

DUMPING AND COUNTERVAILING DUTIES ACT 1988

DUMPING APPLICATION


NON-CONFIDENTIAL INITIATION REPORT

HOLLOW GOLD JEWELLERY FROM ITALY

1.	PROCEEDINGS	1
	1.1 PROCEEDINGS	1
	1.2 INTERESTED PARTIES	2
	1.3 IMPORTED GOODS	4
2.	NEW ZEALAND INDUSTRY	7
	2.1 LIKE GOODS	7
	2.2 NEW ZEALAND INDUSTRY	14
	2.3 IMPORTS OF HOLLOW GOLD JEWELLERY	16
	2.4 NEW ZEALAND MARKET	18
3.	EVIDENCE OF DUMPING	19
	3.1 EXPORT PRICES	19
	3.2 NORMAL VALUES	21
	3.3 COMPARISON OF EXPORT PRICE AND NORMAL VALUE	22
4.	EVIDENCE OF INJURY	25
	4.1 IMPORT VOLUMES	25
	4.2 PRICE EFFECTS	26
	4.3 ECONOMIC IMPACT	30
	4.4 OTHER CAUSES OF INJURY	34
	4.5 CONCLUSIONS RELATING TO INJURY	35
5.	CONCLUSIONS	37
6.	RECOMMENDATIONS	39
	APPENDIX 1	40
	LIST OF INTERESTED PARTIES	40
	A. PRODUCERS	40
	B. EXPORTERS	41
	C. IMPORTERS	43

ABBREVIATIONS

The following abbreviations are used in this Report:

Act (the)	Dumping and Countervailing Duties Act 1988
Amendment Act (the)	Dumping and Countervailing Duties Amendment Act 1994
Anti-Dumping Code (the Code)	WTO Agreement on Implementation of Article VI of the GATT 1994
Aztec	Aztec Gold Ltd
Bendall	Marc Bendall Limited
Capro	Capro Three Ltd
CIF	Cost, Insurance and Freight
Chief Executive	Chief Executive of the Ministry of Economic Development
Customs	New Zealand Customs Service
D & R	D & R Goldsmiths Ltd
EBIT	Earnings Before Interest and Tax
FOB	Free on Board
LDC	Less Developed Countries
LLDC	Least Developed Countries
Ministry (the)	Ministry of Economic Development
Pac	Forum Island Members of the South Pacific Regional Trade and Economic Co-operation Agreement
VFD	Value for Duty
WTO	World Trade Organisation
	Confidential Information

1. PROCEEDINGS

1.1 PROCEEDINGS

1.1.1 On 4 October 2000, the Ministry of Economic Development accepted a properly documented application from Marc Bendall Limited (Bendall), alleging that imports of hollow gold jewellery from Italy were being dumped and by reason thereof causing and threatening to cause material injury to the New Zealand industry.

1.1.2 In accordance with section 10 of the Dumping and Countervailing Duties Act 1988 ("the Act"), the Chief Executive of the Ministry of Economic Development (Chief Executive) may, on receipt of an application from the industry, initiate an investigation to determine both the existence and effect of any alleged dumping of any goods on being satisfied that sufficient evidence has been provided that:

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

1.1.3 In considering an application, the Chief Executive is required to be satisfied that there is evidence going beyond mere assertion and of a nature and extent that indicates a likelihood of dumping and resultant material injury, and requiring investigation. The evidence is to be scrutinised with due scepticism, bearing in mind the commercial context, and the Chief Executive is to be satisfied of the sufficiency of the evidence, not of dumping or material injury.

Basis for the Application

1.1.4 The application was made by Bendall on the basis of what was known at the time, being that Bendall considered that the company was the only manufacturer of hollow gold jewellery and therefore constituted the industry. It claimed that as a result of the alleged dumping, material injury is resulting from:

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

and is resulting in:

- decline in output and sales;
- decline in market share;
- decline in profits;
- decline in productivity;
- decline in return on investments;
- decline in utilisation of production capacity; and

- adverse effects on cash flow, inventories, employment, wages, growth, ability to raise capital and investments;

1.1.5 Bendall stated in its application that the material injury resulting from the importation of allegedly dumped hollow gold jewellery from Italy, probably began to impact on the company in 1996. Since the application was accepted, and during the course of considering the sufficiency of evidence the Ministry identified three other manufacturers of like goods. Further information was provided by two of these other manufacturers, the other declined to take part. The additional information has been taken into account in considering whether or not the case should be initiated.

1.1.6 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

1.2.1 The application from Bendall was accepted but during the process of determining whether there was sufficient evidence to justify the initiation of an investigation, three more producers of like goods to those subject to the application were identified. These are Aztec Gold Ltd (Aztec), Capro Three Ltd (Capro) and D & R Goldsmiths Ltd (D & R). D&R indicated clearly that it did not want to be associated with the application and did not wish to provide any information. It is considered that, together with the applicant, these companies make up the New Zealand industry. Additional financial information was requested and received from two of the three other manufacturers.

1.2.2 Details of the applicants and the other manufacturer considered to produce goods covered by the application are listed in Appendix 1 (A).

Importers and Exporters

1.2.3 ***Exporters***

1.2.4 The application has identified one major exporter of the subject goods to New Zealand as the Italian company Uno A Erre and has provided a list of names and addresses of other Italian exporters of jewellery. A check of these other companies against the Customs data reveals that they are not shown as suppliers of the subject goods to New Zealand. Some of these companies may, however, be exporting to New Zealand via third parties.

1.2.5 The application noted that an Australian company, which is known to import Italian hollow gold jewellery into Australia, may be exporting some of this jewellery to New Zealand. However, if this was the case then the origin for Customs purposes, if correctly entered, would be shown as Italy. Customs data does, however, show that there is a significant amount of jewellery of Italian origin being supplied from Australia.

1.2.6 The Customs data, which covers the subject goods, relates to imports of jewellery of precious metals other than silver and does not differentiate the product any further. It is likely that not all of the exporters named in Appendix 1(B) of this report will be exporting the subject goods. Should an investigation proceed, exporters of the subject goods will need to be established through importers and then contacted. Following confirmation that these companies are supplying the subject goods to New Zealand a sample of the relevant exporters will be sent a questionnaire.

1.2.7 The following is a list of significant exporters based on the top 62 percent of suppliers taken from total imports of goods of Italian origin under the tariff item for the calendar year 2000. The companies are listed in alphabetical order.

Casa Damiani Spa
Egoli Italia Srl
Filk Spa
R&D Italian Jewellery Pty Ltd
Uno A Erre Italia Spa

1.2.8 ***Importers***

1.2.9 There are a large number of companies potentially importing the subject goods, in addition to the companies listed in the application. Any investigation would need to establish which importers are interested parties from the list of importers in Appendix 1(C) of this report. The following is a list in alphabetical order of major importers .

Blenheim Jewellers Ltd
DT & PJ Francey Agencies
Hartfields Goldsmiths Ltd
I N Bond Ltd
James Pasco Ltd
Michael Hill Jeweller Ltd
R&D Italian Jewellery Pty Ltd
Silver Gem Jewellery Ltd

1.2.10 In a number of cases the exporters identified in the Customs data are not resident in the country of origin, and any investigation will need to establish the identity of the manufacturer of the subject goods. In other cases the country of export is different from the country of origin, and any investigation will need to establish whether such goods have any degree of manufacture in the country of export, or whether they are merely trans-shipped.

1.2.11 Potentially there may be many exporters. Exporters not sent a questionnaire may never-the-less ask to be included in the investigation, provided the necessary information is submitted in time for that information to be considered during the course of the investigation, and provided that the number of exporters involved in the investigation does not become administratively burdensome.

1.3 **IMPORTED GOODS**

1.3.1 The goods which are the subject of the application, hereinafter referred to as hollow gold jewellery or “subject goods”, are:

Hollow 9-carat gold jewellery being chains, necklaces, bracelets, bangles and earrings including finished parts and sets thereof, in any colour variation, but excluding the following:

- *finished parts for fastenings such as clips and clasps,*
- *jewellery and parts thereof, containing gemstones, and semi-precious stones including jade.*

1.3.2 The New Zealand Customs Service has stated that the hollow gold jewellery enters under the following tariff classifications:

- 71.13 Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal:
- Of precious metal whether or not plated or clad with precious metal:
- [7113.11 -- Of silver, whether or not plated or clad with other precious metal:]
- 7113.19 -- Of other precious metal, whether or not plated or clad with precious metal:
- [7113.19.01 --- Cigarette, cigar, tobacco and tobacco pipe cases and parts thereof, other than articles incorporating greenstone]
- 7113.19.09 --- Other
- [01H Incorporating jade]
09C Other

1.3.3 Applicable duty rates are:

Normal	7
Australia	Free
Canada	4
LDC	5.5
LLDC	Free
Pac	Free

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

1.3.5 The period for considering dumping is 1 April 2000 to 31 March 2001. It should be noted that the industry has claimed that injury first occurred with a surge of imports in 1996. The information available on a quarterly basis shows that imports from Italy did surge in 1996 but have continued to increase over the whole period. Information is not currently available from all of the industry over the whole period from 1995. For the purposes of this report injury to the industry will be considered over the latest three years. Any

investigation will at least involve evaluation of injury data from 1 April 1997 to 31 March 2001, and may include more recent information if available.

1.3.6

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

2. NEW ZEALAND INDUSTRY

Section 3A provides the definition of “industry”:

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

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

“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

2.1.1 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.

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

Hollow 9-carat gold jewellery being chains, necklaces, bracelets, bangles and earrings including finished parts and sets thereof, in any colour variation, but excluding the following:

- *finished parts for fastenings such as clips and clasps,*
- *jewellery and parts thereof, containing gemstones, and semi-precious stones including jade.*

2.1.3 The industry makes a wider range of goods than the above definition of the subject goods. The following is an evaluation of the like goods.

Like Goods Considerations

2.1.4 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 and usage. This covers consumer perceptions and 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 customer advertising.
- e. Other. This can include tariff classification if applicable, and any other matters which could be applicable in the circumstances.

Physical Characteristics

2.1.5 In considering the issue of like goods, silver jewellery has been considered since it has a number of similar characteristics to gold jewellery, even though it has been agreed to exclude it from the application.

2.1.6 Appearance, Size, Dimensions and Components:

2.1.7 *Subject Goods*

2.1.8 The goods subject to the application are of 9-carat gold, which fall into the general categories of hollow jewellery being chains, necklaces, bracelets, bangles and earrings. These may be in any shape or design and are substantially hollow. The chain may be made up into necklaces or bracelets or other chain jewellery or may be lengths of chain for example not made up. The gold may be in any colour variation, usually being yellow, rose or white gold. There may be more than one colour of gold in a single product. Some examples given of the hollow 9-carat gold jewellery being imported are, heavy curb chain; medium belcha chain; double link chain; twisted 9-carat hoop earrings; 3 strand Russian wedding hoop earrings; plain and patterned knot earrings, and bi-colour earrings. Products of the same or similar design can come in a range of sizes and weights of gold. The application contains advertising material containing pictures of some of the subject goods. The products may have clips and clasps attached for fastening.

Industry

2.1.9 The New Zealand industry makes hollow 9-carat gold jewellery which competes directly with the imported products described above. Bendall states that the “basic intrinsic materials are identical”. There are many different designs, sizes and weights of pieces manufactured in each category, and physical appearance may differ markedly between products for example types of chain. The designs are generally dictated by fashion and so different styles and designs compete against each other. Bendall states that “the styles are at least similar enough to detract demand from locally produced product”. Bendall also states that “the size of the products is similar.” Companies tend to produce many similar designs to each other and some companies may also have some unique designs, but all of these compete in the same market.

Silver

2.1.10 Hollow silver jewellery has a number of similar physical characteristics to hollow gold jewellery. It is usually more uniform in colour but the hollow

jewellery made from sterling silver is similar in styles and shapes to those which are made from gold.

Production Methods and Technology:

Subject Goods

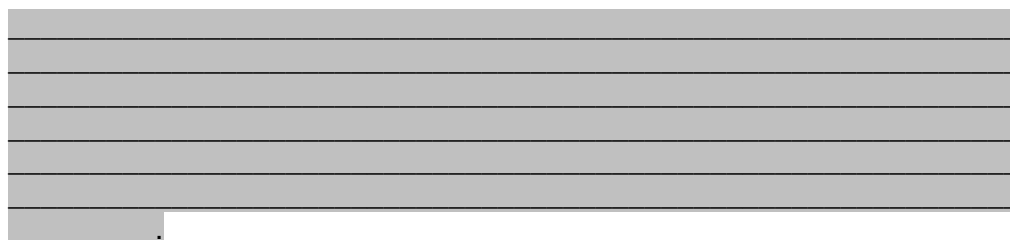
- 2.1.11 The production methods used to manufacture the subject goods are unknown. Bendall has indicated that it is difficult to precisely determine the production methods used to produce any particular article of the subject goods by examining the end product without destroying it, and even then it can be difficult to determine.
- 2.1.12 Information about the technology and some techniques used by the global industry in the manufacture of these goods are not common knowledge to the industry. There are, however, one or two very old techniques which are well known.
- 2.1.13 The subject goods are likely to be being produced by more than one company so it is likely that there is more than one method of production being used.

Industry

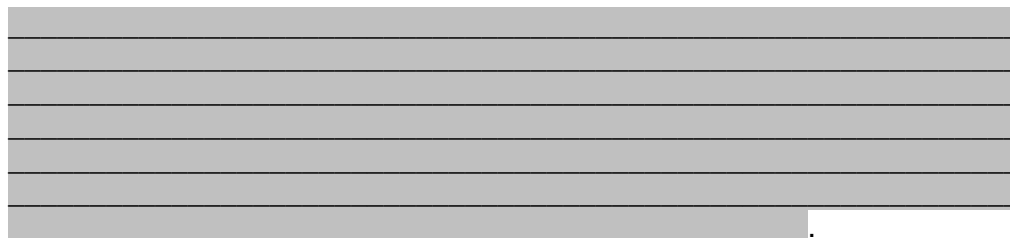
- 2.1.14 Hollow gold jewellery is made by the industry by more than one production method. Companies buy in the required purity of the gold, that is, 9-carat or 18-carat, for example. The higher the “carat” the more gold is mixed in with the alloy used in the wire or plate production. The higher the carat the softer the gold metal may be that is used in production.
- 2.1.15 Two different methods are known to be used by the industry. Hollow gold jewellery can be made from gold tape formed into coreless hollow tubes, machine formed and either hand assembled or machine assembled. Aztec noted in some promotional material that hollow gold jewellery can be made by using 9-carat gold rolled into plate gold, and then wrapped around a specially shaped steel core, resulting in both edges being folded inwards leaving a strong even seam. This method produces a heavy wall thickness. (Capro has noted that wall thickness can be about 1mm) which “gives it strong resistance to loss of shape and a relatively longer life.” The metal and the core are rolled and then drawn to the required diameter, wound into links and fabricated into chain, the core is then chemically removed leaving hollow chain. In finishing, the chain goes through a number of cleaning and polishing steps.

Bendall

- 2.1.16 Bendall considers that the hollow gold jewellery it produces may be in any colour variation of gold, made of gold in round, oval or square coreless hollow tubes, machine formed and either hand assembled or machine assembled, finished pieces being substantially gold in appearance. Bendall states that “the jewellery in question is quite distinct from solid or plated metal pieces, or hollow pieces formed around a core such as iron or silver which has been subsequently removed, or wax formed, or pieces which incorporate gemstones or other components of significant intrinsic value”.
- 2.1.17 Bendall states that the goods that it produces [REDACTED]



2.1.18



Silver

2.1.19

The industry makes some hollow silver jewellery. Production methods are generally based on similar processes to those of gold. The physical characteristics of silver, however, are a little different to those of gold. Silver is also a base metal but has a different chemical composition to that of gold and so there are some differences in handling. It is a slightly harder substance and a little less malleable, and therefore more difficult to shape.

Function and Usage

Subject Goods and the Industry

2.1.20

Gold jewellery is generally used for personal decorative purposes. The generally accepted functions and uses are that earrings are worn on the ears (usually held by small screws, clamps or by wire through a pierced ear), necklaces around the neck, bracelets and bangles around the wrists (and sometimes the ankles). Chains may also be worn elsewhere on the body. There is no apparent difference in function or uses between the imported subject goods and the hollow gold jewellery made by the New Zealand industry.

Silver

2.1.21

Hollow silver jewellery is generally used for the same function and uses as the subject goods.

Pricing Structures

Subject Goods

2.1.22

Little is known about the pricing structure of the subject goods other than the retail prices that are being advertised. Promotional material has been supplied with the application indicating a range of advertised retail prices. Also available is the price of the major raw material 9-carat gold, since gold is traded on the world market. Historical prices and average prices are available on the Internet. The industry has assumed that the main difference in the costs to produce the subject goods will be the labour content, thought to be dependant on the amount of hand finishing required.

Industry

- 2.1.23 The price of the gold is determined by the gold purity used (carat). The price of gold to manufacturers is determined by the world price for pure gold (24-carat) in United States dollars which fluctuates daily. New Zealand manufacturers, when sourcing their raw material (gold wire or plate) from a New Zealand supplier, pay a price determined by the world gold price plus a standard percentage for the supplier's costs (which may cover turning it into wire or plate). The price to the manufacturer, therefore, fluctuates largely depending on the world price.
- 2.1.24 Bendall and Capro have commented that the price the New Zealand manufacturer can sell its products for is determined by the retailer. The industry considers that prices in the hollow gold jewellery volume market are determined by the imported Italian price for the subject goods (being chain or earrings etc.) and little account is taken of style or design. For smaller volumes, the retailer will decide what it is prepared to pay for an item based on its expected sale price, which it is presumed would depend largely on the margin required.
- 2.1.25 A further issue is the price differences between the different carats of gold. The industry has indicated that in the New Zealand market, the predominant carat of gold used for manufacturing hollow gold jewellery is 9-carat, although some 10, 14 and 18-carat has been produced. The retail price differences between the different carats of gold available, except for the 9 and 10-carat, are considered to be significant. The industry has estimated that the retail price of 18-carat is on average about twice the price of 9-carat and that 14-carat is about 50 to 60 percent more expensive than 9-carat. Ten-carat is not produced in any volume, however, it is understood that some countries such as the United States have 10-carat gold as a standard. The industry notes that the New Zealand market is mainly 9-carat. However, from a customer's perspective, there would seem to be few barriers from switching to buying 10-carat gold jewellery if it became readily available at similar prices.
- 2.1.26 The industry is of the view that it was the advent of the allegedly dumped imports from Italy that brought about a change in the retail pricing structure for hollow gold jewellery generally, thereby dictating the wholesale prices at which manufacturers could sell. Bendall describes the change as being from the individual pricing of pieces, which took account of original design content, to prices being based on the price of the gold content of the piece, determined by its weight in grams. Thinner walled (lighter) pieces of intricate design may contain a greater labour content, but the market prices will be limited by their weight in gold.
- 2.1.27 It has been stated that over the last few years, the average wholesale price per gram for a 9-carat gold jewellery item has dropped from \$■ dollars per gram to \$■ per gram and that this is in direct response to the Italian imports.

Silver

- 2.1.28 Silver is also traded on the world market but is of considerably less value than gold. There is a silver price index and an index (the Xau) which gives the ratio of prices of gold and silver. Based on world prices silver jewellery (and therefore hollow silver jewellery) is priced at a significantly lower level than the equivalent gold product. Presumably consumers are aware of this difference

and do not expect to pay as much for jewellery of silver as they do for gold. Indications are that the volume of manufacture of hollow silver jewellery in New Zealand is quite small compared with that of gold, which may reflect either a lower level of demand (and presumably consumer preference), or maybe that the local industry cannot compete with imports of hollow silver jewellery.

Marketing Issues

Subject Goods

- 2.1.29 Imported hollow 9-carat gold jewellery is generally sold by retailers together with hollow sterling silver and solid silver, and hollow and solid 18-carat gold jewellery, as well as other jewellery items such as watches and rings.
- 2.1.30 The industry considers the Italian subject goods compete at the lower price end of the hollow gold jewellery market. The largest volumes are sold to the major retail chains, which dictate prices and have very visible marketing activities. Marketing by these retailers to consumers is highly competitive and is characterised by significant discounting, frequent sales, and marketing through mail to the general public, by using for example, flyers and catalogues advertising products in the retailers stores. Some chains also use television advertising.
- 2.1.31 These activities are not specific to hollow gold jewellery and often include other jewellery, however, at the low end of the market, the price is a major determining factor.

Industry

- 2.1.32 The New Zealand 9-carat gold hollow jewellery is one segment of the gold and silver jewellery market. There is some crossover between the gold and silver segments of the market but gold and silver are considered to be distinct predominantly because of price and colour.
- 2.1.33 Within the gold jewellery market, the solid gold jewellery market is distinct from hollow gold jewellery, predominantly because of price. The hollow gold market segment is characterised by jewellery with short product life cycles, having many different designs and is generally at the low price end of the gold jewellery market. The products are relatively cheap and accessible compared to the solid gold market.
- 2.1.34 The marketing of the hollow 9-carat gold jewellery to the end user is generally done by retailers, who may also import. The industry tends to focus its marketing efforts on the retailers, and sells to the retailers at wholesale prices, although the industry may make some direct retail sales. The manufacturers and the retailers generally sell to the same end users in the market.

Silver

- 2.1.35 Marketing of hollow silver jewellery is conducted through the same or similar distribution channels and advertising is considered also to be through similar methods.

Other

2.1.36 *Tariff Classification*

2.1.37 There is no specific tariff classification for hollow gold jewellery, which could distinguish it from other types of gold jewellery. Gold jewellery is classified with precious metals other than silver.

Silver

2.1.38 Silver jewellery is classified under a different tariff item from gold in the Customs Tariff.

Conclusion

2.1.39 On the basis of the information available, the Ministry considers that:

- a. Silver jewellery is not considered to be exactly the same or a “produit similaire” that is, closely resembling gold jewellery within the meaning of the WTO Agreement. This is on the basis that it has its own world price index, and it is of a considerably lower price than gold. It has a slightly different colour when compared with white gold and has somewhat different physical characteristics of the metal. It also has a different classification in the Customs Tariff.
- b. Hollow gold jewellery is not considered to be the same or a like product to solid gold jewellery, because of physical, manufacturing and pricing differences. There is a very large price difference when a hollow product is compared with an equivalent solid gold product due mainly to physical differences in the amount of gold and therefore the weight of the product. There are different techniques required in the manufacturing process to produce hollow, as opposed to solid gold jewellery.
- c. Hollow gold jewellery is not considered to be the same or a like product to hollow gold jewellery greater than 10-carat. This is predominantly because of a large price difference between the hollow product, and different physical characteristics in terms of gold content where an equivalent product containing a significantly higher carat (or purity) of gold.
- d. Hollow gold jewellery of 9-carat is not like in all respects but has a range of similar properties to 10-carat hollow gold jewellery. Price differences are not so significant between these products.
- e. Although manufacturing techniques may differ in the industry and the weights of gold in very similar pieces may differ somewhat, these differences are not persuasive enough to determine that the hollow 9-carat gold jewellery made by the industry goods are not like goods. If the same size and design of a piece of hollow 9-carat gold jewellery were compared from different manufacturers, the pieces would look very similar to the customer. They would be in a similar price bracket, compete in the same segment of the market, and have the same function and end use. The hollow 9-carat gold jewellery produced by all New Zealand manufacturers is therefore considered to be like product.

2.1.40 On the basis of the information available it is considered that hollow silver jewellery and 14 and 18-carat gold jewellery are not like goods. 10-carat hollow gold jewellery could be substitutable for hollow 9-carat gold jewellery if a remedy was required for imports of hollow 9-carat gold jewellery. It is considered therefore that 9 and 10-carat hollow gold jewellery have a wide range of similar characteristics the most significant of which is price and are therefore like goods to the subject goods.

2.1.41 The definition of like goods is therefore:

Hollow 9 and 10-carat gold jewellery being chains, necklaces, bracelets, bangles and earrings including finished parts and sets thereof, in any colour variation, but excluding the following:

- *finished parts for fastenings such as clips and clasps,*
- *jewellery and parts thereof, containing gemstones, and semi-precious stones including jade.*

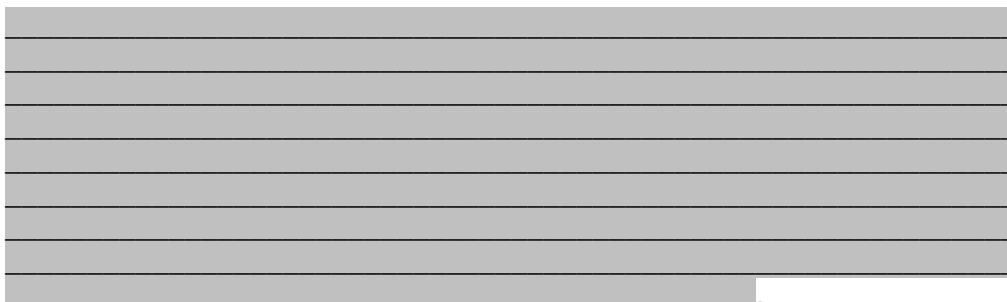
2.1.42 The investigation of injury will be based on information relating to these like goods.

2.2 **NEW ZEALAND INDUSTRY**

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

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

2.2.2 The jewellery industry includes manufacturers making a wide range of gold jewellery. The application was submitted by Bendall and accepted on the basis that the applicant was the producer of like goods and would have standing.

2.2.3 

- 2.2.4 The Ministry considers that the only way to make an assessment of volume produced by the industry is by grams of gold used. It is not possible to make an assessment of volume from the number of articles produced since the products are not homogenous. They vary so widely in size, in time taken to produce and in styles, that an assessment of volume on that basis would be meaningless. It may be that during the course of any investigation, if appropriate, the goods may be able to be put into categories that are more meaningful for indicating volumes.
- 2.2.5 Subsequently, in assessing the sufficiency of evidence of the application, two more producers, Aztec and Capro, were found, and a further company, D & R is thought to be a manufacturer of like goods. Bendall considers that D & R may have ceased producing like goods, even though an article it provided about D & R (the journal and the date of publication are unknown) mentioned the production of hollow jewellery. It was Bendall's view, from its own inquiries prior to Christmas 2001 (and subsequent to the article), that there was anecdotal information to suggest that the company was "importing [redacted] product [from Italy] and not manufacturing locally" and that D & R had stated that it "couldn't compete with Italian pricing". However, the two other manufacturers in Auckland (where D & R is located) thought that D & R might be making the subject goods. D & R however, has not responded to the Ministry's requests for information and has indicated that it will not be doing so. On the limited information available, and for the purposes of this report, D & R will be considered to be a manufacturer.
- 2.2.6 When considering the sufficiency of the evidence provided by the original applicant, the original application did not meet the criteria of standing required by section 10(3)(a) of the Act, nor the definition of industry as required by section 3A of the Act. The additional manufacturers found were, therefore, requested by the Ministry to indicate whether they would support or oppose the application and to provide injury information which was subsequently added to the application.
- 2.2.7 Two of the three other manufacturers have supported the application in writing and provided injury information.

Standing

- 2.2.8 An assessment of standing must be based on an assessment of whether the application is supported by 25 percent or more of the industry production, and supported by at least 50 percent of the industry who have expressed an opinion in writing of whether they would support or oppose the application.
- 2.2.9 The following is a table of the information on which standing has been assessed.

Assessment of Standing for the September Year 2000

	Annual Estimated Production of Subject Goods (Grams)	%	Support / Opposition in writing	% Production
Aztec Gold Ltd			Support	
Marc Bendall Ltd			Support	
Capro Three Ltd			Support	
D & R Goldsmiths Ltd ¹			No response	
Total		100%		
	Expressed support is greater than 25 percent of industry production		Written support is greater than 50 percent of the industry's production that expressed an opinion.	100%

Note¹: An estimate of D & R's production of the subject goods has been made on the basis of the best available information, being the estimated number of employees relative to another producer.

A Major Proportion of the Industry

- 2.2.10 The Ministry considers that in investigating injury under section 8 of the Act, it should have regard to the effects of importations of dumped goods on the New Zealand industry as a whole.
- 2.2.11 The use of the definition of industry to establish the standing of one or several producers or their representatives, to lodge an application does not preclude the Ministry from looking wider in establishing whether and to what extent injury is being caused to New Zealand producers as a result of dumping. However, this does not mean that all producers in the industry, or all of those investigated, must suffer material injury before any action is taken, but such injury must have been caused to at least those producers whose output constitutes a major proportion of production of like goods.
- 2.2.12 It is considered that the three producers that have provided information about the industry represent a major proportion of the industry making the subject goods.

2.3 IMPORTS OF HOLLOW GOLD JEWELLERY

- 2.3.1 Hollow gold jewellery is not identified separately in the Tariff of New Zealand. The tariff item that contains the subject goods also contains a range of other types of jewellery including those made from other precious metals, other than silver. Statistics provided by the industry compared the value of imports from Italy with total imports from all sources for the relevant tariff item. No adjustment had been made to the statistics to estimate imports of hollow 9-carat gold jewellery other than an estimate by one manufacturer of total grams for the period 1995 to 2000. This estimate was made by dividing the total imports from Italy by the export price per gram average provided. However the tariff item also contains all other gold and precious metal jewellery, excluding silver, and so the figures contain a wide range of other product. Manufacturers have indicated that it is very difficult to estimate the size of the

New Zealand market by value or volume since there are no known published statistics of this segment of the market, and the statistics required for this report only make up part of the gold jewellery market.

- 2.3.2 The Ministry has obtained the following data from Customs for the tariff item. It has adjusted the figures by an estimated proportion of imports for hollow 9-carat gold jewellery, based on estimates from the industry which were fairly wide. These estimates range from \$2.6 million to \$3.8 million (retail), to imports of the goods from all sources being in excess of 95 percent of the New Zealand market. Using this information, it is estimated that approximately 7 percent of the value of imported goods in the tariff item may be subject goods. In addition, the industry considers that at least 60 percent of these goods are being imported from Italy, compared to total imports from all sources. These estimates have been used to generate the following table.

Table 2.1: Imports of 9ct Gold Hollow Jewellery
(March Years, NZD)

	1997	1998	1999	2000	2001
Subject Goods	1,268,451	1,315,641	1,294,070	1,558,187	1,913,530
Other Imports	845,634	877,094	862,714	1,038,791	1,275,686
Total Imports	2,114,086	2,192,735	2,156,784	2,596,978	3,189,216

- 2.3.3 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 an investigation shall be terminated. Section 11(2) of the Act provides that evidence of dumping shall be regarded as insufficient if the volume of imports of dumped goods, expressed as a percentage of total imports of like goods into New Zealand, is negligible, having regard to New Zealand's obligations as a party to the Anti-Dumping Code. The Code 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.

- 2.3.4 The following table shows imports of the subject goods and total imports for the year to 2001.

Table 2.2 Estimated Share of Total Imports

	2001	%
Italy	1,913,530	60%
Other Imports	1,275,686	40%
Total	3,189,216	100%

2.3.5 On the basis of this information, imports of the subject goods from Italy are not negligible.

2.4 NEW ZEALAND MARKET

2.4.1 The following table shows an assessment of the New Zealand market for hollow 9-carat gold jewellery based on the estimates as outlined in Section 2.3 above.

Table 2.3: New Zealand Market
(Year to March, NZD)

	1998	1999	2000	2001
Subject Goods	1,315,641	1,294,070	1,558,187	1,913,530
Other Imports	877,094	862,714	1,038,791	1,275,686
Total Imports	2,192,735	2,156,784	2,596,978	3,189,216
-Aztec			increase	decline
-Bendall		increase	decline	decline
-Capro		decline	decline	decline
-D&R			increase	decline
NZ Industry Sales			decline	decline
NZ Market			increase	increase

2.4.2 Nine carat hollow gold jewellery is a seasonal product in that production and sales are generally higher in the months leading up to Christmas. The figures for the New Zealand market are based on estimates of imports as outlined in Section 2.3 above. Estimates for the production of D&R have also been made based on the estimated number of employees relative to another producer on the same basis as was done to assess "Standing". Forecasts for the production of Bendall and Capro have been calculated for the year to March 2001 based on the figures supplied by Capro for approximately 11 months of the year, and for Bendall which had supplied 6 months data for the year 2001. The figures for Bendall may be slightly understated due to seasonal effects. Aztec provided figures for the completed year to March 2001. It should be noted that industry production information for the 1998 year is incomplete, so production figures for 1998 should be interpreted with care.

3. EVIDENCE OF DUMPING

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 EXPORT PRICES

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

3.1.2 Bendall provided all of the information on export price and normal value and based on its own knowledge of costs. Bendall has stated that there is little information available to it with regard to export prices. Bendall has stated that “the value of the materials used is unlikely to vary greatly from that available to local manufacturers. Perhaps the key variable is the extent to which the overseas supplier relies on labour versus machinery. At any rate, the capital cost of machinery required to produce such intricate designs would need to be recovered in the cost of the product.”

3.1.3 It is not possible to compare all of the exported products for dumping purposes because of the wide range of sizes and designs and design variations and short life cycles of the subject goods which are frequently being added to and dropped from the range of imports.

3.1.4 Bendall has submitted export prices for 9-carat gold using a deductive method starting from retail prices in New Zealand and working back to the export price from Italy. These calculations have been made taking into account the fact that retailers are also often the importers.

Retail Prices

3.1.5 The retail prices are those that have been advertised in various New Zealand retail catalogues. These have been used as the starting point to deduce export prices. Promotional material was also provided with pictures of a range of what was in part considered to be sourced from Italy.

Retailer’s Margin

3.1.6 Bendall provided two export price scenarios based on 25 percent and 50 percent retail margins which it considers are conservative estimates and based on its observation in the market and the prices retailers put on Bendall’s products. The 50 percent retail margin has been used in this report as a reasonable assessment of exports from Italy sold in New Zealand.

Import Clearance and Handling Costs

3.1.7 An amount of 1 percent was estimated for all freight, cartage, handling and other costs. The Ministry considers that this is under-estimating the costs and has used 1 percent for cartage, handling and other costs and has estimated the cost of overseas freight and insurance separately.

Overseas freight and Insurance

3.1.8 The Ministry has estimated overseas freight and insurance using the Customs statistics for the year 2000. Freight and insurance as an average of the New Zealand dollar value of the imports for the tariff item was calculated as 1.8 percent.

Import Duty

3.1.9 A Customs import duty amount of 7 percent has been used as it was in place for the year 2000 to date.

Freight, Handling, Documentation and Loading Costs

3.1.10 No estimate was made of freight, handling, documentation and loading costs from the factory to the point of export in Italy. The Ministry has estimated that these costs together may be in the vicinity of 1 percent.

3.1.11 Table 3.1 below shows the 9ct gold retail prices of a representative selection of the items imported from Italy.

Table 3.1: Export Price

Description	Heavy curb hollow chain	Medium Belcha hollow chain	Double link hollow chain	3 strand			
				Twisted hoop earring	Russian wedding hoop earring	Plain & knot earring	Bi-colour hoop earring
Gold weight (grams)	96	18.5	32.5	1.1	2.6	1.1	3.2
Discounted Retail price NZD	2,700.00	716.00	740.00	29.00	95.00	39.00	89.00
-excluding retail GST	2,400.00	636.44	657.78	25.78	84.44	34.67	79.11
Retail margin (50%)	900.00	238.67	246.67	9.67	31.67	13.00	29.67
Ex-wharf price	1,500.00	397.77	411.11	16.11	52.77	21.67	49.44
Import clearance and handling costs ¹ (1%)	13.89	3.68	3.81	0.15	0.49	0.20	0.46
Import duty (7%)	97.22	25.78	26.65	1.04	3.42	1.40	3.20
O/Seas Freight and Insurance ² (1.8%)	27.00	7.16	7.40	0.29	0.95	0.39	0.89
Freight, Handling, Documentation and Loading Costs (1%)	15.00	3.98	4.11	0.16	0.53	0.22	0.49
Export price	1,346.89	357.17	369.15	14.47	47.39	19.46	44.40
Export price (per gm)	14.03	19.31	11.36	13.15	18.23	17.69	13.87

1 Assumes that the retailer is the importer and includes cartage, handling and other import costs.

2 Average cost of Overseas Freight and Insurance for 2000

3.1.12 The Ministry considers that the evidence provided of export prices is sufficient for the purposes of initiation.

3.2 NORMAL VALUES

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

3.2.2 As far as Bendall is aware, the subject goods of hollow 9-carat gold are not sold on the Italian domestic market. In order to assess whether its prices were competitive against Uno A Erre, Bendall obtained wholesale prices for 14-carat Uno A Erre, USA product. Bendall reported that the prices from the USA were compatible with its own prices “on average, within █ percent on the basis of price per gram”. Bendall argues, therefore, that there is no reason why the price per gram of the 9-carat products should not be competitive with Uno A Erre in Italy. The Ministry notes that it is unclear whether the 14-carat product from Uno A Erre would be manufactured in the USA or Italy. Also, if the product sold from the USA was of Italian origin, then it is likely that the USA company would take a margin for the sale, which would mean the Italian product may cost less at the ex-factory level. It is also considered that if the product was manufactured in the USA, the price structures may be different from those in Italy.

3.2.3 Bendall has constructed normal values for Italian 9-carat products from the costs to manufacture very similar products in New Zealand. These represent a sample of the goods imported from Italy available for sale at similar per gram prices from retail outlets in New Zealand.

Gold Price

3.2.4 The prices for gold have been submitted in New Zealand dollars. Gold is an international commodity that has its own price index on the world market, so it is expected that the gold price in New Zealand will be comparable with the gold price anywhere in the world, on any given day. The cost to manufacturers should therefore be similar.

Solder and Forming

3.2.5 The costs of solder and forming have been based on the cost of making a similar product by a New Zealand manufacturer.

Labour and Casting Fees

3.2.6 The cost of casting fees and labour are based on Bendall’s actual costs of making a similar product. Bendall has indicated that the costs for labour in Italy may be different.

Clasp/pin/butterfly

3.2.7 The cost of the clasps are the actual costs to a New Zealand manufacturer.

Manufacturers Margin

3.2.8 Bendall included a manufacturers margin of █ percent. Compared with another manufacturer this was considered to be █. A margin of █ percent

has been used to approximate the Italian export industry's margin given that the volume of export to New Zealand by some of the larger Italian companies indicates significantly economies of scale.

Table 3.2: Normal Value

Description	Heavy	Medium	Double	3 strand			
	curb hollow chain	Belcha hollow chain	link hollow chain	Twisted hoop earring	Russian wedding hoop earring	Plain & patterned knot earring	Bi-colour hoop earring
Gold weight (grams)	96	18.5	32.5	1.1	2.6	1.1	3.2
NZD per gram							
Gold cost							
Solder							
Forming							
Labour							
Casting fees							
Clasp/pin/butterfly							
Production cost							
Export margin (___%)							
Normal value							
Normal value per gram							

3.2.9 The industry has stated that the prices for hollow gold jewellery on the Italian domestic market are depressed. However, the figures used are conservative and are therefore considered to be a reasonable representation of normal values in Italy.

3.2.10 The Ministry considers that the evidence provided on normal values is sufficient for the purposes of initiation.

3.3 COMPARISON OF EXPORT PRICE AND NORMAL VALUE

3.3.1 Based on the information provided to the Ministry, the following is the evidence of dumping:

Table 3.3: Dumping Margin as a Percentage of Export Price

Description	Heavy	Medium	Double	3 strand			
	curb hollow chain	Belcha hollow chain	link hollow chain	Twisted hoop earring	Russian wedding hoop earring	Plain & patterned knot earring	Bi-colour hoop earring
Normal Value							
Export Price							
Dumping Margin							
Margins as % EP							

3.3.2 The comparison shows that there is sufficient evidence that the goods may be dumped. The average dumping margin per gram of 9-carat gold chain and bracelets is 29 percent while the average margin for 9-carat gold earrings is 53 percent.

- 3.3.3 Any investigation will need to give consideration to the provisions of section 4 (export price) and section 5 (normal value) of the Act as they should apply, and in particular to the application of the appropriate adjustments required by section 4(1)(a)(i) and (ii) and section 5(3).

4. EVIDENCE OF INJURY

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 IMPORT VOLUMES

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.

4.1.1 Imports of gold jewellery are not separately identified in the Tariff of New Zealand and imports of the subject goods cannot be specifically identified. In addition, there is no information available to the applicant on volumes since the New Zealand Customs service does not collect volume data for this tariff item.

4.1.2 The Ministry considers, taking all the information available to it into account, a reasonable estimate of imports of the subject goods is 7 percent of the value of the tariff item with 60 percent of this being of Italian origin. The basis of these estimates can be found in Section 2.3 of this Report.

4.1.3 An application is required to contain information that is reasonably available to the applicant as outlined in s10(2)(b) of the Act. As noted, the industry has not been able to estimate volumes and the Ministry does not have any information on the volumes imported. The Ministry could estimate volumes based on the industry's average dollar per gram costs but these would be effectively estimates of estimates. The Ministry considers that the trend in average values will give at least an indication of the trend in volumes. More specific information on volumes can be collected if an investigation is initiated.

4.1.4 The following import values have been estimated as above.

Table 4.1: Imports (Values)
(Year to March, NZD)

	1998	1999	2000	2001
Subject Goods	1,315,641	1,294,070	1,558,187	1,913,530
Other Imports	877,094	862,714	1,038,791	1,275,686
Total Imports	2,192,735	2,156,784	2,596,978	3,189,216
Industry Sales			decline	decline
New Zealand Market			increase	increase
Change on previous year:				
Subject Goods		-21,570	264,116	355,343
Other Imports		-14,380	176,077	236,895
Total Imports		-35,951	440,194	592,238
Industry Sales			decline	decline
New Zealand Market			increase	increase
% Change				
Subject Goods		-2%	20%	23%
Other Imports		-2%	20%	23%
Total Imports		-2%	20%	23%
Industry Sales			decline	decline
New Zealand Market			increase	increase
Subject goods as % of:				
Industry Production			increase	increase
New Zealand Market			increase	increase

4.1.5 The import data shows that the value of the subject goods has increased significantly in total over the period from 1998 to 2001. Other imports have also increased significantly over the same period.

4.1.6 The value of the industry's sales has declined significantly over the same period that the subject goods has increased. The value of the subject goods has increased relative to the value of the total New Zealand market over the whole period.

4.1.7 There is evidence that import values (which are considered to reasonably reflect the trend in volumes) of the subject goods have increased significantly in absolute terms and have increased significantly relative to the New Zealand industry's production and consumption.

4.2 PRICE EFFECTS

4.2.1 Price Undercutting

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.

4.2.1.1 In considering price undercutting, the Ministry will normally seek to compare prices at the ex-factory and ex-importer's store levels, to ensure that differences in distribution costs and margins do not confuse the impact of dumping.

4.2.1.2 In this case the “Into Importers Store Price” has been taken as a comparison point with a manufacturers ex-factory price, as it is considered that this is most likely to be the first point of competition in the market. The importer has the choice of buying from a New Zealand manufacturer or from an overseas supplier. It is considered that it is at this point in the chain that the manufacturer competes for the majority of its sales with the imports. Many of the importers are also likely to be retailers so an ex-importers store price could also be an ex-retailers store price. A price-undercutting comparison at the level of into-importers store price to the industry’s ex-factory price, removes the effects of retail margins in New Zealand on the alleged dumping margins.

4.2.1.3 The following information has been provided on price-undercutting in the New Zealand market.

Table 4.2: Price Undercutting (per gram)

	Heavy curb hollow chain	Medium Belcha hollow chain	Double link hollow chain	Twisted hoop earring	3 strand Russian wedding hoop earring	Plain & patterned knot earring	Bi-colour hoop earring
Description							
Product number	350914	594554	268455	205824	711128	710654	227524
Weight of gold (gm)	96	18.5	32.5	1.1	2.6	1.1	3.2
Ex-factory price							
Into Importers store Price							
Price undercutting % undercutting							

4.2.1.4 The same selection of products as for export price and normal value has been used as representative of imports into New Zealand and have been compared with locally produced product.

4.2.1.5 The costs of the locally produced product used are those of Bendall except for the manufacturer’s margin. It is thought that █ percent is more representative of an exporters margin. Bendall’s product is priced at the higher end of the market for like product manufactured in New Zealand, reflecting most likely higher labour costs, than other manufacturers, and presumably higher price-undercutting levels. Specific information on price undercutting from other manufacturers is not available at this stage however price-undercutting margins using Bendall’s costs and a more representative margin indicate that average price-undercutting is still significant. If an investigation is initiated further detailed information on price-undercutting will be sought from the industry.

4.2.1.6 The comparison of products shows price undercutting ranging from 0 to 40 percent. The average price undercutting per gram for chain and bracelets is 13 percent and for earrings is 26 percent. It is considered that there is sufficient evidence of price undercutting.

4.2.2 **Price Depression**

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.

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

4.2.2.2 The following information has been provided showing price depression.

Table 4.3: Price Depression (per gram)
Average price \$ per gram of 9-ct hollow gold Jewellery

	1998	1999	2000	2001
Aztec				
Average Ex-factory Sale Price			decline	decline
As % 1999			decline	decline
Bendall				
Average Ex-factory Sale Price		decline	static	increase
As % 1998		decline	static	static
Capro				
Average Ex-factory Sale Price		decline	decline	increase
As % 1998		decline	decline	static

4.2.2.3 The average ex-factory sales prices show that there has been an overall decline in average sales prices for the industry over the period. Aztec's average prices declined by █ percent over the period. Bendall's average prices declined by █ percent over the period, the main impact of this price reduction being in 1999. Capro's average selling prices declined by █ percent over the period, the main impact being in 2000.

4.2.2.4 The Ministry considers that there is sufficient evidence of price depression.

4.2.3 Price Suppression

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.

4.2.3.1 The Ministry generally bases its assessment of price suppression on positive evidence, in particular the extent to which cost increases have not been recovered in prices. Cost increases not able to be recovered by price increases will be reflected by an increased ratio of costs to sales revenue. 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.

4.2.3.2 The following information has been provided to support the claim of price suppression.

Table 4.4: Price Suppression
(per gram)

	1998	1999	2000	2001
Aztec				
Average Ex-factory Sales Price			decline	decline
Cost of Production			static	static
Gross Profit			decline	decline
Selling and Administration			increase	decline
Cost of Production as % of Sales			increase	static
Gross Profit as % Sales			decline	static
Selling and Admin as % of Sales			static	decline
EBIT			decline	decline
EBIT as % of Sales			static	static
Bendall				
Average Ex-factory Sales Price		decline	static	increase
Cost of Production		decline	increase	increase
Gross Profit		decline	decline	decline
Selling and Administration		decline	decline	decline
Cost of Production as % of Sales		increase	static	increase
Gross Profit as % Sales		decline	static	decline
Selling and Admin as % of Sales		decline	decline	decline
EBIT		decline	increase	decline
EBIT as % of Sales		decline	increase	decline
Capro				
Average Ex-factory Sales Price		decline	decline	increase
Cost of Production		static	static	increase
Gross Profit		decline	decline	decline
Selling and Administration		decline	decline	static
Cost of Production as % of Sales		increase	increase	increase
Gross Profit as % Sales		decline	decline	decline
Selling and Admin as % of Sales		static	static	static
EBIT		decline	decline	decline
EBIT as % of Sales		decline	decline	decline

- 4.2.3.3 Aztec's average selling prices declined over the period to 2001. As a percentage of revenue, Aztec's gross profit decreased in 2000. EBIT per unit declined over the period to 2001, but as a percentage of revenue remained at the same level.
- 4.2.3.4 Bendall's average selling prices declined in 1999 and then are forecast to have remained at that level to March 2001. As a percentage of revenue, Bendall's gross profit declined in 1999 and is forecast to decline [redacted] in 2001. EBIT per gram declined in 1999, increased in 2000 but is forecast to decline in 2001.
- 4.2.3.5 Capro's average selling prices declined over the period to 2001. As a percentage of revenue Capro's gross profit declined to 2001. Capro's EBIT per gram declined [redacted] over the period to 2001 and as a percentage of revenue also declined.
- 4.2.3.6 There is sufficient evidence of price suppression.

4.3 ECONOMIC IMPACT

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.

4.3.1 Output and Sales

4.3.1.1 The figures provided by the industry show that output and gross sales have declined against a background of a growing New Zealand market.

4.3.1.2 The following figures represent the sales volume of the New Zealand industry.

Table 4.5: Output and Sales
Sales Volume (grams)

	1998	1999	2000	2001
Aztec			increase	decline
Bendall		increase	decline	decline
Capro		decline	decline	decline
D&R			increase	decline
Industry Production			decline	decline
% change from 1999			-9%	-30%

4.3.1.3 Industry production has declined significantly overall since at least 1999. All companies show declining production volumes to 2001.

4.3.1.4 The following information has been provided by the industry for sales revenue.

Table 4.6: Sales Revenue
(Year to March, NZD)

	1998	1999	2000	2001
Sales Revenue				
-Aztec			increase	decline
-Bendall		increase	decline	decline
-Capro		decline	decline	decline
-D&R			increase	decline
Industry Sales			decline	decline
Change (%) on 1999			-23%	-128%

4.3.1.5 Sales revenue for the industry has declined significantly overall since 1999.

4.3.1.6 It is considered that there is sufficient evidence of a decline in the sales volume and revenue of the industry.

4.3.2 **Market Share**

4.3.2.1 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.

4.3.2.2 The New Zealand industry is not aware of any published figures on the size of the domestic market for either volume or value. Estimates from the industry vary widely and are based mainly on observation and anecdotal information. As previously noted New Zealand Customs does not collect volume data for imports under the tariff item in which the subject goods are classified. The imports and where necessary the industry's production volumes, have been estimated as outlined in Section 2.3 of this Report.

4.3.2.3 The following is a table represents market share:

Table 4.7 New Zealand Market
(Year to March, NZD)

	1998	1999	2000	2001
NZ Market			increase	increase
Domestic Sales			decline	decline
-Aztec			increase	decline
-Bendall		increase	decline	decline
-Capro		decline	decline	decline
-D&R			increase	decline
Subject Goods	1,315,641	1,294,070	1,558,187	1,913,530
Other Imports	877,094	862,714	1,038,791	1,275,686
% Share held by:				
Industry			decline	decline
Subject Goods			increase	increase
Other Imports			increase	increase

4.3.2.4 Industry sales declined from 1999 to 2001, while imports of the subject goods declined in 1999, but then increased to 2001. Other imports also declined in 1999, but increased from 1999 to 2001.

4.3.2.5 While the industry's share of the total domestic market declined over the whole period, the total size of the domestic market increased.

4.3.2.6 The subject goods, in absolute terms, increased by 45 percent over the period while their share of the market increased by █ percent.

4.3.2.7 It should be noted that the industry has stated that 60 percent of the subject goods are of Italian origin, the remainder being from all other sources. Any investigation may need to establish the actual value and volume of the subject goods, compared to imports from other sources.

4.3.2.8 The information available indicates that there is sufficient evidence of a decline in the industry's market share, in a growing market.

4.3.3 **Profits**

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

4.3.3.2 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.

4.3.3.3 The following information has been provided by the industry on profits:

Table 4.8: Profit

	1998	1999	2000	2001
Aztec				
EBIT			increase	decline
EBIT per gram			decline	decline
% of Revenue			static	static
Bendall				
EBIT		decline	increase	decline
EBIT per gram		decline	increase	decline
% of Revenue		decline	increase	decline
Capro				
EBIT		decline	decline	decline
EBIT per gram		decline	decline	decline
% of Revenue		decline	decline	decline

4.3.3.4 The information provided by the industry shows that although there has been some fluctuation, each company's total EBIT and EBIT per gram has declined significantly over the period to 2001. Some companies have stated that as the total revenue has declined, they have switched production into other products, to a greater or lesser extent, thereby reducing costs and limiting the impact on EBIT. As a percentage of revenue, the industry's EBIT has shown an overall decline.

4.3.3.5 It is concluded that there is sufficient evidence of a decline in the industry's profits.

4.3.4 **Productivity**

4.3.4.1 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.

4.3.4.2 The industry has stated that as sales have declined because of the increasingly lower price of imports, they have all been moving into other areas of production.

4.3.5 **Return on Investments**

4.3.5.1 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.

4.3.5.2 The companies in this industry are relatively small. EBIT is a reasonable indicator of the return to the industry. The industry's EBIT has been declining.

4.3.6 **Utilisation of Production Capacity**

4.3.6.1 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.

4.3.6.2 As noted above the industry overall has been reducing its exposure to these products by using its production capacity in related areas.

4.3.7 **Other Adverse Effects**

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

Cash Flow

4.3.7.2 Bendall has stated that the dumping of the goods has affected cash flow. Bendall says that current customers are taking between [redacted] days to pay due invoices and that with the [redacted], therefore, profit margins are being squeezed further through [redacted] costs.

4.3.7.3 Declining profit margins are also providing less cash flow at the same time as overhead costs are increasing such as the cost of tools and die making, casting fees and labour, putting further pressure on cash flow.

Inventories

4.3.7.4 Bendall has stated that the goods are made to order. Inventories are affected to the extent that where orders have been cancelled the company has been left with stock that may prove difficult to sell due to prices being undercut by Italian imports.

Employment

4.3.7.5 Bendall has stated that existing staff are currently [redacted]". Bendall has also stated that it would [redacted] but cannot compete with the imports.

4.3.7.6 Capro has stated that the numbers employed have reduced significantly over the last few years from [redacted] to the current [redacted].

4.4.3

[REDACTED]

Imports by the Industry

4.4.4

Bendall and Capro have indicated that they do not import any of the subject goods. From Customs data the Ministry is aware that Aztec has imported approximately NZ\$ [REDACTED] jewellery under the relevant tariff item in the year to March 2001. Aztec has noted that of these, approximately NZ\$ [REDACTED]. Any investigation would need to determine the extent of these imports, and whether they were a source of injury to the industry.

4.5

CONCLUSIONS RELATING TO INJURY

4.5.1

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

4.5.2

There is sufficient evidence that prices are being undercut, and that prices are being depressed and suppressed.

4.5.3

There is sufficient evidence that there has been a consequent economic impact in the form of a significant decline in output, sales, market share and profits.

4.5.4

There is evidence of some other adverse affects.

5. CONCLUSIONS

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

- (a) There is sufficient evidence that hollow 9-carat gold jewellery from Italy is being dumped; and
- (b) by reason thereof material injury to the industry has been or is being caused.

6. RECOMMENDATIONS

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

- (a) that the Chief Executive formally initiate an investigation to establish whether imports of hollow 9-carat gold jewellery from Italy is being dumped and thereby causing material injury to the New Zealand industry producing like goods;
- (b) that the Chief Executive signs the attached *Gazette* Notice, and give notice to interested parties in accordance with section 9 of the Act.

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Investigating Team
Trade Remedies Group

APPENDIX 1
LIST OF INTERESTED PARTIES

A. PRODUCERS

The Application was made by:

Marc Bendall Limited
Level 2
90 Hereford Street
P O Box 17-555
CHRISTCHURCH

The application was supported by the following companies, which also provided additional injury information:

Aztec Gold Ltd
604 Great South Road
Greenlane,
AUCKLAND

Capro Three Ltd
68 Salisbury Road
Birkdale
AUCKLAND

The other company considered to produce like goods in New Zealand is:

D & R Goldsmiths
3c/2 Queen Street
Auckland Central
AUCKLAND

B. EXPORTERS

The following is a list of potential exporters of the subject goods:

Astuccificio Gabry
Aurora Srl
Australian Art Imports Pty Ltd
Australian Diamond Trading Corp Pty Ltd
Barbero
Betachem, Australia
Canta E Narratone Snc
Casa Damiani Spa
CDI In Ex Srl
Cis Srl
Coara Italia Srl
CPM International, UK
Crias Italy Sas
Crispi Sport Srl
D Services Ltd, Hong Kong
Daverivicenza Srl
Dir Group
Dis Pack
Duty Free Shoppers Ltd
Egoli Italia Srl
Ellea Di Libralesso Andrea
FAB snc di Adriano Gobbetti & C.
Facco Corp
Far In-ex Spa
Filk Spa
Frado Srl
G & A Ltd
Gaffney Trading
Garzi Srl, Italy
Gold Spirit Srl, Italy
Guaresi Spa, Italy
Harpo's Spa
Herco, US
Horo Linea Di Ruberto Marchi & Dino Sforaz
I Borbonici
Intercontinental Jewellery & Services P/L Au:
Italgold Srl, Italy
Italorafa Sas
Itam Spa
Itap Spa
Jewellery Online Australia
Jewellery Online Australia
La Couroune Jewellery
La Or Srl
Lucchetta Armando Srl

Maffei & Maffei
Micheletto Emilio Srl
Milano Piero Srl
Nationwide Jewellers Pty Ltd
Nicol Preziosi
Pascoe Pty Ltd
Pasquale Bruni Time and Timeless Bv
Paterson Fine Jewellery
Peekays Jewellery Centre Pty Ltd
Piazza Enrico Fermi
Prouds The Jewellers
R & D Italian Jewellery Pty Ltd
Regalli & Cassini
Silmar Spa, Italy
Silvex Srl
Southern Cross Pacific
Taldor Ltd
Talmor Jewellery Ltd
The Swatch Group Australia Ltd
Toscana Oro Srl
TV Shopping Network
Uno A Erre Italia Spa
Vega Preziosi

C. IMPORTERS

The following is a list of potential importers of the subject goods:

277 Jewellers Ltd
About Time Ltd
Aurum Fine Jewellery
Aztec Gold Ltd
Blenheim Jewellers Ltd
Brian Oughton Ltd
Charlton Mid City Jewellers
Christian Supply Service
DHL Intl Ltd
DFS New Zealand Ltd
DHL Intl Ltd
DT & PJ Francey Agencies
Fifth Avenue Jewellers 1994 Ltd
Francey & Co
Gemtime New Zealand Ltd
Golden Diamond
Green, Stephany Ruth
Hammon Jewellery
Hartfields Goldsmiths Ltd
I N Bond Ltd
James Pascoe Ltd
K H Plank Ltd
L Argyle & Co 1979 Ltd
Malcolm Bishop Ltd
Mansors Jewellers
McClurges Ltd
Michael Hill Jeweller Ltd
Midas Touch Ltd
Morrelli, Joseph
Morris & Watson Ltd
Nationwide Jewellers Ltd
Opal Pacific Ltd
Part Holdings Ltd
Partridge Jewellers
Paterson Fine Jewellery (NZ)
Pearl World
Peka Agencies Ltd
Petersens Ltd
R & D Italian Jewellery Pty Ltd
Renshaw Jewellers Ltd
Robinson & Green Jewellers Ltd
Silver Gem Jewellery Ltd
Southern Cross Pacific (NZ) Ltd
Southern Lakes Trading Co.
Thai Imports
The Diamond Shop Ltd
The Linen Cupboard (1980) Ltd
The Queenstown Tahiti Pearl Co. Ltd
The Village Goldsmith
Walker & Hall
Williams, Ian Grant
Young's Jewellers Ltd

