market size has increased, with the major increases of [REDACTED] percent in 2000 and 2002 respectively. The investigating team also notes that NZCS data shows that the Australian imports in 2000 had increased by [REDACTED] percent alone.

Australian Imports

489. According to PW, Australia has historically been a provider of galvanised wire in New Zealand. As from late 2000, Australia has been supplying the New Zealand market with zinc aluminium wire, which has a very small share of the New Zealand market.

490. PW stated that the Australian galvanised wire has [REDACTED]

491. Australia was the source of the largest volume of imports of galvanised wire in the period of investigation, representing 54 percent of imports, with South Africa the source of the second largest volume of imports at 13 percent. The investigating team analysed NZCS data and concluded that most of the Australian imports did not appear to compete head on with the South African imports and that, where they did

compete head on, most of the Australian product was priced significantly higher than the South African product.

492. Analysis of the NZCS data for the period of investigation showed that 70 percent of galvanised wire imports from Australia were imported under different tariff items to the South African wire. The 30 percent of import volumes from Australia that were imported under the same tariff items as the South African imports consisted mainly of fencing wire (76%) and outnumbered the South African imports by 29 percent. The fencing wire imports from Australia that were imported under the same tariff items as the South African imports had average total values for duty over the year that were significantly higher than the average values for duty of South African imports.

493. The investigating team also calculated the ex-wharf price of the Australian imports into New Zealand for the year ending May 2002 for comparison with PW's ex-factory price. The investigating team relied on NZCS data for the value for duty (VFD) data, insurance, freight and customs duty information. As for the ex-wharf cost, the investigating team used the weighted average per kg information from other importers [REDACTED].

494. The investigating team compared the weighted average ex-wharf price of the Australian imports to PW's overall ex-factory prices based on the diameter of the galvanised wire for both the manufacturing and fencing categories of galvanised wire. As the sizes imported from Australia were not exactly the same, the investigating team grouped them in four categories and compared it to PW's overall ex-factory prices. The investigating team found that the Australian ex-wharf prices were [REDACTED] percent higher than PW ex-factory prices. These price differences varied according to the size of the galvanised wire and whether they were compared to PW's fencing or manufacturing galvanised wire, the higher differences being for the fencing wire. [REDACTED]

495. The investigating team also calculated an overall weighted average ex-wharf price for all imports from Australia for the YE May 2002, which was [REDACTED] and compared it to PW's HiSpan V and Standard NIPs. The investigating team found that the overall Australian weighted average price was undercutting PW's HiSpan V NIP by [REDACTED] percent. There was no price undercutting for the PW's Standard galvanised wire.

496. The investigating team is of the view that although Australian imports outweigh the imports from South Africa in terms of volumes, they are not a material contributor to the injury suffered by PW.

Other Imports

497. PW also stated that galvanised wires with smaller diameters are entering New Zealand from countries other than Australia. As these wires are of small diameter, they [REDACTED]

[REDACTED]

Imports by the NZ Industry

498. The investigating team notes PW's statement that it has imported smaller diameter wire from [REDACTED]. According to PW, it only imported [REDACTED] and [REDACTED] tonnes of galvanised wire in 2001 and 2002 respectively to supplement its production.

Demand or Consumption Changes

499. PW stated that there has been a growth in the horticultural and vineyard market for galvanised wire. PW was of the view that its defensive actions against the South African galvanised wires would have led to some of the changes in demand and consumption in the market. PW stated that it introduced [REDACTED] in the New Zealand market to compete with the South African galvanised wire and the New Zealand market has seen a shift from [REDACTED] in recent years. PW has noticed a [REDACTED].

500. The investigating team concludes that any changes in the demand and consumption patterns resulting from the growth of the vineyard and horticultural markets would have been a gradual one and it is unlikely that changes of this nature have materially contributed to the decline in PW's performance over the last five years.

Restrictive Trade Practices of and Competition Between NZ and Overseas Producers

501. PW stated that none of its customers have [REDACTED].

502. PW sells most of its galvanised wire via distributors such as [REDACTED], and a rural retailer such as [REDACTED] has to go through one of the distributors [REDACTED] to get galvanised wire. If [REDACTED] chooses to get its galvanised wire [REDACTED], it will not be able to get a retailers' package that it gets from the distributors.

503. PW stated that there are no [REDACTED]. However, PW said other buyers [REDACTED].

504. There is no evidence that restrictive trade practices of, or competition between NZ and overseas producers, has adversely impacted on PW.

Developments in Technology

505. [REDACTED]

506. [REDACTED]

507. [REDACTED]

508. [REDACTED]

509. [REDACTED]

510. [REDACTED]

511. The investigating team concludes that PW [REDACTED]

[REDACTED], it is unlikely that the lack of technological development has contributed to its injury or performance over the last 5 years.

Export Performance

512. PW's exports to the Pacific Islands, Australia and the U.S. have been fairly steady over the 1998 to 2002 period. [REDACTED] percent of PW's total production is exported. PW has slightly shifted its focus to the [REDACTED] [REDACTED] as its export markets, however, it still supplies [REDACTED].

513. The investigating team is satisfied that the financial data on which its assessment of injury is based reflects PW's operation on the domestic market, ie the production of galvanised wire in New Zealand and its subsequent sales on the New Zealand market.

514. The investigating team concludes that the injury suffered by PW can not be attributed to its export performance as all its export data has been excluded from the injury information.

Forward Foreign Exchange Contracts

515. PW stated that it has forward foreign exchange contracts in relation to its [REDACTED]. PW has [REDACTED]. (Approximately [REDACTED] tonnes is used per month.) PW was of the view that it would be [REDACTED].

516. The investigating team is of the view that PW would have made some savings on its zinc purchase [REDACTED]. The investigating team is also of the view that PW [REDACTED]. It must also be considered that PW buys its rod, an essential element for the production of galvanised wire, at an import parity price, therefore it would have also reduced its cost of rod with the value of the NZ dollar improving against the US dollar. The net effect on the cost would have been minimal, if any.

517. PW stated that [REDACTED] percent of its export sales are also covered by forward foreign exchange contracts. As the investigating team has excluded all export data from PW's injury calculation, its forward foreign exchange contracts relating to its exports does not make any difference to the injury suffered by PW in its domestic market.

518. The investigating team is of the view that forward exchange contracts have not had any material impact on PW's performance.

Imports by the Industry

519. PW does not import galvanised wire from South Africa, however, it does import smaller diameter wire from [REDACTED]. (see section 2.3 above).

520. PW stated that it imported [REDACTED] tonnes of 1.6mm and 2mm galvanised wire in 2001 and 2002 respectively. The investigating team has excluded PW's imports from its 2001 and 2002 injury data. PW, in its response to the EF&C report, provided the adjusted revenue figures for 2001 and 2002 by excluding the revenue earned by the imported galvanised wire. The investigating team agrees with the submission made by PW and has made the necessary adjustments to the 2001 and 2002 revenue figures.

521. The investigating team concludes that imports by the industry have not materially impacted its performance over the last 2 years, given that import volumes are insignificant compared to its local production.

Other Factors

522. PW stated that, given that it has had [REDACTED] other factors contributing towards the injury suffered by PW. PW stated that it had no [REDACTED] or safety problems over the 1998-2002 period. PW has had a constant supply of galvanised wire in the market.

523. PW was also of the view that it had few problems with customers as far as the quality of the galvanised wire is concerned. Customer complaints are [REDACTED]

524. All bright wire required for galvanising is produced by PW and it therefore does not import any bright wire. However, if needed, Pacific Wire does import rod feed for drawing bright wire.

Conclusion on Other Causes of Injury

525. On the basis of the information available and analysis carried, it is concluded that factors other than dumping have not materially contributed to the decline in PW's performance in the period from 1999 to 2002.

4.6 Causality

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. . . .

526. 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.


527. 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.

528. The Ministry adopts a two test approach for determining causality. The first test focuses on the dumped imports and asks whether there has been material injury from the dumped goods and involves essentially the application of the criteria in section 8(1) and 2(a)-(d) of the Act. This test accepts that there is an inference that material injury is caused by dumping. The second test examines whether there are any known factors apart from the dumped imports that are also injuring the industry. If there are such other factors, it must be established whether the injury caused by the other factors breaks the inferred “causal link” established under the first test. If there is no manifest cause of material injury apart from the dumped goods, then the causal link under the first test is confirmed.


First Causal Link Test

529. PW claims that material injury occurred as early as 1999



530. The investigation has established that dumped imports from South Africa are significantly undercutting the New Zealand industry's prices, resulting in price suppression and  depression.

531. Dumped imports since 1998 have increased significantly in absolute terms and relative to PW's production and New Zealand market consumption.

532. When PW's average selling prices increased in 1999 and 2002, volumes of dumped imports also increased. When PW's average selling prices decreased in 2000 and 2001, volumes of dumped imports also decreased 

[REDACTED]

533. The significant increase in the size of the market since 1999 has allowed PW to increase its output, sales volumes and total sales revenue.

534. The South African market share has increased overall since 1998, and while still relatively small, it may have increased more if PW had not responded to the dumping by [REDACTED]. While the penetration of the New Zealand market by South African dumped imports has been relatively limited, the impact of the dumped prices on the New Zealand industry has been significant because [REDACTED] is not unusual in an industry that has a large fixed investment in plant.

535. The downward pressure put on prices by the cheaper dumped wire from South Africa has impacted adversely on PW and caused material injury. PW has suffered a significant decline in profitability to the extent [REDACTED]. There is no evidence that dumped imports have yet impacted on PW's ability to raise capital and investments.

Second Causal Link Test

536. The investigating team has found no other factors causing material injury to the New Zealand industry. The investigating team notes that Australian imports are significant but the average prices are significantly higher than the South African dumped prices and are not undercutting the NZ industry's NIP, therefore the investigating team does not consider such imports have materially impacted on PW's performance.

Conclusion

537. The investigating team concludes that there is reasonable cause to believe that the South African dumped imports have caused material injury to the New Zealand industry.

4.7 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.
- (b) There is [REDACTED] price undercutting in both manufacturing and fencing categories. The New Zealand industry's prices have been suppressed. There is evidence of slight price depression.
- (c) Consequent upon the volume and price effects, there is evidence of an adverse economic impact reflected in a [REDACTED] decline in profits, return on shareholder's funds and assets, cashflow and growth. There is no evidence

that dumped imports have yet impacted on PW's ability to raise capital and investments.

- (d) There is no evidence of an actual decline in the industry sales volume or sales revenue. There is no evidence of a significant loss of market share or adverse effect on New Zealand industry's inventory levels.
- (e) Factors such as other imports, demand or consumption changes, restrictive trade practices, development in technology, export performance and imports have not materially contributed to the injury suffered by the New Zealand industry.

5. Conclusions

On the basis of the information available, and analysis carried out, it is concluded that:

- a. galvanised wire from South Africa is being dumped; and
- b. by reason thereof material injury to an industry has been caused.

6. Anti-Dumping Duties

6.1 Introduction

537. The investigating team, having established a causal link between dumping and material injury suffered by the New Zealand industry, now considers the various forms of duty that could be imposed to remedy the injury suffered in this section. This section also looks at the relevant legislation that governs the imposition of anti-dumping duties as well as the advantages and disadvantages of various forms of duties.

538. The Ministry concludes that duties should be set using a reference price approach, which provides for duties to be collected where the value for duty per kilogram of galvanised wire is imported at values for duty that are less than the reference prices.

539. The Ministry has also considered its obligations towards South Africa as a developing country under Article 15 of the Agreement, and whether constructive remedies in the form of lesser duties or price undertakings are appropriate. The investigating team concludes that for one exporter a lesser duty is appropriate. A price undertaking was not considered appropriate, as all the benefits of a price undertaking are available to exporters under the reference price approach of imposing anti-dumping duties.

540. The investigating team has compared PW's ex-factory non-injurious prices (NIP) with importers' undumped ex-wharf prices. The analysis indicates that undumped prices from two exporters still undercut PW's prices and that duties for those exporters should be set at a level that removes the full margin of dumping.

541. The Ministry recommends duties for Consolidated and Independent at reference price levels that reflect removal of the full margin of dumping, and for Cape Gate at reference price levels that reflect the removal of injury, but not the full margin of dumping. No duties are recommended for African Gabions/Finmesa who were found to be not dumping. For suppliers other than those investigated, the Ministry has applied *ad valorem* rates of duty that provide for the removal of injury to the New Zealand industry and are less than the highest margins of dumping established in the investigation.

Legislation

542. The provision of the Act relating to the imposition of anti-dumping duties is section 14, the relevant parts of which are set out below.

14. ANTI-DUMPING AND COUNTERVAILING DUTIES

(1) At any time after the Minister makes a final determination under section 13 (1) of this Act in relation to goods, the Minister may give notice of the rate or amount of duty determined under subsection (4) of this section (which notice may be given simultaneously with, or at any time after, the notice given under section 13

(2) of this Act) and there shall, with effect on and from the applicable date referred to in section 17 of this Act, be imposed,—

(a) In respect of those goods that are dumped, a duty to be known as anti-dumping duty:

(b) In respect of those goods that are subsidised, a duty to be known as countervailing duty.

(2) Anti-dumping duty or countervailing duty, as the case may be, imposed under subsection (1) of this section, shall be collected and paid on the demand of the Customs on and from the day after the date on which the notice under subsection (1) of this section is published in the Gazette.

(4) The anti-dumping duty or countervailing duty in the case of goods to which this section applies shall be a rate or amount determined by the Minister,—

(a) In the case of dumped goods, not exceeding the difference between the export price of the goods and their normal value; and

(b) In the case of subsidised goods, not exceeding the amount of the subsidy on the goods.

(5) In exercising the discretion under subsection (4) of this section, the Minister shall have regard to the desirability of ensuring that the amount of anti-dumping or countervailing duty in respect of those goods is not greater than is necessary to prevent the material injury or a recurrence of the material injury or to remove the threat of material injury to an industry or the material retardation to the establishment of an industry, as the case may require.

6.2 Level and Scope of Duty

Level of Duty

543. In accordance with section 14(4)(a) of the Act, the rate or amount of anti-dumping duty which may be applied cannot exceed the margin of dumping that has been found, while under section 14(5), the Minister is required to consider the level of duty necessary to prevent material injury.

544. The price undercutting analysis in section 4.3 above has found that 100 percent of the imported galvanised wire over the period of investigation was undercutting PW's prices. The price undercutting analysis indicates that anti-dumping duty on imports from Consolidated and Independent should be imposed at the full margin of dumping, but that a duty at less than the margin of dumping is appropriate for imports from Cape Gate.

Scope of Duty

545. PW advised that anti-dumping duties on three types of wire currently covered by tariff concession are not necessary, namely:

- galvanised steel spring wire;
- steel stitching wire, coated;
- and wire used in making collated staples in strips.

546. The investigating team noted that two of these types of wire were either not imported in the period of investigation and have not, therefore, been involved in the assessment of dumping nor in the calculation of anti-dumping duties, or, in the case of stitching wire, were imported but were found to be not dumped.

547. The galvanised steel spring wire is clearly defined by its physical characteristics. The stitching wire has been defined for purposes of a concession by reference to its type and coating, but the investigating team was not satisfied that it was sufficiently well-defined that a separate exclusion should be provided. In any case, an exclusion from the goods subject to duty is not required as the stitching wire that fell within the definition of goods subject to investigation was not dumped and no duty is proposed for the exporter supplying that type of wire. In addition, PW advised that most stitching wire is in diameters below 2 mm and, therefore, falls outside of the definition of goods subject to investigation. The wire used in the manufacture of collated staples in strips is, however, defined by reference to its end use and is limited to a certain tonnage. The investigating team does not consider that an end use definition limited in tonnage can practically be applied as an exclusion to an anti-dumping duty and that such a definition applied to anti-dumping duties could lead to enforcement difficulties. An exclusion from anti-dumping duties is considered appropriate only for galvanised steel spring wire and coated steel stitching wire.

548. Anti-dumping duties are recommended for goods originating in South Africa and falling under the following description:

Galvanised steel wire of high, medium and low tensile strength between 2mm and 4.5mm in diameter, but EXCLUDING the following:

- *galvanised steel spring wire AS1472 exceeding 4.00 mm in diameter.*

6.3 Method of Imposing Duty

549. Anti-dumping duties can be applied in a number of ways and can be imposed as a rate or amount, including any rate or amount established by a formula. The basic approaches are:

- a. a specific amount per unit of product;
- b. an *ad valorem* rate; and
- c. a reference price approach.

550. The main objective of an anti-dumping duty is to remove the injurious impact of dumping. In deciding on the form of duty, considerations relating to ease of administration, ability to ensure the dumping margin is not exceeded, fairness between parties, and predictability all need to be taken into account. The objective of the anti-dumping duty is to remove injury attributable to dumping, and is not to punish the exporter or to provide protection to an industry beyond the impact of the dumping.

551. Section 14(4) of the Act provides that the Minister must not impose a duty that exceeds the margin of dumping for the dumped goods. The Solicitor-General has advised that the references to "export price" and "normal value" in this section are to

be read as references to the export prices and normal values established in the investigation or to the values at the time the goods subjected to the duty are imported. Given this, the Ministry's approach is to adopt a form of duty that minimizes the possibility of exceeding the margin of dumping on shipments subsequent to the imposition of the duty by the Minister.

Specific Duty

552. A specific duty, based on the monetary value of a margin of dumping, has the advantages of being convenient to apply and impossible to evade by incorrectly stating the value for duty. A specific rate clearly indicates to the importer the amount of duty payable. However, difficulties can arise where there is a wide range of goods involved, where exchange rates fluctuate to the extent that the margin of dumping will be exceeded without constant reassessments of the specific amount, or where the exporter otherwise changes prices so that the duty is either greater than the margin of dumping or less than the margin of dumping previously established.

553. A specific duty expressed as a monetary amount can really operate only when prices and exchange rates are consistent and stable and where the transaction-to-transaction comparison does not result in a range of different dumping margins. An alternative approach to deal with this problem is to express a specific duty as a formula, being the difference between equivalent prices to the normal value and the export price of a particular shipment, with the values for the normal value and export price being fixed. When those elements of the formula are expressed in terms of the currency of each transaction, the problem of exchange rate movements can be dealt with. However, such an approach does not deal with the problem of changes in export prices for reasons other than exchange rate movements or movements in normal values.

554. In this case, the investigating team found a range of dumping margins when a transaction to transaction comparison was carried out and in the case of Independent, where particular lines were found to be undumped, resulted from a fluctuation in the exchange rate, which increased its export price.

***Ad Valorem* Duty**

555. An *ad valorem* duty, based on the dumping margin expressed as a percentage of the export price, and itself expressed as a percentage of the dutiable value is convenient to apply and is not so affected by exchange rate movements. However, collusion between exporters and importers can lead to the manipulation of the invoice value of the goods concerned. *Ad valorem* rates are often appropriate where there is a large range of goods or where new models appear, provided that the transaction-to-transaction comparison does not result in a range of different dumping margins. An *ad valorem* rate gives an indication of the impact of the duty, but is not as clear an indication as the other forms of duty.

556. In this case an *ad valorem* rate based on the weighted average margin of dumping would not be appropriate as results show that while Independent Galvanizing has been found to be dumping and undercutting PW's prices, its weighted average margin of dumping was zero. This was due to a fluctuation in the exchange rate,

which increased its export price, resulting in negative margins of dumping, which offset dumping margins found in other transactions.

Reference Price Duty

557. Under the reference price approach, the duty payable is the difference between the transaction price and a reference price. The reference price would normally be based on the normal value, by means of NV(VFDE) amounts, or the non-injurious price (NIP), by means of Non-Injurious Free on Board (NIFOB) amounts.

558. A reference price duty has advantages in that it is best able to deal with movements in the export price and exchange rates (if expressed in the currency of the normal value), and is particularly appropriate for dealing with situations where a lesser duty is applicable. However, it has been argued that it is more easily evaded than the other forms of duty, by overstating the value for duty of the goods. Nevertheless, a reference price does have the advantage that it clearly signals to the exporter and importer what level of price is undumped or non-injurious, and provided it is carefully described, the problem of evasion can be dealt with.

Conclusion

559. The investigating team is of the view that duties should be imposed using a reference price mechanism since the price undercutting comparison in paragraphs 609-616 shows that duty at the full margin of dumping as well as lesser duty is appropriate in this case.

6.4 Developing Country Considerations

560. For purposes of dumping investigations and the imposition of anti-dumping duties, South Africa is considered to be a developing country. Article 15 of the Agreement provides that special regard be given to developing country members of the WTO as follows:

It is recognized that special regard must be given by developed country Members to the special situation of developing country Members when considering the application of anti-dumping measures under this Agreement. Possibilities of constructive remedies provided for by this Agreement shall be explored before applying anti-dumping duties where they would affect the essential interests of developing country Members.

561. No submissions have been received from South African exporters or the Government of the Republic of South African about possible constructive remedies or its effect on their essential interests as a developing country. The Ministry considers that lesser duties (that is, duties that remove injury but not the full margin of dumping) and price undertakings are forms of constructive remedies and considers these in the following section of this report. The Panel in the *EC-Bed Linen* case was also of the

view that “the imposition of a “lesser duty” or a price undertaking would constitute “constructive remedies” within the meaning of Article 15...”¹

562. A lesser duty is recommended for the major South African exporter Cape Gate. Lesser rates of duty have also been calculated for the residual rates of duty applicable to the other South African suppliers who may export to New Zealand in the future.

563. One exporter, Consolidated, offered to enter into a price undertaking. The Ministry considers that the form in which the duties are being imposed constitutes a form of *de facto* price undertaking that can be taken advantage of by all of the current South African exporters, while also avoiding any additional administrative burden for the exporters. The reference price approach taken by the Ministry therefore offers a constructive remedy that offers benefits to exporters while avoiding any further burden or disincentive for South African exporters.

6.5 Amount of Anti-dumping Duty

Introduction

564. In order to assess the extent of any price undercutting, prices of the imported and domestically produced galvanised wire must be compared at the same level of trade. It is essential that prices be compared at the same level of trade to ensure that the existence of any price undercutting, and its extent, is correctly assessed and that any remedy applied at less than the margin of dumping is calculated in such a way as to ensure that the prices of the dumped goods when imported do not undercut the PW NIP.

565. The investigating team has first considered a submission by PW on the NIP and then has taken the following approach in establishing the amount of anti-dumping duty:

- a. The investigating team has carried out a price undercutting comparison of importers’ ex-wharf price in the three categories against PW’s ex-factory price. These comparisons would show whether the imported galvanised wire is being sold cheaper than PW’s galvanised wire in the New Zealand market and by how much. The results of these comparisons are shown in paragraphs 581 to 595 below.
- b. Having compared the imported price with PW’s ex-factory price, the investigating team will then compare the importers price with PW’s NIPs. This would show whether the imported galvanised wire is undercutting PW’s non-injurious price. In most cases, the comparison is expected to show price undercutting as the NIPs tend to be higher than the industry’s ex-factory price. These are shown in paragraphs 596 to 608 below.

¹ Report by the Panel on European Communities-Anti-Dumping Duties on Imports of Cotton-Type Bed Linen from India, WT/DS141/R, 30 October 2000, at paragraph 6.229.

- c. In order to find out whether duty at the full margin of dumping or a lesser duty should be imposed on the individual exporters, the investigating team carried out a comparison of the importers undumped price (ex-wharf price plus weighted average dumping margin) against PW's NIPs. These are discussed below in paragraphs 609 to 616.

PW's NIP

566. In carrying out a comparison of prices to establish the extent of any price undercutting, it is necessary to establish the unsuppressed price at which the New Zealand industry can sell its product. The unsuppressed selling price refers to the price achievable in the absence of dumped product in the New Zealand market. The New Zealand industry's unsuppressed selling price is normally referred to as its non-injurious price (NIP). Establishing the level of the NIP is significant because any remedy at less than the margin of dumping would be set at a level designed to ensure that the imported product does not undercut the New Zealand industry's NIP.

567. The industry's ex-factory price is based on PW's current prices i.e. the prices at which PW sells its galvanised wire to its customers from the factory outlet.

PW's Submission

568. PW, in its response to the EF& C Report stated that a wide range of remedies based on the use/type/size criteria would not remove the material injury suffered by the industry. PW was of the view that a single remedy for each of the exporters and a single remedy for all other exporters is the only reasonable and practical remedy.

569. PW has raised concerns that all imports are fully substitutable and undercut PW's HiSpan V price in all product sizes. PW stated that there [REDACTED] and that there are no technical differences between manufacturing and fencing wire as both are entirely substitutable.

570. PW stated that the selling prices for manufacturing and fencing wire, achieved by it, are due to the market in which they are sold rather than the cost or margins of those wires and that [REDACTED]. PW submitted that the lack of consistent progression and price differentials confirms that multiple remedies based on use/type/size are not appropriate and will not provide an effective remedy.

571. According to PW, multiple remedies would be difficult for New Zealand Customs to administer at the time of the entry and be easily circumvented, where a minor size change would achieve different duty rates but the use to which the wires would be put would remain the same. PW also stated that at the time of the importation the end use (manufacturing or fencing) is not known and may in fact change after importation, which could have an effect of misclassification and different (lower) rates being applied.

572. PW in its response to the EF&C Report stated that it is in agreement with the Ministry's calculation of the separate NIPs i.e. individual NIPs for the HiSpan and

Standard wire, but disagrees with the overall calculation of the NIP. PW did not offer any explanation for this disagreement.

573. PW further submits that the only effective remedy will be a NIFOB based on the HiSpan V NIP of \$ [REDACTED] and that a lesser duty would only be appropriate where verified evidence from the exporter establishes that the NIFOB would be greater than the normal value.

Ministry's Consideration of the Issues

574. The NIP of \$ [REDACTED] proposed to be used by PW for the calculation of the anti-dumping duty is based on PW's [REDACTED] galvanised wire production cost in the YE June 2002. This includes wires of all sizes in the [REDACTED]. It negates the possibility that different size wires produced by PW may have a different NIP.

575. The investigating team calculated the weighted average costs for the individual sizes of galvanised wire. The investigating team found that there were differences between the weighted average cost of the wires ranging from \$ [REDACTED] for the 1.6mm wire to \$ [REDACTED] for the 5.0mm wire. The investigating team notes that there are differences in the cost of production depending on the size of the galvanised wires. As the NIP is based on the cost of production, the investigating team is also of the view that a consistent NIP of \$ [REDACTED] suggested by PW, should not be applied to all sizes of wires. If a NIP of \$ [REDACTED] were used for all sizes, the anti-dumping duty rates based on this NIP would not provide the best remedy to the injury suffered by PW. Given that the size of wire affects the cost of production and eventually the price, PW may be overcompensated in some instances for the injury it has actually suffered, which would be contrary to Section 14(4) of the Act.

576. The investigating team is in agreement with PW that it would be futile calculating anti-dumping duty rates based on different types (tensile strength, zinc coating etc.) or use (fencing or manufacturing). This is due to the fact that the imported wires can be used either for manufacturing or fencing purposes. They can also be wrongly described as well if an exporter wanted to avoid paying the anti-dumping duty. The investigating team is also aware of the fact that it could prove to be an administratively impossible task for New Zealand Customs to calculate the anti-dumping duty rates if based on different types and usage. There would also be a danger of circumvention of the anti-dumping duties.

577. The investigating team is also of the view that the NIP should be based on the gross margins achieved by PW on its HiSpan V galvanised wires of [REDACTED] percent of the cost of production. This figure is based on the gross margins achieved by PW prior to the South African galvanised wire entering the New Zealand market. The investigating team is of the view that PW suffered [REDACTED] due to the imported South African galvanised wire and because the imported wires are highly substitutable with the [REDACTED], it would be appropriate to use [REDACTED] gross margin as it would allow the most effective remedy to the New Zealand industry i.e. a gross margin of [REDACTED] percent

would have been achieved but for the presence of the dumped galvanised wire from South Africa.

578. The investigating team calculated individual NIPs for different sizes of wire based on the cost of production information provided by PW for the year ended June 2002.

579. After calculating the individual NIPs, the investigating team categorised the different sizes of galvanised wire in the following three categories. The following separate categories are proposed for ease of administration for duty collection purpose. Also due to lack of information from the largest exporter (Cape Gate) or the its customer Euro Corp, these categories are necessary as the New Zealand Customs data has been grouped in these three categories for Euro Corp's imports from Cape Gate. The three categories on which the anti-dumping duties are calculated are as follows:

| <u>Category</u> | <u>Diameter (millimeters)</u> |
|-----------------|-------------------------------|
| 1. | => 2.0< 2.5mm |
| 2. | => 2.5< 4.0mm |
| 3. | => 4.0<=4.5mm |

580. The investigating team calculated PW's overall NIP for the above categories using the methodology described in paragraphs 575 to 577 as follows:

| <u>Categories</u> | <u>PW NIP (\$NZ)</u> |
|-------------------|----------------------|
| 1. | ██████████ |
| 2. | ██████████ |
| 3. | ██████████ |

Price Undercutting

581. As mentioned in paragraph 565a above, the investigating team first carried out a price undercutting comparison for the above three categories. In calculating PW's overall ex-factory price, the investigating team combined the prices of the HiSpan V and Standard galvanised wire in the fencing and manufacturing categories.

582. In calculating the importers ex-wharf price, the investigating team adjusted the ex-wharf price where the imports were made in jumbo size coils to allow a fair comparison to PW ex-factory prices as all PW sales in the period of investigation were made in under 50 kg coils. The jumbo coil sizes ranged from 500-900kg coils. The investigating team used information provided by ██████████ during the verification visit, where the price from a 50kg coil to a jumbo coil is reduced by ██████████. This converts to ██████████ using the average exchange rate over the period of investigation. Adjustments were only made to Anchor, HWP and Paul Industries ex-wharf prices as these importers bought jumbo coils of

galvanised wire. The investigating team did not make any adjustment to Maccaferri’s ex-wharf price as all its imports were in less than 50 kg coils. The investigating team did not have any specific information for Cape Gate on the sizes imported, therefore no adjustments have been made to its ex-wharf price.

583. The price undercutting comparisons for each importer is discussed below.

Independent Galvanising

[REDACTED]

584. The following table shows the extent of price undercutting by [REDACTED] in relation to the PW ex-factory price over the period of investigation for the three categories.

Table 6.1: Price Undercutting: [REDACTED] Imports from Independent Galvanising

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory Price/kg | Price Undercutting/kg |
|----------------|-----------------------------|--------------------------|-----------------------|
| =>2.0<2.5mm | NA | [REDACTED] | NA |
| =>2.5<4.0mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>4.0mm<=4.5mm | [REDACTED] | [REDACTED] | [REDACTED] |

585. The above table shows that [REDACTED] imports in category 2 and 3 were undercutting PW’s ex-factory price by [REDACTED] and [REDACTED] percent respectively. [REDACTED] did not import galvanised wire in category 1.

[REDACTED]

586. The following table shows the extent of price undercutting by [REDACTED] in relation to the PW ex-factory price over the period of investigation for the three categories.

Table 6.2: Price Undercutting: [REDACTED] Imports from Independent Galvanising

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory Price | Price Undercutting/kg |
|----------------|-----------------------------|-----------------------|-----------------------|
| =>2.0<2.5mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>2.5<4.0mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>4.0mm<=4.5mm | NA | [REDACTED] | NA |

587. The above table shows that [REDACTED] imports in category 1 and 2 were undercutting PW's overall ex-factory price by [REDACTED] percent. There were no imports in category 3 by [REDACTED].

Consolidated Wire Industries

588. The following table shows the extent of price undercutting by [REDACTED] in relation to the PW ex-factory price over the period of investigation for the three categories.

Table 6.3: Price Undercutting: [REDACTED] Imports from Consolidated

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory Price | Price Undercutting/kg |
|----------------|-----------------------------|-----------------------|-----------------------|
| =>2.0<2.5mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>2.5<4.0mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>4.0mm<=4.5mm | NA | [REDACTED] | NA |

589. The above table shows that [REDACTED] imports were undercutting PW's overall ex-factory prices in categories 1 and 2 by [REDACTED] and [REDACTED] percent respectively. [REDACTED] did not import galvanised wire in category 3.

Cape Gate

590. The following table shows the extent of price undercutting by [REDACTED] in relation to the PW ex-factory price over the period of investigation for the three categories.

Table 6.4: Price Undercutting: [REDACTED] Imports from Cape Gate Export Dvn.

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory Price | Price Undercutting/kg |
|----------------|-----------------------------|-----------------------|-----------------------|
| =>2.0<2.5mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>2.5<4.0mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>4.0mm<=4.5mm | NA | [REDACTED] | NA |

591. The above table shows that [REDACTED] imports in category 1 and 2 were undercutting PW's overall ex-factory price by [REDACTED] and [REDACTED] percent respectively. [REDACTED] did not import wires in category 3, therefore no price undercutting comparison has been carried out in this category.

[REDACTED]

592. The following table shows the extent of price undercutting by [REDACTED] in relation to the PW ex-factory price over the period of investigation for the three categories.

Table 6.5: Price Undercutting: [REDACTED] Imports from Cape Gate Export Dvn.

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory Price | Price Undercutting/kg |
|----------------|-----------------------------|-----------------------|-----------------------|
| =>2.0<2.5mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>2.5<4.0mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>4.0mm<=4.5mm | [REDACTED] | [REDACTED] | [REDACTED] |

593. The above table shows that [REDACTED] imports in categories 2 and 3 were undercutting PW's overall ex-factory price by [REDACTED] and [REDACTED] percent respectively. Its imports in category 1 was found not to be undercutting PW's prices.

African Gabions and Finmesa

[REDACTED]

594. The following table shows the extent of price undercutting by [REDACTED] in relation to the PW ex-factory price over the period of investigation for the three categories.

Table 6.6: Price Undercutting: [REDACTED] Imports from African Gabions and Finmesa

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory Price | Price Undercutting/kg |
|----------------|-----------------------------|-----------------------|-----------------------|
| =>2.0<2.5mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>2.5<4.0mm | NA | [REDACTED] | NA |
| =>4.0mm<=4.5mm | NA | [REDACTED] | NA |

595. There was no price undercutting found for [REDACTED] imports from African Gabions and Finmesa.

Importers Ex-wharf Price Vs PW's NIP

596. As stated in paragraph 565b above, the following paragraphs deal with the comparison of the importers ex-wharf price against PW's NIPs.

Independent Galvanising

██████████

597. The following table shows the extent of price undercutting by ██████████ in relation to the PW's NIPs for the three categories.

Table 6.7: Price Undercutting: ██████████ Imports from Independent Galvanising

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory NIP/kg | Price Undercutting/kg |
|----------------|-----------------------------|------------------------|-----------------------|
| =>2.0<2.5mm | NA | ██████████ | NA |
| =>2.5<4.0mm | ██████████ | ██████████ | ██████████ |
| =>4.0mm<=4.5mm | ██████████ | ██████████ | ██████████ |

598. The above table shows that ██████████ imports in categories 2 and 3 are undercutting PW's NIPs by ██████ and ██████ percent respectively.

██████████

599. The following table shows the extent of price undercutting by ██████ in relation to the PW's NIPs for the three categories.

Table 6.8: Price Undercutting: ██████████ Imports from Independent Galvanising

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory NIP/kg | Price Undercutting/kg |
|----------------|-----------------------------|------------------------|-----------------------|
| =>2.0<2.5mm | ██████████ | ██████████ | ██████████ |
| =>2.5<4.0mm | ██████████ | ██████████ | ██████████ |
| =>4.0mm<=4.5mm | NA | ██████████ | NA |

600. The above table shows that ██████████ imports in category 1 and 2 are undercutting PW's NIPs by ██████ and ██████ percent respectively.

Consolidated Wire

██████████ ██████████

601. The following table shows the extent of price undercutting by ██████████ ██████████ in relation to the PW's NIPs for the three categories.

Table 6.9: Price Undercutting: [REDACTED] Imports from Consolidated Wire

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory NIP/kg | Price Undercutting/kg |
|----------------|-----------------------------|------------------------|-----------------------|
| =>2.0<2.5mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>2.5<4.0mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>4.0mm<=4.5mm | NA | [REDACTED] | NA |

602. The above table shows that [REDACTED] imports in categories 1 and 2 are undercutting PW's NIPs by [REDACTED] percent respectively.

Cape Gate

[REDACTED]

603. The following table shows the extent of price undercutting by [REDACTED] in relation to the PW's NIPs for the three categories.

Table 6.10: Price Undercutting: [REDACTED] Imports from Cape Gate Export Dvn.

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory NIP/kg | Price Undercutting/kg |
|----------------|-----------------------------|------------------------|-----------------------|
| =>2.0<2.5mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>2.5<4.0mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>4.0mm<=4.5mm | NA | [REDACTED] | NA |

604. The above table shows that [REDACTED] imports in categories 1 and 2 are undercutting PW's NIPs by [REDACTED] and [REDACTED] percent respectively.

[REDACTED]

605. The following table shows the extent of price undercutting by [REDACTED] in relation to the PW's NIPs for the three categories.

Table 6.11: Price Undercutting: [REDACTED] Imports from Cape Gate Export Dvn.

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory NIP/kg | Price Undercutting/kg |
|-------------|-----------------------------|------------------------|-----------------------|
| =>2.0<2.5mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>2.5<4.0mm | [REDACTED] | [REDACTED] | [REDACTED] |

=>4.0mm<=4.5mm

606. The above table shows that [REDACTED] imports in categories 1,2 and 3 are undercutting PW's NIPs by [REDACTED] percent respectively.

African Gabions and Finmesa

607. The following table shows the extent of price undercutting by [REDACTED] in relation to PW's NIPs for the three categories.

Table 6.12: Price Undercutting: [REDACTED] Imports from African Gabions and Finmesa

| Wire size | Importers Ex-wharf Price/kg | PW's Ex-factory NIP/kg | Price Undercutting/kg |
|----------------|-----------------------------|------------------------|-----------------------|
| =>2.0<2.5mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>2.5<4.0mm | NA | [REDACTED] | NA |
| =>4.0mm<=4.5mm | NA | [REDACTED] | NA |

608. The above table shows that [REDACTED] imports in category one are undercutting PW's HiSpan NIP by [REDACTED] percent.

Importers Ex-wharf Price Plus Dumping Margins Vs PW's NIP

609. As stated in paragraph 565c above, the following paragraphs deal with the comparison of the importers undumped ex-wharf price against PW's NIPs. These comparisons are carried out in order to find out whether duty at the full margin of dumping or a lesser duty is appropriate for each of the South African exporters. The results of this comparison are discussed below.

Independent Galvanising

610. The following table shows the extent of price undercutting by Independent's undumped price when compared to PW's NIPs for the three categories.

Table 6.13: Price Undercutting: [REDACTED] Imports from Independent Galvanising

| Wire size | Importers Ex-wharf Price/kg + DM | PW's Ex-factory NIP/kg | Price Undercutting/kg |
|-------------|----------------------------------|------------------------|-----------------------|
| =>2.0<2.5mm | NA | [REDACTED] | NA |
| =>2.5<4.0mm | [REDACTED] | [REDACTED] | [REDACTED] |

=>4.0mm<=4.5mm

[REDACTED]

[REDACTED]

[REDACTED]

Table 6.14: Price Undercutting: [REDACTED] Imports from Independent Galvanising

| Wire size | Importers Ex-wharf Price/kg + DM | PW's Ex-factory NIP/kg | Price Undercutting/kg |
|----------------|----------------------------------|------------------------|-----------------------|
| =>2.0<2.5mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>2.5<4.0mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>4.0mm<=4.5mm | NA | [REDACTED] | NA |

611. The above table shows that [REDACTED] imports at undumped prices in categories 1, 2 and 3 are still undercutting PW's overall NIPS by between [REDACTED] and [REDACTED] percent, indicating that duty at the full margin of dumping was appropriate for exports from Independent.

Consolidated Wire

[REDACTED]

612. The following table shows the extent of price undercutting by Consolidated's undumped price when compared to PW's NIPs for the three categories.

Table 6.15: Price Undercutting: [REDACTED] Imports from Consolidated Wire

| Wire size | Importers Ex-wharf Price/kg + DM | PW's Ex-factory NIP/kg | Price Undercutting/kg |
|----------------|----------------------------------|------------------------|-----------------------|
| =>2.0<2.5mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>2.5<4.0mm | [REDACTED] | [REDACTED] | [REDACTED] |
| =>4.0mm<=4.5mm | NA | [REDACTED] | NA |

613. The above table shows that [REDACTED] imports from Consolidated at undumped prices are still undercutting PW's overall NIPs in categories 1 and 2 by [REDACTED] and [REDACTED] percent respectively, indicating that duty at the full margin of dumping is appropriate.

Cape Gate

[REDACTED]

614. The following table shows the extent of price undercutting by Cape Gate's undumped price when compared to PW's NIPs for the three categories.

Table 6.16: Price Undercutting: Imports from Cape Gate Export Dvn.

| Wire size | Importers Ex-wharf Price/kg + DM | PW's Ex-factory NIP/kg | Price Undercutting/kg |
|----------------|----------------------------------|------------------------|-----------------------|
| =>2.0<2.5mm | | | |
| =>2.5<4.0mm | | | |
| =>4.0mm<=4.5mm | NA | | NA |

Table 6.17: Price Undercutting: Imports from Cape Gate Export Dvn.

| Wire size | Importers Ex-wharf Price/kg + DM | PW's Ex-factory NIP/kg | Price Undercutting/kg |
|----------------|----------------------------------|------------------------|-----------------------|
| =>2.0<2.5mm | | | |
| =>2.5<4.0mm | | | |
| =>4.0mm<=4.5mm | | | |

615. The above table shows that there is no price undercutting by exports from Cape Gate at undumped prices for the three categories after the dumping margins are added to the ex-wharf price. This indicates that anti-dumping duties at less than the margin of dumping are appropriate for these three categories.

Conclusion

616. It was concluded above that injury to the New Zealand industry attributable to dumping could be removed by imposing a duty that is at the full margin of dumping for the majority of the categories exported over the period of investigation. As there are different types of galvanised wire being exported, the investigating team is of the view that for each category and exporter, only one rate be calculated, rather than splitting it between the manufacturing and fencing category, jumbo and 50 kg coils, and high and low tensile strengths. An advantage of this would be that it would be possible for New Zealand Customs to administer the collection of anti-dumping duties without much difficulty.

617. The investigating team is of the view that as none of the interested parties have made submission on movements in the world steel prices or the exchange rates, these have not been considered in the calculation of the anti-dumping duty rates. The Ministry is unsure of how the exchange rate or steel prices are going to move and is unwilling to predict these changes. The investigating team is of the view that if steel prices or exchange rates change significantly, the interested parties can make an application to the Ministry for a reassessment of the anti-dumping duty rates.

Independent Galvanising

618. The anti-dumping duties for Independent have been calculated as a NV(VFDE) rate for all the three categories as its export prices were still undercutting PW's NIPs after the weighted average dumping margins were added to the ex-wharf price. As the investigating team had information from Independent on normal values, its actual normal values have been used to calculate the anti-dumping duty rates in the three categories. As Independent's domestic prices were fairly even over the period of investigation, the investigation team used the weighted average normal value information to calculate the NV(VFDE) rates. Actual costs incurred from Independent's ex-factory to the port at Durban have been added to the normal values to calculate the NV(VFDE) rate.

619. The following table shows Independent's NV(VFDE) calculation for the three categories.

Table 6.18: NV(VFDE) for Independent Galvanising (Rands/kg)

| | Category 1 | Category 2 | Category 3 |
|---|------------|------------|------------|
| Normal Value | | | |
| Plus Weighted Average Cost from ex-factory to FOB | | | |
| - Inland Freight Cost | | | |
| - Wharfage | | | |
| - Terminal Handling Charges | | | |
| - Certificate of Origin | | | |
| - Tel/Fax/Stamps | | | |
| - Document fee | | | |
| - Finance fee | | | |
| - Packaging | | | |
| NV(VFDE) (rands) | | | |

620. The above table shows that in categories 1, 2 and 3, Independent's value for duty per kilogram of the galvanised wire should either equate to or be higher than the NV(VFDE) rates established for the imported goods to be considered undumped. If the value for duty of the galvanised wire is lower than the established NV (VFDE) rates, the importer would be charged the difference as anti-dumping duty.

Consolidated Wire Industries

621. Consolidated supplied galvanised wire to New Zealand in categories 1 and 2 only. The investigating team found that Consolidated's exports were still undercutting PW's NIPs in these categories after the weighted average dumping margin was added to the ex-wharf price, indicating that duty at the full margin of dumping was appropriate for categories 1 and 2.

622. The investigating team has used Consolidated's most recent domestic prices (normal values) to calculate its anti-dumping duty rates. The dumping calculation shows that Consolidated's domestic prices changed significantly towards the end of the year ending in July 2001 to a level higher than the first half of the same year. The investigating team considers that using the most recent normal value information available would provide the most effective remedy to the injury suffered by PW as anti-dumping duties for Consolidated have been imposed on the full margin of dumping, which is based on its normal value information. For category 2 and 3, the investigating team did not have the most recent normal value, therefore it calculated the normal value figure from Consolidated's published price list and calculated the costs incurred from its factory to the port in Durban. The investigating team found that the published price list showed that category 2 prices were 2.9 percent cheaper than category 1 prices and category 3 prices were 1.5 percent cheaper than category 2 prices. The investigating team therefore reduced Consolidated's category 1 normal value by 2.9 percent to calculate category 2 normal value and category 2 normal value by 1.5 percent to calculate the category 3 normal value. The actual costs were used in category 1 and 2. Costs relating to category 3 were calculated using Consolidated's information from category 1 and 2 on a weighted average basis.

623. The following table shows Consolidated's NV (VFDE) calculation for the three categories.

Table 6.19: NV(VFDE) for Consolidated Wire Industries (Rands/kg)

| | Category
1 | Category
2 | Category
3 |
|---|---------------|---------------|---------------|
| Normal Value | | | |
| Plus Weighted Average Cost from ex-
factory to FOB | | | |
| - Inland Freight | | | |
| - Merchant Haul release | | | |
| - Wharfage | | | |
| - Document Charges | | | |
| - Packaging | | | |
| NV (VFDE)(rands) | | | |

624. The above table shows that in categories 1, 2 and 3, Consolidated's value for duty per kilogram of the galvanised wire should either equate to or be higher than the NV(VFDE) rates established for the imported goods to be considered undumped. If the value for duty of the galvanised wire is lower than the established NV (VFDE) rates, the importer would be charged the difference as anti-dumping duty.

Cape Gate

625. The investigating team found that Cape Gate's exports were not undercutting PW's NIPs after the weighted average margin of dumping was added to its ex-wharf price, indicating that a lesser duty was appropriate for the three categories. The investigating team calculated the NIFOB amounts for all the three categories by deducting the costs incurred from FOB to ex-wharf from PW's NIPs. The cost information used by the investigating team is based on the NZCS data and other importers' information, i.e. Anchor Wire's cost information at the NZ wharf. The following table shows Cape Gate's NIFOB amounts for the three categories.

Table 6.20: NIFOB for Cape Gate (\$NZ/kg)

| | Category 1 | Category 2 | Category 3 |
|--|------------|------------|------------|
| PW weighted Average NIP | ██████████ | ██████████ | ██████████ |
| Less Weighted Average Costs from FOB to Ex-wharf | | | |
| - Overseas Freight | ██████████ | ██████████ | ██████████ |
| - Overseas Insurance | ██████████ | ██████████ | ██████████ |
| - Customs Duty | ██████████ | ██████████ | ██████████ |
| - Port Services Charges | ██████████ | ██████████ | ██████████ |
| NIFOB(NZD) | ██████████ | ██████████ | ██████████ |

626. The above table shows that in categories 1, 2 and 3, Cape Gates value for duty per kilogram of the galvanised wire should either equate to or be higher than the NIFOB rates established for the imported goods to be considered non-injurious. If the value for duty of the galvanised wire is lower than the established NIFOB rates, the importer would be charged the difference as anti-dumping duty.

Other South African Exporters

627. The investigating team has considered three different methods for calculating the anti-dumping rates for suppliers other than the ones specifically investigated. The three methods for calculating the rates are as follows.

1. Weighted average margin for the three categories based on the weighted average margin of the three known exporters.

2. The highest weighted average margin, which is that of Cape Gate.
3. *Ad valorem* percentage based on the NIFOB rates calculated for Cape Gate.

628. The investigating team considers that method 1 is best used when the dumping margins are calculated based on a sample of exporters chosen as described in Article 9.4 of the Agreement. In this case, the investigating team did not rely on a sample of exporters but chose to include all exporters of galvanised wire from South Africa over the period of investigation, therefore this methodology would not be appropriate.

629. The second methodology is inappropriate as Cape Gate's dumping margins are largely based on information provided by Consolidated and Independent due to lack of information from Cape Gate.

630. The investigating team considers that the third methodology is more appropriate even though it is based on Cape Gate's NIFOB rates. This is because Cape Gate's NIFOB rates are a form of a lesser duty, which is a constructive remedy required under Article 15 of the Agreement when dealing with a developing country, which South Africa is. Also, Cape Gate's NIFOBs are based on New Zealand Customs, importers and PW's verified information, which the investigating team considers to be more accurate than the constructed dumping margins under method two above.

631. The proposed anti-dumping duty, to be applied as a reference price for all categories of exports from Independent, Consolidated and Cape Gate, and as a percentage *ad valorem* () for "other" exporters, are shown in the table below. Independent and Consolidated's reference prices in all categories are expressed in South African rands as they are NV(VFDE) figures. The remaining reference prices are expressed in \$NZ.

Table 6.21: Proposed Reference Price Levels for Specified Suppliers and Percentage Rates of Duty for Other Suppliers (per kg)

| | Category
1 | Category
2 | Category
3 |
|------------------------------|---------------|---------------|---------------|
| Independent Galvanising | | | |
| Consolidated Wire Industries | | | |
| Cape Gate | | | |
| Other Suppliers | 39% | 31% | 22% |

Retrospective Application of Final Duties

632. The Act provides in section 17(2) for the retrospective application of final anti-dumping duties for the period for which provisional measures have been applied.

633. The proposed final duties are different from the provisional measures imposed. Section 16(5) of the Act requires that, where the amount of anti-dumping duty

provisionally imposed exceeds the amount of duty finally determined, “the amount of the excess shall be remitted by the Collector if so required by the Minister”. Section 16(6) requires that, where the amount of anti-dumping duty provisionally imposed is less than the amount of duty finally determined, “the amount of the difference shall not be collected on those importations subject to the provisional direction.”

Price Undertakings

Introduction

634. An undertaking to export to New Zealand at undumped or non-injurious prices may be offered by an exporter and accepted by the Minister. One South African exporter, Consolidated, made a formal request to enter into a price undertaking. The Ministry considers, however, for reasons explained below, that a price undertaking is neither necessary nor appropriate in the circumstances of this case.

635. In brief, the reference price approach to the setting of duties sets clear values at which goods are considered to be undumped or non-injurious and exporters can voluntarily decide to price up to these levels. Exporters and the Minister can, therefore, achieve the same ends as a price undertaking – in effect a *de facto* price undertaking - without the need for complex legal agreements and the ongoing administrative burden involved for both parties in monitoring a price undertaking.

Offer of Undertaking

636. Consolidated states that “it is willing to give an undertaking to conduct future export trade to New Zealand, of like goods to the goods under investigation, in such a manner as to avoid causing or threatening material injury to the industry, or to materially retard the establishment of an industry.”

637. The Minister may accept an undertaking, provided the Minister has reasonable cause to believe that the goods are being dumped and that dumping has caused or threatens to cause material injury to the New Zealand industry.

638. The investigating team mentioned to co-operating South African exporters the option of entering into price undertakings, bearing in mind that South Africa is regarded as a developing country for purposes of this investigation. New Zealand is required, in terms of Article 15 of the Agreement, to explore possibilities of constructive measures “before applying anti-dumping duties where they would affect the essential interests of developing country Members.” Many WTO member countries regard price undertakings as a possible form of constructive measure.

639. Price undertakings allow exporters to increase prices to either undumped or non-injurious levels. At the same time, if a government accepts a price undertaking it may suspend or terminate the investigation in respect of the particular exporter and anti-dumping duties are not applied. The exporter benefits from a price undertaking by retaining the additional earnings from the increased prices, instead of the government of the importing country benefiting from increased revenue collected in the form of anti-dumping duty.

Consideration of Price Undertaking

640. The Minister is not obliged to accept a price undertaking from an exporting company. Before accepting a price undertaking the Minister would need to be satisfied that it is practical for the Ministry to monitor the prices being charged by an exporter to ensure the undertaking is being complied with. The Minister would also want to be assured that an exporter would not circumvent the undertaking by, for example, making compensatory adjustments to the prices of other products or making payments to the importer. The Minister may also decide as a matter of general policy that a price undertaking should not be accepted.

641. Any price undertaking is based on the final findings of the investigation and the level at which prices are either undumped or dumped but non-injurious. The Ministry would then advise exporters of such prices and seek a specific written undertaking on the basis of these prices in the form of a legal agreement that would also include provisions relating to monitoring, verification of information and violation of any undertaking. The undumped or non-injurious prices would be the same as those calculated by the investigation team and used in the reference prices established as the basis for collection of any anti-dumping duty.

642. Monitoring of the price undertaking would be possible in part through the New Zealand Customs Service, but Consolidated would also need to provide details of each shipment, in particular invoices showing the types and sizes of wire imported and the FOB prices for each shipment. Rather than monitoring at the time of importation, however, advance monitoring of the prices of shipments would be preferable so that the Minister could take action at the time of importation if the undertaking were being breached. Advance monitoring would require Consolidated to provide details of shipments and prices when the goods are invoiced, being the time at which the goods leave the factory in South Africa. In comparison, the reference price mechanism is less onerous on the exporters as it is self-enforcing, whereby anti-dumping duties would be calculated by the New Zealand Customs on the basis of the value for duty of the galvanised wire imported.

643. In the case of Consolidated, anti-dumping duties at the full margin of dumping are being recommended and reference prices at the Value for Duty (normally FOB) level would be set on that basis. The same values would be set for any price undertaking entered into with Consolidated. The advantage to Consolidated of the additional earnings available under a price undertaking, are also available under the reference price system of duty collection in that Consolidated can quite simply price up to the level of the reference prices, retain the additional earnings and the importer would pay no anti-dumping duty. An additional advantage of the latter approach is that neither Consolidated nor the Ministry would need to enter into a complex legal agreement nor be involved in the administrative arrangements required of monitoring of imports and provision and verification of information. Consolidated's intentions not to cause injury to the New Zealand industry have been clearly stated.

644. The method being used to collect anti-dumping duty can be used by exporters effectively as a *de facto* form of price undertaking. The benefits of entering into a price undertaking are available and the additional administrative overhead is absent. In these circumstances, the Ministry considers that, as a matter of general policy,

acceptance of a price undertaking from Consolidated is neither necessary nor appropriate.

645. Bell Gully, on behalf of PW, submitted that there does not seem to be any valid reason for the Minister to accept an undertaking when a final determination is imminent and that “it can only be assumed that any undertaking at this late stage is purely aiming to achieve a position better than that expected in the final determination.” It is not clear to the investigating team what Bell Gully is suggesting by this remark, as any price undertakings would be set at the same levels as any reference price levels for Consolidated and there is, therefore, no advantage to Consolidated in entering a price undertaking that it cannot achieve by pricing up to the levels of the reference prices. Bell Gully also appears to acknowledge this fact when it notes that “there seems little rational (sic) for accepting an undertaking equivalent to the remedy about to be imposed.” Bell Gully was also concerned that acceptance of an undertaking at this stage would “deny Pacific Wire the opportunity to make representations that must be included in the report to the Minister”.

646. Article 8.3 of the Agreement states that undertakings offered need not be accepted for various reasons “including reasons of general policy.” The Agreement also requires that “the authorities shall provide to the exporter the reasons which have led them to consider acceptance of an undertaking as inappropriate, and shall, to the extent possible, give the exporter an opportunity to make comments thereon.” The Ministry advised Consolidated on 11 December 2002 that it did not consider a price undertaking to be appropriate.

647. Consolidated responded that it had co-operated totally with the investigation, did not wish to have an anti-dumping duty recorded against its name, understood that offering a price undertaking was a way of [REDACTED] of an anti-dumping duty and was disappointed that this option did not now seem to be available. Consolidated was very concerned that [REDACTED]

[REDACTED] Consolidated pointed out that any anti-dumping duty against the company “would not only harm us but also South Africa as a developing country” Consolidated stated that in these [REDACTED]

648. The Ministry does not dispute that Consolidated has co-operated in the investigation. Neither is it disputed, however, that Consolidated has been dumping into the New Zealand market and this report reflects that fact, regardless of whether or not a price undertaking has been entered into. Indeed, undertakings are only entered into if the Minister is satisfied that the imported goods are being dumped and are causing or threatening to cause material injury to an industry. Public notice is given of both anti-dumping duties and price undertakings. So any [REDACTED] Consolidated feels may attach to dumping will be present no matter whether a price undertaking is entered into or an anti-dumping duty is imposed. Even if a price undertaking were accepted from Consolidated, anti-dumping duties would still be applied to other South African exporters. If this anti-dumping action results in the

attention of industries in other countries being drawn to possible dumping of galvanised wire from South Africa, Consolidated would also likely be involved in any investigation if it were a significant exporter to those countries, regardless of whether it had entered into a price undertaking.

649. Consolidated has already been named as an exporter of goods on which provisional measures have been imposed. In mitigation, this report also notes Consolidated's offer to enter into a price undertaking and that the company stated that it did not intend to injure the New Zealand industry.

650. The non-acceptance of Consolidated's price undertaking offer has, in the Ministry's view, no actual or potential adverse effect on South Africa as a developing country. In fact, the proposed reference prices allow all named exporters from South Africa to price up to the levels of the reference prices and retain any additional earnings, rather than the New Zealand Government gaining additional revenue through the collection of anti-dumping duties. Anti-dumping duty levels have been set to remove injurious dumping and are not intended as a means of raising revenue for the New Zealand Government. The reference price approach allows developing countries' exporters the opportunity of benefiting providing they price at fair levels.

651. The Ministry explained its position again, and in more detail, to Consolidated and, while Consolidated did not appear to fully understand how it would be treated *vis à vis* other exporters, the company did appear to understand the price reference approach.

652. As a matter of general policy, however, the Ministry considers there is no clear reason in entering into a price undertaking that would set FOB prices for Consolidated that will be the same as the reference prices set as rates of duty, especially since a price undertaking would involve additional administrative burden for the South African exporter in relation to provision of information and monitoring of the undertaking.

Impact of Anti-Dumping Duties

653. Any anti-dumping duties imposed will impact only on the galvanised wire originating from South Africa that is being dumped. Anti-dumping duties are proposed and set at a level that is no greater than is necessary to remedy the injury suffered by the New Zealand industry.

654. The imposition of duties will likely result in increased prices of galvanised wire from South Africa and allow the New Zealand industry to increase its prices. Duties on South African wire may also allow importers from other sources, such as Australia, to increase their prices due to the removal of some of the downward pressure on prices caused by dumped imports. It is likely that consumers of galvanised wire, including farmers, vineyard owners and downstream manufacturers of galvanised wire products will, therefore, pay higher prices for galvanised wire.

655. It is difficult to gauge the extent of any price increases as price competition is also affected by imports from other countries such as Australia and current or potential suppliers of galvanised wire from low-cost sources. Prices of imports from other countries may reduce the extent to which prices could increase.

656. The imposition of anti-dumping duties at the full margin of dumping for exports from Consolidated will likely result in increased prices, but prices should still be less than PW's non-injurious prices.

657. Independent's exports were dumped until halfway through the period of investigation when exchange rate movements raised export prices and removed dumping. The imposition of anti-dumping duties at the full margin of dumping for exports from Independent is unlikely at the level of present exchange rates to result in the imposition of anti-dumping duties or increased prices. The duty levels are needed, however, to ensure that injury caused by dumping is remedied if movements in exchange rates result in a resumption of dumping.

658. The highest proposed anti-dumping duties are for Cape Gate, the South African exporter [REDACTED] imports into New Zealand. The proposed duties for Cape Gate are set at a level that is less than the margin of dumping and no more than required to remedy any injury to PW. The duties should result in imports from Cape Gate being priced to meet the prices of the New Zealand industry. The extent to which galvanised wire from Cape Gate is still able to compete in the New Zealand market will depend on other competitive elements, such as availability, perceived quality, delivery and service. Importers may also decide to source cheaper galvanised wire from other countries.

659. Following the imposition of provisional anti-dumping duties, Euro Corp, which imports from [REDACTED], indicated that [REDACTED] the subject goods from South Africa, but there are other reasons than anti-dumping duty which may affect this decision. The imposition of the final anti-dumping duties recommended in this report may mean that importers will limit their imports from South Africa or stop importing altogether and find other sources of galvanised wire to import.

660. While the imposition of final duties may result in consumers not having the same access to South African galvanised wire, at the same time galvanised wire imported from other countries will not be affected by the duties and consumers will therefore continue to have the same access to galvanised wires from other countries. Other countries that are significant suppliers of galvanised wire to New Zealand include Australia, Sweden, the United Kingdom, Canada, Korea and India.

7. Recommendations

661. It is recommended on the basis of the information obtained during the course of the investigation into the dumping of galvanised wire from South Africa:

1. That the Minister determine pursuant to section 13 of the Dumping and Countervailing Duties Act 1988 that in relation to the importation of intended importation of galvanised wire from South Africa:

- (a) the goods are being dumped; and
- (b) by reason thereof material injury to an industry has been or is being caused.

2. That the Minister, having made a determination under section 13 of the Act, give notice pursuant to section 14(1) of the rate or amount of duty determined under section 14(4) of the Act to be imposed in respect of the galvanised wire from South Africa that is dumped. It should also be noted that in accordance with section 14(1) and section 17 of the Act, such duty shall be payable from the day after the date of the Minister’s decision to give notice of the provisional direction.

3. That the Minister require that, where the amount of anti-dumping duty provisionally imposed exceeds the amount of duty finally determined, the amount of the excess be remitted by the Collector of Customs.

4. That the Minister sign the attached *Gazette* notice, and give notice of the final determination and imposition of duties to interested parties in accordance with sections 9, 13 and 14 of the Act.

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Investigating Team
Trade Remedies Group