



**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
HĪKINA WHAKATUTUKI

**TRADE AND  
INTERNATIONAL**

---

Trade (Anti-dumping and Countervailing Duties) Act 1988

# DUMPING INVESTIGATION

## Aluminium-Zinc Coated Steel from Korea and Taiwan

### Step 1 Final Report

**November 2021**

**ISBN 978-1-99-102220-2**

**MBIE/AD/I/2021/001**



## Table of Contents

<b>1. SUMMARY.....</b>	<b>1</b>
1.1 Purpose.....	1
1.2 Proceedings .....	1
1.3 Findings.....	2
1.4 Treatment of Information .....	3
1.5 Report Details.....	6
1.6 Submissions on the EFC Report.....	6
<b>2. SUBJECT GOODS, LIKE GOODS AND INTERESTED PARTIES .....</b>	<b>7</b>
2.1 Subject Goods.....	7
2.2 Like Goods .....	12
2.3 Interested Parties .....	13
<b>3. DUMPING INVESTIGATION.....</b>	<b>17</b>
3.1 Dumping .....	17
3.2 Basis for Investigation of Dumping.....	17
3.3 Export Price .....	18
3.4 Normal Value.....	25
3.5 Conclusions Relating to Dumping.....	32
<b>4. INJURY INVESTIGATION.....</b>	<b>35</b>
4.1 Legal Requirements.....	35
4.2 Examination of Injury .....	36
4.3 Conclusion on Material Injury .....	57
<b>5. ANTI-DUMPING DUTIES .....</b>	<b>59</b>
5.1 Legal Basis.....	59
5.2 Dumping and Injury .....	59
5.3 Form of Anti-dumping Duty .....	59
<b>6. PROVISIONAL MEASURES.....</b>	<b>65</b>
6.1 Legal Requirements.....	65
6.2 MBIE Assessment .....	66
6.3 Conclusion on Provisional Measures.....	67
<b>7. CONCLUSIONS .....</b>	<b>69</b>
<b>ANNEX: SUBMISSIONS RECEIVED ON THE STEP 1 EFC REPORT .....</b>	<b>71</b>



## Abbreviations and Acronyms

This report contains the following abbreviations and acronyms:

Acronym	Meaning
<b>Act, the</b>	The Trade (Anti-dumping and Countervailing Duties) Act 1988
<b>AD Agreement, the</b>	The WTO Agreement on Implementation of Article VI of the GATT 1994
<b>AM</b>	Aluminium-magnesium (coated steel)
<b>ASX</b>	Australian Stock Exchange
<b>AZ</b>	Aluminium-zinc (coated steel)
<b>CIF</b>	Cost, Insurance, Freight
<b>CFR</b>	Cost and freight
<b>Customs</b>	New Zealand Customs Service
<b>DSB</b>	(WTO) Dispute Settlement Body
<b>EBIT</b>	Earnings Before Interest and Taxes
<b>EXW</b>	Ex-works
<b>FCA</b>	Free carrier
<b>FIS</b>	Free into store
<b>FOB</b>	Free on Board
<b>FY</b>	Financial year
<b>GATT 1994</b>	General Agreement on Tariffs and Trade 1994
<b>HRC or HRB</b>	Hot-rolled coil/band
<b>IPP</b>	International price parity
<b>MBIE</b>	Ministry of Business, Innovation and Employment
<b>mm</b>	Millimetre
<b>MT</b>	Metric ton (tonne)
<b>NIFOB</b>	Non-injurious FOB price
<b>NV (VFDE)</b>	Normal Value (Value for Duty Equivalent)
<b>NZ</b>	New Zealand
<b>NZD</b>	New Zealand dollar
<b>NZ Steel</b>	New Zealand Steel Limited
<b>POI(D)</b>	Period of investigation (dumping)
<b>POI(I)</b>	Period of investigation (injury)
<b>PPP</b>	Purchasing-power-parity
<b>ROI</b>	Return on investment
<b>SEF</b>	Statement of Essential Facts (AADC)
<b>SGA</b>	Selling, general and administration (expenses)

<b>Stats NZ</b>	Statistics New Zealand
<b>USD</b>	United States dollar
<b>VAT</b>	Value added tax
<b>VFD</b>	Value for duty
<b>WTO</b>	World Trade Organisation
<b>ZA</b>	Zinc-aluminium (coated steel)
<b>ZM</b>	Zinc-magnesium (coated steel)

# 1. SUMMARY

## 1.1 Purpose

1. Section 10C(5) of the Trade (Anti-dumping and Countervailing Duties) Act 1988 (the Act), requires the chief executive of the Ministry of Business, Innovation and Employment (MBIE) to report to the Minister of Commerce and Consumer Affairs (the Minister) on the findings of the investigation into whether dumping of aluminium-zinc coated steel from Korea and Taiwan is causing material injury to a New Zealand industry. This Step 1 Final Report summarises the findings of the investigation on the matters to be determined by the Minister under section 10D of the Act.
2. Section 10D(1) of the Act requires that within 180 days of the start of investigation step 1 (but not less than 30 days after the written advice is given by the chief executive under section 10C(2)), the Minister must determine whether, in relation to the imported goods, the goods are being dumped, and material injury to an industry has been or is being caused because of the dumping.
3. If the Minister makes an affirmative determination under section 10D(1) then section 10D(2) requires the Minister to determine the rate or amount of anti-dumping duty, in accordance with section 10E, that will form the basis for an investigation step 2, and direct the chief executive to immediately start investigation step 2.
4. If the Minister makes a negative determination under section 10D(1), then the Minister must terminate the investigation under section 11 of the Act. Section 11(1) provides that the grounds for termination may apply to some or all of the goods under investigation.
5. In the preparation of this Step 1 Final Report MBIE has considered submissions made by interested parties on the Step 1 Essential Facts and Conclusions Report (Step 1 EFC Report), provided in accordance with section 10C(2).

## 1.2 Proceedings

6. On 23 March 2021, the Ministry of Business, Innovation and Employment (MBIE) accepted a properly documented application from New Zealand Steel Limited (NZ Steel), alleging that aluminium-zinc coated steel from Korea<sup>1</sup> and Taiwan<sup>2</sup> is being dumped and by reason thereof causing material injury to the New Zealand industry.
7. The grounds for the application were that imports of aluminium-zinc coated steel from Korea and Taiwan are being dumped and injuring the New Zealand industry. NZ Steel requested that provisional anti-dumping duties be imposed.
8. On 8 June 2021, the chief executive initiated an investigation pursuant to section 10A of the Act, being satisfied that for the purpose of initiation the industry had provided sufficient evidence to support its application. This included evidence which suggested that:
  - Imports of aluminium-zinc coated steel from Korea and Taiwan are being dumped, and

---

<sup>1</sup> In this report, "Korea" refers to the Republic of Korea, also known as South Korea.

<sup>2</sup> In this report, "Taiwan" refers to the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.

- Material injury to the New Zealand industry is being caused by dumped goods imported from Korea and Taiwan.
9. On 1 November 2021, in accordance with section 10C(2) of the Act, MBIE provided notified parties with a Step 1 EFC Report as written advice of the essential facts and conclusions likely to form the basis for a determination to be made by the Minister under section 10D(1). Comments on the Step 1 EFC Report have been taken in to account in the preparation of this Step 1 Final Report.
10. The investigation has been carried out according to the requirements of the Act and the World Trade Organization (WTO) Agreement on the Implementation of Article VI of GATT 1994 (AD Agreement), bearing in mind that section 1A of the Act describes its purpose as “to enable New Zealand to apply anti-dumping and countervailing duties in accordance with its obligations as a party to the WTO Agreement.”<sup>3</sup> Where the Act is silent, or its interpretation and that of the AD Agreement requires context, WTO dispute settlement reports adopted by the Dispute Settlement Body (DSB) provide guidance.

### 1.3 Findings

11. On the basis of its investigation, MBIE is satisfied that the findings to be reported to the Minister are that:
- Imports into New Zealand of aluminium-zinc coated steel from Korea are dumped.
  - Imports into New Zealand of aluminium-zinc coated steel from Taiwan are not dumped.
  - The dumping of aluminium-zinc coated steel from Korea is causing material injury to the New Zealand industry because of the dumping.
  - Any injury attributable to causes other than dumping of aluminium-zinc coated steel from Korea has not been attributed to the dumped goods.
12. In terms of the determinations to be made by the Minister, MBIE recommends that:
- An affirmative determination under section 10D(1) of the Act should be made in respect of imports of aluminium-zinc coated steel from Korea, and consequently a determination should be made of the rates of anti-dumping duties that will form the basis for investigation step 2, and the chief executive should be directed to immediately start investigation step 2 in regard to these goods.
  - A negative determination under section 10D(1) of the Act should be made in respect to imports of aluminium-zinc coated steel from Taiwan, and consequently, the investigation in regard to these goods should be terminated.
13. MBIE also recommends that no provisional measures be applied under section 16 of the Act to imports of aluminium-zinc coated steel from Korea during the remaining period of the investigation, being the step 2 investigation.

---

<sup>3</sup> The WTO Agreement is the Marrakesh Agreement Establishing the World Trade Organization, which includes the AD Agreement as an annexed Multilateral Agreement on Trade in Goods.



## 1.4 Treatment of Information

### ***Information Considered***

14. Section 10C(3) of the Act requires that the chief executive should give interested parties a reasonable opportunity to present, in writing, all evidence relevant to the investigation and, on justification being shown, to present that evidence orally.
15. Article 6.1 of the AD Agreement provides that all interested parties in an investigation shall be given notice of the information which the authorities require and ample opportunity to present in writing all evidence which they consider relevant in respect of the investigation in question. Articles 6.1.1 to 6.1.3 set out matters relating to the use of questionnaires, while Article 6.2 provides that throughout the investigation all interested parties shall have full opportunity for the defence of their interests.
16. Article 6.6 provides that except in circumstances provided for in paragraph 8 (refusal to cooperate), the authorities shall during the course of an investigation satisfy themselves as to the accuracy of the information supplied by interested parties upon which their findings are based.
17. Article 6.14 provides that the procedures set out in Article 6 are not intended to prevent the authorities from proceeding expeditiously with regard to initiating an investigation, reaching preliminary or final determinations, whether affirmative or negative, or from applying provisional or final measures.
18. In an investigation MBIE seeks and obtains information directly relevant to the proceeding, and satisfies itself as to the accuracy of the information provided. Such information includes questionnaire responses and other information from interested parties; the application and submissions from the New Zealand industry; import entry data from the New Zealand Customs Service (Customs), statistical data from Statistics New Zealand (Stats NZ) and other sources; and other relevant data such as exchange rates, interest rates and prices. MBIE can use verification visits, remote verification and desktop verification to review the information available and to assess its reliability. Interested parties can make submissions at any time during the investigation, including in response to interim reports or to information provided by other parties.

### ***Information Available***

19. Section 6 of the Act provides as follows:
  - (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, or the normal value of the goods to be ascertained under section 5, 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) the chief executive may disregard any information that the chief executive considers to be unreliable.*
20. Article 6.8 of the AD 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.*

21. Annex II to the AD Agreement sets out procedures to be followed regarding the request for and provision of information from interested parties. Paragraph 7 of Annex II provides:

*If the authorities have to base their findings, including those with respect to normal value, on information from a secondary source, including the information supplied in the application for the initiation of the investigation, they should do so with special circumspection. In such cases, the authorities should, where practicable, check the information from other independent sources at their disposal, such as published price lists, official import statistics and customs returns, and from the information obtained from other interested parties during the investigation. It is clear, however, that if an interested party does not cooperate and thus relevant information is being withheld from the authorities, this situation could lead to a result which is less favourable to the party than if the party did cooperate.*

22. Information relating to those parties who have not provided information is based on the available information. MBIE notes that only one of the three foreign manufacturers provided information for this investigation. Information available has been used where reasonable and appropriate as detailed below in this report.

### **Protection of Information**

23. Section 3F(1) of the Act provides that an interested party may ask the chief executive to provide copies of information relevant to an investigation, but under section 3F(2) this provision does not apply to confidential information, or information that would be likely to be withheld if it was requested under the Official Information Act 1982. MBIE has made available all non-confidential information through the Public File for this investigation. Any interested party has been able to request both a list of the documents on this file and copies of the documents on it.

24. Confidential information is defined in section 3F(5) of the Act:

*In this section, confidential information means information about which the submitter of the information has shown a good reason for the chief executive to believe 1 or more of the following:*

*(a) that making the information available would give a significant competitive advantage to a competitor of the submitter of confidential information:*

*(b) that making the information available would have a significantly adverse effect on—*

*(i) the submitter of confidential information; or*

*(ii) the person from whom the information was acquired by the submitter of the information; or*

*(iii) any person to whom the information relates:*

*(c) that the information should be treated as confidential for reasons other than the reasons described in paragraphs (a) and (b).*

25. In seeking information from interested parties, MBIE points out that where a party requests that information be treated as confidential it should provide a non-confidential version, or a non-confidential summary of the information, or if the information is not

- susceptible to summarisation, an explanation of the reasons why not, and provide justification for the information being treated as confidential. MBIE points out to parties that section 3F of the Act allows the chief executive to disregard any information for which a satisfactory non-confidential version (or summary or satisfactory statement of why such a summary cannot be given) is not provided.
26. In this Step 1 Final Report, detailed information relating to the calculation of the dumping margins has not been included but has been summarised, because it is considered to be confidential for the reasons set out in section 3F(5) of the Act, or because it is other information that would be likely to be withheld if it were requested under the Official Information Act 1982. In particular, MBIE has reviewed requests for information to be treated as confidential, and is satisfied that documentation relating to transactions, such as invoices; information relating to costs and prices; information relating to commercial relationships; and non-public financial information; will generally come within the meaning of confidential information. Much of this information is not susceptible of summarisation except in broad descriptive terms, but to the extent possible MBIE has required parties submitting confidential information to provide non-confidential summaries.
27. Information relating to the domestic industry and the analysis of injury is considered confidential, and in this Step 1 Final Report the analysis is presented as a summary of information, with tables and charts used to assist in the summarisation of the material. The domestic industry's application and the verification report reflecting the remote verification process conducted with the applicant include non-confidential summaries of the information provided.

### **Verification of information**

28. Article 6.6. of the AD Agreement provides: "Except in the circumstances provided for in paragraph 8, the authorities shall during the course of an investigation satisfy themselves as to the accuracy of the information supplied by interested parties upon which their findings are based."
29. On-site verifications are neither the only nor the prescribed method of verifying information under the Act or the AD Agreement. Article 6.7 of the AD Agreement provides for on-site visits as an option for the investigating authority to fulfil its obligation under Article 6.6 to "satisfy itself as to the accuracy of the information supplied by interested parties on which findings are based,"<sup>4</sup> but there are a number of ways of proceeding with verification.<sup>5</sup>
30. Due to the COVID-19 pandemic, MBIE was unable to visit NZ Steel to verify the information it provided, so a remote verification session was held. In addition to remote verification, MBIE also used desktop verification as a method of verifying the information provided by NZ Steel. A non-confidential version of the verification report is available on the Public File.
31. The COVID-19 public health crisis also meant that MBIE officials were unable to travel to the premises of the Korean and Taiwanese producers. MBIE has therefore carried out desktop verifications of information. A desktop verification involves considering the

---

<sup>4</sup> WT/DS189/R, Panel Report, *Argentina – Ceramic Tiles*, Footnote 65.

<sup>5</sup> WT/DS99/R, Panel Report, *US – DRAMS*, paragraph 6.78.

information provided for consistency and accuracy, checking the information against other available information, and requesting further information or explanation where necessary.

32. A verification report was prepared on the desktop verification carried out for the cooperating foreign producer, and a non-confidential version of that report is available on the Public File.

## 1.5 Report Details

33. In this report, unless otherwise stated, years are calendar years ending 31 December and dollar values are New Zealand dollars (NZD). Information provided by NZ Steel in its application and in the verification process also included data relating to years ending in September (SY) and to financial years ending June (FY). In tables, column totals may differ from individual figures because of rounding.
34. The period of investigation for dumping (POI(D)) is the year ended 31 December 2020, while the investigation of injury (POI(I)) involves evaluation of data for the period from January 2016 to December 2020. The POI(D) and the POI(I) are different time periods because of the nature of the information collected and conclusions which need to be reached in respect of this information over each period.
35. All volumes are expressed on a metric ton (MT, t or tonne) basis unless otherwise stated. Exports to New Zealand were mainly invoiced in United States dollars (USD), although a variety of currencies were used. The exchange rates used are those relating to specific transactions, where available, or the Customs exchange rates or the rate that MBIE considers most appropriate in the circumstances, as indicated in the text.

## 1.6 Submissions on the EFC Report

36. On 1 November 2021, in accordance with section 10C(2) of the Act, MBIE gave notified parties the Step 1 EFC Report and invited them to make written submissions to MBIE on it.
37. Substantive submissions were received from Moriah Co Ltd, NZ Steel, RoofTG Tile Group and Tiger Steel NZ Ltd. Dongkuk Steel Co Ltd advised that it would not be making specific comments on the Step 1 EFC Report.
38. The Annex to this Step 1 Final Report includes summaries of the comments made and MBIE's responses to them. Where appropriate, the matters raised have been taken into account in the preparation of this Step 1 Final Report.

## 2. Subject Goods, Like Goods and Interested Parties

### 2.1 Subject Goods

39. The subject goods are described in the application as:

*Flat rolled iron and steel products (whether or not containing alloys), plated or coated with principally aluminium-zinc alloys (but the plating or coating may contain other alloys), not painted, and whether or not including resin coating or other surface treatment.*

40. MBIE is satisfied that, on the basis of its understanding of the coverage of the subject goods as set out above, this existing description is sufficient for the purposes of this investigation. In particular, MBIE considers that the description EXCLUDES:

- Goods for which there is no aluminium in the coating
- Goods for which there is no zinc in the coating (e.g. aluminised steel)
- Goods with coatings where zinc is the predominant or only element, whether or not aluminium is included, and whether electrolytically coated or hot dipped
- Goods for which there is no coating at all
- Goods of a thickness of 2mm or more.

41. MBIE reached this conclusion on the basis of its analysis of the application and other relevant information. An Issues Paper was provided to interested parties seeking comments on the proper description of the subject goods. Following consideration of responses to the Issues Paper, MBIE issued a *Note for File: Subject Goods and Like Goods*, which outlined the basis for reaching the conclusion on the description of the subject goods noted above. The Australian Anti-Dumping Commission (AADC) has reached a similar conclusion in its current investigation involving aluminium-zinc coated steel.

42. NZ Steel lodged a submission challenging MBIE's conclusions on the description of the subject goods, and requesting that MBIE reconsider its position. In particular, NZ Steel considered that the exclusion of goods containing magnesium was not reasonable, that the excluded goods compete with goods produced by NZ Steel, that MBIE did not take account of relevant information, and that the decision on subject goods will lead to an unreasonable outcome.

43. MBIE is satisfied that the considerations outlined in the *Note for File* addressed the matters raised by NZ Steel and that, particularly in light of the AADC decision, the description of the subject goods as goods not including goods containing magnesium was reasonable. MBIE carefully considered the matters that were relevant to the description of the subject goods and the determination of whether the New Zealand industry produces like goods to the subject goods.

44. On the basis that the subject goods refer only to aluminium-zinc (AZ) coated steel, the issue of likeness of NZ Steel's AZ coated steel to goods with other coatings, such as zinc-aluminium (ZA) or aluminium-magnesium (AM) or zinc-magnesium (ZM), is not relevant to the clarification of the description of the subject goods.

45. MBIE is satisfied that NZ Steel's AZ coated steel is like the subject goods in all respects, in terms of part (a) of the definition of "like goods" in section 3(1) of the Act. Accordingly, there is no requirement for MBIE to consider whether there are "goods which have

characteristics closely resembling those goods” in terms of part (b) of the definition of “like goods”. In the Australian case, since there is no domestic production of AZ coated steel, the AADC went on to consider whether Australian-produced AM steel was like the AZ subject goods and concluded that it was. However, this is not a decision that MBIE was required to make, nor was it a decision open to MBIE, since AM coated steel is not produced in New Zealand.<sup>6</sup>

46. MBIE notes that in the *Statement of Essential Facts Report* (SEF) released on 22 September 2021,<sup>7</sup> the AADC discussed in some detail the submissions it had received on the description of the subject goods (which, along with supporting information, was very similar to that included in the NZ Steel application). The AADC noted that the goods description proposed by the applicant in that case referred to aluminium-zinc alloys, that the practice in the relevant Australian Standard was to refer to the metallic element having the highest proportion in an alloy appearing first (thus AZ), and was of the view that the goods description was in reference to coating type AZ and not any other alloy. The AADC found that any coating type not prefixed with AZ is not the goods subject to investigation. This is the same conclusion as MBIE reached in the current investigation with regard to the subject goods, and for the same reasons.

### **Tariff Classification**

47. As indicated in the Gazette notice initiating the investigation, the tariff classification is provided for convenience and Customs’ purposes only, the written description being dispositive.
48. Customs has advised that the subject goods are currently subject to the classifications in the New Zealand Customs Tariff set out in Figure 1 (greyed lines are not covered by the subject goods description). Note that some statistical keys include goods that are outside the subject goods description.
49. MBIE notes that the relevant tariff headings are 7210.61, which covers flat-rolled products of non-alloy steel plated or coated with aluminium-zinc alloys, and 7225.90 and 7226.90 which cover flat-rolled products of other alloy steel, and potentially of coatings of aluminium-zinc alloys.
50. The duty rates applicable to Korea are Free under the NZ-Korea Free Trade Agreement, and to Taiwan are Free under ANZTEC (Agreement between NZ and Taiwan on Economic Cooperation).

---

<sup>6</sup> MBIE notes that NZ Steel made submissions that its New Zealand production facility has the demonstrated ability to produce AM coated steel, but it does not currently do so.

<sup>7</sup> The AADC is currently carrying out an investigation (investigation 558) into alleged dumping of aluminium-zinc coated steel in Australia on application from NZ Steel’s parent company Blue Scope Steel Limited. The conclusion reached in the SEF was confirmed in the Termination Report issued on 15 November 2021.

Figure 1: Tariff Classification<sup>8</sup>

Tariff item	Stat Key	Unit	Description	Duty %	Pref.
			<b>II IRON AND NON-ALLOY STEEL</b>		
<b>72.10</b>			<b>Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated:</b>		
			– Plated or coated with tin		
			– Plated or coated with lead, including terne-plate		
			– Electrolytically plated or coated with zinc		
			– Otherwise plated or coated with zinc		
			– – Corrugated		
			– Plated or coated with chromium oxides or with chromium and chromium oxides		
7210.61			– Plated or coated with aluminium:		
7210.61.10			– – Containing, in the plating or coating, not less than 95 % aluminium by weight	Free	Free
			. . . . Worked		
			. . . . . Exceeding 4.75 mm in thickness		
	09E	kg	. . . . . Other		
			. . . . Other		
			. . . . . Coiled		
			. . . . . . 3 mm or more in thickness		
	19B	kg	. . . . . Other		
			. . . . . Other		
			. . . . . . Exceeding 4.75 mm in thickness		
			. . . . . . Exceeding 3 mm but not exceeding 4.75 mm in thickness		
	39G	kg	. . . . . Other		
			– – – Other		
			– – – – Worked		
			– – – – Other		
7210.61.20			– – – – Worked	Free	Free
			. . . . . Exceeding 4.75 mm in thickness		
	09L	kg	. . . . . Other		
7210.61.30			– – – – – Coiled	Free	Free
			. . . . . . 1.9 mm or more in thickness:		
	09F	kg	. . . . . Other:		*See Below CPT 2 1/2021 1 1/2022 Free
			– – – – – Other		
			. . . . . . Exceeding 4.75 mm in thickness		
			. . . . . . Exceeding 3 mm but not exceeding 4.75 mm in thickness		
7210.61.90			– – – – – Other	Free	Free
			. . . . . . Exceeding 4.75 mm in thickness		*See Below CPT 2 1/2021 1 1/2022 Free
			. . . . . . Exceeding 3 mm but not exceeding 4.75 mm in thickness		
	19F	kg	. . . . . Other		

<sup>8</sup> Extract from the NZ Customs Working Tariff Document, Section XV: Base metals and articles of base metals  
<https://www.customs.govt.nz/globalassets/documents/tariff-documents/working-tariff-document-2018/section-xv-1-july-2019.pdf>

<b>7212</b>			<b>Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, plated or coated</b>		
			– Plated or coated with tin		
			– Electrolytically plated or coated with zinc		
			– Painted, varnished or coated with plastics		
7212.50			– Otherwise plated or coated		
			– – Not exceeding 500 mm in width		
7212.50.01	00L	kg	– – – Worked	5	Free *See Below CA Free
7212.50.09			– – – Other		
			. . . . Coiled	Free	Free
	10J	kg	. . . . . Of a thickness not exceeding 0.4 mm		
	13C	kg	. . . . . Of a thickness of 0.4 mm or more but less than 0.5 mm		
	15K	kg	. . . . . Of a thickness of 0.5 mm or more but less than 0.7 mm		
	17F	kg	. . . . . Of a thickness of 0.7 mm or more but less than 1.0 mm		
	19B	kg	. . . . . Of a thickness of 1.0 mm or more but less than 1.6 mm		
	21D	kg	. . . . . Of a thickness of 1.6 mm or more but less than 1.9 mm		
	23L	kg	. . . . . Of a thickness of 1.9 mm or more but less than 3.0 mm		
	25G	kg	. . . . . Of a thickness of 3.0 mm or more but less than 4.75 mm		
	29K	kg	. . . . . Of a thickness of 4.75 mm or more		
	39G	kg	. . . . Other		
7212.50.18			– – Other	Free	Free
	01J	kg	. . . Coiled		
			. . . Other		
			. . . . . Exceeding 4.75 mm in thickness		
	19A	kg	. . . . . Other		
			– Clad		
			III STAINLESS STEEL		
			<b>IV OTHER ALLOY STEEL; HOLLOW DRILL BARS AND RODS, OF ALLOY OR NON-ALLOY STEEL</b>		
<b>7225</b>			<b>Flat-rolled products of other alloy steel, of a width of 600 mm or more</b>		
			– Of silicon-electric steel		
7225.30			– Other, not further worked than hot-rolled, in coils		
			– – Of high speed steel		
7225.30.19	00A	kg	– – Other	Free	Free
7225.40			– Other, not further worked than hot-rolled, not in coils		
			– – Of high speed steel		
7225.40.19			– – Other	Free	Free
			. . . Exceeding 4.75 mm in thickness		
	19F	kg	. . . Other		
7225.50			– Other, not further worked than cold-rolled (cold-reduced)		
			– – Of high speed steel		
7225.50.19			– – Other	Free	Free
	10F	kg	. . . Coiled		
	19K	kg	. . . Other		



			– Other		
			– – Electrolytically plated or coated with zinc		
			– – Otherwise coated or plated with zinc		
7225.99			– – Other		
			– – – Galvanised		
7225.99.90			– – – Other	Free	Free
			. . . . . Of high speed steel		
			. . . . . Other		
			. . . . . Worked		
			. . . . . Exceeding 4.75 mm in thickness		
	25F	kg	. . . . . Other		
			. . . . . Other		
	27B	kg	. . . . . Coiled		
			. . . . . Exceeding 4.75 mm in thickness		
	39F	kg	. . . . . Other		
<b>7226</b>			<b>Flat-rolled products of other alloy steel, of a width of less than 600 mm</b>		
			– Of silicon-electric steel		
			– Of high-speed steel		
			– Other		
			– – Not further worked than hot-rolled		
			– – Not further worked than cold-rolled (cold-reduced)		
7226.99			– – Other		
7226.99.01			– – – Galvanised or worked	5	Free *See below CA Free LDC 4
			. . . . . Electrolytically plated or coated with zinc		
			. . . . . Otherwise coated or plated with zinc		
			. . . . . Other		
			. . . . . Over 500 mm in width, of a thickness exceeding 4.75 mm		
	29D	kg	. . . . . Other		
7226.99.18			– – – Other	Free	Free
			. . . . . Electrolytically plated or coated with zinc		
			. . . . . Otherwise coated or plated with zinc		
			. . . . . Other		
	31F	kg	. . . . . Coiled		
			. . . . . Other		
			. . . . . Over 500 mm in width, of a thickness exceeding 4.75 mm		
	39A	kg	. . . . . Other		
*Unless otherwise indicated, AAN, AU, CN, CPT, HK, KR, LLDC, MY, Pac, SG, TH, TPA and TW rates in the Preferential Tariff are Free					

## Imports of Subject Goods

51. In its application, NZ Steel used trade data from ISSB<sup>9</sup> because data from Statistics New Zealand (Stats NZ) was affected by confidentiality requirements for some tariff items and statistical keys.
52. Stats NZ operates the International Merchandise Trade Statistics confidentiality policy, which sets out the policy for preventing disclosure of confidential information in published international trade statistics. Detailed international trade statistics are normally published

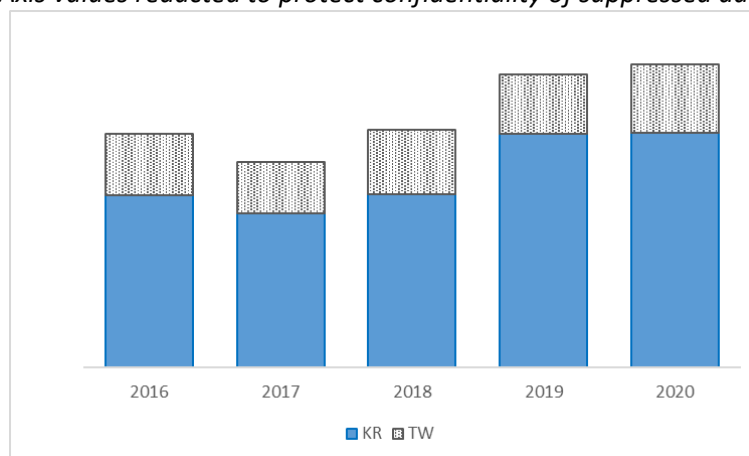
<sup>9</sup> ISSB (International Steel Statistics Bureau) is a supplier of global trade data for steel and raw materials.

without prior checking for disclosure. If an exporter and/or importer requests suppression, aggregated data that identifies individual trade transactions can, at the discretion of the Government Statistician, be suppressed in future publicly available tables. When such a request is received, Stats NZ will verify the alleged identification risk. If Stats NZ concludes that a risk of identification exists, either directly or by deduction, then it will amalgamate the relevant items with other trade transactions to prevent disclosure. MBIE has established that imports of the subject goods in 2020 entered under 5 tariff items and 8 statistical keys subject to suppression.

53. MBIE obtained data from Customs for 2016-2020, including details of the goods subject to suppression orders, for the tariff items and statistical keys for the subject goods, goods covered by tariff items and statistical keys identified in NZ Steel's application as potentially covering the subject goods, and tariff items and statistical keys for a wider range of flat-rolled steel products. The extended data analysis addressed NZ Steel's concerns regarding potential tariff misclassification, which in the event was justified to some extent.
54. MBIE has clarified the Customs data with importers and for 2020 has been able to correct misclassifications and has excluded goods which are outside the subject goods description. This is the data used as "Customs data" in this report, unless otherwise noted. On the basis of this data for 2020 and data relating to imports of the items listed in Figure 1, MBIE has estimated the levels of imports for 2016-2019, with the outcome summarised in Figure 2. The total levels of imports are less than those identified by NZ Steel in its application because the application data included a much wider range of goods than the subject goods.

**Figure 2: Imports of Subject Goods, tonnes**

*[Axis values redacted to protect confidentiality of suppressed data]*



## 2.2 Like Goods

55. 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 or have characteristics which closely resemble the subject goods.
56. Section 3(1) of the Act defines like goods, in relation to any goods, as:
- a. Other goods that are like those goods in all respects; or

- b. In the absence of goods referred to in paragraph (a), goods which have characteristics closely resembling those goods.
57. The scope of the subject goods is defined in section 2.1 above.
58. NZ Steel considers that the aluminium-zinc coated steel goods that it produces are “like goods” to the subject goods, as required under section 3(1) of the Act, and provided information in support of its claim in respect to method of manufacture, physical characteristics, commercial competition, functional end use, and marketing and distribution channels.
59. In addition to the identification of the New Zealand industry, the definition of like goods is also relevant to the identification of like goods to the subject goods in domestic sales in the country of export for the purposes of comparing export prices and normal values.

### **MBIE Consideration**

60. To determine whether the goods produced in New Zealand are like goods to the subject goods, MBIE normally considers physical characteristics, production methods and technology, function and usage, marketing and distribution, substitutability and commercial interchangeability, and any other relevant considerations, with no one of these factors being necessarily determinative.
61. MBIE is satisfied that the aluminium-zinc coated steel produced by NZ Steel is like the subject goods in all relevant respects. That being the case, MBIE is not required to consider whether the New Zealand industry produces other goods that closely resemble the subject goods.

## **2.3 Interested Parties**

### **Legal Requirements**

62. Section 3(1) of the Act identifies the parties who are to be given notice under section 3E of the Act, including:
- the Government of the country of export
  - exporters and importers known by the chief executive to have an interest in the goods
  - the applicant in relation to the goods
63. Article 6.11 of the AD Agreement provides:

*For the purposes of this Agreement, "interested parties" shall include:*

- (i) an exporter or foreign producer or the importer of a product subject to investigation, or a trade or business association a majority of the members of which are producers, exporters or importers of such product;*
- (ii) the government of the exporting Member; and*
- (iii) a producer of the like product in the importing Member or a trade and business association a majority of the members of which produce the like product in the territory of the importing Member.*

*This list shall not preclude Members from allowing domestic or foreign parties other than those mentioned above to be included as interested parties.*

64. Notice of initiation of the investigation was provided to the parties listed in section 3(1) of the Act.

### **New Zealand Industry**

65. Section 3A of the Act sets out the 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.*
66. MBIE is satisfied that NZ Steel is the only New Zealand producer of aluminium-zinc coated steel, and is the New Zealand industry for the purposes of the investigation.
67. NZ Steel is a wholly owned subsidiary of New Zealand Steel Holdings Limited whose ultimate parent company is BlueScope Steel Limited, an Australian-based company listed on the Australian Stock Exchange.
68. NZ Steel lodged the application for the initiation of the investigation, responded to MBIE's Request for Information (RFI) seeking additional information, and participated in a virtual verification exercise on 16 September 2021 which sought to confirm and clarify the information provided. NZ Steel also made a number of submissions in relation to matters arising during the investigation. This Step 1 Final Report has taken account of those submissions as relevant and appropriate.
69. NZ Steel's submissions were as follows:
- 11 June 2021, regarding administrative matters for the investigation and the availability of information, to which MBIE responded on 29 June 2021
  - 5 July 2021, responding to MBIE's 29 June 2020 response, to which MBIE responded on 14 July 2020
  - 8 July 2021 regarding the availability of information, to which MBIE responded on 14 July 2021
  - 21 July 2021, providing NZ Steel's response to MBIE's Issues Paper on subject goods and like goods
  - 30 July 2021, covering matters raised in Public File documents and on Subject and Like Goods
  - 1 September 2021, responding to certain matters in particular Public File documents
  - 20 September 2021, responding to MBIE's *Note for File: Subject Goods and Like Goods*.
  - 15 October 2021, addressing matters relating to the Provisional Measures Memo, the Dongkuk Verification Report, and other matters.
  - 15 November 2021, submission on Step 1 EFC Report.

### **Foreign Producers**

70. Korean and Taiwanese manufacturers supplying aluminium-zinc coated steel to New Zealand were identified from Customs data and questionnaire responses provided by importers. In addition to the foreign producers identified below, there was one shipment

from another Korean producer representing less than 1% of imports of the subject goods which has not been investigated further.

71. The foreign producers investigated were:
- **Korea:** Dongkuk Steel Mill Co, Seoul, Korea (Dongkuk)
  - **Korea:** KG Dongbu Steel Co Ltd (Dongbu)
  - **Taiwan:** Yieh Corporation, Kaohsiung, Taiwan (Yieh Corp)
72. Foreign Manufacturer Questionnaires were sent to the companies listed above. A full and detailed response was received from Dongkuk, which also provided full and detailed responses to MBIE's requests for clarification and additional information. KG Dongbu and Yieh Corporation did not provide responses to the Foreign Manufacturer Questionnaire, and are considered to be non-cooperative.
73. Dongkuk advised that it would not be making a submission on the Step1 EFC Report.

### Importers

74. New Zealand-based importers were identified from Customs data, and invited to supply information which would identify suppliers in Korea and Taiwan and information which would assist in identifying imports of subject goods.
75. Questionnaires were sent to importers of goods from the identified producers in order to obtain and confirm information relating to import shipments, and information on the operation of the New Zealand market for the subject goods. The importers concerned were:
- Conqueror New Zealand Ltd (Conqueror NZ), construction material wholesaler.
  - Dan Cosgrove (2014) Ltd (Dan Cosgrove), silo manufacturer.
  - Fletcher Steel Ltd (Fletcher Steel), steel distributor (Easysteel) and manufacturer of roofing and cladding (Pacific Coilcoaters).
  - Kiwi Steel NZ Ltd (Kiwi Steel), steel distributor.
  - R C Macdonald Ltd (RC Macdonald), steel distributor
  - Riverlea Group Ltd (Riverlea Group), manufacturer and importer of garden sheds and outdoor products.
  - RoofTG Tile Group/RoofTG Pacific Ltd (RoofTG), roofing manufacturer.
  - Ross Roof Group (Ross Roof), roofing manufacturer.
  - Storetech Industries Ltd (Storetech), manufacturer of garden sheds and fencing.
  - Tiger Steel NZ Ltd (Tiger Steel), steel distributor.
76. Importer Questionnaire responses were not provided (Dan Cosgrove) or were not required (Conqueror NZ – imports found to be not subject goods), while Ross Roof provided only limited information. Questionnaire responses were received from the other importers.
77. Submissions on the Step 1 EFC Report were provided by RoofTG and Tiger Steel.

### Intermediary Traders

78. Most of the transactions for the export of the subject goods from Korea to New Zealand involved intermediary traders, located in Korea, Australia and New Zealand. Intermediary traders were asked to complete Exporter Questionnaires, and responses were received from Moriah Co Ltd (Moriah), Gilseng Trading Co Ltd (Gilseng), and Seyang International

(Seyang). Completed questionnaires were not received from Marubeni Itoshu Steel Oceania Pty Ltd or ST International.

79. Moriah provided a submission on the Step 1 EFC report.

**Other Interested Parties**

80. The relevant authorities of Korea and Taiwan are interested parties.
81. No other interested parties have come forward or have been identified.

## 3. Dumping Investigation

### 3.1 Dumping

82. Section 3(1) of the Act includes the following definitions:

***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.*

83. The dumping investigation determines export prices and normal values in accordance with the provisions of the Act and the AD Agreement, and makes a proper comparison between them in order to establish whether and to what extent any dumping is occurring.

84. Export prices are determined in accordance with section 4 of the Act and normal values in accordance with section 5. Where sufficient information is not available or is not provided, export prices and normal values can be determined under section 6 of the Act.

### 3.2 Basis for Investigation of Dumping

85. The objective of the investigation is to establish if there is dumping, i.e. whether the export price of the goods is less than the normal value when a fair comparison is made.

#### Information available

86. The information available to MBIE in investigating the dumping of aluminium-zinc from Korea and Taiwan includes:

- information contained in NZ Steel's application
- information from importers and intermediary traders
- information from foreign manufacturers
- information from NZ Customs
- information arising from MBIE's independent research.

87. MBIE sent Foreign Manufacturer Questionnaires to all of the identified manufacturers. A detailed response was received only from the Korean manufacturer, Dongkuk, permitting the establishment of export prices and normal values on the basis of information relating to sales by Dongkuk. KG Dongbu, the other Korean manufacturer, and Yieh Corp, the supplier from Taiwan, did not cooperate, so export prices and normal values have been established on the basis of the information available.

88. Importer Questionnaires were sent to the importers of aluminium-zinc coated steel from the identified manufacturers. Responses, including questionnaire responses and copies of invoices, were received from most importers. Similarly, Exporter Questionnaires were sent to intermediary traders with responses received from 3 of 5. This information was used to confirm information from Dongkuk regarding its export sales, and as information available for establishing export prices for KG Dongbu and Yieh Corp.

#### Basis for comparison of export price and normal value

89. The Act does not specify the approach to be taken in determining the type of comparison between export prices and normal values, but Article 2.4.2 of the AD Agreement provides that the existence of margin of dumping shall normally be established during the

investigation phase on the basis of a comparison of a weighted average normal value with a weighted average of prices of all comparable export transactions or by comparison of normal value and export prices on a transaction-to-transaction basis.

90. For the investigation of dumping of imports from both Korea and Taiwan, MBIE has determined that, in view of the number of transactions involved, the range of minor variations in product specifications, and the availability of information, the comparison between export prices and normal values should be undertaken on the basis of weighted average export prices and weighted average normal values.

### **3.3 Export Price**

#### **Legal Basis**

91. Export prices are normally determined in accordance with section 4(1) of the Act, which deals with transactions where the goods imported into New Zealand have been purchased by the importer from the exporter. However, where the goods produced by the foreign manufacturer are sold through an unrelated intermediary trader so are not purchased by the importer from the foreign producer exporting them from Korea, nor are they sold on consignment, then in these circumstances, the export price is established under section 4(2) of the Act.
92. Section 4(2) of the Act provides that where there is no exporter's sale price or no price at which the importer, or a person not related to the importer, has purchased or agreed to purchase the goods, then the export price shall be determined in such manner as the chief executive considers appropriate, having regard to all the circumstances of the exportation.
93. MBIE has established that where sales of the subject goods to New Zealand importers have been made via unrelated intermediary traders, the export price should be determined under section 4(2) of the Act, having regard to all the circumstances of the exportation. In the case of subject goods sold to unrelated intermediaries (who are the suppliers to importers) this means that export prices should be determined on the basis of the information relating to the sale by the foreign manufacturer to the intermediary.
94. Section 6 of the Act provides that if sufficient information has not been furnished or is not available to enable the export price of goods to be ascertained under section 4, then the export price shall be such amount as is determined by the chief executive having regard to all available information. The chief executive may disregard any information considered to be unreliable.

#### **Determination of Export Price**

95. The export price is usually the price paid for the goods by the importer, less costs, charges and expenses incurred in preparing the goods for shipment that are additional to such costs incurred for sales for home consumption, and any other costs, charges and expenses resulting from the exportation of goods or arising after their shipment.
96. The starting point for MBIE is the documentation (usually invoices) for each shipment, which shows the price paid or payable for the goods by the purchaser. MBIE requested this information from foreign manufacturers, intermediary traders and importers in its questionnaires. It also requested documentation of other costs incurred in exportation of the goods. The base price, which is the starting point for the calculation of the export price, is the transaction price paid, whether by the importer or an intermediary.



97. Adjustments are then made to take the base price back to the ex-factory level and to ensure a fair comparison with the normal value. Adjustments to calculate an ex-factory price generally cover costs such as inland freight between the factory and the port, port charges and bank charges, overseas freight and insurance (depending on the terms of sale), and are normally deducted from the base price. Most fair comparison adjustments are made to the normal value, but those relating to differences in the cost of items such as credit and packaging are usually made to the full extent of the costs involved to both the export price and normal value.
98. In some cases where there is an intermediary company involved which acts as a facilitator of the sales and may ship the goods, adjustments are made for the intermediary's commission or margin, and any other costs associated with the trade to ensure an ex-factory equivalent is achieved.
99. MBIE normally seeks to compare the export price with the normal value at the ex-factory level, after appropriate allowances to ensure a fair comparison. The information available in this investigation has been reviewed to establish the basis for and extent of any adjustments that may be required.
100. In establishing export prices MBIE has considered adjustments for the following:
- Costs to bring values back to the ex-factory level
  - Additional costs of preparation for export (section 4(1)(a)(i) of the Act)
  - Other costs resulting from exportation (section 4(1)(a)(ii) of the Act)
101. Fair comparison adjustments are also dealt with in the discussion below on normal values (section 5(3) of the Act), but where it is sensible to do so, adjustments have been made to export prices.

### **3.3.1 Export Price – Dongkuk, Korea**

102. MBIE has used information provided in the questionnaire responses from Dongkuk, importers and intermediary traders, including invoice information. As noted above, the prices are determined in accordance with section 4(2) of the Act because sales were not made directly from Dongkuk to New Zealand importers (but were shipped to them from Dongkuk).
103. Section 4(1) of the Act requires that the export price be based on the price paid by the importer, where it is an arm's length transaction. Section 3(2) of the Act sets out the basis for when a purchase or sale of goods shall not be treated as an arm's length transaction.
104. The base prices and adjustments were verified from information provided by Dongkuk which supported the relevant figures.

#### ***Base prices***

105. Details of export shipments to New Zealand from Dongkuk were provided by the company in its questionnaire responses and in its replies to MBIE's requests for clarification and supplementary information, and confirmed from invoice information provided by importers and by intermediary traders, and from Customs data. From this information MBIE was able to identify sales of subject goods and the related pricing information.
106. MBIE has accepted that the prices set out in export invoices to the intermediary traders over the POI(D) are the base prices for the calculation of ex-factory prices for exports to

New Zealand. The transaction details are for sales to the distributor level of trade for prime quality goods. Sales were arm's length transactions. Sales terms for exports to New Zealand were made on the basis of cost and freight (CFR), ex-works (EXW), and free carrier (FCA) (with Busan as place of delivery).

### **Adjustments to base prices**

#### **Freight and insurance**

107. Ocean freight was relevant in the case of sales made through one intermediary trader. The relevant costs have been deducted from the base price for these sales. The terms of sale meant that insurance costs were not included in the price, so no adjustment is required in respect of insurance costs.

#### **Inland transport**

108. Inland transport was relevant in the case of sales made through two intermediary traders. The relevant costs have been deducted from the base price for these sales.

#### **Handling, packing, loading and ancillary expenses**

109. Handling and other expenses were relevant in the case of sales made through two of the intermediary traders. Adjustments covering handling charges, wharfage, port security fees and Customs broker fees, were deducted from the base price for these sales.

#### **Other costs resulting from exportation**

##### *Bank charges*

110. Dongkuk provided evidence of bank charges for foreign currency transactions, and the amounts have been deducted from the base price.

##### *Other costs and charges*

111. MBIE has reviewed the information provided by Dongkuk, intermediary traders and importers, and is satisfied that no adjustment needs to be made for any other costs or charges resulting from exportation.

#### **Other adjustments**

112. In addition to the adjustments provided for in section 4(1)(a) of the Act, a number of other adjustments can be made to export prices under section 5(3) of the Act in order to ensure a comparison at the ex-factory level.

##### *Cost of credit*

113. Generally, provision for credit costs will reflect the extent to which credit costs for export sales will be different from credit costs for domestic sales, often reflecting differing payment terms or payment periods. Provision can be made either by adjusting for the difference between credit costs for export versus domestic sales at the transaction level, or by adjusting for total credit costs for both forms of sale. In the current case, because of the way the information was presented by Dongkuk, the latter is the most appropriate way to address the differences. Accordingly, MBIE is satisfied that credit costs should be deducted from export transaction values to arrive at ex-factory prices.
114. Credit costs arise from the particular terms and conditions of sale relating to each transaction. Dongkuk and intermediary traders provided details of the payment terms applicable to each transaction, and this has been confirmed from MBIE's examination of

invoices. Information on relevant interest rates was provided and has been used to establish amounts for credit costs for each transaction.

#### *Taxation*

115. There is no value-added-tax (VAT) on export sales and domestic sales have been assessed on the basis of VAT-exclusive prices, so no adjustment is required.

#### *Packaging Costs*

116. Generally, provision for export packing costs will reflect the extent to which any special packaging for export sales is greater than packing costs for domestic sales. Provision can be made either by adjusting for the difference between packing costs for export versus domestic sales, or by adjusting for total packaging costs for both forms of sale. In the current case, and given the wide variety in sales volumes and product specifications, it is impractical to seek to identify the differences other than over the totality of sales, so MBIE accepts that the approach of deducting packing costs for all export sales and all domestic sales is the most appropriate way to address the differences.
117. Dongkuk provided evidence of packaging cost for export sales, and the amounts have been deducted from the base price.

#### *Indirect Selling Expenses*

118. Dongkuk claimed that an adjustment should be made in respect of the differences in indirect marketing costs, in order to take account of the fact that Dongkuk is not required to undertake the same level of selling activities for exports compared with domestic sales, and proposed a basis for making such adjustments.
119. MBIE generally considers that costs or expenses, such as indirect selling expenses, that relate more to the general cost of business and not to the prices of the transactions being examined, are not grounds for making an adjustment. However, if the connection to the sale is established and evidence is suitable, an adjustment may be allowed in certain circumstances. As discussed further below in this report in relation to normal value, MBIE does not consider that Dongkuk has provided information which would suggest that there is a relationship between the selling and marketing activity and the price paid which would justify any adjustment being made.

### ***Calculation of export prices – Dongkuk, Korea***

120. Taking the base prices, adjusted as described above, MBIE has established export prices for each of the product-level transactions of subject goods exported to New Zealand by Dongkuk during 2020. On the basis of these prices MBIE established a weighted average price for the subject goods exported in 2020.

### **3.3.2 Export Price – KG Dongbu, Korea**

121. In the absence of information from KG Dongbu, in order to establish export prices MBIE has used information available from its investigation of Dongkuk, as well as information from importers and intermediary traders, including invoice information, and Customs data.

#### ***Base prices***

122. MBIE obtained Customs data for 2020 for imports of the subject goods for the importers and intermediary traders identified as covering goods produced by KG Dongbu. In addition, MBIE has used invoice data from cooperating importers and intermediary traders to

confirm product descriptions, quantities, terms of sale unit prices and costs of overseas freight and insurance. On the basis of this information, MBIE has been able to identify base prices at an FOB level for KG Dongbu.

### **Adjustments to base prices**

123. The adjustments to the base price are aimed at achieving an equivalent to an EXW price for comparison with the normal value. This is not necessarily the same as an ex-factory price equivalent, since it may not include some costs incurred by the manufacturer. KG Dongbu has not provided information which would permit such costs to be provided for.

### **Commissions or margins**

124. The Customs data and invoice information does not provide a basis for establishing the level of any margin, charge or commission for sales by unrelated intermediaries to the New Zealand importers. No information is available from KG Dongbu which would assist in assessing this amount.
125. MBIE has reviewed the information available, and considers that it would be appropriate to apply the margin found in relation to sales for which supporting information was available namely invoices from both the foreign manufacturer and the intermediary trader for reasonable volumes of trade. Such information was available in respect to sales by Dongkuk to an intermediary trader that was also involved in sales from KG Dongbu. The margin for those transactions has been applied in the case of sales by KG Dongbu.

### **Packaging Costs**

126. As established from the investigation of Dongkuk, there are additional packaging costs associated with exports. The adjustment applies the additional export packaging costs identified for Dongkuk (but not to make any deduction for packaging costs in establishing normal value).

### **Inland transport**

127. As established from the investigation of Dongkuk, there are inland transport costs associated with exports. The adjustment applies the costs identified from information provided by Dongkuk for inland transport between the area where KG Dongbu's factory is located and Busan port, which are greater than the actual costs for the shorter distance applying for Dongkuk's sales.

### **Handling, packing, loading and ancillary expenses**

128. As established from the investigation of Dongkuk, there are handling and ancillary costs associated with exports. The adjustment applies the actual costs identified for Dongkuk.

### **Other costs resulting from exportation**

129. MBIE is satisfied that no adjustment needs to be made for any other costs or charges resulting from exportation.

### **Other adjustments**

130. In addition to the adjustments provided for in section 4(1)(a) of the Act, a number of other adjustments can be made to export prices under section 5(3) of the Act in order to ensure a comparison at the ex-factory level.

*Cost of credit*

131. Credit costs arise from the particular terms and conditions of sale relating to each transaction. MBIE has established from information provided by importers and intermediary traders which sales of KG Dongbu's goods are subject to credit terms, and the payment period involved. The interest rate used is that identified by Dongkuk in relation to foreign currency transactions. The resulting cost has provided the basis for the calculation of the deduction for credit costs.

*Value Added Tax*

132. There is no value-added-tax (VAT) on export sales and domestic sales have been assessed on the basis of VAT-exclusive prices, so no adjustment is required.

***Calculation of export prices – KG Dongbu, Korea***

133. Taking the base prices, adjusted as described above, MBIE has established export prices for each of the product-level transactions of subject goods exported to New Zealand by KG Dongbu during 2020. On the basis of these prices MBIE has established a weighted average price for the subject goods exported in 2020.

**3.3.3 Export Price – Yieh Corp, Taiwan**

134. In the absence of information from Yieh Corp, in order to establish export prices, as indicated below MBIE has used information available from Customs data, invoice information from the importer, as well as information from its investigation of Dongkuk and other information obtained from MBIE's research. This information relating to actual sales is considered to be more reliable than the estimates included in the application.
135. MBIE notes that in the absence of information from Yieh Corp, or from the associated company Yieh Phui Enterprise Co Ltd (Yieh Phui), and based on information from the Yieh Corp and Yieh Phui websites, including financial statements, MBIE is working on the assumption that Yieh Corporation has exported goods produced by Yieh Phui, and has therefore operated as a related intermediary trader.

***Base prices***

136. MBIE obtained Customs data for 2020 for imports of the subject goods imported from Yieh Corp. On the basis of this information, and invoice information from the importer, MBIE has been able to identify base prices at an FOB level for Yieh Corp.

***Adjustments to base prices***

137. The adjustments to the base price are aimed at achieving an equivalent to an EXW price for comparison with the normal value.
138. In the absence of information from Yieh Corp, the levels of the adjustments required to achieve an EXW equivalent are based on information available, which in this case is the information obtained from the investigation of Dongkuk. This information is considered to be more reliable than the information in the application relating to New Zealand, China and Indonesia as that information was from an investigation of a different product involving different countries.
139. However, in recognition of the fact that Korea and Taiwan are different countries and are likely to have different cost structures, MBIE considered the extent to which the costs identified as applying to Korea need to be further adjusted to account for any relevant

differences between Korea and Taiwan. One ratio to use to reflect such differences is that of per capita GDP based on purchasing-power-parity (PPP). Based on information from Knoema<sup>10</sup> the 2020 per capita GDP based on PPP was USD44,621 for Korea and USD55,724 for Taiwan. This indicates a comparative ratio of 125% as the basis for an adjustment of Korean figures to provide Taiwanese figures. MBIE has applied this ratio, where relevant, in establishing the level of adjustments to be made.

#### **Commission or margin**

140. In considering whether any adjustment is appropriate, MBIE has noted that Yieh Phui and Yieh Corp, while related, appear to be different financial entities, and that Yieh Phui's financial statement refers to sales made to Yieh Corp. In light of this, MBIE considers that it is reasonable to conclude there is a transaction involved, rather than the performance of a sales function within a single financial entity or group, and it would be appropriate to make provision for a margin between the value of the transaction between Yieh Phui and Yieh Corp and the transaction between Yieh Corporation and the New Zealand importer.
141. In the absence of information to the contrary, and without clarification of the role of Yieh Corp, MBIE considers that the information available for the appropriate reseller margin to use in the export price calculation is the level used in the KG Dongbu analysis for an unrelated intermediary in the sale of the subject goods from Korea via a trading intermediary.

#### **Packaging costs**

142. Invoice information confirms that standard export packing should apply. This suggests that provision should be made for the additional cost of export packaging. MBIE considers it is reasonable to apply the Korean additional export packaging cost, adjusted as indicated above.

#### **Inland freight**

143. The freight distance for Yieh Corp/Yieh Phui appears to be reasonably similar to that of Dongkuk, so an adjustment level based on the Korean figure, adjusted as indicated above, is considered to be reasonable.

#### **Handling, packing, loading and ancillary expenses**

144. The charges incurred in Korea are actual costs and are likely to be similar to costs in Taiwan, so an adjustment level based on the Korean figure, adjusted as indicated above, is considered to be reasonable.

#### **Other costs resulting from exportation**

145. MBIE has reviewed the information available, and is satisfied that no adjustment needs to be made for any other costs or charges.

#### **Other adjustments**

146. In addition to the adjustments provided for in section 4(1)(a) of the Act, a number of other adjustments can be made to export prices under section 5(3) of the Act in order to ensure a comparison at the ex-factory level.

---

<sup>10</sup> Knoema – a comprehensive source of global decision-making data, <https://knoema.com/>.

*Cost of credit*

147. MBIE has established that there are no credit terms applicable to imports of the subject goods from Taiwan.

*Value Added Tax*

148. There is no value-added-tax (VAT) on export sales and the normal value assessment is not based on domestic sales prices, so no adjustment is required.

**Calculation of export prices – Yieh Corp, Taiwan**

149. Taking the base prices, adjusted as described above, MBIE has established export prices for each of the product-level transactions of subject goods exported to New Zealand by Yieh Corp during 2020. On the basis of these prices MBIE has established a weighted average price for the subject goods exported in 2020.

**3.4 Normal Value**

150. Normal values are determined in accordance with section 5 of the Act. The normal value is usually the price at which the aluminium-zinc coated steel producers sell like goods in their domestic markets. The types of sales that can be used to determine normal values can generally be described as arm's length sales of like goods in the ordinary course of trade for home consumption in the country of export.
151. Footnote 2 to Article 2.2 of the AD Agreement provides that sales of the like product destined for consumption in the domestic market of the exporting country shall normally be considered a sufficient quantity for the determination of the normal value if such sales constitute 5 per cent or more of the sales of the product under consideration to the importing Member, provided that a lower ratio should be acceptable where the evidence demonstrates that domestic sales at such lower ratio are nonetheless of sufficient magnitude to provide for a proper comparison.
152. Section 5(6) of the Act provides that where sales of the like product in the domestic market of the exporting country or sales to a third country have been made for an extended period of time and in respect of a substantial quantity of like goods at prices below the cost of production plus administrative, selling and general costs they shall be deemed to be not in the ordinary course of trade. Article 2.2.1 of the AD Agreement provides that such sales may be disregarded in determining normal value only if the authorities determine that such sales are made within an extended period of time<sup>11</sup> in substantial quantities<sup>12</sup> and are at prices which do not provide for the recovery of all costs within a reasonable period of time. If prices which are below per unit costs at the time of sale are above weighted average per unit costs for the period of investigation, such prices shall be considered to provide for recovery of costs within a reasonable period of time.
153. As provided in section 5(3) of the Act and Article 2.4 of the AD Agreement, export prices and normal values are to be compared at the same level of trade, normally at the ex-factory level, and in respect of sales made at as nearly as possible the same time. In making the comparison, due allowance is to be made, as appropriate, for differences which

---

<sup>11</sup> Normally one year but in no case less than six months.

<sup>12</sup> Not less than 20 per cent of the volume sold in transactions under consideration for the determination of the normal value.

affect price comparability, including differences in conditions and terms of sale, taxation, levels of trade, quantities, physical characteristics, and any other differences which are also demonstrated to affect price comparability.

### 3.4.1 Normal Value – Dongkuk, Korea

#### ***Basis for Normal Values***

154. For the purposes of this Step 1 Final Report, MBIE has used information provided in the questionnaire response from Dongkuk and from importers and intermediary traders, including invoice information.

#### ***Base Prices***

##### ***Like goods***

155. Dongkuk provided details of all domestic sales of the subject goods during 2020. The information indicated that there are some variations in some attributes of the goods sold domestically compared with the subject goods exported to New Zealand, but in aggregate they provide a basis for a valid comparison between the weighted average export price and the weighted average normal value. The sales of comparable goods used in establishing the normal value are for prime quality goods, to match the export sales to New Zealand.

##### ***Sufficiency of volumes***

156. On the basis of the information provided by Dongkuk, relevant domestic sales exceed export sales to New Zealand, so the volume of sales does not provide a basis for using alternative approaches to the comparison of export prices and normal values.

##### ***Ordinary course of trade***

###### ***Arm's length transactions***

157. Section 3(2) of the Act sets out the basis for considering whether or not a purchase or sale of goods shall not be treated as an arm's length transaction, including whether the price is influenced by a relationship between the buyer and seller. Sections 3(4) and 3(5) of the Act set out the basis for deeming whether or not a person is related to another person.
158. MBIE has reviewed the information provided by Dongkuk regarding affiliated companies, and is satisfied that domestic sales by Dongkuk are not influenced by a relationship between the buyer and seller.

###### ***Sales at a loss***

159. MBIE notes that a number of domestic sales were made at a loss. MBIE has analysed the sales data on the basis of information provided by Dongkuk regarding the cost to make and sell, and has established that with regard to the sales under consideration, the proportion by volume made at a loss was 5%, which is less than the proportion which would constitute substantial quantities under the AD Agreement and therefore provides that domestic market sales can be used to establish normal value.

##### ***Sales Prices***

160. Dongkuk provided detailed information on domestic sales transactions. MBIE has used this information to establish the base prices for calculating normal values on the basis of a weighted average of all transactions, and also as the basis for establishing normal values to be applied to non-cooperating producers.



**Adjustments**

161. Section 5(3) of the Act and Article 2.4 of the AD Agreement set out the areas where adjustments may be required to ensure a fair comparison between export prices and normal values, with due allowance being made in each case, on its merits, for differences which affect price comparability.

**Level of Trade**

162. The information provided by Dongkuk covered domestic sales to both wholesalers and to end-users. MBIE has used domestic sales to wholesalers for the comparison with export prices, because export sales are to traders/distributors who on sell to end-users and for further distribution.

**Sales at the same time**

163. The comparison between export price and normal value is to cover sales made at as nearly as possible the same time.
164. The transaction data provided by Dongkuk identified the invoice dates for both export and domestic sales. MBIE has used the data to establish the month of sale for Dongkuk's transactions. MBIE has reviewed the monthly pattern of both export and import sales demonstrated by the data, and is satisfied that, while recognising the significantly lower number of individual export transactions, the patterns of monthly sales for export and domestic sales are broadly similar.
165. MBIE is satisfied that there is no need to make any particular adjustments or arrangements to ensure that prices are compared for sales at as nearly as possible the same time.

**Terms and conditions of sale**

166. Dongkuk provided information on its order processing procedure, general terms of sale, information on payment and credit terms, and delivery charges. Dongkuk advised that it did not provide any direct or indirect reimbursement to customers, or any consideration other than price. Dongkuk noted that it did not incur any additional sales expenses or after sales cost on the domestic market that it did not incur on export sales to New Zealand customers, and does not provide any direct or indirect reimbursement to customers.
167. MBIE is satisfied that no adjustments will be required for differences in terms and conditions of sale other than those it has identified in relation to credit terms and freight costs.

**Cost of credit**

168. MBIE has allowed an adjustment for credit costs for each transaction, based on the payment terms reported by Dongkuk, and the applicable interest rate confirmed by Dongkuk. The resulting amount is deducted from the base price.

**Delivery terms**

169. A deduction of inland transport costs is appropriate in calculating an ex-factory price for domestic sales.
170. Dongkuk noted that generally the domestic selling price covers delivery charges, and in most cases Dongkuk delivers the goods by truck to locations designated by domestic customers. MBIE has confirmed that for the comparable sales virtually all were made on a

Delivered (FIS) basis, and an adjustment based on actual amounts paid for each transaction can be made.

*Warranty expenses*

171. Dongkuk described the process for dealing with warranty claims, and included the costs in the transaction-level information provided. MBIE has allowed an adjustment for warranty expenses.

*Discounts and rebates*

172. Dongkuk advised that there are no explicit on-invoice discounts for domestic market sales, but noted that there was an early payment discount, to promote early payment of invoices. The transaction level information provided by Dongkuk identified the early payment discount amounts for only those transactions where such discounts were granted. MBIE has made an adjustment for the amounts concerned.

**Taxation**

173. The transaction prices provided by Dongkuk are exclusive of any VAT, so there is no requirement to make any adjustment for differences in taxation.

**Quantities of sales**

174. Dongkuk claimed that there should be an adjustment to reflect the apparent and substantial differences in the quantities involved in export shipments and domestic shipments. Dongkuk undertook an analysis of domestic sales data, which it claimed provided positive evidence to show that differences in quantities affect selling prices in a consistent manner and provided the basis for the level of the adjustment sought by Dongkuk.
175. MBIE agrees that generally it can be expected that prices for larger transaction volumes are likely to be lower, on a per unit basis, than for smaller volumes. The significance for the fair comparison of export prices and normal values is whether this factor is demonstrated to affect price comparability such that due allowance should be made for the difference.
176. MBIE undertook a similar analysis to Dongkuk's, but based it on the net invoice value of domestic and export sales transactions, by transaction, and matching the criteria of the export sales (i.e. sales to wholesalers, at the prime quality level price, for sales of the subject goods). MBIE also used smaller volume intervals for the analysis since otherwise there were too few intervals to establish a clear trend. The outcome shows no clear trend of continuing decreases in prices as volumes increased. For export sales there was no trend showing decreasing prices for larger transaction volumes, and in fact sales volumes above the average size were at a higher average price than those below the average.
177. MBIE's analysis suggests that there is no objective basis on which to make adjustments for differences in the volume of transactions, and no adjustment should be made for imputed quantity discounts. It is noted that the use of weighted averages effectively provides for any differences that might arise in respect to differences in volumes of specific sales.
178. Adjustments may also be called for to take into account the overall purchase levels by individual customers. However, in this investigation this is not considered to be necessary or feasible. MBIE has reviewed the annual sales levels to domestic customers, and the range of annual sales totals is not dissimilar to that of export customers; sales to both domestic and export customers can include goods other than the subject goods, which

would need to be taken into account in establishing the total size of customer purchases; and the nature of the export sales examined is that they are made through traders, and not on the basis of any long-term agreements or relationships with importers.

#### **Physical characteristics**

179. Physical difference adjustments are required when differences in the physical characteristics of the goods affect price comparability. The goods compared for domestic and export sales transactions are the aluminium-zinc coated steel with 55% aluminium, 43% zinc, and 2% silicon subject goods produced by Dongkuk. Sales in both export and domestic markets covered a range of thicknesses and widths, grades and coating thicknesses. MBIE is satisfied that overall the domestic sales are sales of like goods to the goods exported.

#### **Other differences affecting price comparability**

##### *Packaging Costs*

180. As noted in relation to export price adjustments, MBIE accepts that the approach of deducting packing costs for all export sales and all domestic sales is the most appropriate way to address differences in such costs.
181. An adjustment has been made to reflect actual packaging costs by transaction.

##### *Indirect selling expenses*

182. Dongkuk has claimed that an adjustment should be made in respect of the differences in indirect marketing costs between export and domestic sales, given the higher costs of servicing the domestic market. Dongkuk provided very detailed information setting out the basis for its calculation of indirect selling expenses to be allocated to each domestic transaction. This included the calculation of total indirect selling expenses by deducting direct selling expenses and general and administration expenses from its company-wide selling, general and administration (SGA) expenses, then further allocating this to the domestic transactions on the basis of sales values. This value was then split between markets on the basis of the number of employees allocated to each, with the ratio of indirect expenses then calculated from the relevant total sales values. This process identified that indirect selling expenses for the domestic market were much higher than the level of expenses for the export market.
183. MBIE generally considers that costs or expenses, such as indirect selling expenses, that relate more to the general cost of business and not to the prices of the transactions being examined, are not grounds for making an adjustment. However, if the connection to the sale is established and evidence is suitable, adjustment may be allowed in certain circumstances. Dongkuk has not provided any information which would suggest that there is a relationship between the price paid or the ex-factory value of the transaction that would justify any adjustment being made.
184. The information provided by Dongkuk identified selling activities (including the provision of sales support, training services, technical support and logistical services) and the performance of sales-related administrative activities. A comparison was made between the frequency with which such activities were undertaken in relation to the domestic market and the export market, and examples were provided of the nature of the activities concerned.

185. MBIE has reviewed the information provided by Dongkuk, which relates to overhead expenses involved in selling and marketing and cannot be related to particular transactions. Accordingly, MBIE does not consider that any adjustments should be made to cover selling and marketing overheads. This is consistent with the approach taken in other dumping investigations.

#### ***Normal Value calculations***

186. In calculating ex-factory normal values for domestic sales, MBIE made the adjustments outlined above to the transaction-level price information provided by Dongkuk. The weighted average of the resulting normal values has been used as the basis for comparison with the weighted average export price.

### **3.4.2 Normal Value – KG Dongbu, Korea**

#### ***Basis for Normal Values***

187. In the absence of information from KG Dongbu, MBIE has used information available, including information from the investigation of Dongkuk, and from MBIE's research, including findings by the AADC in its investigation 558 of aluminium-zinc coated steel.

#### ***Base Prices***

##### ***Like goods***

188. MBIE has reviewed the information available to it from Customs data and from importers, and is satisfied that it has identified the imports of the subject goods produced by KG Dongbu and exported to New Zealand in 2020.

##### ***Sufficiency of volumes***

189. MBIE does not have details of KG Dongbu's total sales of the subject goods, whether domestic sales or exports to other markets, but notes from the AADC *Exporter Verification Report* for KG Dongbu that the verification team was satisfied the volume of domestic sales was 5% or greater than the level of exports to Australia and therefore was not a low volume.

##### ***Ordinary course of trade***

###### ***Arm's length transactions***

190. MBIE does not have details of KG Dongbu's domestic customers. However, MBIE notes from the AADC *Exporter Verification Report* for KG Dongbu that the verification team was satisfied all domestic sales made to a related customer were arm's length transactions, while all domestic sales made to unrelated domestic customers were arm's length transactions.

###### ***Sales at a loss***

191. MBIE does not have details of KG Dongbu's domestic customers. MBIE notes from the AADC *Exporter Verification Report* for KG Dongbu that the verification team tested cost recoverability and appears to have concluded that prices were in the ordinary course of trade.

##### ***Sales Prices***

192. In the absence of information from KG Dongbu, and in order to arrive at an EXW price at an equivalent level to the export price described above, MBIE has used the best available

information, which is the normal value established for the cooperating foreign manufacturer. The normal value has been adjusted to work back to an equivalent to the EXW price.

193. The additions to the normal value for the cooperating manufacturer included the amounts provided for credit, warranty and discounts for domestic sales.

### **Adjustments**

194. Given that the normal value is being established on the basis of information available regarding the normal value established for Dongkuk, and that the base price arrived at already incorporates relevant adjustments, there is no need to make any additional adjustments for KG Dongbu.

### **Normal Value calculations**

195. As described above, in calculating ex-factory normal values for KG Dongbu's domestic sales, MBIE derived the EXW equivalent on the basis of information relating to the cooperating foreign producer.

## **3.4.3 Normal Value – Yieh Corp, Taiwan**

### **Basis for Normal Values**

196. In the absence of information from Yieh Corp, MBIE has used information available, including information from the investigation of Dongkuk, and from MBIE's research, including findings by the AADC in its investigation 558 of aluminium-zinc coated steel.

### **Base Prices**

#### **Like goods**

197. MBIE has reviewed the information available to it from Customs data and from importers, and is satisfied that it has identified the imports of the subject goods exported to New Zealand in 2020 by Yieh Corp.

#### **Sufficiency of volumes**

198. MBIE does not have details of Yieh Corp's total sales of the subject goods, whether domestic sales or exports to other markets, but MBIE notes from the AADC *Exporter Verification Report* for Yieh Phui that the verification team was satisfied the volume of domestic sales was 5% or greater than the level of exports to Australia and therefore was not a low volume.

#### **Ordinary course of trade**

##### *Arm's length transactions*

199. MBIE does not have details of domestic customers for Yieh Corp or Yieh Phui. However, MBIE notes from the AADC *Exporter Verification Report* for Yieh Phui that the verification team was satisfied all domestic sales made to a related customer were arm's length transactions, while all domestic sales made to unrelated domestic customers were arm's length transactions.

##### *Sales at a loss*

200. MBIE does not have details of domestic customers for Yieh Corp or Yieh Phui. MBIE notes from the AADC *Exporter Verification Report* for Yieh Phui that the verification team tested

cost recoverability and appears to have concluded that prices were in the ordinary course of trade.

#### **Constructed value**

201. In the absence of sufficient information on which to ascertain normal values under section 5(1) or 5(2) of the Act, MBIE has decided to determine the normal value having regard to all available information as provided for under section 6 of the Act. Accordingly, MBIE has constructed a normal value, based on the elements set out in section 5(2), but using the best information available. MBIE considers that the best information available is a combination of the normal values established for the cooperating Korean exporter and the actual selling, general and administration expenses (SGA) and profit values from the foreign manufacturers' financial statements.
202. MBIE has taken the normal value established for Dongkuk, adjusted back to an EXW equivalent, with the SGA and profit elements from Dongkuk's financial statements deducted to derive a cost of production. MBIE has made adjustments to take into account cost differences between Korea and Taiwan on the basis of differences in per capita GDP at PPP levels, as noted in section 3.3.3 above. MBIE notes that the cost of input materials, such as HRC, aluminium and zinc is based on international prices so no adjustment between Korea and Taiwan is required. However, MBIE accepts that other manufacturing costs, including labour costs, would be relevant costs for adjustments on the basis of per capita PPP differences. MBIE has therefore calculated the relevant production costs for Dongkuk, based on cost data for domestic sales of the subject goods, and applied the per capita PPP adjustment to that figure, for inclusion in the normal value calculation for Yieh Corp.
203. This estimated constructed cost is added to the SGA and profit levels reported in Yieh Phui's financial statements to establish an estimated normal value for Yieh Corp.

#### **Adjustments**

204. Given that the normal value is being established on the basis of information available, as outlined above, there is no need to make any additional adjustments for Yieh Corp.

#### **Normal Value calculations**

205. In calculating normal values for domestic sales by Yieh Corp or Yieh Phui, MBIE derived the EXW equivalent on the basis of information relating to the cooperating foreign producer from Korea. In the absence of information from the Yieh companies, MBIE has constructed an EXW equivalent, because there is insufficient information to allow a conclusion that the adjustments between the EXW and ex-factory value ascertained for Dongkuk are relevant or appropriate for the Yieh companies, adjusted as relevant to take account of cost differences between Korea and Taiwan.

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

206. MBIE has established dumping margins for the POI(D) by comparing the export prices established in section 3.3 and the normal values established in section 3.4. The dumping margins so established are shown in Figure 3.

**Figure 3: Dumping Margins**

	Dumping Margin %
<b>Korea:</b>	
Dongkuk	2.5%
KG Dongbu	12.6%
Weighted average	3.4%
<b>Taiwan:</b>	
Yieh Corp	No dumping

207. In light of the findings regarding dumping, the analysis of the relevant injury factors and the extent to which dumping has caused injury, has proceeded on the basis that the subject goods from Taiwan are not dumped.





## 4. Injury Investigation

### 4.1 Legal Requirements

#### Basis for determinations

208. Section 8(1) of the Act provides that in determining whether or not material injury to an industry has been or is being caused or threatened by means of the dumping of goods imported or intended to be imported into New Zealand from another country, the chief executive shall examine:

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

209. MBIE 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 allegedly dumped goods, their effect on prices, and the consequent impact on the industry. This is consistent with Article 3 of the AD Agreement.

#### Matters the chief executive shall have regard to

210. Section 8(2) of the Act provides that without limiting the generality of section 8(1), and without limiting the matters that the chief executive may consider, the chief executive shall have regard to the matters set out in section 8(2) when determining whether or not any material injury to an industry has been or is being caused, or is being threatened. These matters are discussed in the relevant sections of the analysis below in this report.

#### Cumulation

211. Article 3.3 of the AD Agreement provides:

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

212. In its application, NZ Steel considered the effects of imports from Korea and Taiwan on a cumulated basis.

213. MBIE notes that the findings regarding dumping are that goods from Taiwan are not dumped, so the condition (a) in Article 3.3 for cumulation relating to dumping is not met.

#### Information Available

214. NZ Steel's application provided evidence in support of its claims that imports from Korea and Taiwan were materially injuring NZ Steel in SY2020 and earlier. MBIE provided NZ Steel with a Request for Information on 30 July 2021, to which NZ Steel responded on 13 August 2021. MBIE verified the information provided by NZ Steel during a virtual verification

session on 16 September 2021. A non-confidential version of the report on the verification visit is available on the Public File for this investigation.

215. MBIE has used information relating to the POI(I) in its analysis of injury. This relates to the calendar years 2016-2020, and takes into account the POI(D) which is calendar 2020.

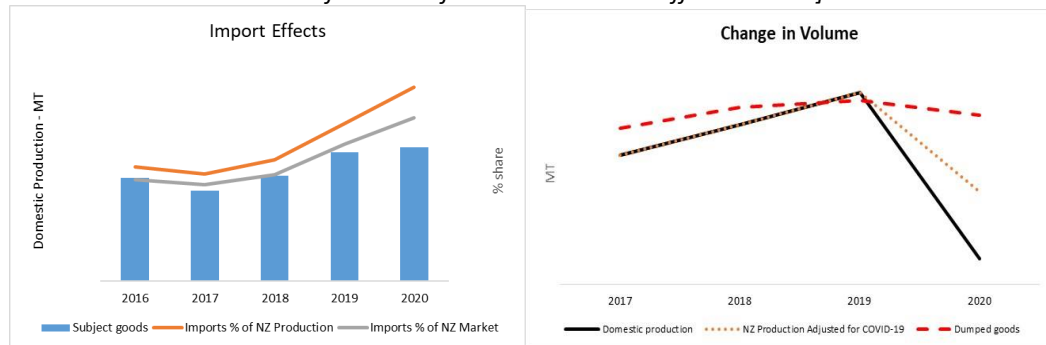
## 4.2 Examination of Injury

### 4.2.1 Import Volume Effects

216. In the examination of the volume of imports of dumped goods under section 8(1)(a) of the Act, section 8(2)(a) requires that the chief executive should 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 goods either in absolute terms or in relation to production or consumption in New Zealand.
217. NZ Steel's application stated that it could not indicate the exact point of the onset of injury, but it observed significant growth in the dumped imports which it says has had injurious effect due to dumped pricing that undercut the domestic industry. It claimed that imports from Korea and Taiwan grew in absolute terms between 2017 and 2018 and that over the same period the domestic industry sales volume declined significantly. Despite the growth in the market share of dumped imports coupled with slow growth experienced by the domestic industry, NZ Steel claimed that it still had the capacity to meet the demand of the domestic market.
218. Because of the suppression orders in place on some statistical keys covering the subject goods, and because domestic production information is classified as commercial-in-confidence, MBIE cannot provide details of the actual volumes of imports and domestic production. Also, while the dumping analysis has covered goods imported in 2020, the non-subject goods extraction analysis has not covered imports in preceding years so has not been able to confirm the extent of imports of the subject goods in previous years. For the purposes of assessing trends, MBIE has assumed that imports of the subject goods from Korea and Taiwan prior to 2020 were proportionately similar in relation to total imports of coated steel goods.
219. The import data used by MBIE is for sales of the subject goods, as set out in section 2.1 of this Step 1 Final Report. The data used by NZ Steel included a much wider range of goods which explains the difference in the import levels and proportions from those identified by MBIE.
220. MBIE has analysed imports of the subject goods from Korea and Taiwan in Figure 4, in absolute terms and in relation to consumption in New Zealand, and bearing in mind the finding that goods from Taiwan are not dumped.

**Figure 4: Import Volume Effects**

*[Axis values deleted, gridlines deleted in order to protect confidentiality of information where making the information available would have a significantly adverse effect on the submitter of the confidential information. Axes on different scales]*



221. On the basis of this analysis, there is evidence to indicate that over the whole of the period from 2016 to 2020 (the POI(I)), and following a decline in 2017, there has been an overall increase in the volume of imports of subject goods from Korea and Taiwan, both in absolute terms and in relation to production and consumption in New Zealand. However, excluding non-dumped imports from Taiwan, and comparing the change in volume of annual sales, it appears that from 2017 to 2019 both domestic sales and imports were increasing, while the significantly greater decline in sales of NZ-produced like goods in 2020 (as compared to imports) suggests the decline was attributable to more than the effect of dumped imports of the subject goods.
222. Other potential contributors to these volume effects include the impact of COVID-19 and the shut-down of NZ Steel's plant for five weeks in March-April 2020, and the effect of the national lock-down on NZ Steel's customers. MBIE also notes the direction of aluminium-zinc coated steel to further processing (i.e. to NZ Steel's painting line) and to export. While these volumes did increase over the POI(I), this could, to some extent, also be attributed to the need by NZ Steel to respond to increased imports of dumped goods from Korea. MBIE has addressed the effect of the NZ Steel plant shut-down by identifying the production volume by the likely volume that would have been produced in order to better assess the volume effects that could be attributable to dumping. The outcome of MBIE's assessment of volume effects is that the increase in the volume of dumped imports is still significant.
223. MBIE's conclusion in regard to volume effects is that there has been a significant increase in the volume of dumped goods in absolute terms and relative to production or consumption in New Zealand.

#### 4.2.2 Price Effects

224. In examining price effects under section 8(1)(b) of the Act, section 8(2)(b) of the Act requires that the chief executive should have regard to the extent to which prices of the dumped goods represent significant price undercutting in relation to prices in New Zealand (at the relevant level of trade) for like goods of New Zealand producers, and section 8(2)(c) requires that the chief executive should have regard to 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 been likely to have occurred (i.e. price suppression).
225. In its application NZ Steel noted that the import parity price (IPP) model it uses to price its goods for domestic sale takes into account feedback on prices of imports and international

prices in establishing prices for its customers. MBIE agrees that, to the extent that these prices are affected by dumping, they will have an impact on the prices of goods sold by the domestic industry. NZ Steel has noted that it also considers movements in prices of internationally traded steel, world scrap prices, and import offers that are used by independent customers in pricing discussions and in those customers' regular interactions with NZ Steel. On the basis of these price indications, NZ Steel develops an equivalent value to a free-into-store (FIS) value in New Zealand, and applies a premium to reflect the benefits of local supply. The resulting value provides the basis for developing a market price in New Zealand.

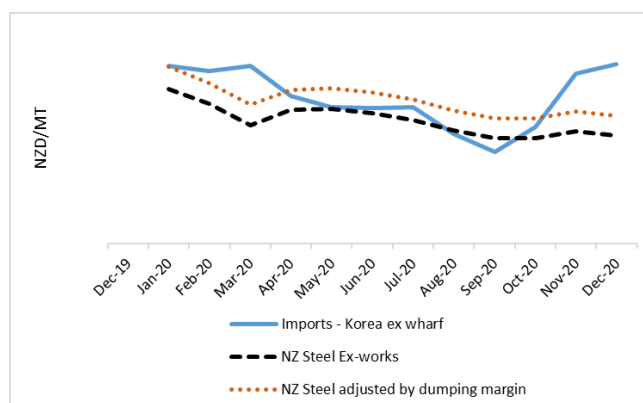
226. MBIE notes that NZ Steel has stated that in the period after the POI(I) it has taken up new price information and revised its prices upwards in a manner similar to its IPP pricing model. This has resulted in it setting higher prices from July 2021. Information from importers has confirmed that international prices have increased significantly from late 2020 and into 2021.
227. NZ Steel claims that an economic impact can occur even if there is no price undercutting or negative price undercutting. NZ Steel suggests that this requires an analysis of the counterfactual situation, i.e. what would happen in the absence of dumping.

### Price Undercutting

228. Price undercutting refers to the extent to which the prices of the subject goods are lower than prices in New Zealand for like goods of New Zealand producers. Prices are compared at the point that the imported goods first compete with the goods made in New Zealand, generally at the ex-wharf level. Price undercutting is not in itself a determinant of the existence or extent of injury, i.e. the margin or frequency of price undercutting is not a measure of the extent of the economic impact on the industry. That impact is to be measured, *inter alia*, in terms of the factors set out in section 8(2)(d) of the Act.
229. MBIE has analysed price undercutting on the basis of weighted average import prices of the aluminium-zinc coated steel from Korea and Taiwan and comparing them to the weighted average selling price by NZ Steel to its domestic customers for the like goods. The comparison was done at the ex-wharf level for imports and the ex-works level for domestic sales.

**Figure 5: Price Undercutting  
(NZD/MT weighted averages)**

*[Y axis values deleted, X axis does not cross at 0, gridlines deleted, in order to protect the confidentiality of information where making the information available would have a significantly adverse effect on the submitter of confidential information]*



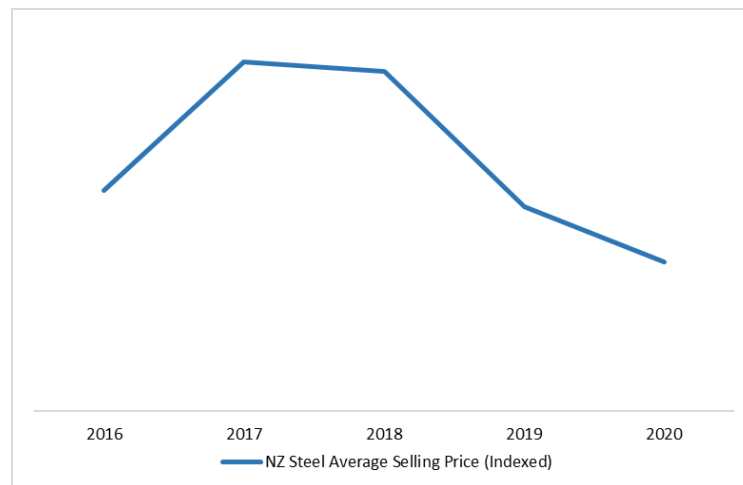
230. Figure 5 shows that in 2020 NZ Steel's prices generally followed a downward trend similar to that of the imported subject goods from Korea. The price of dumped imports from Korea was found to be above the NZ Steel prices for 10 of the 12 months covered. Imports from Taiwan have not been included in the chart because of confidentiality requirements arising from the limited number of sales involved, but the weighted average of prices of non-dumped imports from Taiwan was below the weighted average of NZ Steel prices in 2020.
231. On the basis of the weighted average prices for 2020 as a whole, MBIE found that NZ Steel did not experience price undercutting from dumped imports from Korea but it was undercut by the non-dumped goods imported from Taiwan.
232. MBIE has also analysed the extent of price undercutting by dumped goods from Korea that would have occurred, but for the dumping. The analysis indicates that if the goods had not been dumped, then NZ Steel could have set its prices higher by the extent of the margin of dumping. The result of this analysis shows that the weighted average margin of price undercutting for 2020 overall would have been a very small negative margin, with actual undercutting occurring for six months from April 2020 to September 2020.
233. MBIE concludes that despite dumping there was no significant price undercutting for 2020 as a whole by imports from Korea, and while there was price undercutting by imports from Taiwan this cannot be attributed to dumping. However, when monthly averages during 2020 are considered there was some price undercutting during the year that could be attributed to the dumping of imports from Korea.

### **Price Depression**

234. Price depression occurs where prices achieved by the New Zealand manufacturers are lower than those achieved in a period unaffected by allegedly dumped goods. Price depression is not in itself a determinant of the existence or extent of injury. There must be a consequent impact on the industry, measured primarily in terms of the factors set out in section 8(2)(d) of the Act.
235. NZ Steel claimed that its prices have been depressed because of the dumped imports whose market share grew significantly between 2017 and 2020. It explained that due to IPP pricing the pricing of dumped imports has had a depressive effect on NZ Steel's pricing.
236. Using 2016 as the base year, Figure 6 shows the indexed values of NZ Steel's average selling price indicated a declining trend in NZ Steel's average selling prices between 2017 and 2020.

**Figure 6: Price Depression  
(NZD/tonne, indexed)**

*[Y axis values deleted, X axis does not cross at 0, gridlines deleted, in order to protect the confidentiality of information where making the information available would have a significantly adverse effect on the submitter of confidential information]*



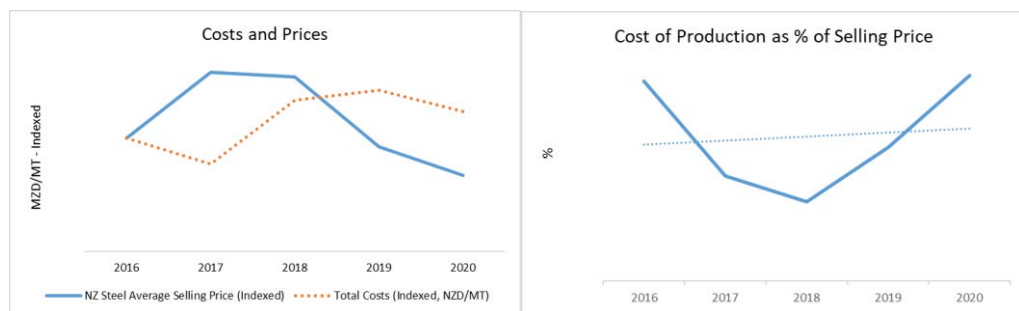
237. Compared to 2016, NZ Steel experienced an increase in its average selling prices in 2017 and a slight decline in 2018. It then experienced a significant decline in prices between 2018 and 2020. By the end of the injury period NZ Steel had overall experienced significant price depression as compared to the beginning of the POI(I).
238. MBIE notes that over the POI(I) there has been an increase in the volume of dumped imports which coincided with the significant decline in NZ Steel's prices from 2018 to 2020. MBIE also notes that prices of dumped imports from Korea have not significantly undercut prices achieved by the New Zealand industry as the prices of dumped imports were less than NZ Steel's prices for only 2 months over the POI(I). Adjusted prices for NZ Steel in Figure 5 suggest that it experienced price depression to a greater extent than it would have in the absence of dumping.
239. MBIE concludes that NZ Steel experienced price depression over the POI(I) which can be partly attributed to dumped imports.

### Price Suppression

240. Price suppression occurs when New Zealand producers are unable to increase prices, for example, to recover cost increases. Price suppression is not in itself a determinant of the existence or extent of injury. There must be a consequent impact on the industry, measured in terms of the factors set out in section 8(2)(d) of the Act.
241. MBIE has compared NZ Steel's total costs as a percentage of sales revenue from 2016 to 2020. The results in Figure 7 indicate that NZ Steel's cost of production as a percentage of the average selling price per unit declined at the start of the POI(I) and has increased between 2018 and 2020. NZ Steel experienced an overall increase in its cost of production as a percentage of the average selling price per unit over the POI(I).

**Figure 7: Price Suppression**

[Y axis values deleted, X axis does not cross at 0, gridlines deleted, in order to protect the confidentiality of information where making the information available would have a significantly adverse effect on the submitter of confidential information]



242. Figure 7 also shows that between 2016 and 2018 NZ Steel's average selling prices generally increased as its total fluctuated, but the overall effect was that it was able to recover its costs of production on the like goods produced. Between 2018 and 2020, NZ Steel experienced movements in total costs of production that were higher than those of its average selling prices. Figure 7 further shows that over this same period NZ Steel was experiencing a significant increase in its cost of production.
243. MBIE notes that between 2018 and 2020 the volume of dumped imports grew at the same time that NZ Steel experienced upward movement of total costs and production costs. In the absence of dumping, Figure 5 has shown that NZ Steel would have been able to increase its prices by the margin of dumping to the extent that it would have been able to recover some of the costs of production. MBIE considers that over the POI(I) NZ Steel experienced price suppression as a result of dumped imports.
244. MBIE considers that there were other factors in addition to the dumped imports that were contributing to NZ Steel's inability to increase its prices. These include the increase in the cost of raw materials and energy costs, which according to NZ Steel have been major drivers of the cost of production thus affecting NZ Steel's ability to recover its costs. These other factors also include NZ Steel's IPP pricing model, which takes some time to fully adjust to the changes in international prices. However, whatever the cause, there has been price suppression, and where the competing goods are dumped it can reasonably be concluded that the price suppression can be attributed in part to the dumping.
245. MBIE concludes that NZ Steel experienced price suppression over the POI(I) but considers that this effect cannot be wholly attributed to the dumped imports.

### Conclusion on Price Effects

246. MBIE concludes that the evidence shows that during 2020 there was some price undercutting that could be attributed to dumped imports from Korea, and there was price undercutting from non-dumped imports from Taiwan. However, on the whole the price undercutting by dumped imports was not significant in 2020. MBIE further concludes that NZ Steel experienced price depression and price suppression which can be partially attributed to dumped imports.
247. MBIE considers there were other factors at play including price undercutting by non-dumped imports (Taiwan), the slow adjustment to international prices under NZ Steel's IPP pricing model, and increases in the cost of raw materials and energy.

248. The price effects examined above are not in themselves a determinant of injury. There must be a consequent impact on the industry, in particular when measured, *inter alia*, in terms of the factors and indices set out in section 8(2)(d) of the Act. Injury caused to the New Zealand industry is assessed in terms of the economic impact in the following section of the report.

### 4.2.3 Economic Impact

249. Section 8(2)(d) of the Act sets out a number of factors the chief executive shall have regard to in relation to considering the economic impact of the dumped goods on the relevant New Zealand industry, including whether there are actual or potential declines experienced in relation to the identified factors.

#### **Output and Sales Revenue**

250. Changes in output by domestic producers reflects production decisions in response to changes in the market situation, which could arise from a combination of changes in demand, competition, or from movements in prices and costs. A decline in output can be reflected in declines in sales revenue

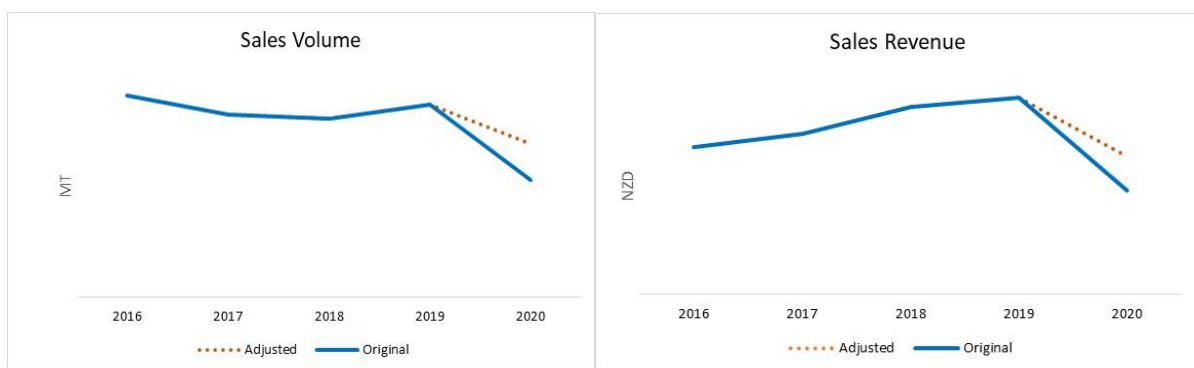
251. Movements in sales revenue can reflect changes in volume and prices of goods sold. Dumped imports can affect both of these factors through increased supply of goods to the market and through price competition.

252. NZ Steel claimed that the decline in output and sales experienced over the POI(I) was as a result of a steep increase in the volumes of dumped aluminium-zinc coated steel from Korea and Taiwan. It explained that as the dumped imports gained volume within the domestic market, NZ Steel’s output declined due to the pricing pressure resulting from the dumping and the displacement of sales by the New Zealand industry. It also claimed that despite the decline in output it still had the capability to supply the domestic market demand for aluminium-zinc coated steel.

253. The following chart illustrates the sales volume and sales revenue information for the POI(I), based on information provided by NZ Steel.

**Figure 8: Sales Volume and Revenue**

*[Y axis values deleted, X axis does not cross at 0, gridlines deleted, in order to protect the confidentiality of information where making the information available would have a significantly adverse effect on the submitter of confidential information]*



254. Figure 8 shows that over the POI(I), NZ Steel experienced significant decline in its sales volume. Between 2016 and 2019 NZ Steel’s sales volume was stable even though it showed a slight decline in its overall trend. In 2020, it experienced a significant drop in sales



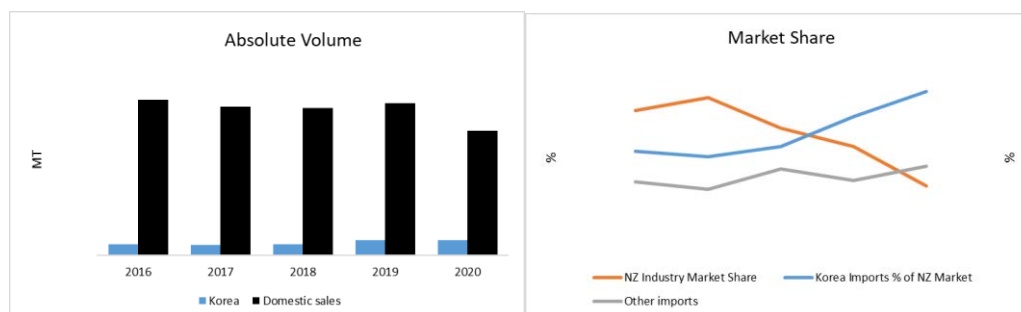
- volume. This in part was due to the effects of the COVID-19 lockdown in the second quarter, but even with adjusting for the effects of this event, there was still a significant decline in the sales volume.
255. Figure 8 also shows that between 2016 and 2019 NZ Steel experienced positive growth in sales revenue which declined significantly in 2020. The possible causes of this decline could include the increased imports of dumped goods from Korea, but other factors include the effect of the 5-week COVID-19 shutdown on NZ Steel and its customers. In addition, changes in the destination of goods produced may have had an impact on revenue in various ways, including goods directed to the NZ Steel painting line and exports. To the extent that sales of aluminium-zinc coated steel were not made on the domestic market as a result of dumped imports, diversion of production affected the level of revenue achieved for aluminium-zinc coated steel.
256. MBIE considers that the decline in aluminium-zinc coated steel output can be attributed to a range of factors including displacement by dumped imports as well as diversion of the like goods to other markets and internal consumption (as aluminium-zinc coated steel is used as an input for the production of painted products). MBIE considers that the declines in output and revenue experienced by NZ Steel in relation to the like goods can in part be directly attributed to the volume and price effects of dumped imports of the subject goods from Korea, but may also be affected by other factors. These include the effect of NZ Steel's MCL product mix as it responds to increased demand for its steel products, due to the effects of COVID-19 on the importation of steel products from overseas.
257. MBIE concludes that there is evidence that NZ Steel experienced a decline in output and sales revenue over the POI(I) attributable to dumping. MBIE also notes that there are other factors contributing to the decline in output and revenue, which are detailed elsewhere in the Step 1 Final Report, including in section 4.2.4 on "Other causes of injury", but notes that its conclusion has taken into account the shutdown by NZ Steel in March-April 2020.

### **Market Share**

258. Analysis of market share must consider changes in the size of the total market. A decline in the domestic industry's market share when the total market is expanding will not necessarily indicate that material injury is being caused, particularly if the domestic industry's sales are also growing, because the New Zealand industry is not entitled to a particular market share.
259. NZ Steel provided information about market shares of aluminium-zinc coated steel imports based on a product description significantly wider than that of the subject goods. Based on this data, NZ Steel claimed that the volume of dumped goods increased in absolute terms over the POI(I) and that over this period the domestic industry experienced a decline in sales volume in absolute terms due to the injurious nature of the dumped imports. It claimed that the market share of dumped imports showed a significant upward trend at the expense of imports from the rest of the world, which remained negligible, and the domestic industry.
260. The following charts illustrate market share information for aluminium-zinc coated steel from 2016 to 2020 using Customs data and NZ Steel production figures. The import data has been adjusted to reflect imports that are subject to this investigation only.

**Figure 9: Market Share  
(Customs data, MT)**

*[Y axis values deleted, X axis does not always cross at 0, gridlines deleted, in order to protect the confidentiality of information where making the information available would have a significantly adverse effect on the submitter of confidential information. The primary and secondary axes have been altered where making the information available would have a significantly adverse effect on the submitter of confidential information. Axes on different scales]*



261. Figure 9 shows that there is evidence that in absolute terms the domestic industry's share of the market declined steadily over the POI(I) whilst the imports of dumped subject goods from Korea gained market share. Figure 9 also shows that the domestic industry has maintained its position as the main supplier of like goods on the domestic market. In relation to the New Zealand market, the share of dumped imports grew over the POI(I), while at the same time the domestic industry experienced a decline in its market share. Imports from other countries showed an upward trend (note that in Figure 9 Market Share, the lines for NZ industry market share and for imports are on different scales, and are not directly comparable).
262. MBIE notes that as NZ Steel lost market share in aluminium-zinc coated steel, other products which are part of the product mix produced in NZ Steel's MCL plant, and other MCL products produced for the export market, experienced stable positive growth. These included products that use aluminium-zinc coated steel as an input for further processing.
263. MBIE concludes that there is evidence NZ Steel experienced a decline in market share over the POI(I) which resulted in an adverse economic impact as the dumped imports gained market share. MBIE reaches this conclusion on the basis of the volume effects findings, which indicated a significant increase in the volume of dumped imports, and the output and sales revenue findings, which indicated that even after adjusting for the COVID-19 shutdown the domestic industry was still experiencing declines in output and revenue in 2020. MBIE further concludes that there are other factors which have also contributed to the decline in market share and the subsequent economic impact, which are detailed below under "Other causes of injury".

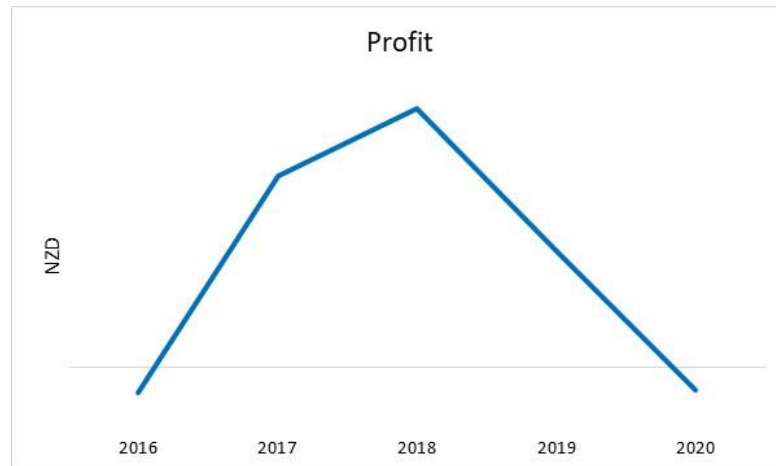
### **Profits**

264. Dumped imports can affect gross profit and net profit via their impact on sales prices and volumes.
265. NZ Steel has claimed that dumped imports have had an adverse impact on its profits. At the start of the POI(I) NZ Steel had a significant upward growth in profits which it claimed later declined due to a margin squeeze resulting from an elevated level of dumped subject goods imported from Korea and Taiwan. NZ Steel explained that its profits would have been higher if it were not for the dumping. Due to the growth in the market share of dumped imports, NZ Steel had to redirect a share of its sales to other markets which led to

at lower than expected returns for sales of aluminium-zinc coated steel on the domestic market.

**Figure 10: Profit (%)**

*[Y axis values deleted, X axis does not cross at 0, gridlines deleted, in order to protect the confidentiality of information where making the information available would have a significantly adverse effect on the submitter of confidential information.]*



266. The information provided indicated that at the start of the POI(I) NZ Steel had made a recovery from negative profit levels, reaching a peak in 2018, but from this point NZ Steel experienced declining profit levels. To the extent that dumped imports have increased, and have contributed to the decline of other economic factors assessed, they have also contributed to a decline in profit through price depression and suppression, loss of market share and decline in volume and value of sales. However, other factors have been noted as contributing to volume and price effects and the consequent impact on injury factors which affect profits.
267. MBIE concludes that there is evidence that NZ Steel experienced a decline in profits which can be attributed, in part, to the dumping of imports of subject goods from Korea.

### **Productivity**

268. Productivity is the relationship between goods produced and the inputs required to manufacture those goods. Productivity is affected by output/sales and capacity utilisation levels.
269. NZ Steel claimed an adverse impact by the dumped products on productivity over the POI(I). It provided information on productivity levels on the basis of output per employee.
270. Within the MCL plant NZ Steel employees are engaged in the production of aluminium-zinc coated steel as well as other products and the facility has been set up to ensure that it runs for as many operating hours as possible. These employees are not dedicated to the production of any specific product. NZ Steel provided information on the productivity rates in terms of output per employee indicating a decline in the productivity rate per employee over the POI(I) with the lowest productivity rates over this period being recorded in 2020.
271. MBIE notes that from the data provided NZ Steel's productivity levels are correlated with the output levels and sales revenue levels of aluminium-zinc coated steel which also showed a declining trend over the POI(I), and a particularly significant drop in 2020. However, MBIE considers that it is difficult to separate the decline in productivity from the

impact of other factors, particularly since there is no decline in the productivity of the MCL line as a whole. The effect on aluminium-zinc coated steel production of the 5-week lockdown period as a result of COVID-19 has been accounted for, but other factors include the allocation of staff to the production of other products.

272. MBIE is unable to conclude that there has been a negative economic impact on productivity that is attributable to dumping.

### **Return on investment (ROI)**

273. An analysis of return on investment (ROI) measures profit against the value of the investment in a business. Changes in return on investment may impact the ability to retain current investment or attract new investment. Declines in return on investment can result from a decline in profit or an increase in the level of investment within the business.
274. NZ Steel claimed an adverse impact on ROI, expressed as EBIT as a percentage of assets employed in the production of aluminium-zinc coated steel. It showed that it experienced a decline in ROI over the POI(I). The data provided took into account an MCL asset write-down which was underway at the time of the application. This asset write-down was attributed to energy costs, carbon costs, raw material supply and trade, with a level attributed to dumping by allocating a proportion of the write-down to the production of aluminium-zinc coated steel. MBIE noted that this led to higher depreciation and amortisation over the second half of FY2020.
275. NZ Steel explained that trade, which in this case implies trade remedies relief, is linked to negative effects through the write-down or impairment because the impression of operating in an unfair trading environment detracts investors from investing further into NZ Steel's operations. NZ Steel drew on the ASX announcement by BlueScope Steel Limited of 17 July 2020 which highlighted trade as one of the factors leading to the NZD 205 million write-down which led to a sharp decrease in investment in NZ Steel during the POI(I). NZ Steel noted that as a result a portion of this write-down has been attributed to this dumping investigation as it led to a negative economic impact.
276. The information provided by NZ Steel indicated that at the start of the POI(I) it experienced strong positive growth in its ROI which peaked in 2018 and declined to negative values by the end of 2020.
277. MBIE notes that the outcomes of the various investigations into allegations of dumping and subsidisation of imported steel goods have been based on properly conducted investigations, with remedial duties imposed where found to be justified in accordance with the Act. MBIE also notes that at the time of the write-down, the existence and extent of any dumping of aluminium-zinc coated steel was simply an allegation by NZ Steel. The progress of the investigation to the end of Step 1 indicates that the volume of imports of the subject goods is much less than that alleged by NZ Steel in its application, the level of dumping is significantly less than that alleged (with no dumping by Taiwan), and there was a range of factors other than dumping that contributed to the decision to write-down investments. Given these considerations, MBIE does not consider that the attribution of specific amounts of the write-down to the dumping of aluminium-zinc coated steel, in the manner proposed by NZ Steel, is properly made.
278. Nevertheless, MBIE recognises that to the extent that the dumping of the subject goods from Korea was contributing to the volume and price effects identified in the investigation, then there was a consequential impact of the relevant injury factors under examination.

To that extent, MBIE considers that a negative economic impact on ROI experienced by NZ Steel can, in part, be attributed to dumping.

### **Utilisation of production capacity**

279. The utilisation of production capacity reflects changes in production volumes or changes in capacity. A decline in production volumes will normally lead to a higher cost per unit due to increased fixed overheads per unit. This will lead to a decrease in profit level, unless offsetting savings are found elsewhere. NZ Steel calculated this on the basis of actual production volumes of aluminium-zinc coated steel in relation to its total capacity to produce.
280. NZ Steel claimed that it experienced an adverse economic impact relating to capacity utilisation as its MCL plant was used less for the production of aluminium-zinc coated steel over the POI(I) due to a loss of market share to dumped imports. For NZ Steel, its level of capacity utilisation is affected by the mix of products produced in the MCL plant and on the run speed as a function of the product specifications. As it produces to order, a decline in the sales of aluminium-zinc coated steel leads to the reallocation of the excess production capacity which will be allocated to other products that are in demand at the time.
281. The information provided by NZ Steel on capacity utilisation of the MCL plant over the POI(I) indicated that as the production capacity of aluminium-zinc coated steel declined, the production capacity of other products remained stable with a moderate upward trend. While the dumped imports may have contributed to a decline in production of aluminium-zinc coated steel, there does not appear to have been an overall decline in the capacity utilisation of the MCL, which makes it difficult to attribute any adverse economic impact to dumped imports of the subject goods.
282. MBIE is unable to conclude that NZ Steel has experienced a decline in overall MCL capacity utilisation which has led to a negative economic impact during the POI(I) that is attributable to dumped imports.

### **Factors affecting domestic prices**

283. Section 8(2)(d)(ii) of the Act lists this matter as one of the matters which the chief executive must have regard to when assessing the economic impact of dumped goods on the industry. MBIE examines this factor in the context of the economic impact of dumped goods on the industry.
284. Importers noted that over the POI(I) the price of imports of aluminium-zinc coated steel was driven up by the impact of the COVID-19 pandemic on trade, but the prices from NZ Steel remained lower. This situation was related to increases in the international price of steel, increased shipping costs, delivery delays, energy costs, costs of raw materials and longer lead times. NZ Steel uses an IPP based pricing model and is the sole producer in New Zealand. Over the POI(I) NZ Steel's prices rose at a slower rate because it requires feedback from international prices and its prices with domestic customers are negotiated at intervals, that is, there is delay in its prices responding to international pricing. MBIE notes that after the POI(I) NZ Steel has adjusted its prices in line with its IPP pricing model for a 12 month period commencing from 1 July 2021. In this process it has taken account of changes in international prices.
285. Other factors considered to have had an impact on domestic prices over the POI(I) include: the impact of the COVID-19 pandemic which, in as much as it has had negative impact, has

also had the positive effect of uplifted demand in the building and construction sector; and the price effects of non-dumped imports. These have been examined below under “Other Causes of Injury”.

### **Magnitude of the margin of dumping**

286. Section 8(2)(d)(iii) of the Act refers to the magnitude of the margin of dumping as a factor the chief executive is to have regard to when assessing the economic impact of dumped goods on the industry. The main effect of large margins of dumping is that they can potentially enable significant price undercutting, which has flow-on effects on prices achieved and volumes sold by the New Zealand industry.
287. In its application NZ Steel estimated dumping margins of 38.4% for Korea and 35.4% for Taiwan. It acknowledged that actual dumping margins may vary from these estimates as they were based on information that had limited clarity as to goods that accurately fall within the subject goods description.
288. During the investigation MBIE clarified the subject goods description and examined the available data on this basis. MBIE found dumping margins for the Korean exporters ranging from 2.5% to 12.6%, with a weighted average of 3.4%. MBIE did not find any dumping in respect of exports from Taiwan.
289. MBIE considers that an average dumping margin of 3.4%, with on average no overall price undercutting, indicates that the magnitude of the margin of dumping does not contribute to a significant adverse impact on the New Zealand industry that can be attributed to dumping.

### **Negative Effects**

290. Section 8(2)(d)(iv) of the Act sets out a number of factors the chief executive shall have regard to in relation to considering the economic impact of dumped goods on the industry.

#### ***Cash flow***

291. Cash flow is the total amount of money being transferred into and out of a business, especially as it affects liquidity, and provides an indication of the ability of producers to self-finance their activities.
292. NZ Steel claimed that there was an adverse economic impact on cash flow. It noted that it is unable to fully assess the cash flow effect on aluminium-zinc coated steel caused by the dumped subject goods from Korea and Taiwan as it is unable to separately measure the cash flow for the aluminium-zinc coated steel aspect of the MCL plant.
293. MBIE considers that even though NZ Steel has claimed negative effects on cash flow it has not been able to separately measure the cash flow emanating from the sale of aluminium-zinc coated steel. As a result the extent to which the claimed negative effect to cash flow relating to sales of aluminium-zinc coated steel is attributable to dumping cannot be clearly established. In the same manner the extent to which cash flow has been impacted by other injury factors is unclear.

#### ***Inventories***

294. Increasing inventories at the end of a financial period can be a sign of injury, bearing in mind the context of the normal conditions and practices of the industry concerned.

295. NZ Steel did not claim any material injury affecting inventories as a result of the dumped aluminium-zinc coated steel from Korea and Taiwan. The information it provided indicated a build-up in inventories from the start of the POI(I), these peaked in 2018 and declined to a moderate level at the end of this period. NZ Steel explained that it produces to order hence any inventories it may have at hand would be goods waiting for delivery. MBIE notes that with the exclusion of 2018, NZ Steel's inventory levels are within the range reflected in its data for the previous years.
296. MBIE considers that there are no actual or potential negative effects on inventories that can be attributed to imports of the dumped goods.

### **Employment**

297. NZ Steel provided information on its employment levels. To the extent possible it provided information relating to the production of aluminium-zinc coated steel at its MCL plant.
298. NZ Steel did not claim any material injury affecting employment as a result of the dumped aluminium-zinc coated steel from Korea and Taiwan.
299. MBIE considers that there are no actual or potential negative effects on employment that can be attributed to imports of the dumped goods.

### **Wages**

300. NZ Steel provided information on its wages. To the extent possible it provided information relating to the production of aluminium-zinc coated steel at its MCL plant.
301. NZ Steel did not claim any material injury affecting wages as a result of the dumped aluminium-zinc coated steel from Korea and Taiwan.
302. MBIE considers that there are no actual or potential negative effects on wages that can be attributed to imports of the dumped goods.

### **Growth**

303. NZ Steel claimed that its growth was adversely negatively impacted by the price undercutting of the dumped subject goods. It also considered that its ability to access trade remedies affects growth as it negatively affects investors' assessment of the trading environment and influences their choice of New Zealand as an investment destination. This lack of investment is what NZ Steel attributes to having a negative effect on its growth.
304. MBIE considers that the evidence established in this investigation on the adverse economic effect of dumping on profits and related earning leads to the conclusion that dumped imports have had a negative effect on NZ Steel's growth. However it does not agree with NZ Steel's reasoning which links the provision of trade remedies to growth as the outcomes of any trade remedies action are based on the facts of each case and nothing else.
305. MBIE concludes that the negative growth effect experienced by NZ Steel is partly attributable to the dumped goods.

### **Ability to Raise Capital and Investments**

306. NZ Steel claimed that the current dumping and injury caused by the aluminium-zinc coated steel from Korea and Taiwan challenges the availability of investment capital for its business. This was due to the association with the risk posed by dumped subject goods from Korea and Taiwan to a fairly traded environment posed by dumping and material

injury. NZ Steel explained that this reduces investors' confidence in operating in a fairly traded environment thus impacting their commercial decisions.

307. As evidence, NZ Steel has referred to the closure of the Hollow Steel Sections part of its business, which it has attributed to an unsuccessful attempt in 2017 to seek anti-dumping duties against allegedly unfairly traded imports.
308. Even though NZ Steel has provided this explanation, MBIE does not agree with this line of reasoning as the purpose of a dumping investigation is to establish the existence and extent of dumping and resultant injury, in accordance with the Act and to recommend remedies where and to the extent justified.
309. MBIE is not able to conclude that any inability to raise capital and investments experienced by NZ Steel is attributable to the dumped goods.

### Conclusions on Economic Impact

310. MBIE is satisfied that, bearing in mind the conclusions reached regarding the volume and price effects of dumped imports, there is a reasonable basis to reach conclusions that:
- the decline in aluminium-zinc coated steel output and revenue is significant, and can be attributed to the effects of a range of factors including displacement by dumped imports which have increased in volume over the POI(I).
  - there is no significant price undercutting for 2020 as a whole, but there was some price undercutting during the year that could be attributed to the dumped imports.
  - to the extent that dumped imports have increased in volume, and have contributed to price depression and suppression, they have contributed to a decline in output and sales revenue, market share and profits, and have partly contributed to negative effects on return on investment and growth.
  - it cannot be concluded that dumping of the subject goods has contributed to any negative economic impact being experienced by NZ Steel in respect to productivity and utilisation of production capacity.
  - there are factors affecting domestic prices other than the dumped imports of the subject goods from Korea.
  - the magnitude of the margin of dumping does not contribute to a significant adverse impact on the New Zealand industry.
  - there is no clear evidence that the dumped imports have contributed to actual or potential negative effects on cash flow, inventories, employment or wages.
311. Overall, MBIE is satisfied that the dumped imports of aluminium-zinc coated steel from Korea have had an adverse economic impact on NZ Steel in relation to its production and sales of aluminium-zinc coated steel, but considers there are other factors that have contributed to this effect on the domestic industry as detailed below.

#### 4.2.4 Other Causes of Injury

312. In the examination of whether material injury is being caused or threatened by means of the dumping of goods imported into New Zealand, section 8(2)(e) of the Act sets out factors other than the dumped goods that may have injured the industry, and which the chief executive shall have regard to. This reflects Article 3.5 of the AD Agreement, which provides:



*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. Factors which may be relevant in this respect include, inter alia, the volume and prices of imports not sold at dumping prices, 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.*

313. MBIE has assessed the causal link between the dumped imports and any material injury on the basis of the requirement of the Act and the AD Agreement.

### **Other Imports**

314. Section 8(2)(e)(i) of the Act refers to the volume and prices of goods that are not dumped as factors other than the dumped goods that may have injured or are injuring the industry.

315. MBIE has reviewed Customs data on the levels of imports from the main supplying countries and other sources for the subject goods. Data showed that at the beginning of the POI(I) Japan exported significant volumes of aluminium-zinc coated steel to New Zealand but volumes declined significantly between 2018 and the end of the investigation period. Exports from China were low at the beginning of the POI(I) and exhibited a slight upward trend in 2019 which stabilised over 2020. All the other exporting countries showed trends of low and stable volumes over the POI(I).

316. Customs data for 2020 for the subject goods, adjusted to an estimated ex-wharf level, indicates that in relation to the main supplying countries other than Korea, while there was undercutting from Taiwan, there was no price undercutting from China or Vietnam. Imports from Taiwan may have contributed to a decline in sales by the domestic industry, and did undercut NZ Steel's prices. However, in its injury assessment MBIE has separately addressed the effects that are attributable to dumped imports from Korea.

317. MBIE is satisfied that it has reviewed information on the prices and volumes of imports other than the dumped goods and any injury attributable to those imports has not been attributed to the dumped imports.

### **Demand and Consumption**

318. Section 8(2)(e)(ii) of the Act refers to contraction in demand or changes in the patterns of consumption as factors other than the dumped goods that may have injured or are injuring the industry.

319. Levels of demand for aluminium-zinc coated steel generally reflect economic activity, in particular in construction. While the impact of the COVID-19 pandemic on the economy generally and on trade has also been a factor, the overall level of demand is also relevant.

320. Demand for building materials, including the aluminium-zinc coated steel under investigation, increased significantly in the second half of 2020. This is reflected in improved domestic sales of Zinalume by NZ Steel and increased volumes of imported

- subject product over the second half of 2020 (during the POI) and the first half of 2021 (outside the POI). NZ Steel noted that this increase in demand is attributable to the active building and construction sector in New Zealand but that it is unclear how long this trend will continue.
321. NZ Steel's parent company BlueScope reported in its H1 FY2021 financial report that the New Zealand side of the company was experiencing strong demand for both coated and painted products from the domestic sector due to an active construction sector, improvement of pricing and normalisation of operations post shutdown. As noted elsewhere in this report, NZ Steel ceased production for a 5-week period in the second quarter of 2020 due to a COVID-19 outbreak at that time which curtailed its production and sales of aluminium-zinc coated steel. Since then, however, NZ Steel's output has rebounded which is reflected in its performance in the second half of 2020 but mostly in its year-to-date 2021 performance.
322. As a measure of demand, MBIE has analysed data from Stats NZ<sup>13</sup> relating to construction activity, as an indicator of trends in demand. The effects of COVID-19 on this indicator are discussed later in this report, but in relation to demand up to 2019 and before the COVID-19 effects, construction activity by value increased by 11% on an annual basis between March 2017 and December 2019. Over this period, NZ Steel's aluminium-zinc coated steel sales revenue rose by around 9%, indicating that while it lagged the figure for building activity, the difference may not be significant.
323. MBIE considers that while demand for construction material has increased, and it would be expected that sales of aluminium-zinc coated steel would also increase, there is evidence to suggest that dumping has previously had some influence on the trends in NZ Steel's sales volume and revenue.

### Trade Practices

324. Section 8(2)(e)(iii) of the Act refers to restrictive trade practices of, and competition between, overseas and New Zealand producers as factors other than the dumped goods that may have injured or are injuring the industry.
325. MBIE notes that in New Zealand competition is regulated by the Commerce Commission. MBIE is nevertheless required under section 8(2)(e)(iii) of the Act to assess restrictive trade practices of, and competition between, overseas and New Zealand producers as factors other than the dumped goods that may have injured or are injuring the industry.
326. In recent investigations, interested parties have raised concerns about competition in the New Zealand market, noting that New Zealand Steel and its subsidiary, Pacific Steel Limited, are monopoly producers, and that the market structure and distribution channels in New Zealand can affect the ability of other manufacturers to participate in the market. In this respect, MBIE notes that, in 2014, the New Zealand Commerce Commission gave clearance to the proposed acquisition of Pacific Steel by NZ Steel as it was satisfied that it would not have, or would not be likely to have, the effect of substantially lessening competition in a market in New Zealand. MBIE is aware that the main issue facing the Commerce Commission was the effect on competition as a result of the acquisition of a

---

<sup>13</sup> Stats NZ, Seasonally adjusted volume of building work put in place (\$), June 2016–2021 quarters, at <https://www.stats.govt.nz/news/building-activity-rises-again-in-june-quarter>.

long products manufacturer by a flat products manufacturer, and recalls that in its considerations, the Commerce Commission discussed the New Zealand markets for various steel products and the availability of imports from a range of sources, and was satisfied that competition could be maintained through access to imports.

327. MBIE is satisfied that any adverse effects to the New Zealand industry arising from trade practices or competition in the New Zealand market have not been attributed to dumped imports.

### Developments in Technology

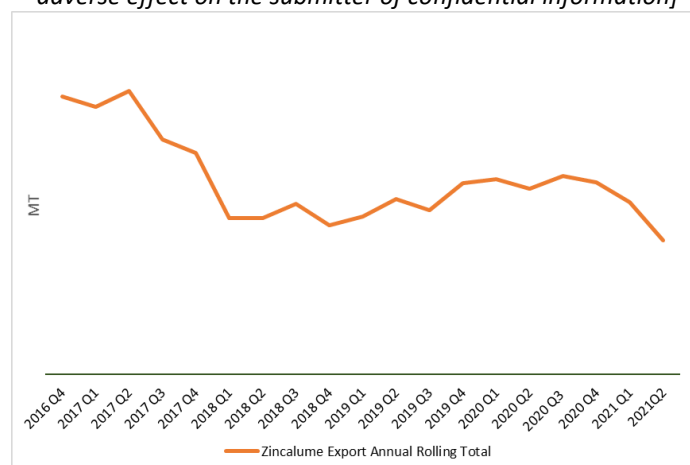
328. Section 8(2)(e)(iv) of the Act refers to developments in technology as factors other than the dumped goods that may have injured or are injuring the industry.
329. Relevant developments in technology could relate to advances in products in relation to customers' requirements, including coatings and coating technology, and any developments in manufacturing processes. The subject goods in this investigation cover aluminium-zinc coated steel irrespective of the technologies involved in the product or the production process and MBIE is satisfied that any effects of technological differences that are not related to dumping have not been attributed to the effects of dumped imports.

### Exports of New Zealand Producers

330. Section 8(2)(e)(v) of the Act refers to the export performance and productivity of the New Zealand producers as factors other than the dumped goods that may have injured or are injuring the industry.
331. NZ Steel provided information on its exports of aluminium-zinc coated steel from 2016 until Q2 2021 (the POI is 2020). NZ Steel does not consider that its export market performance in the aluminium-zinc coated steel product group has impacted on the domestic New Zealand market for aluminium-zinc coated steel or NZ Steel's performance in that market. It commented that the general impact of COVID-19 on international trade through high shipping costs and delays, in addition to rising prices, has seen a decline in NZ Steel's exports but this has been compensated by an unusually strong demand by the domestic market, a point noted previously in this report.

**Figure 11: Exports – MT, Rolling Annual Totals**

*[Y axis values deleted, X axis does not cross at 0, gridlines deleted, in order to protect the confidentiality of information where making the information available would have a significantly adverse effect on the submitter of confidential information]*



332. Figure 11 clearly shows that following a decline in 2016-18, there was a gradual increase in NZ Steel's exports of aluminium-zinc coated steel through to 2020, and a decline since then. This information confirms NZ Steel's comments on the relative performance of the domestic and export markets. The figures also confirm NZ Steel's claim that it has seen a decline in exports which the company acknowledged has been countered by an unusually strong demand by the domestic market.
333. MBIE is satisfied that movements in export volumes have not contributed to the decline in sales of the subject goods on the New Zealand market.

### **Imports by the New Zealand Industry**

334. Section 8(2)(f) of the Act requires the chief executive to have regard to 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 importation.
335. NZ Steel provided information on its imports, which MBIE confirmed in the verification process. MBIE is satisfied that imports by NZ Steel have not contributed to any material injury attributable to dumped imports.

### **Other Factors**

336. There may be other factors, other than imports of the subject goods, which could be affecting the performance of the domestic industry in relation to the subject goods include the impact of the COVID-19 pandemic.

#### **COVID-19**

##### *NZ Steel shutdown*

337. The impact of COVID-19 on demand for aluminium-zinc coated steel has been noted previously in this report. Specifically, NZ Steel commented on how the effect that the disruption caused by COVID-19 has impacted its operation in the form of stronger than normal demand (post the March/April 2020 lockdown). The company explained that because COVID-19 was addressed by lockdowns, this then provided stimulus for quantitative easing in most economies (including New Zealand), which was then over-shot (the need for that easing), which led to enhanced demand. However, other COVID-19-related issues occurred including commodity price rises, elevated global steel pricing, increased steel costs and shipping cost increases and delays affecting imports of building materials.
338. According to NZ Steel, this "blip" has resulted in unexpected demand (and returns) for NZ Steel aluminium-zinc coated products post lock-down but the overall product group remains negatively affected by the subject goods including beyond the period of injury. NZ Steel claims that while world steel prices have been rising, its own prices have been rising at a slower rate and later, as they follow international prices.
339. MBIE has been able to assess the likely effect of the shutdown on NZ Steel's output and revenue by quantifying the annual production that would have occurred but for the 5-week shutdown. The volume of output lost was less than the total decline of output in 2020 (see Figures 4 and 8).

*Customer demand*

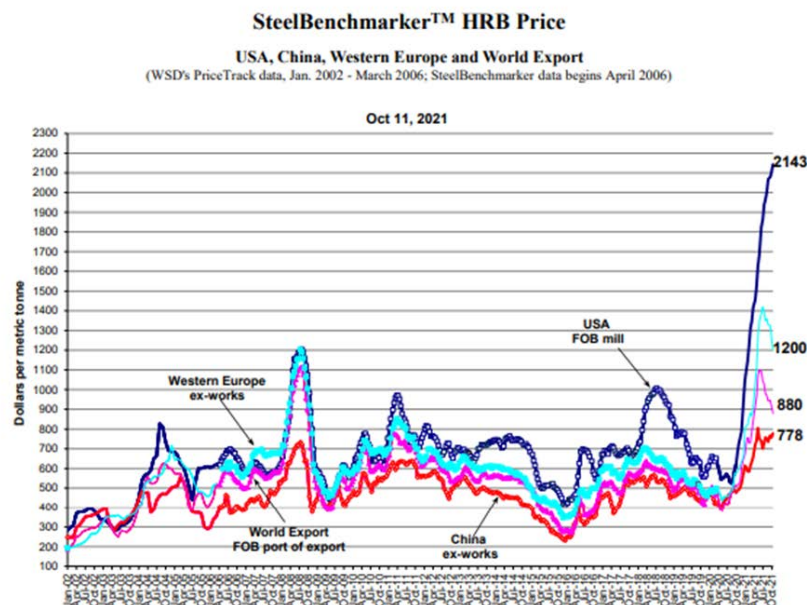
340. In addition to the shutdown by NZ Steel, COVID-19 also contributed to closedowns of NZ Steel's customers, which had an effect on demand. In order to gauge the effect of any decline in market demand, MBIE has analysed Stats NZ data for construction activity, as an indicator of market demand.<sup>14</sup> The data suggests that construction activity declined by 8.5% in 2020 compared with 2019. However, the revenue decline related to NZ Steel's sales of aluminium-zinc coated steel in 2020 was significantly greater than this level, even taking account of the NZ Steel shutdown, indicating that there were other factors, such as dumping, contributing to the decline in revenue.

**International price and cost influences**

341. In addition to effects on New Zealand production and demand, the international steel trade and price situation has an impact. The direct COVID-19 impact has been through increased costs of raw materials, related to supply and demand, and increased transportation costs.

*Costs and prices*

342. Outside the COVID-19 effects, international steel price movements can affect prices paid by importers, irrespective of dumping, and the operation of NZ Steel's IPP model, as well as prices of the main raw materials, such as HRC, with flow-on effects on prices.
343. MBIE has reviewed the evolution of international hot-rolled coil (HRC) prices through information provided by SteelBenchmarker™.<sup>15</sup>

**Figure 12: International Prices for HRC – USD/MT**

<sup>14</sup> StatsNZ, Seasonally adjusted volume of building work put in place (\$), June 2016–2021 quarters, at <https://www.stats.govt.nz/news/building-activity-rises-again-in-june-quarter>.

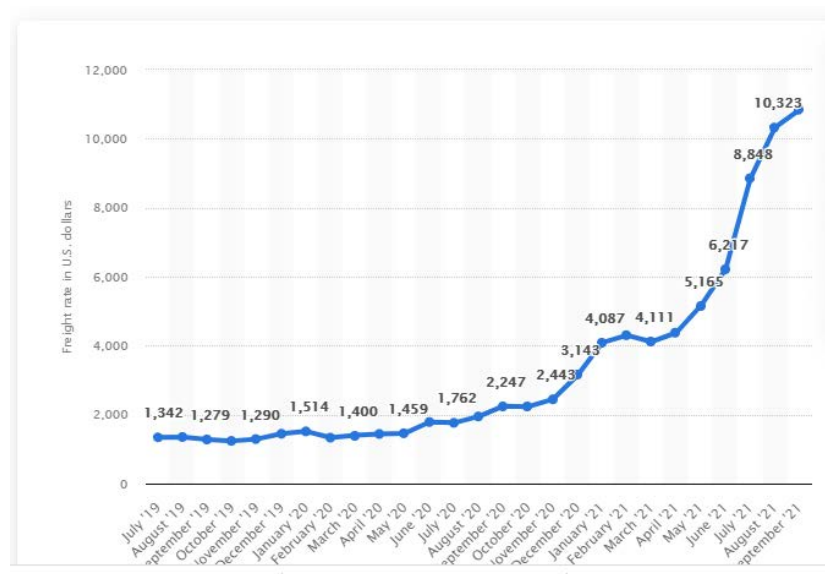
<sup>15</sup> SteelBenchmarker, at <http://steelbenchmarker.com/history.pdf>.

344. The information in Figure 12 relates to the period since 2002, but the key information relates to the period 2016-2020. This indicates that in 2016 prices for HRC were at their lowest level since 2002, then rose to a peak around mid-2018 before dropping again to the first half of 2020. Since then there has been a sharp rise to historically high levels. This price evolution is reflected in the price information shown in Figure 5. This tends to confirm that prices of the subject goods and NZ Steel's prices have a relationship with international steel prices, but does not mean that price effects have been misattributed to dumping, since price effects of dumping can still apply alongside international price movements. It should also be noted that increased prices and costs at the global level does not necessarily mean that goods will no longer be dumped, since such increases will apply to both domestic and export sales.

#### *Overseas freight costs*

345. Primarily as a result of responses to the potential impact of COVID-19 on production and trade, there is a global crisis in the supply of shipping, and in particular container shipping. The outcome has been a rapid and significant increase in the cost of overseas freight since mid-2020. The chart below, from Statista.com,<sup>16</sup> provides an index of costs, which has been confirmed by the information from importers, intermediary traders and foreign manufacturers regarding actual costs of the subject goods shipped to New Zealand.

**Figure 13: Ocean Freight Costs - Index**



346. The information supports the price evolution shown in Figure 5, but does not mean that price effects of increased freight costs have been misattributed to dumping. However, it does indicate that it is likely that while there is a global shipping crisis, importers will be faced with higher prices, meaning that there is likely to be increased demand for NZ Steel's products.

#### *International Price Parity Model*

347. As noted in the discussion on price effects, NZ Steel operates an international price parity model for setting prices for its goods. This model takes account of feedback on

<sup>16</sup> Global container freight rate index from July 2019 to September 2021(in U.S. dollars), at <https://www.statista.com/statistics/1250636/global-container-freight-index/>

international prices and market intelligence, exchange rates, import costs and a premium for domestic supply. The prices resulting from the model can incorporate prices of dumped goods, so there is a relationship between dumping and domestic prices based on IPP. However, to the extent that IPP prices do not respond quickly enough to developments in international prices they may contribute to price effects which are not directly attributable to dumping.

348. MBIE has assessed the evolution of prices during the POI(D) and concludes that while NZ Steel's prices may not have responded quickly to international price movements, there is no evidence to indicate that this has resulted in injury that has been misattributed to dumping. Increased international prices do not necessarily remove dumping (since domestic prices in the country of export are just as likely to increase along with export prices, while increased freight costs are likely to lead to lower ex-factory export prices), and there may be contractual obligations affecting the frequency and size of price movements.

#### **MCL Production**

349. As noted previously in this report, NZ Steel's production capacity is affected by the mix of products produced in the MCL plant. In effect, the company needs to choose between producing aluminium-zinc coated steel and galvanised steel coil (the other product manufactured in the MCL line). An added factor is that aluminium-zinc coated steel is exported as well as used as a production input for the painted line (which produces Colorsteel), meaning that the company must also choose between producing aluminium-zinc coated steel for domestic consumption (the like goods), exporting it, or using it as an input into the painted line. Such allocation decisions are made in response to fluctuations in both domestic and global demand for its different steel products, which itself has been impacted by COVID-19, as well as the volume of imports of steel products.
350. MBIE has examined the MCL product mix over the POI(I) and found that the production of aluminium-zinc coated steel for sale on the domestic market (like goods) remained reasonably stable, as a percentage of total MCL output, except for the first half of 2020 when production was curtailed due to the 5-week COVID-19 shut down. The MCL shutdown appears to have affected output of the like goods to a greater extent than galvanised steel coil output or exports of aluminium-zinc coated steel, with both increasing as a percentage of total MCL output. This tends to confirm NZ Steel's claim that its production of aluminium-zinc coated steel for sale in the domestic market has been affected by dumping, and that the MCL production mix reflects that position.

### **4.3 Conclusion on Material Injury**

351. Material injury is not defined in either the Act or the AD Agreement, but rather is the level of injury which can be demonstrated by an objective and unbiased investigating authority on the basis of an assessment of the factors set out in section 8 of the Act, and in the context of the circumstances of the industry concerned.

#### **Dumped Imports**

352. As described in the preceding sections of this report, MBIE has examined the information available concerning the volume and price effects of allegedly dumped imports and the consequent impact on the domestic industry, including the extent and nature of any such

effects and the causal relationship with the dumped imports of aluminium-zinc coated steel from Korea.

353. MBIE has concluded that there has been an increase in imports of the subject goods along with price effects and a consequential effect on the domestic industry which can be attributed to dumping.

### **Other causes of Injury**

354. Section 8(1) of the Act requires that a determination that material injury to an industry is being caused or threatened by dumped imports. MBIE is satisfied that in relation to the matters the chief executive is required to have regard to under section 8(2), it has not attributed to dumped imports any injury caused by other factors. MBIE is also satisfied that there are no other relevant matters that need to be considered under section 8(1).

### **Conclusion**

355. MBIE has examined the information available, and on the basis of its consideration of the factors set out in section 8 of the Act, MBIE's conclusion is that the dumping of the subject goods from Korea has contributed to material injury to the New Zealand industry producing like goods.
356. MBIE is satisfied that the effects of other factors which may be having an economic impact on the New Zealand industry have not been attributed to the dumping of the goods from Korea.



## 5. Anti-dumping Duties

### 5.1 Legal Basis

357. Section 10D(2)(a) of the Act requires that if the Minister makes an affirmative determination under section 10D(1) of the Act that the goods are dumped and that material injury to an industry has been or is being caused because of the dumping, then the Minister must determine the rate or amount of anti-dumping duty, in accordance with section 10E of the Act, that will form the basis for investigation step 2.

358. Section 10E(1) of the Act provides as follows:

- (1) *The Minister may, in respect of dumped or subsidised goods,—*
  - (a) *determine different rates or amounts of duty for named exporters;*
  - (b) *determine a residual rate or amount of duty for all other exporters from the same country as a named exporter.*
- (2) *The Minister must, in determining the rate or amount of the duty, have regard to—*
  - (a) *the desirability of ensuring that the rate or amount is not greater than is necessary to—*
    - (i) *prevent the material injury or a recurrence of the material injury; or*
    - (ii) *remove the threat of material injury to an industry; or*
    - (iii) *prevent the material retardation to the establishment of an industry;**and*
    - (b) *New Zealand’s obligations as a party to the WTO Agreement.*
  - (3) *The rate or amount must not exceed,—*
    - (a) *in the case of dumped goods, the difference between the export price of the goods and their normal value; and*
    - (b) *in the case of subsidised goods, the amount of the subsidy on the goods.*

359. Article 7.7(2) of the NZ-Korea Free Trade Agreement<sup>17</sup> provides:

- In order to enhance transparency in the implementation of the WTO Agreement:*
- (a) *[...] and*
  - (b) *the Party making such a decision to impose any anti-dumping duties pursuant to Article 9.1 of the Anti-Dumping Agreement, shall normally apply the “lesser duty” rule, by imposing a duty which is less than the dumping margin where such lesser duty would be adequate to remove the injury to the domestic industry*

### 5.2 Dumping and Injury

360. MBIE has concluded that there is dumping of exports of aluminium-zinc coated steel from Korea, and has concluded that material injury to an industry has been or is being caused because of the dumping.

### 5.3 Form of Anti-dumping Duty

361. An anti-dumping duty may take one of three main forms:

- *ad valorem* duty rate

<sup>17</sup> <https://www.mfat.govt.nz/assets/Trade-agreements/Korea-NZ-FTA/NZ-Korea-FTA-consolidated-text.pdf>

- a specific duty
- reference prices.

### ***Ad valorem duty rates***

362. An *ad valorem* duty is a duty based on the margin of dumping or the level not greater than is necessary to prevent injury (if that level is less than the margin of dumping), and is expressed as a percentage of the VFD of the goods.
363. *Ad valorem* duty rates can usually be made public, and therefore are transparent. They are also convenient to apply and are unlikely to be substantially affected by exchange rate movements. In particular, *ad valorem* rates can be easily applied to cover a wide range of individual models or forms of the subject goods where the dumping has been determined on the basis of weighted averages of prices of the goods.
364. *Ad valorem* rates of duty can be evaded if invoice values of goods subject to duty are manipulated, particularly if imported in conjunction with similar goods which are not subject to anti-dumping duties. MBIE considers that the likelihood of invoice manipulation is low for the subject goods when compared with a reference price approach.

### ***Specific duties***

365. A specific duty is a set amount per unit of product based on the monetary value of a margin of dumping. It has the advantages of being convenient to apply, impossible to evade by incorrectly stating the value for duty, and clearly indicates to the importer the amount of duty payable.
366. However, a specific duty can operate effectively only when prices and exchange rates are consistent and stable, otherwise duty amounts could be collected that are either greater than or less than required to remove either injury or dumping.
367. MBIE considers that specific duty amounts are not the best way of applying duties in the circumstances of the current case, because there is a history of exchange rate and pricing changes, and also because the dumping calculation was based on the weighted average of a range of individual models and forms of the subject goods, and it would be impractical to seek to identify and apply the individual specific margins for each of those models and forms.

### ***Reference prices***

368. A reference price approach imposes duty based on the difference between the transaction price and a benchmark price. Where the transaction price is lower than the benchmark price, the amount of the difference is the duty payable. A reference price can be based on either a domestic price (in the exporting country) or the New Zealand domestic industry's non-injurious price (a lesser duty).
369. Reference price duties have the advantage of clearly signalling to particular exporters and importers what non-dumped or non-injurious prices are. Additionally they are collected only when goods are priced below the reference price. Therefore, duty is only collected to the extent necessary to remove either injury or dumping.
370. Reference prices are most suitable when dealing with movements in export price and exchange rates (if expressed in the currency of the normal value). A Normal Value (Value for Duty Equivalent) (NV(VFDE)) is set in the currency of the normal value, but Non-Injurious FOBs (NIFOBs) are expressed in the currency of the importing country.

371. Reference prices usually remain confidential to parties other than the particular importer due to the use of confidential information in their calculation, except NIFOB amounts may be released to the domestic industry because they are based on the domestic industry's unsuppressed selling prices in the absence of price undercutting.
372. Reference prices are particularly useful for dealing with situations where a lesser duty is applicable, that is, a duty set at less than the margin of dumping but at a level that would still not be injurious to the industry.
373. The reference prices approach does however have several disadvantages. It is claimed that duties are more easily evaded than other forms of duty, by overstating the VFD of the goods; and they are set at a fixed level based on a snapshot of prices and costs, which usually changes over time and becomes less accurate. While significant changes which may occur over time in prices and exchange rates can be addressed by a reassessment of reference prices, the duties may not be functioning effectively for some time before the duties are reassessed. Also, given that in this case the dumping margins are based on weighted averages across a range of models and forms of the subject goods, it would be impractical to seek to identify and apply the individual specific reference prices for each of those models and forms.
374. Reference prices may also be less transparent, as they may be set using confidential information from the domestic industry or exporters which require the amounts to be suppressed as confidential.

## 5.4 Proposed Rates or Amounts of Anti-dumping Duties

### *Lesser Duty*

375. In assessing the rate or amount of anti-dumping duty to be determined by the Minister, MBIE has taken account of the requirement in section 10E(2)(a) of the Act, and the NZ Korea Free Trade Agreement, to have regard to the desirability of ensuring that the rate or amount is not greater than is necessary to prevent material injury.
376. For exports of the subject goods from Korea, MBIE calculated the 2020 weighted average ex-wharf value for each exporter to compare with NZ Steel's 2020 weighted average ex-factory price, in order to establish indicative levels of price undercutting. The overall averages showed that there was no undercutting by Korean suppliers. The conclusion on material injury related to the effect of increased imports as well as the overall effect of dumped prices on NZ Steel's prices. In these circumstances it is considered that a duty less than the margin of dumping would not prevent material injury.

### *Form of Duty*

377. In considering the type of duty to impose, MBIE has taken account of the wide range of product presentations that are traded, as well as the considerations noted above with regard to each form of duty. MBIE considers that *ad valorem* duties would best meet the situation of imports of aluminium-zinc coated steel, and should be set at the margin of dumping.
378. In establishing the rate of anti-dumping duty to be applied to Korean producers other than those examined, MBIE has regard to Article 9.4 of the AD Agreement, which provides that when an examination has been limited to a sample, the duty on other exporters shall not exceed the weighted average margin of dumping established for the examined producers.

Article 9.4 also provides that in establishing the weighted average margin of dumping, the authorities shall disregard any zero or *de minimis* margins and margins established on the basis of facts available. For the purposes of this investigation, this means that the rate to be applied to other suppliers is 2.5%, since the rate has to exclude negative and *de minimis margins*, as well as dumping margins established on the basis of facts available. This excludes the margin established in the investigation for KG Dongbu, since it was based on facts available, leaving the “All Others” rate as 2.5%, being the rate established for Dongkuk.

### **Recommended Anti-dumping Duties**

379. On the basis of the considerations outlined in this section, MBIE recommends that the duties to be determined by the Minister under section 10D(2)(a) and in accordance with section 10E, should be as follows:

**Figure 14: Recommended Anti-dumping Duties**

<b>Country of Origin</b>	
Korea	
<b>Description of Goods</b>	
<i>Flat rolled iron and steel products (whether or not containing alloys), plated or coated with principally aluminium-zinc alloys (but the plating or coating may contain other alloys), not painted, and whether or not including resin coating or other surface treatment.</i>	
The subject goods EXCLUDE:	
<ul style="list-style-type: none"> <li>• Goods for which there is no aluminium in the coating.</li> <li>• Goods for which there is no zinc in the coating (e.g. aluminised steel).</li> <li>• Goods with coatings where zinc is the predominant or only element, whether or not aluminium is included, and whether electrolytically coated or hot dipped.</li> <li>• Goods for which there is no coating at all.</li> <li>• Goods of a thickness of 2mm or more.</li> </ul>	
The goods are currently classified under tariff headings 7210.61, which covers flat-rolled products of non-alloy steel plated or coated with aluminium-zinc alloys, and 7225.90 and 7226.90 which cover flat-rolled products of other alloy steel, and potentially of coatings of aluminium-zinc alloys. These classifications are provided for convenience and Customs purposes only, the written description being dispositive.	
<b>Rate of Anti-dumping Duty</b>	
The rate of anti-dumping duty that will form the basis for the step 2 investigation shall be the rate listed below, calculated as a percentage of the declared New Zealand Customs value for duty of the subject goods.	
<b>Korean Manufacturer</b>	<b>Ad valorem duty rate</b>
Dongkuk Steel Mill Co (Dongkuk)	2.5%
KG Dongbu Steel Co Ltd (KG Dongbu)	12.6%
Other	2.5%

**Notes:**

1. These duties do not come into force unless, following investigation step 2, there is a determination made under section 10H(1) of the Act that the imposing the anti-dumping duties listed herein is in the public interest.



## 6. Provisional Measures

380. In its application, NZ Steel requested that provisional duties be imposed.

### 6.1 Legal Requirements

381. Section 16(1) of the Act provides as follows:

*If, at any time after 60 days from the date on which an investigation has been initiated by the chief executive under section 10A (not being an investigation that has been terminated under section 11),—*

*(a) the Minister has reasonable cause to believe, in relation to the importation or intended importation of goods into New Zealand, that—*

*(i) the goods are being dumped or subsidised; and*

*(ii) 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; and*

*(b) the Minister is satisfied that action under this section is necessary to prevent material injury being caused during the period of investigation,—*

*the Minister may, by notice, give a provisional direction that payment of duty in respect of the goods shall be secured in accordance with sections 240 and 241 of the Customs and Excise Act 2018, except that the rate or amount of duty to be secured shall not exceed the difference between the export price of the goods and their normal value, or the amount of the subsidy, as the case may be.*

#### **WTO Anti-Dumping Agreement**

382. Provisional measures are covered in Article 7 of the AD Agreement, which provides:

*7.1 Provisional measures may be applied only if:*

*(i) an investigation has been initiated in accordance with the provisions of Article 5, a public notice has been given to that effect and interested parties have been given adequate opportunities to submit information and make comments;*

*(ii) a preliminary affirmative determination has been made of dumping and consequent injury to a domestic industry; and*

*(iii) the authorities concerned judge such measures necessary to prevent injury being caused during the investigation.*

...

*7.3 Provisional measures shall not be applied sooner than 60 days from the date of initiation of the investigation.*

*7.4 The application of provisional measures shall be limited to as short a period as possible, not exceeding four months or, on decision of the authorities concerned, upon request by exporters representing a significant percentage of the trade involved, to a period not exceeding six months. When authorities, in the course of an investigation, examine whether a duty lower than the margin of*

*dumping would be sufficient to remove injury, these periods may be six and nine months respectively.*

*7.5 The relevant provisions of Article 9 shall be followed in the application of provisional measures.*

### **Summary of Legal Requirements**

383. Under the Act the imposition of provisional measures requires that:
- at least 60 days have passed from the initiation of the investigation
  - the Minister has reasonable cause to believe that the goods are dumped
  - the Minister has reasonable cause to believe that by reason of the dumping the industry is suffering or is threatened with material injury
  - the Minister is satisfied that provisional measures are necessary to prevent material injury being caused during the remaining period of investigation.
384. The AD Agreement includes additional requirements relating to the period of application.

## **6.2 MBIE Assessment**

### ***Provisional Measures Memorandum***

385. On 20 September 2021, MBIE published a *Provisional Measures Memorandum* which was an assessment of whether there were grounds for the imposition of provisional measures at that point in the investigation.
386. MBIE concluded that at that point in the investigation the information available was not sufficiently reliable to provide a basis for advising the Minister that there was reasonable cause to believe that by reason of dumping material injury to the New Zealand industry was being caused or was threatened. MBIE also considered that in the short-term the circumstances indicate that the imposition of anti-dumping duties would not be necessary to prevent material injury being caused during the remaining period of investigation, in this case to the end of any step 2 investigation. These conclusions were without prejudice to the outcome of MBIE's overall conclusions relating to the material injury that could be attributed to dumping during the POI(I).

### ***Current Position***

387. Since September, MBIE has been able to complete the investigation of dumping and injury summarised in this Step 1 Final Report. The conclusion reached is that the information available supports a finding that imports of dumped aluminium-zinc coated steel from Korea are causing material injury to an industry because of the dumping.
388. In terms of the requirements of section 16(1)(a) of the Act, this finding would provide the Minister with reasonable cause to believe that the subject goods from Korea are being dumped, and by reason thereof material injury to an industry has been or is being caused.
389. The next test, set out in section 16(1)(b) of the Act is whether the Minister is satisfied that action is necessary to prevent material injury being caused during the period of investigation. In this case the period of investigation is to the end of any step 2 investigation which, if the Minister directs it to be undertaken, is likely to be 26 March 2022.



390. MBIE has reviewed the information available regarding imports and prices during 2021. To the extent that estimates of imports of subject goods can be made, it appears that import volumes have declined since the first quarter of 2021 while prices of imports in NZD/MT terms have increased. This confirms information from both importers and NZ Steel regarding the availability and price of aluminium-zinc coated steel as a result of the factors discussed in section 4.2.4 of this Step 1 Final Report. Information from Stats NZ regarding construction activity and building consents<sup>18</sup> confirms that, as a proxy for demand trends, the market for building materials is likely to continue to increase. It is not expected that there will be a significant change in this situation over the next few months, which reduces or eliminates the import volume and price effects attributable to dumping, and means that provisional duties will not be necessary to prevent injury during the remaining period of investigation.
391. MBIE has also considered the effect of the low margin of dumping found in the investigation for the major supplier. Taken with the lack of significant price undercutting and the price levels currently being experienced, it is unlikely that there will be adverse volume and price effects over the next few months that will require that protection should be provided through provisional measures.
392. It should be noted that the non-imposition of provisional measures for the remaining period of investigation does not prejudice any final determination at the end of the step 2 investigation regarding the imposition of final anti-dumping duties.

### **6.3 Conclusion on Provisional Measures**

393. In light of the circumstances outlined above, MBIE does not consider that the imposition of provisional measures at the levels of the dumping margins established in this investigation is necessary to prevent material injury being caused in the period to the end of March 2022. Accordingly, MBIE does not consider that the conditions for the imposition of provisional measures have been met, and the advice to the Minister will recommend accordingly.

---

<sup>18</sup> Stats NZ, Building Consents Issues: September 2021, at <https://www.stats.govt.nz/information-releases/building-consents-issued-september-2021>.



## 7. Conclusions

394. On the basis of its investigation of the dumping of aluminium-zinc coated steel Korea and Taiwan, and in accordance with the requirements of the Act in regard to the determination of export prices and normal values for the subject goods, and the determination of whether or not material injury to an industry has been or is being caused by means of the dumping of goods imported into New Zealand from Korea and Taiwan, MBIE has concluded that:
- Imports into New Zealand of aluminium-zinc coated steel from Korea are dumped.
  - Imports into New Zealand of aluminium-zinc coated steel from Taiwan are not dumped.
  - The dumping of aluminium-zinc coated steel from Korea is causing material injury to the New Zealand industry because of the dumping.
  - Any injury attributable to causes other than dumping of aluminium-zinc coated steel from Korea has not been attributed to the dumped goods.
395. In terms of the determinations to be made by the Minister, MBIE considers that:
- An affirmative determination under section 10D(1) of the Act should be made in respect of imports of aluminium-zinc coated steel from Korea, and consequently a determination should be made of the rates of anti-dumping duties that will form the basis for investigation step 2, and the chief executive should be directed to immediately start investigation step 2 in regard to these goods.
  - A negative determination under section 10D(1) of the Act should be made in respect of imports of aluminium-zinc coated steel from Taiwan, and consequently, the investigation in regard to these goods should be terminated.
396. MBIE also considers that provisional measures should not be applied under section 16 of the Act to imports of aluminium-zinc coated steel from Korea during the remaining period of the investigation, being the step 2 investigation.
397. These conclusions will provide the basis for MBIE's recommendations to the Minister on the findings of the investigation.



## ANNEX: SUBMISSIONS RECEIVED ON THE STEP 1 EFC REPORT

Comments on the EFC Report were received from:

- A. Moriah Co Ltd (Moriah)
- B. New Zealand Steel Limited (NZ Steel)
- C. RoofTG Tile Group (RoofTG)
- D. Tiger Steel NZ Ltd (Tiger Steel)

Submissions	MBIE Comments
<p><b>A. Moriah Co Ltd</b></p>	
<p><b>A1. Summary</b></p> <p>Moriah notes that the imposition of anti-dumping duty of 2.5% on imports from Dongkuk would not benefit the New Zealand market. Moriah references a 2021 MBIE report on Building and Construction Sector Trends on the significance of the building sector to the New Zealand economy, and a February 2021 financial media report that NZ Steel was having its best half-year results for two years as a result of strong domestic construction, particularly for painted and coated products. Given this, Moriah challenged NZ Steel’s claim that its earnings have been damaged by imported goods.</p> <p>Moriah also noted that NZ Steel has been unable to meet overall demand due to supply disruptions and ongoing quality problems, which has meant increased interest in imported goods. Moriah claims that without addressing these internal issues first putting up barriers to imported goods would not benefit NZ Steel of New Zealand’s economy.</p>	<p>MBIE notes the points made, and suggests that they relate more to the matters to be addressed in the step 2 investigation.</p>

<p>Moriah notes that the surge in shipping costs and the limitation of capacity has led to significant disruption of supply chains, and the imposition of duties would pass the burden on to New Zealand consumers.</p> <p>Moriah points out that imposing anti-dumping duties on products which are imported in insignificant amounts compared to NZ Steel’s sales will result in price increases in the construction industry which will not benefit the New Zealand market and will negatively impact consumers and end users.</p>	
<p><b>B. New Zealand Steel Ltd</b></p>	
<p><b>B1. Summary</b></p> <p>The NZ Steel submission on the Step 1 EFC Report addressed matters relating to the subject goods scope, as well as other matters arising from the Step 1 EFC Report.</p>	<p>The NZ Steel submission appears to largely reiterate matters raised in previous submissions. In relation to subject goods and like goods, it seeks to address matters discussed and addressed in MBIE’s <i>Note for File: Subject Goods and Like Goods</i> [PF065] (<i>Note for File</i>). The question of the description of the subject goods and whether there is domestic production of like goods, have been addressed in detail throughout the investigation, with the outcome included in the Step 1 EFC Report as essential facts and conclusions.</p> <p>The comments below on the matters raised by NZ Steel summarise and clarify the matters addressed by MBIE and are intended to assist an understanding of the conclusions reached. This Step 1 Final Report includes any additional or revised text to the extent necessary and appropriate to clarify the position.</p>

<p><b>B2. Investigation requirements</b></p> <p>NZ Steel notes that, as stated by Grice J in <i>NZ Steel v Minister of Commerce and Consumer Affairs</i><sup>19</sup>, MBIE is required to: carry out a case specific analysis of the relevant facts on the issues before it in the investigation; make its findings on “positive evidence” supported by “reasoned and adequate explanation”; and take into account the information from the Interested Member and Interested Party satisfying itself as to the accuracy of the information supplied by them.</p>	<p>The passage from the judgment of Grice J was prefaced by the comment that MBIE had considerable discretion to define its investigating procedure, but was required to observe the matters listed by Grice J. Those matters also included the requirement that, in cases where the Chief Executive is satisfied sufficient information has not been furnished, MBIE must make the determination “having regard to all available information that the [Chief Executive] considers to be relevant.”</p> <p>MBIE observes all of these requirements when it undertakes investigations.</p>
<p><b>B3. Interchangeability (PF068)</b></p> <p>NZ Steel referred to matters raised in the Ministry’s <i>Note for File</i> [PF065] and in NZ Steel’s submission [PF068] on that Note, in which it requested that MBIE reconsider its decision in respect of subject goods.</p> <p>NZ Steel considers that MBIE erred in its response to NZ Steel’s submission and maintains its request for reconsideration of the matter. NZ Steel notes that in accordance with the requirements identified by Grice J, MBIE is obliged to analyse and reason and explain the relevant NZ Steel information. NZ Steel does not consider that the matters it raised were addressed in the <i>Note for File</i> or in the Step 1 EFC Report. NZ Steel requests that MBIE reconcile and reason and adequately explain the matters it raised in its submission against a comment relating to substitutability set out in the <i>Note for File</i>.</p>	<p>In the Step 1 EFC Report, at section 2.1, MBIE summarised its considerations relating to the identification of the subject goods (the imported goods to be investigated), and section 2.2 addressed the like goods (the goods produced by NZ Steel that are like the subject goods). MBIE referred to the <i>Note for File</i>, which was produced following release of an <i>Issues Paper</i> [PF045] which sought comments from interested parties. NZ Steel provided a response to that paper [PF050] which MBIE has included in its considerations.</p> <p>MBIE is satisfied that it has analysed all of the relevant information before it on this matter, and has made its findings on the basis of positive evidence supported by a reasoned and adequate explanation, and has taken into account information provided by interested parties, having satisfied itself as to the accuracy of that information.</p>

<sup>19</sup> *NZ Steel v Minister of Commerce and Consumer Affairs* [2020] NZHC 966.

<p>The matters raised in the NZ Steel submission related to the substitutability of coatings that include magnesium in combination with zinc (ZM) or aluminium and zinc (AM), whether NZ Steel has made or can make AM or ZM coated steel, the coatings used by New Zealand producers of painted steel, corrosion resistance, and the effect of not including goods containing magnesium in the subject goods description.</p>	<p>The conclusions reached as a result of this analysis were:</p> <p>(a) that the goods described in the application, the subject goods, were aluminium-zinc coated steel, prefixed by AZ, and it was noted that the AADC had reached a similar conclusion. The question of substitutability of coatings other than aluminium-zinc is moot, because the description of the subject goods was clear from the information provided and from MBIE’s analysis of it.</p> <p>(b) that the New Zealand industry produced like goods to the subject goods, i.e. AZ, aluminium-zinc coated steel. NZ Steel’s submission was that the like goods should also include goods with coatings other than aluminium-zinc. However, as noted in the Step 1 EFC Report, the definition of like goods in section 3(1) of the Act provides that if there are goods produced by the New Zealand industry that are like the subject goods in all respects, then there is no need to examine whether, in the absence of such goods, there are goods which have characteristics closely resembling the subject goods.</p> <p>MBIE is satisfied that it has properly concluded that the subject goods are aluminium-zinc coated steel, and that the Australian authorities reached a similar conclusion in their equivalent investigation. MBIE is also satisfied that it has properly concluded that NZ Steel produces like goods to the subject goods, i.e. AZ, aluminium-zinc coated steel. MBIE does not consider that the matters raised by NZ Steel in regard to the Step 1 EFC Report require any further consideration, having been fully addressed in the investigation.</p> <p>MBIE emphasises that it has not changed the description of the subject goods, or altered the scope of the investigation, but has clarified the description of the subject goods as put forward by NZ Steel.</p>
--	--



**B4. Like and Subject Goods – The AADC and ZM/AM**

NZ Steel does not consider that MBIE has properly analysed the AADC decision, in that the AADC decision related to whether ZM was like AM, whereas NZ Steel’s primary discussion is about likeness of AZ and AM. NZ Steel challenges MBIE’s statement in the Step 1 EFC Report at paragraph 42 that the AADC reached the same conclusion as MBIE for the same reasons. NZ Steel also notes that the AADC considers that AM and AZ are like goods.

MBIE is satisfied that it has properly understood the AADC decisions, and reflected them in the Step 1 EFC Report at paragraphs 41 and 42.

In regard to the description of the subject goods, the AADC SEF Report has a detailed analysis of the information available, including various submissions on the matter (section 3.3, pages 18-26). The AADC states (page 26):

*The passage from the goods description indicates that the coating type AZ is the only coating type that the goods description captures.*

*The commission acknowledges that the goods description includes various trade and generic names which seek to assist to identify the goods under consideration. Some of these trade or generic names include alloys of varying proportions of aluminium and zinc (and magnesium as another indicated metallic constituent). However, the commission is of the view that on balance the goods description is in reference to coating type AZ and not any other alloy.*

*Therefore, the commission finds that any coating type not prefixed with AZ is not the goods. Both Yieh Phui’s PhuizerFan and POSCO’s PosMAC are not the subject of this investigation.*

It is clear that the AADC is stating that the subject goods description covers only AZ coated steel, which is the conclusion reached by MBIE, and MBIE’s rationale is the same as that set out by the AADC in its SEF Report.

Secondly, with regard to like goods, the Step 1 EFC Report at paragraph 41 noted that the AADC concluded that Australian-produced AM coated steel was like the AZ coated steel subject goods, but noted that this was not a decision that MBIE was required to make, nor was it a decision open to MBIE since AM coated steel is not produced in New Zealand. To clarify, the

	<p>Australian producer, BlueScope, does not produce AZ coated steel, so in its analysis in section 3.4 of its SEF Report, the AADC assessed the likeness of the domestically-produced AM goods to the imported AZ goods in accordance with the relevant legislative definition of like goods (which differs from the New Zealand definition). On the basis of its analysis the AADC was satisfied that the domestic goods had characteristics identical to or closely resembling like goods exported to Australia. As noted above, in the current investigation the application of the definition of like goods in section 3(1) of the Act means that, given there is New Zealand production of goods that are like the subject goods in all respects (AZ coated steel), there is no absence of such goods requiring consideration of other goods (AM or ZM coated steel).</p>
<p><b>B5. Like and Subject Goods – New Zealand Imports</b></p> <p>NZ Steel refers to the <i>Note for File</i> and its discussion of import information at paragraph 58 to support its conclusion in paragraph 59. NZ Steel notes that it provided further information in its submission [PF068] which it says demonstrated that MBIE had erred in its understanding of the significance of imports. NZ Steel says the import information in fact supported an opposite conclusion to that reached by MBIE. NZ Steel suggest that the basis for the <i>Note for File</i> does not remain intact because some of its foundation import evidence has been identified as incorrect.</p>	<p>MBIE notes that paragraph 59 of the Note for File related to the whole of the section on “Substitutability and Commercial Interchangeability” (paragraphs 54-59), and focused primarily on the commercial reality arising from the situation described in paragraphs 55-57 regarding the marketing of Pacific Coilcoaters’ various product lines. The position suggested by imports from BlueScope was considered to be indicative only and did not drive MBIE’s conclusions in the Note for File regarding substitutability or the description of the subject goods.</p> <p>MBIE has accepted the explanation for the imports provided in NZ Steel’s submission, and in the Step 1 EFC Report noted in its section on imports by the New Zealand industry (paragraph 326), that those imports had not contributed to material injury. However, the question of imports by NZ Steel was not relevant to the issue of the description of the subject goods, and the like goods issue was addressed in section 2.2 of the Step 1 EFC Report, and in particular at paragraph 60.</p>

<p><b>B6. Like and Subject Goods – World Peers</b></p> <p>NZ Steel considers that the investigative record does not include a reasoned and adequate explanation of world peer views, as referred to by NZ Steel in its submission on subject goods [PF068], and notes that MBIE refers only to the AADC conclusion and “has not meaningfully engaged with the many-Member consensus view which supports the opposite of New Zealand.”</p>	<p>NZ Steel referred to the investigations undertaken by other jurisdictions in its response to MBIE’s Issues Paper in its submission of 21 July 2021 [PF050], at paragraph 8.</p> <p>The <i>Note for File</i> included a summary of the investigations undertaken by other jurisdictions (paragraph 28). MBIE noted that the product descriptions from those investigations did not provide unambiguous support for NZ Steel’s claim.</p> <p>MBIE considers that it has addressed the point raised by NZ Steel in its submissions. MBIE notes that it appears that in Australia, BlueScope made similar submissions regarding “world peers” in its comments to the AADC on its SEF. The AADC, in its Termination Report<sup>20</sup>, noted “The ‘world peer subject goods assessment’ examples provided by BlueScope in its post-SEF submission have broad goods descriptions and thus cannot be compared to the goods description in relation to this investigation.”</p>
<p><b>B7. Like and Subject Goods – Logic Issue in EFC [41]</b></p> <p>NZ Steel refers to paragraphs in the <i>Note for File</i> (paragraph 8) and from the Step 1 EFC Report (paragraph 41) which it considers to be contradictory. In particular, NZ Steel considers that paragraph 41 does not follow paragraph 8, and is circular in its logic.</p> <p>NZ Steel suggests that paragraph 55 of the Step 1 EFC Report is identifying the likeness analysis as relevant to establishing the subject goods.</p>	<p>MBIE does not agree with NZ Steel’s characterisation of the position reached in regard to the subject goods.</p> <p>The description of the subject goods was determined by the description provided by the applicant, which limited the scope to AZ coated steel, a conclusion reached by both the New Zealand and Australian authorities. This conclusion was reached irrespective of whether the domestic industry produced like goods (indeed, in Australia, it does not).</p>

<sup>20</sup> AADC Termination Report No 558, page 23, at [https://www.industry.gov.au/sites/default/files/adc/public-record/558 - 068 - report - adc - termination\\_of\\_part\\_of\\_investigation - ter\\_558.pdf](https://www.industry.gov.au/sites/default/files/adc/public-record/558 - 068 - report - adc - termination_of_part_of_investigation - ter_558.pdf).

	<p>The point made in paragraph 8 of the <i>Note for File</i> picked up discussion in the WTO Panel report in <i>Korea – Pneumatic Valves</i><sup>21</sup></p> <p><i>We recall that Article 2.6 of the Anti-Dumping Agreement defines the like product as a product which is either 'alike in all respects' to, or has 'characteristics closely resembling' those of the imported products subject to the investigation. Based on this definition, it would be expected that allegedly dumped imports compete with the domestic like product. Indeed, if they did not, it is difficult to imagine on what basis a domestic industry could properly allege that dumped imports were causing injury to the domestic industry producing the like product, so as to justify the initiation of an investigation. However, the fact that allegedly dumped imports compete with the domestic like product in this broader sense does not necessarily mean that the dumped imports will have an effect on domestic like product prices. Competition in the market for the goods in question may depend on a multitude of factors.</i></p> <p>Having confirmed the description of the subject goods, the question of likeness relates to those goods. MBIE concluded that the subject goods were AZ coated steel so likeness necessarily was in the context of such goods, and was easily confirmed since that is it what NZ Steel produces.</p> <p>Paragraph 55 of the Step 1 EFC Report is referring to the point that the like goods referred to in section 5 of the Act relating to the determination of normal values, must be like goods to the subject goods. It is not saying that likeness is relevant to establishing the subject goods.</p> <p>The texts referred to by NZ Steel are not inconsistent, and reflect a correct statement of the facts considered and conclusions reached regarding the description of the subject goods.</p>
--	---

<sup>21</sup> *Korea – Pneumatic Valves*, Panel Report, WT/DS504/R, paragraph 7.275.

**B8. Like and Subject Goods – Interpretation of the AADC’s SEF**

NZ Steel claims that MBIE has erred in its observations of the AADC’ SEF in regard to the likeness of AZ and AM goods. NZ Steel poses a range of questions arising from its interpretation of the circumstances of the Australian and New Zealand investigations.

The NZ Steel interpretation appears to reflect a misunderstanding of the position with regard to subject goods, the goods under investigation, and like goods. In particular, like goods are either the goods produced by the domestic industry that are like the subject goods in all respects or, in the absence of such goods, goods which have characteristics closely resembling the subject goods.

Both the New Zealand and Australian authorities have established that the subject goods, in this and the parallel Australian investigation, are aluminium-zinc coated steel (AZ). However, the positions of the two authorities with regard to like goods are necessarily different, because while the New Zealand industry produces AZ coated steel, the Australian industry does not. Since the New Zealand industry produces goods that are like the subject goods in all respects, there is not an absence of such goods so there is no requirement for consideration of whether the domestic industry produces other goods closely resembling the subject goods.

The definition of “like goods” in the Australian legislation differs from that in the Act (and the AD Agreement, Article 2.6) in that it does not provide that goods having characteristics closely resembling the goods under consideration (subject goods) come into play only in the absence of goods that are identical in all respects.

The position was clearly stated in the Step 1 EFC Report in paragraphs 41 and 42. The issue before MBIE is not one of AZ-AM likeness – that issue does not arise since in New Zealand the like goods issue is AZ-AZ likeness. The fact that it is AZ-AM likeness in Australia reflects the different fact situation facing the Australian authorities and the different legislative definitions.

	<p>With regard to the questions raised by NZ Steel, goods not produced in New Zealand can be subject to anti-dumping duties if there is a finding that the goods produced by the domestic industry are, through the application of the second leg of the definition of like goods in section 3(1) of the Act, like the imported goods. This will only come into play if there is an absence of identical goods produced by the domestic industry, which is not the case here. The question on the soundness of the conclusion that AM goods are not subject goods is moot, given that AM were never subject goods, in either New Zealand or Australia, and the question of whether there are like AM goods produced by the New Zealand industry does not arise, because the goods produced by the New Zealand industry are AZ goods that are identical to the subject goods. The subject goods should encompass like goods produced in New Zealand, with likeness established in accordance with section 3(1) of the Act, or there would be no basis for proceeding with an investigation, since in the absence of like goods there could be no injury.</p>
<p><b>B9. Taiwan Dumping Margin</b>  <b>B10. Taiwan 125%</b></p> <p>NZ Steel disagrees with certain aspects of MBIE’s approach to calculating Yieh Phui’s dumping margin. NZ Steel claims that MBIE has used an unadjusted Korean normal value to establish the Taiwanese normal value, and that this is inconsistent with the approach set out in paragraph 132 of the Step 1 EFC Report which provides for different cost structures between Korea and Taiwan, as indicated by comparative per capita PPP figures, to be applied where relevant in establishing the level of adjustments to be made. NZ Steel considers that the Taiwan normal value elements will also need to be adjusted upwards by 25%. NZ Steel considers that the adjustment reflects the best information available and is consistent with the AADC’s positive dumping margin of 3.5% for non-cooperative</p>	<p>These two headings in the NZ Steel submission are addressed together.</p> <p>MBIE has applied the PPP adjustment to relevant costs to reflect potential differences in costs between Korea and Taiwan. In particular, the adjustment was applied to export price adjustments for export packaging, inland transport and handling costs.</p> <p>NZ Steel’s query relates to the elements of the Dongkuk normal value used for establishing the Yieh Corp normal value. As noted in the Step 1 EFC Report at paragraph 194, the normal value for Yieh Corp was based on the Dongkuk normal value, with Yieh Phui SGA and profit levels derived from Yieh Phui financial information replacing the equivalent Dongkuk data.</p>

<p>Taiwanese manufacturers. NZ Steel also notes that Taiwanese prices were undercutting NZ Steel’s prices, and that the operation of the adjustment will mean that the Taiwanese normal value will be higher than that of Korea.</p>	<p>MBIE notes that the cost of input materials, such as HRC, aluminium and zinc is based on international prices, so no adjustment between Korea and Taiwan is required. However, MBIE accepts that other manufacturing costs, including labour costs, would be relevant costs for adjustments on the basis of per capita PPP differences. MBIE has therefore calculated the relevant production costs for Dongkuk, based on cost data for domestic sales of the subject goods, and applied the per capita PPP adjustment to that figure to revise the normal value calculation for Yieh Corp.</p> <p>The outcome is that the dumping calculation continues to show <i>no</i> dumping for Yieh Corp. MBIE notes that the AADC found no dumping by Yieh Phui.</p>
<p><b>Adjustment Directions:</b></p> <p><b>B11. Export Reseller Margin</b> <b>B12. Packaging Cost Adjustments</b> <b>B13. Inland Freight Costs Adjustment</b></p> <p>NZ Steel seeks confirmation that the export reseller margin has been deducted, and that export prices have been determined on the basis of the information relating to the sale by the foreign manufacturer to any present intermediary.</p>	<p>These three headings in the NZ Steel submission are addressed together.</p> <p>MBIE notes that paragraphs 133-134 of the Step 1 EFC Report addressed the adjustment for a commission or margin between the manufacturer in Taiwan (understood to be Yieh Phui) and Yieh Corp as the intermediary seller to the New Zealand importer. This margin was deducted from the base price.</p> <p>Paragraphs 119 (KG Dongbu) and 135 (Yieh Corp) of the Step 1 EFC Report referred to the adjustment for additional export packaging costs.</p> <p>Paragraphs 120 (KG Dongbu) and 136 (Yieh Corp) of the Step 1 EFC Report referred to the adjustment for inland freight.</p> <p>Paragraphs 91 to 97 of the Step 1 EFC Report described the basis on which adjustments were made to the base price to obtain an ex-factory export price.</p>

	<p>This Step 1 Final Report has clarified that adjustments to the export price are normally deducted from the base price.</p>
<p><b>B14. Taiwan Yieh Corp Inland Freight</b></p> <p>NZ Steel notes the comment in the Step 1 EFC Report that the freight distance for the Yieh Corp exports appears to be reasonably similar to that of Dongkuk, so an adjustment based on the Korean figure was considered to be reasonable. NZ Steel suggested that this could be in error, and provided information relating to the location of Yieh Phui plants.</p> <p>NZ Steel notes that the distance from plant to port in Taiwan appears to be around 30 km, whereas the Dongkuk plant is around 8 km. According to NZ Steel, this means that the inland freight deduction for Yieh Phui should be increased four-fold.</p>	<p>In paragraph 136 of the Step 1 EFC Report, MBIE noted that the freight distance for Yieh Corp/Yieh Phui appeared to be reasonably similar to that of Dongkuk so an adjustment level based on the Korean figure, further adjusted to reflect per capita PPP levels, was considered to be reasonable.</p> <p>MBIE has reviewed the information available regarding inland freight costs for Dongkuk in Korea, and notes that the cost differences are not linear in proportion to distance in the manner suggested by NZ Steel. The inland transport costs used for Dongkuk were similar to those applied for distances from 10-30 km. MBIE does not therefore consider that it needs to amend the adjustment for inland freight for Yieh Corp.</p>
<p><b>B15. Taiwan Yieh Corp Loss Sales</b></p> <p>NZ Steel queries the reference to “KG Dongbu” in paragraph 193 of the Step 1 EFC Report.</p>	<p>MBIE agrees that this reference is an error. This Step 1 Final Report has corrected the text to read “Yieh Corp”.</p>
<p><b>B16. Customer Scale Normal Value Adjustment</b></p> <p>NZ Steel considers that this is a significant issue in respect to dumping margins, and notes that it has made previous submissions on this matter. NZ Steel does not consider that the matters raised have been satisfactorily addressed in the Step 1 EFC Report, and notes that Dongkuk has also claimed that an adjustment should be made for the volume of sales.</p>	<p>MBIE considers that it adequately addressed the issues of adjustments for quantities of sales (i.e. the volume of individual transactions) in paragraphs 167-170 of the Step 1 EFC Report, and on the overall purchase levels of individual customers in paragraph 171.</p> <p>Where there may be differences in price because of the quantities of individual transactions or the total purchases by a customer during the POI, then fair comparison adjustments can be made to reflect these situations. Consideration of such adjustments is MBIE’s standard practice,</p>



	<p>and the extent to which any adjustment is made will depend on the particular fact situation of the investigation concerned.</p> <p>It is not clear what NZ Steel’s comments are directed at. In the current investigation MBIE has reviewed the volumes of sales to individual customers for both exports and domestic sales, and is satisfied that the range of annual sales totals for domestic customers is not dissimilar to that for export customers. With regard to possible adjustments to take account of the quantities of individual sales, MBIE’s analysis of the request made by Dongkuk is that there is no objective basis on which to make such adjustments, since the evidence does not support a conclusion that there is any trend in prices that would justify such an adjustment.</p> <p>MBIE notes that NZ Steel’s position appears to be based on assumptions about the volumes of sales to individual customers in Korea that are not borne out by the detailed information provided by Dongkuk on its domestic and export sales.</p> <p>MBIE notes that the adjustments, if permitted, would reduce the normal value to the extent that it is unlikely that there would be a dumping margin for Dongkuk above the <i>de minimis</i> level (this observation has had no impact on the decision not to make these adjustments).</p>
<p><b>B17. Import Volume Effects – COVID</b></p> <p>NZ Steel acknowledges that MBIE addressed the effect of the 2020 shutdown in NZ Steel’s production in paragraph 213 of the Step 1 EFC Report, but notes that there were other effects of COVID-19 which are identified in paragraph 276.</p>	<p>MBIE takes note of NZ Steel’s comments. It proposes that for the Step 1 Final Report, the relevant paragraph should be amended to note that MBIE has “identified” the production volume affected by the shutdown to better reflect the point being made. MBIE has also addressed the other effects of COVID-19 throughout its injury and causation assessment.</p>

<p><b>B18. Figure 10: Profit</b></p> <p>NZ Steel suggests that the matter requires the use of the counterfactual, and notes an apparent typo in the heading of Figure 10.</p>	<p>MBIE notes that the entire injury analysis is effectively based on a counterfactual analysis, i.e. in the absence of the dumping, NZ Steel could have achieved increased prices by at least the amount of the dumping, with a consequent impact on relevant injury factors.</p> <p>The typo has been corrected in this Step 1 Final Report.</p>
<p><b>B19. Return on Investment – Substantial Issue</b></p> <p>NZ Steel disagrees with aspects of the Step 1 EFC Report section on ROI, and recalls that it set out in some detail in its RFI Response its approach to identifying the contributors to its write-down of investments.</p>	<p>MBIE agrees that the text in the Step 1 EFC Report needs to be clarified, since it focused on one part of NZ Steel’s claims without adequately reflecting the explanation of other contributing factors.</p> <p>The point MBIE was seeking to address was that the write-down announced in July 2020 identified policy settings relating to “trade” as one of the causes, and NZ Steel has confirmed that “trade” was shorthand for trade remedies. NZ Steel has claimed that it has been unable to obtain “valid relief” from unfairly traded imported steel goods in New Zealand, and in subsequent submissions has identified dumping of aluminium-zinc coated steel as a contributing factor. MBIE notes that the outcomes of the various investigations into allegations of dumping and subsidisation of imported steel goods have been based on properly conducted investigations, with remedial duties imposed where found to be justified in accordance with the Act. MBIE also notes that at the time of the write-down, the existence and extent of any dumping of aluminium-zinc coated steel was simply an allegation by NZ Steel. The progress of the investigation to this point indicates that the volume of imports of the subject goods is much less than that alleged by NZ Steel in its application, the level of dumping is significantly less than that alleged (with no dumping from Taiwan), and there was a range of factors other than dumping that were contributing to the decision to write-down</p>

	<p>investments. Given these considerations, MBIE does not consider that the attribution of specific amounts of the write-down to the dumping of aluminium-zinc coated steel, in the manner proposed by NZ Steel, is properly made.</p> <p>MBIE recognises, however, that to the extent that the dumping of the subject goods from Korea was contributing to the volume and price effects identified in the investigation there was a consequential impact of the relevant injury factors under examination.</p> <p>The text of the section of this Step 1 Final Report addressing these matters reflects the position outlined above.</p>
<p><b>B20. Return of Investment – Detail Matter</b></p> <p>NZ Steel disagrees with certain aspects of paragraph 265 of the Step 1 EFC Report and notes that the use of the word “equally” is not correct.</p>	<p>As noted above, this Step 1 Final Report has addressed the matters raised regarding ROI.</p>
<p><b>B21. Magnitude of the Margin of Dumping</b></p> <p>NZ Steel disagrees with MBIE’s conclusion in paragraph 280 of the Step 1 EFC Report that an average dumping margin of 3.4%, with no overall price undercutting, indicates that the magnitude of the margin of dumping contributes to a significant adverse effect on the New Zealand industry that can be attributed to dumping.</p> <p>NZ Steel believes that 3.4% is a significantly injurious level of dumping, the effect of which is made plain in Figure 5 and paragraph 223 of the Step 1 EFC Report. NZ Steel estimates a level of injury based on an assumption that it could have increased prices by the level of dumping.</p>	<p>MBIE notes that at 3.4%, the average margin of dumping is not significantly above the <i>de minimis</i> level, and in any event is an overall weighted average of a range of prices and margins, including prices that are not dumped. Accordingly, any calculation of the effects of this margin can be indicative only. MBIE notes that even allowing for an increase of price by NZ Steel equivalent to the 3.4% dumping margin, there is still no price undercutting for 2020 on average.</p> <p>As noted by MBIE in paragraph 277 of the Step 1 EFC Report, large margins of dumping can potentially enable significant price undercutting, with flow on effects on prices achieved and volumes sold. In this case, there is no significant price undercutting in terms of the size of the undercutting margin.</p>

	<p>Nevertheless, the conclusions relating to the magnitude of the margin of dumping do not derogate from MBIE’s overall finding that the dumping has contributed to the injury experienced by NZ Steel.</p>
<p><b>B22. Cash flow</b></p> <p>NZ Steel disagrees with paragraph 284 of the Step 1 EFC Report since it omits to evaluate the claims made in NZ Steel’s application.</p> <p>NZ Steel also notes that in relation to B21 above it has calculated the effect of dumping on EBIT, and given that MBIE has in previous investigations accepted a relationship between EBIT and cash flow this should be applied here.</p>	<p>In its application NZ Steel calculated a likely increase in cash flow in the absence of price undercutting at the levels it calculated for Korea and Taiwan.</p> <p>As indicated in paragraphs 283-284 of the Step 1 EFC Report, NZ Steel has advised that it is unable to separate out the cash flow for aluminium-zinc coated steel from other MCL goods.</p> <p>MBIE notes that even if it agreed that lost EBIT from price undercutting could also represent cash flow effects, in light of the findings on price undercutting (no overall 2020 price undercutting by dumped goods from Korea) this would not provide evidence in support of NZ Steel’s claims.</p>
<p><b>B23. Growth</b></p> <p>NZ Steel refers to paragraphs 294-296 of the Step 1 EFC Report, and notes that while it agrees with MBIE’s comment that the evidence shows that dumped imports have had a negative effect on NZ Steel’s growth, it does not agree with MBIE’s view regarding the link drawn by NZ Steel between trade remedies and growth.</p>	<p>MBIE notes that the link referred to by NZ Steel was between the outcomes of trade remedy actions and effects on NZ Steel’s growth. For the reasons outlined in B19 above, MBIE stands by the comment in the second sentence of paragraph 295.</p> <p>However, MBIE notes that paragraph 296 should reflect the view set out in the first sentence of paragraph 295, and this Step 1 Final Report accepts that conclusion.</p>

<p><b>B24. Growth and Ability to Raise Capital and Investments</b></p> <p>NZ Steel considers that MBIE has erred in paragraphs 297-300 of the Step 1 EFC Report, and refers to the major write-down and claims that MBIE has concluded that dumping and injury have no commercial effect.</p>	<p>NZ Steel’s arguments are similar to those addressed in B19 above. MBIE is not concluding that dumping and injury have no commercial effect, but the concluding paragraph in the relevant section of this Step 1 Final Report has been amended to clarify MBIE’s position.</p>
<p><b>B25. Redaction</b></p> <p>NZ Steel requests that MBIE review the redactions in the Step 1 EFC Report. NZ Steel cites previous correspondence with MBIE regarding consistency of redaction through an investigation, particularly in relation to MBIE reports that NZ Steel does not see before publication.</p> <p>NZ Steel identifies the particular parts of the Step 1 EFC Report that it is concerned about, including a Figure, a comment on sales revenue, and the stating of a NZ Steel claim.</p> <p>NZ Steel cites WTO dispute findings regarding the disclosure of confidential information.</p> <p>NZ Steel requested that redactions be made to reflect its concerns, including the editing of the web version of the Step 1 EFC Report.</p>	<p>MBIE notes that it has an obligation to protect confidential information and an obligation to ensure that parties to an investigation can see information relevant to the presentation of their cases, which is not confidential, and which is used by the authorities in an investigation. Parties providing information are required to provide non-confidential summaries of confidential information that are in sufficient detail to permit a reasonable understanding of the substance of the information submitted in confidence. In preparing its reports, MBIE seeks to follow this requirement itself so that the report does not need to have redactions throughout, and figures, including charts and tables, can be used to illustrate the evidence and conclusions reached without breaching confidentiality obligations.</p> <p>MBIE considers that it has met its requirements in regard to the Step 1 EFC Report.</p> <p>With regard to the particular matters raised by NZ Steel:</p> <ul style="list-style-type: none"> <li>• MBIE considers that the information contained in the Figure was its own compilation and interpretation of data from a range of sources, and bore no relation to the information provided in the application. Care has been taken to reduce the possibility that the actual figures used (which are weighted averages and are not specific prices), cannot be used to somehow identify actual prices. The information</li> </ul>

	<p>shown is historic, covering 2020, and does not relate to current pricing. Moreover, the Figure itself is key to providing a reasoned and adequate explanation of how and why MBIE has reached its conclusions regarding the existence of injury attributable to dumping. Given these circumstances MBIE does not consider that it should amend the Figure.</p> <ul style="list-style-type: none"> <li>• With regard to the matter relating to sales revenue, MBIE notes that the matters covered in the paragraphs of concern to NZ Steel were subject to redactions in NZ Steel’s application, but in the Step 1 EFC Report MBIE sought to summarise the matter, while ensuring that parties would be aware that MBIE was addressing an important element in establishing one of the ways in which dumping was causing injury, as well as demonstrating that it has covered a potential issue relating to other causes of injury. MBIE has clarified the relevant text..</li> <li>• The NZ Steel claim related to the way it described a particular concern. MBIE notes that this was redacted in NZ Steel’s submission of 20 September on subject goods (PF068]. Although MBIE does not understand the rationale for the redaction of the description, the expression is not crucial for an understanding of MBIE’s consideration of the matter, so MBIE has redrafted the relevant text in the Step 1 Final Report to reflect this.</li> </ul> <p>MBIE does not publish the Step 1 EFC Report on its website.</p>
<p><b>B26. Information</b></p> <p>NZ Steel reverts to a matter it has previously referred to in various submissions, relating to the advice MBIE provides in questionnaire instructions relating to the treatment of confidential information.</p>	<p>MBIE does not consider that this matter is relevant to the consideration of the essential facts and conclusions addressed in the Step 1 EFC Report.</p>

<p><b>B27. Withdrawn Public File Document #069</b></p> <p>NZ Steel reiterates its request from its submission of 15 October 2021 [PF071] for clarification of the status of the document.</p>	<p>MBIE does not consider that this matter is relevant to the consideration of the essential facts and conclusions addressed in the Step 1 EFC Report.</p> <p>The withdrawal of the document means that MBIE has not taken the information into account in its considerations, but if some or all of the information is available from other sources then it can be used.</p>
<p><b>B28. The Period of Investigation Change</b></p> <p>NZ Steel queries the change of the POI by MBIE, and cites a recommendation adopted by the WTO Committee on Anti-Dumping practices and WTO comments regarding the POI. NZ Steel refers to the reference in the Initiation Report to the years ending in September, but claims that MBIE changes the POI to calendar years in the Questionnaires sent to parties. NZ Steel asks why MBIE changed the period of data collection notified to interested parties.</p> <p>NZ Steel suggests that a risk arises from the change of POI, and queries whether knowledge of the investigation has affected the volume and unit value of the imported goods and made that information unrepresentative. NZ Steel notes apparent changes in import volumes and values in 2021.</p>	<p>MBIE did not change the POI. The Initiation Report [PF002] at paragraphs 11 and 12, and under the heading “Report Details”, refers to the information provided by NZ Steel as relating to years ended September. The period considered for evidence of dumping for the initiation was the year ended September 2020, and the period for evidence of injury was the September years 2016-2020.</p> <p>When sending out Information Sheets to importers [PF031] and suppliers [PF032] MBIE made it clear that the information sought regarding imports related to the calendar year 2020. Similarly, the questionnaires sent to importers [PF033 and 033a], foreign manufacturers [PF034 and 034a] and exporters [PF035 and 035a], specified the dumping investigation period of calendar 2020. This is entirely consistent with the WTO Committee recommendation referred to by NZ Steel, in that it sought to ensure that the period of data collection for dumping was ending as close to the date of initiation as is practicable. In considering practicability MBIE seeks to take into account the financial years of interested parties and other relevant factors.</p> <p>With regard to NZ Steel’s concerns that the behaviour of exporters may have been affected by knowledge of the investigation, MBIE finds it difficult to see how the initiation of an investigation in June 2021 could</p>

	<p>have affected the level and price of imports in 2020. Step 2 of the investigation may need to address the effect of developments in 2021 and this can take into account the potential influence of the investigation on the behaviour of market participants.</p>
<p><b>C. RoofTG Tile Group</b></p>	
<p><b>C1. Summary</b></p> <p>With regard to dumping, RoofTG claims that the provisional dumping margin of 2.5% for Dongkuk set out in the Step 1 EFC Report is based on significant errors. To remedy these errors RoofTG says MBIE needs to make adjustments to Dongkuk’s average weighted normal values to account for fundamental differences between domestic and export sales that have a significant effect on price comparability. These differences relate to indirect selling expenses and insurance.</p> <p>With regard to injury and causation, RoofTG considers that the Step 1 EFC Report’s finding that subject goods from Korea have caused material injury to NZ Steel is misguided because there is no causal link between the dumping and the material injury identified. In particular, the Step 1 EFC Report gives insufficient recognition to three known factors that were, in RoofTG’s view, primarily responsible for any material injury experienced by NZ Steel during the POI – the negative impact of COVID-19 on NZ Steel and the domestic demand for coated steel; world market price movements that were unfavourable to NZ Steel during the POI; and the significant increases in raw material prices NZ Steel experienced in 2020.</p> <p>With regard to the calculation of anti-dumping duty, RoofTG requests that if duties are to be established, the Minister exercise his discretion not to determine a rate of anti-dumping duty because NZ Steel is not currently experiencing material injury nor is injury expected in the foreseeable future. RoofTG considers that a lesser duty should be applied than the</p>	<p>MBIE notes that Dongkuk has advised that it will not be making submissions on the Step 1 EFC Report</p> <p>MBIE has addressed the matters raised by RoofTG as described below.</p>



<p>margin of dumping and should be 0% because the injury margin will be negligible, not material and less than the 2% <i>de minimis</i> level.</p>	
<p><b>C2. Dumping – Adjustment required for indirect selling expenses</b></p> <p>RoofTG notes that Dongkuk had requested that adjustments be made to reflect the differences in indirect selling expenses associated with domestic sales as compared with export sales.</p> <p>RoofTG reviewed the discussion of this matter in the Dongkuk Verification Report and the Step 1 EFC Report, and claimed that there is no basis in law for a blanket exclusion of adjustments relating to indirect selling expenses. RoofTG notes that Dongkuk provided detailed evidence to support its claim, and queried, if that was not sufficient to justify an adjustment, then what would meet MBIE’s threshold of “suitable” evidence.</p> <p>RoofTG noted that commodity manufacturers typically spend more on sales and marketing activities to support their domestic sales than they do to support their export sales, often because intermediary traders conduct such activities (as in this case). RoofTG also noted that the per unit cost allocated tends to decline as the volume of the consignment increases because sales and administration expenses are incurred on a per transaction basis rather than on a per unit basis.</p> <p>RoofTG notes that the indirect expenses in the domestic market were five times the level of expenses for the export market during the POI, which should result in a downward adjustment of normal values.</p>	<p>MBIE notes that this issue was addressed in the Dongkuk Verification Report and in the Step 1 EFC Report. MBIE carefully considered all of the information provided by Dongkuk regarding its indirect selling expenses, but found no reason to change its position from that set out in paragraph 176 of the Step 1 EFC Report. Dongkuk did not make any submission on the way in which this issue was addressed in the Step 1 EFC Report.</p> <p>As provided for in section 5(3)(c) of the Act, the normal value and the export price shall be compared with due allowances made as appropriate for any differences in terms and conditions of sales, levels of trade, taxation, quantities, and physical differences, and any other differences that affect price comparability. This reflects Article 2.4 of the AD Agreement, which in relation to other price differences requires that they be demonstrated to affect price comparability.</p> <p>MBIE notes that the inclusion of the reference to “any other differences affecting price comparability” means that no differences are <i>per se</i> excluded from consideration, but they must be demonstrated to affect the comparability of the normal value and export price in terms of the transactions being considered. MBIE is of the view that indirect selling expenses do not normally have a direct relationship to prices, since they are expenses that are not directly related to a particular transaction and its price, but are more akin to overhead expenses.</p> <p>In the current case, Dongkuk claimed that an adjustment should be made and provided information in support of its claim. When MBIE indicated that the adjustment would not be made, Dongkuk provided more detailed information, which MBIE carefully considered to establish whether the</p>

	<p>information established a sufficient connection to the sales concerned, but concluded that it did not. MBIE makes no blanket exclusion of indirect selling expenses, but notes that for the reasons outlined above, any adjustments granted would need to affect price comparability</p> <p>MBIE also notes while RoofTG has claimed that it is usual practice, globally, to make adjustments for differences in indirect selling expenses, MBIE’s understanding is that overseas investigating authorities generally apply the rules regarding price comparison in the same way as New Zealand.</p>
<p><b>C3. Dumping – Adjustment required for insurance costs</b></p> <p>Roof TG notes that insurance costs were not discussed in the Dongkuk Verification Report. RoofTG expected to see insurance discussed in relation to “Terms and conditions of sales – delivery terms – inland transport”. RoofTG considers that Dongkuk’s domestic deliveries should have been examined with a reduction in normal value made to reflect domestic insurance costs.</p>	<p>MBIE notes that the detailed transaction-level information provided by Dongkuk for its domestic sales did not identify any insurance costs. The information was provided in response to the Foreign Manufacturer Questionnaire [PF034a], which included a column in the relevant spreadsheet for the inclusion of insurance costs for domestic transactions. The response from Dongkuk contained no figures in this column, and there was no claim made by Dongkuk for the deduction of insurance costs for domestic sales. This has been clarified in this Step 1 Final Report.</p> <p>MBIE is satisfied that there is no evidence that would support an adjustment being made to the normal value base price to cover differences in insurance costs.</p>
<p><b>C4. Injury – Import volume effects</b></p> <p>RoofTG reviews the analysis in the Step 1 EFC Report, and notes that in its conclusions on import volumes MBIE identified numerous reasons for NZ Steel’s decline in production in 2020 relative to imports, but included an adjustment only for the NZ Steel plant shutdown. RoofTG considered that additional adjustments were required to reflect the combined impact of all of the other factors identified – the effect of the national lockdown on NZ</p>	<p>MBIE notes that in relation to volume effects of dumped imports, the Act requires MBIE to 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 goods either in absolute terms or in relation to production or consumption in New Zealand. In undertaking its analysis, MBIE also considers the extent to which any such increase in imports can be attributed to the dumping of</p>

<p>Steel’s customers, and the redirection of the subject goods to further processing and to exports.</p> <p><i>Inability to meet demand</i></p> <p>RoofTG notes that many coated steel users were forced to import substantial volumes of steel at certain points in 2020 because NZ Steel was unable or unwilling to meet customer demand.</p> <p>RoofTG described its response to the NZ Steel shut-down and described its experience in obtaining orders from NZ Steel.</p> <p><i>Redirection to further processing</i></p> <p>RoofTG notes that paragraph 213 of the Step 1 EFC Report referred to the direction of aluminium-zinc coated steel to further processing and to export, which MBIE noted could also be attributed to the need by NZ Steel to respond to dumped imports.</p> <p>RoofTG claims that this suggests that in response to dumped imports NZ Steel had to divert coated steel to further processing at “bad prices”.</p> <p><i>Direction to export</i></p> <p>RoofTG considers that paragraph 246 of the Step 1 EFC Report, which notes that to the extent that sales of aluminium-zinc coated steel were not made on the domestic market as a result of dumped imports, diversion of production to export sales affected the level of revenue achieved, implies that causation has been established, which RoofTG says is not the case.</p> <p><i>Energy prices</i></p> <p>RoofTG also claimed that NZ Steel unilaterally decided to restrict its production of coated steel at certain points in 2020 due to spiking energy prices.</p> <p>RoofTG did not provide any discussion or evidence relating to this matter.</p>	<p>the goods. The extent that other factors may be affecting production in New Zealand will have an effect on the assessment of import volumes in relation to production in New Zealand.</p> <p>MBIE’s analysis, as set out in section 4.2.1 of the Step 1 EFC Report, shows that there was an increase in imports of the subject goods in absolute terms and relative to production and consumption in New Zealand.</p> <p>The analysis has also identified the impact of the NZ Steel shut-down in Figures 4 and 8 and in paragraphs 328-330 in section 4.1.4 dealing with other causes of injury. The effect of changes in construction activity, as a proxy for the effect on customers, was discussed in paragraphs 313 and 331 in section 4.1.4; while paragraphs 340-341 discussed the redirection of MCL production in the context of other causes of injury.</p> <p>MBIE notes that the evidence relating to NZ Steel’s ability to supply appears to be related primarily to 2021, which is outside the POI, while the other information from RoofTG was from November 2020.</p> <p>MBIE notes the comments relating to NZ Steel’s supply of the subject goods to New Zealand customers</p> <p>With regard to the redirection of MCL production, MBIE has addressed this factor, as noted above, but is concerned that RoofTG appears to be attributing to MBIE language and conclusions that are not discernible from paragraph 213 of the Step 1 EFC Report, which is in the section relating to the examination of volume effects of dumped imports. That paragraph, which in full addressed other potential contributors to the volume effects, simply noted that the direction of aluminium-zinc coated steel production to further processing or exports could also be attributed to increased imports of the dumped goods from Korea, and made no references to prices, bad or otherwise. Similarly, MBIE has been unable to trace the</p>
---	--

	<p>source of RoofTG’s reference to “bad prices” in any submissions from NZ Steel.</p> <p>Paragraph 246 of the Step 1 EFC Report, in full, summarises the analysis of the effect of dumped imports on output and sales revenue, noting that contributing factors to the decline in these factors included the dumped imports from Korea, but also noted other factors which could be contributing to injury, including changes in the destination of goods. The paragraph notes that to the extent that sales of the subject goods were not made on the domestic market as a result of dumped imports, then the diversion to export sales would affect the level of revenue achieved. This is self-evident and does not of itself establish causation. The question of causation were addressed in the next paragraph of the Step 1 EFC Report (247), which noted that the decline in output and revenue can in part be directly attributed to the volume and price effects of dumped imports of the subject goods.</p> <p>In summary, MBIE’s analysis has recognised that there are factors other than the dumped imports from Korea that have affected NZ Steel’s performance, but the overall conclusion on material injury is that the dumping of the subject goods from Korea has contributed to material injury to NZ Steel and that the effects of the other factors have not been attributed to the dumping of the goods.</p>
<p><b>C5. Price effects</b></p> <p><i>Price undercutting</i></p> <p>RoofTG endorses the findings in the Step1 EFC Report regarding the extent of undercutting by imports from Korea, and notes that the findings are supported by RoofTG’s information about comparative prices from Dongkuk and NZ Steel.</p>	<p>MBIE notes RoofTG’s views.</p>

*Price depression*

RoofTG disagrees with MBIE's conclusion at paragraph 230 of the Step 1 EFC Report that NZ Steel experienced price depression over the POI which can be partly attributed to dumped imports, and at paragraph 223 which analyses the position if NZ Steel was able to set its prices higher by the average margin of dumping.

RoofTG notes the NZ Steel claim that due to IPP pricing the pricing of dumped imports has had a depressive effect on NZ Steel's pricing, and suggests that this is demonstrably untrue, since the pricing of dumped imports is not fed into the IPP model. RoofTG notes that the primary factors affecting NZ Steel's IPP model and its pricing strategy more generally, are world market price data, forecasts, and market intelligence. RoofTG notes that in order for NZ Steel's IPP model to influence the company's pricing, NZ Steel would need to have visibility of Dongkuk's prices, but there is no direct relationship between Dongkuk's prices and NZ Steel's prices, so it is not possible to conclude that NZ Steel experienced price depression over the POI that can be partly attributed to dumped imports.

*Price suppression*

RoofTG disagrees with the Step 1 EFC Report at paragraph 234 and its conclusion that NZ Steel experienced price suppression over the POI which can be partly attributed to dumped imports. RoofTG notes that coated steel is a commodity product which is traded extensively around the world and no producer can be expected to recover any material increases in the cost of raw materials that is not experienced by the industry at large. A producer that attempts to pass on cost increases that are not experienced by others is likely to lose market share to unaffected producers. RoofTG

MBIE notes that there is no doubt that NZ Steel experienced price depression during the POI(I), as demonstrated by Figure 6. MBIE has also assessed the extent by which NZ Steel could have increased its prices if there had been no dumping, and has also noted that there was an increase in the volume of dumped goods which coincided with the significant decline in NZ Steel's prices. MBIE has concluded that the price depression can be partly attributed to dumping.

With regard to the IPP pricing model, MBIE's understanding is that the information used by NZ Steel includes market offer feedback from New Zealand distributors of imported steel products, pricing from international steel review publications and from BlueScope's overseas offices, with prices converted to an FIS equivalent, and a premium to reflect the benefits of local supply. It is unlikely that NZ Steel will have perfect market information or precise knowledge of Dongkuk's prices, and MBIE is aware that there may well be a lag between assembling the information required and its implementation through price negotiations. The point however, is that the NZ Steel price is based on its market perceptions, which may not be perfect, but which reflect its understanding of the prices available in the market. On this basis, dumped prices, whether by Dongkuk or other suppliers, have contributed to the prices negotiated by NZ Steel, and hence to the price depression it has experienced.

MBIE is aware that aluminium-zinc coated steel is a widely-traded commodity product, and that prices are not set on a cost-plus basis. However, where a manufacturer cannot recover cost increases, whatever the cause, then there will be price suppression, and where the competing goods are dumped it can reasonably be concluded that in part, the price suppression can be attributed to the dumping.

<p>argues that it is these market realities that have prevented NZ Steel from increasing its prices and caused price suppression.</p>	
<p><b>C6. Economic impact</b></p> <p><i>Output and sales revenue</i></p> <p>RoofTG disagrees with the conclusion reached in the Step 1 EFC Report at paragraph 248 that there is evidence that NZ Steel experienced a decline in output and sales revenue over the POI attributable to dumping.</p> <p>RoofTG considers that Figure 4 of the Step 1 EFC Report and the related discussion clearly demonstrates that there is no correlation between increasing volumes from Korea and Taiwan and declining NZ Steel output. RoofTG suggests that Figure 4 illustrates that as imports of the subject goods increased from 2017-2019, NZ Steel’s output actually increased at a faster rate. This indicates that the increased import volumes over those years were not harming NZ Steel and there is no evidence to suggest that they began to harm NZ Steel in 2020. RoofTG considers that the decline in output in 2020 was due to other factors, and was an anomaly. RoofTG suggests that MBIE review NZ Steel’s output figures for 2021, since various public announcements suggest that these will demonstrate a significant improvement on 2019 performance and demonstrate that there is no correlation between increasing import volumes from Korea and Taiwan and declining NZ Steel output. RoofTG notes that an ASX Release by BlueScope was evidence that NZ Steel profits reached AUD130.1 million for FY2021 compared with a loss of AUD5.8 million in FY2020.</p> <p>RoofTG suggests that the “other factors” referred to in paragraph 248 of the Step 1 EFC Report were entirely responsible for the decline in output and revenue experienced by NZ Steel in 2020, and the Step 1 EFC Report significantly underestimates the impact of these factors on NZ Steel during the POI.</p>	<p>MBIE has described its analysis of the volume effects of dumped imports in C4 above, and in particular notes that the analysis of injury and causation in the Step 1 EFC report covered the effect of the NZ Steel COVID-19 shutdown (Figure 4, paragraph 213 and 328-330) the COVID-related effects on construction activity in New Zealand (paragraph 313 and 331); and MCL production (paragraphs 340-341). MBIE’s analysis covered the POI(I), ending in 2020, which does not include the situation that was emerging at the end of 2020 and into 2021. MBIE notes that the step 2 investigation, if directed, can address the effects of any duty being imposed on the availability of goods.</p>

<p><i>Magnitude of the margin of dumping</i></p> <p>RoofTG agrees with MBIE’s conclusion at paragraph 280 of the Step 1 EFC Report, but reminds MBIE that the Korean exporters should be considered separately. Given that RoofTG considers that Dongkuk’s margin of dumping is <i>de minimis</i>, its adverse effect on NZ Steel is negligible or non-existent, and a distinction should be made between the adverse impacts caused by individual Korean exporters.</p> <p><i>Other matters</i></p> <p>RoofTG included submissions relating to other matters which it considered should be taken into account by MBIE.</p>	<p>In its analysis of the effect of the magnitude of the margin of dumping MBIE is not required to assess the margins of different Korean exporters separately, unless there is good reason to do so. In this case, since Dongkuk was the dominant supplier any separate analysis of its margin of dumping would have a similar result to the assessment using the weighted average margin.</p> <p>With regard to the other matters raised by RoofTG, MBIE notes that the step 2 investigation, if directed, can address a range of matters relating to the market for aluminium-zinc coated steel.</p>
<p><b>C7. Causation – demand and consumption changes caused by COVID-19</b></p> <p>RoofTG considers that MBIE’s analysis fails to recognise the significant impact that the lockdowns of 2020 had on NZ Steel’s domestic customers’ demand for coated steel during the POI. RoofTG recalled the evidence provided in its questionnaire response on the impacts of COVID-19 that went well beyond the five-week NZ Steel lockdown, with the introduction of uncertainty into business, including fluctuations in exchange rates and disruptions to international supply chains.</p> <p>RoofTG reiterated the points made in relation to C4 above, particularly in relation to the magnitude of the effect of the COVID-19 lockdown on NZ Steel’s customers.</p>	<p>MBIE notes that in the Step 1 EFC Report it has addressed causation, including the attribution of injury to the dumping of the subject goods, and the non-attribution to dumping of injury from other factors. In this context, MBIE has assessed the impact of COVID-19 disruptions on NZ Steel and on its customers and on construction activity, price movements in the cost of raw materials, the effect of increased shipping costs, and NZ Steel’s decisions on the destination of its aluminium-zinc coated steel production.</p>

<p><b>C8. Causation – World market price movements</b></p> <p>RoofTG considers that MBIE has incorrectly concluded that the IPP model is affected by the price of allegedly dumped imports, and states that the prices are not affected by dumping.</p> <p>RoofTG points out that as a significant player in the global coated steel market Dongkuk is a price taker, setting its prices in relation to world market prices, rather than NZ Steel’s prices, and does not have the scale to drive world markets.</p> <p>RoofTG notes that the biggest determinant in NZ Steel’s prices is world prices for steel, which are based on supply and demand and not on cost-plus. Information was provided on world price trends and NZ Steel’s response to them.</p>	<p>MBIE has recognised that world prices for steel affect pricing in New Zealand. Paragraphs 333-335 and Figure 12 of the Step 1 EFC Report assessed movements in world prices for HRC and noted their relationship to the price movements shown in Figure 5. MBIE noted that this tended to confirm that the prices of the subject goods and NZ Steel’s prices have a relationship with international steel prices, but that does not mean that price effects have been misattributed to dumping, since price effects of dumping can still apply alongside international price movements. It was also noted that international price movements will be reflected in both domestic and export prices, so such movements do not mean that dumping does not continue.</p> <p>The Step 1 Final Report has been amended to clarify that the second reference to price effects in the paragraph is to the price effects of dumping.</p>
<p><b>C9. Causation - Significant price increases for raw materials</b></p> <p><i>Electricity</i></p> <p>RoofTG notes that NZ Steel is very vulnerable to energy price fluctuations, and during the POI there were substantial price increases for electricity. RoofTG provided evidence that wholesale electricity prices were exceptionally low in January 2020 and rose throughout the first two quarters before peaking in July 2020. High price levels have continued through 2021. RoofTG claims that it is a matter of public knowledge that NZ Steel responds to spikes in electricity prices by restricting its output, and refers to an April 2021 media report.</p> <p>RoofTG notes that the Step 1 EFC Report does not appear to have taken electricity price increases into consideration in its attribution of injury.</p>	<p>In its verification of information from NZ Steel MBIE sought and received details of costs incurred in the production of aluminium-zinc coated steel, including raw material costs, electricity costs, and carbon costs, and confirmed that NZ Steel had been unable to fully recover cost increases through price increases. MBIE accepts that there will be a range of reasons for cost increases and that the extent to which there is recovery of cost increases through price increases will depend on a range of factors, including the market situation. However, to the extent that there is dumping of competing goods, the extent of that dumping is contributing to an inability to recover cost increases, hence MBIE’s conclusion that NZ</p>



<p><i>Aluminium and zinc</i></p> <p>RoofTG notes that the costs of aluminium and zinc are important elements in prices of coated steel, which means that even moderate increases in the cost of importing these materials can have an impact on NZ Steel’s cost of production. RoofTG suggests that increases in the prices of these commodities in the latter half of the POI is highly likely to have negatively impacted the profitability of NZ Steel’s business at that time. RoofTG provided evidence of the price movements for aluminium and zinc over the POI, and notes that MBIE does not appear to have taken these movements into account in the Step 1 EFC Report.</p> <p><i>Coal</i></p> <p>RoofTG commented on movements in the price of coal, and noted that MBIE does not appear to have taken coal price movements into account in the Step 1 EFC Report.</p>	<p>Steel experienced price suppression over the POI(I) but this effect cannot be wholly attributed to the dumped imports.</p>
<p><b>C10. Injury and causation – Conclusions</b></p> <p>RoofTG notes that 2020 provided significant challenges for NZ Steel, with multiple negative impacts as a result of the COVID-19 lock-down at the same time as unfavourable world steel market price movements and high raw material prices. Public announcements by NZ Steel and BlueScope referenced the negative impacts that these developments were having on NZ Steel’s performance. However, during the same period there was no assertion or evidence of harm being caused by increasing volumes of imports of the subject goods from Korea and Taiwan. There is thus no evidence to support a finding of injury or causation in this investigation.</p>	<p>MBIE does not consider that the absence of public statements by NZ Steel or BlueScope regarding specific aspects of an ongoing dumping investigation has any relevance to the finding of injury and causation.</p>

**C11. Calculation of anti-dumping duty rate for Dongkuk**

*Ministerial discretion*

RoofTG notes that the Act [section 14 is cited but sections 10D(2) and 10E are the relevant sections] provides that the decisions about whether to calculate a rate of anti-dumping duty and whether to impose an anti-dumping duty are discretionary. RoofTG also notes that the New Zealand-Korea Trade Agreement has provisions relating to the imposition of duty at a level less than the margin of dumping if a lesser duty is adequate to remove the injury.

RoofTG considers that the Minister should exercise his discretion not to determine an anti-dumping duty rate for Dongkuk because: the margin identified in the Step 1 EFC report is 2.5% (which RoofTG considers should be below the *de minimis* rate of 2%); material injury to NZ Steel in 2020 was not caused by imports from Dongkuk but by a range of unrelated factors; and NZ Steel has not experienced material injury in 2021, despite the continuing entry of the subject goods from Dongkuk throughout that year. Anti-dumping duties are not required to remove non-existent injury.

RoofTG notes that in previous investigations, MBIE has emphasised that anti-dumping duties are intended to remedy injury attributable to dumping and are not intended to punish an exporter or provide a domestic industry with protection beyond the impact of the dumping.

*Lesser duty*

RoofTG proposes that if the Minister does impose a duty then the lesser duty rule should be applied, with a 0% margin because Dongkuk’s injury margin will be less than the 2% *de minimis* level.

RoofTG suggests that in order to determine whether a lesser duty is necessary to remove injury then MBIE must calculate an injury margin for

MBIE notes that RoofTG may be referencing an earlier version of the Act which provided the Minister with discretion in relation to the imposition of anti-dumping duties. However, the Act, as currently applicable, does not provide for such discretion. Section 10D(2) of the Act provides that if the Minister makes an affirmative determination on whether goods are dumped and causing injury to an industry because of the dumping, then the Minister must determine the rate of anti-dumping duty, in accordance with section 10E, that will form the basis for investigation step 2. Section 10E(1) provides that the Minister may determine different rates of duty for named exporters, and a residual rate of duty for all other exporters from the country concerned. Section 10E(2) provides that the Minister must have regard to the desirability of ensuring the rate of duty is not greater than is necessary to prevent injury or remove the threat of injury (the lesser duty rule) and has regard to New Zealand’s obligations as a party to the WTO Agreement, and under the NZ-Korea Free Trade Agreement. Section 10E(3) provides that the rate of duty shall not exceed the margin of dumping.

There is no discretion for the Minister to decide not to determine a duty for a step 2 investigation when there is an affirmative determination under section 10D(1) of the Act.

For exports of the subject goods from Korea, MBIE calculated the 2020 weighted average ex-wharf value for each exporter to compare with NZ Steel’s 2020 weighted average ex-factory price, in order to establish indicative levels of price undercutting. The overall averages showed that there was no undercutting by Korean suppliers. The conclusion on material injury related to the effect of increased imports as well as the overall effect of dumped prices on NZ Steel’s prices. In these circumstances it is

<p>Dongkuk by assessing the level of undercutting. According to RoofTG, the injury margin is established by calculating a Normal Value (Value for Duty Equivalent) (NV(VFDE)) for Dongkuk and comparing it with the non-injurious FOB price (NIFOB) based on NZ Steel’s weighted average resale price. If the NIFOB is less than the NV(VFDE) then a lesser duty should apply.</p> <p><i>Application of price undercutting method</i></p> <p>RoofTG notes that it does not have the information necessary to undertake an undercutting calculation but endorses the finding in the Step 1 EFC Report that there is no evidence of price undercutting by Dongkuk. RoofTG queries an aspect of the price undercutting analysis at paragraph 223 of the Step 1 EFC Report, suggesting that the analysis is problematic because it does not consider the Korean exporters separately, as required. RoofTG considers that in view of the differing dumping margins the price undercutting analysis which takes account of the dumping margin should be disaggregated.</p> <p><i>De minimis injury margins</i></p> <p>RoofTG suggests that if MBIE calculates an injury margin for Dongkuk that is less than 2% then it is negligible, not material and less than the 2% <i>de minimis</i> level. RoofTG notes that the AD Agreement requires that an investigation be terminated where the margin of dumping is <i>de minimis</i> or the volume of imports is negligible. RoofTG notes that the UK Trade Remedies Authority recognises 2% as the minimum threshold for injury.</p>	<p>considered that a duty at less than the margin of dumping would not prevent material injury.</p> <p>MBIE has also applied the approach put forward by RoofTG in relation to Dongkuk, and calculated NV(VFDE) and NIFOB amounts, but the NIFOB exceeded the NV(VFDE), confirming the conclusion noted above.</p> <p>MBIE notes that it has discussed the use of NV(VFDE) and NIFOB calculations in the context of setting reference price duties in section 5 of this Step 1 Final Report.</p> <p>MBIE points out that the purpose of Figure 5 was to provide an indicative illustration of the effect of dumping on the level of price undercutting over the POI. The weighted average of all of imports from Korea was used for practical reasons (to ensure sufficient coverage across the year) and to protect the confidentiality of the individual exporters. The figures exclude imports from Taiwan for similar reasons and because Taiwanese imports were not dumped.</p> <p>MBIE notes that neither the Act nor the AD Agreement refer to an injury margin or a <i>de minimis</i> “injury margin”. The AD Agreement refers to a <i>de minimis</i> margin of dumping (2%) and to a negligible level of imports (3%).</p> <p>The calculation of an “injury margin” by comparing prices at a common level will not provide a useful indication of a level of injury where there are volume effects contributing to the adverse situation of the domestic industry, but can provide an indicator of a potential lesser duty amount.</p>
<p><b>D. Tiger Steel</b></p>	
<p>Tiger Steel noted that the supply of Korean imported steel has not impacted on NZ Steel, and the price of Korean imports was much higher than local prices. This means that NZ Steel did not raise the price in a</p>	<p>MBIE notes the comments, which reflect its understanding of the market effects since the COVID-19 pandemic effects started to make themselves felt during 2020 and since. However, MBIE’s assessment of all of the</p>

timely way even though global steel prices have gone up since the COVID-19 pandemic started.

relevant factors have led it to conclude that the dumping of imports from Korea in 2020 has contributed to material injury to the New Zealand industry.