

**Galvanised Wire
from Malaysia
Non-Confidential Final Report
Dumping and Countervailing Duties Act 1988
Reassessment of Anti-Dumping Duties**

Ministry of Economic Development

Tariff Policy and Trade Rules Group
Ministry of Economic Development

ISBN 0-478-28459-4


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ABBREVIATIONS

The following abbreviations are used in this Report:

ACSR	Aluminium Conductor Steel Reinforced Wire
Act (the)	Dumping and Countervailing Duties Act 1988
Agreement (the)	World Trade Organisation Agreement on Implementation of Article VI of the GAT/T 1994
ARM	(Galvanised steel) Cable Armouring Wire
ANZS	Australian and New Zealand Standard: 4534:1998
B/L	Bill of Lading
BLR	Basic Lending Rate
BS	British Standard
CIF	Cost, Insurance and Freight
CPI	Consumer Price Index of New Zealand
Customs	New Zealand Customs Service
EDI	Electronic Data Interchange
Euro	Euro Corporation Limited
FIS	Free-Into-Store
FOB	Free on Board
HGW	Highly Galvanised Wire
Hurricane	Hurricane Wire Products Ltd
HT, MT, LT	High Tensile, Medium Tensile, Low Tensile
ICT	Inland Cargo Terminal
L/C	Letter of credit
LDC	Less Developed Countries
LGW	Lightly Galvanised Wire
LLDC	Least Developed Countries
Malaysian Investigation (the)	The Dumping Investigation on Galvanised Wire from China and Malaysia of April 2004
Minister (the)	The Minister of Commerce of New Zealand

Ministry (the)	The Ministry of Economic Development
M.I.T.I.	The Malaysian Ministry of International Trade and Industry
MYR	Malaysian Ringgit
NIP	Non-Injurious Price
NZD	New Zealand Dollar
NZS	New Zealand Standard 3471:1974
OANDA	www.oanda.com
OLP	Anti-dumping investigation into Oral Liquid Paracetamol from the Republic of Ireland
Olex	Olex New Zealand Ltd
Pac	Forum Island Members of the South Pacific Regional Trade and Economic Cooperation Agreement
POI	Period of Investigation for the dumping investigation into galvanised wire from Malaysia and China (period being year ended 30 September 2003)
POR	Period of Reassessment (the year ending 28 February 2005)
PPI	Producer Price Index of New Zealand
S/O	Sales Order
SMI	SMI Wire Sdn Bhd
South African Investigation (the)	The Dumping Investigation on Galvanised Wire from South Africa of October 2002
Southern Wire	Southern Wire Industries (Malaysia) Sdn Bhd
T/T	Telegraphic Transfer
USD	United States of America Dollar
VFD	Value for Duty
WTO	World Trade Organisation
	Denotes confidential information

EXECUTIVE SUMMARY

Introduction

1. On 10 March 2005, at the request of Pacific Wire (a business unit of Fletcher Building Ltd), the Ministry initiated a reassessment of the rate or amount of anti-dumping duty on galvanised wire originating from Malaysia. The request alleged that the reference prices imposed following the investigation that was completed in April 2004 are now ineffective because of the increases in raw material costs, which have resulted in price increases of the finished product.

2. Under the reference price method of collecting duty, the duty payable is the difference between the import price and a reference price and duty is payable only if the import price is below the reference price. The current reference price duties are in the form of Normal Value (Value for Duty Equivalent) (NV(VFDE)) amounts which represent the undumped value of the goods at the FOB level. Reference prices can also be imposed at less than the margin of dumping based on a Non-Injurious Price (NIP) by means of Non-Injurious Free on Board (NIFOB) amounts. A NIFOB amount represents the FOB price at which imports would not cause injury to the New Zealand industry.

3. The Ministry considered that the request by Pacific Wire contained sufficient evidence to justify the need for a reassessment.

Goods Subject to the Reassessment

4. The goods subject to the request are described as follows:

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

Dumping

5. The reassessment period is the year ended 28 February 2005. During this period it has been found that galvanised steel cable armouring wire supplied by Southern Wire Industries (Malaysia) Sdn Bhd and galvanised steel wire supplied by SMI Wire Sdn Bhd was dumped. Galvanised steel wire supplied by Southern Wire Industries (Malaysia) Sdn Bhd was found not to be dumped.

6. The existence or otherwise of dumping in a situation where reference prices have been in place for some time is not necessarily indicative of the likely dumping margins in the absence of anti-dumping duty as the export prices are likely to be influenced by the existence of reference prices. A reassessment investigates whether there should be any changes to the rate or amount of anti-dumping duty. Because a reassessment is limited in scope to reassessing the rate or amount of anti-dumping duty it is not the appropriate means to determine whether an anti-dumping duty should continue or be terminated. The need for anti-dumping duties was clearly established in the dumping investigation completed in April 2004 and is not a matter that requires revisiting in a reassessment.

7. It is proposed that reference prices be based on the updated normal values so future imports of galvanised wire from Malaysia will only incur anti-dumping duty if prices are below the appropriate reference price.

Proposed Method of Imposition of Anti-Dumping Duty

8. The Ministry considered whether the duty could be reassessed in the form of a variable element reference price which would include a variable element represented by an index price. A variable component to a reference price would reflect fluctuations in the price of wire rod, the main input into galvanised wire. The Ministry's analysis of this potential method concluded that the price indexes considered do not reflect the actual prices of the Malaysian manufacturers sufficiently closely to be an appropriate surrogate for actual prices. The Ministry has therefore proposed that duties continue to be imposed using non-variable (static) reference prices.

9. The Ministry has given consideration to the desirability of ensuring that the amount of anti-dumping duty is not greater than is necessary to prevent material injury to the New Zealand industry. This requires calculation of a NIP(s), being the price(s) the New Zealand industry could achieve in the absence of dumped imports. The Ministry has considered the New Zealand industry's submissions on establishing a NIP and concluded that the most appropriate method is an import parity approach using the undumped export prices from Malaysia, or where that product was dumped, normal values of that product.

10. The Ministry added an amount to the import parity price that represented a premium for local supply that the New Zealand industry could charge over the price of imported goods. An import parity price containing a price premium could not, in the circumstances of this reassessment, establish a duty at less than the normal value but did allow the Ministry to further consider its selection of the best method of establishing non-injurious prices.

11. The use of the import parity method represents a change in the method used to establish non-injurious prices in the original investigation completed in April 2004 (the Malaysian investigation.) To establish a NIP in the Malaysian investigation the Ministry added to the New Zealand industry's current cost of production, the average profit margin achieved by the New Zealand industry in the latest non-injurious period i.e. a period not affected by the presence of dumped goods (1999).

12. When non-injurious prices are established using undumped export prices or normal values from the country subject to investigation those non-injurious prices will, after being converted into NIFOB amounts, always be equal to or greater than the corresponding NV(VFDE) amount. Because a NIFOB amount can only form the level of duty when it is less than the NV(VFDE) amount the Ministry did not calculate NIFOB amounts.

13. Consequently it is proposed that the duties be reassessed by way of NV(VFDE) reference prices specific to each exporter, and to type and diameter of galvanised wire imported into New Zealand.

14. The current reference prices, imposed after the investigation, were for six different diameters of galvanised wire. The Ministry proposes that applying reference prices that differentiate between high tensile and low tensile galvanised wire and having separate rates for galvanised cable armouring wire provides a more accurate and fairer remedy. It is proposed that for other exporters a residual *ad valorem* rate will apply. To ensure that any duty does not exceed the reference prices it is proposed that the residual *ad valorem* rate be capped by NV(VFDE) amounts.

Proposed Levels of Anti-Dumping Duty

15. The following table shows the proposed reference prices:

Armouring Wire					
Diameter in mm	2.00	2.50	3.15		
<u>Southern Wire</u>	████████	████████	████████		
Galvanised Wire					
Diameter in mm	2.00	2.50	3.15	3.40	4.00
<u>Southern Wire</u>					
- Low Tensile Strength	████████	████████	████████	N/A	████████
- High Tensile Strength	████████	████████	████████	N/A	████████
<u>SMI</u>					
- Low Tensile Strength	N/A	N/A	N/A	████████	████████
- High Tensile Strength	N/A	N/A	N/A	████████	████████
<u>Other Exporters</u>	11% ad valorem				
Capped NV(NVDE)					
Diameter in mm	2.00	2.50	3.15	3.40	4.00
- Armouring Wire	████████	████████	████████		
- Low Tensile Strength	████████	████████	████████	████████	████████
- High Tensile Strength	████████	████████	████████	████████	████████

Changes in Levels of Duty

16. The proposed reference prices are in the main greater than the existing reference prices. However due to the recommended split to recognise differences in prices of high and low tensile galvanised wire and galvanised cable armouring wire, reference prices for three low tensile galvanised wire diameters and one high tensile galvanised wire diameter have decreased from the existing reference prices for that diameter.

Effective Date of Application of New Duties

17. The reassessed duties are due and payable from the day after the Minister determines the new rates or amounts.

Refunds of Anti-Dumping Duty

18. If the reassessment results in lower duties being imposed the Minister may require the New Zealand Customs Service to refund, with effect from the date of initiation of the reassessment, the difference between the duty paid and the lower duty. However, if the reverse situation applies the shortfall is not required to be paid.

Conclusion

19. The Ministry concludes:

- The reference prices for galvanised wire supplied by Southern Wire Industries (Malaysia) Sdn Bhd should be reassessed to reflect updated normal values and to provide specific reference prices for high and low tensile galvanised wire and cable armouring wire.
- A reference price should be imposed on galvanised wire supplied by SMI Wire Sdn Bhd.
- The reference prices imposed against galvanised wire supplied by Aspac Alliance Steel Sdn Bhd should no longer apply.
- A residual *ad valorem* rate should apply to other exporters, excluding RCI Wire Sdn Bhd which should continue to be exempt from the duty.
- The residual *ad valorem* rate should be capped by the imposition of reference prices.
- The ACSR core wire imported by Olex New Zealand Ltd comes within the description of goods and therefore is subject to anti-dumping duty. The description of goods cannot be amended during a reassessment to exclude this good. This can only be done by way of a review. An interested party may request a review to address this issue but must include with any such request positive evidence justifying the need for a review.

1. Proceedings

1.1 Introduction

20. A request for a reassessment was made by Pacific Wire (a business unit of Fletcher Building Ltd) the sole New Zealand producer of galvanised wire. The basis of the request was that the reference prices imposed following the investigation that was completed in April 2004 are now ineffective because of the increases in raw material costs, which have resulted in price increases of the finished product.

21. The purpose of this report is to provide written advice to interested parties of the findings of the reassessment. It should be noted that this report provides a summary only of the information, analysis and conclusions relevant to this reassessment, and should not be accorded any status beyond that.

22. Section 14(6) of the Dumping and Countervailing Duties Act 1988 (the Act) states:

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

(a) On the initiative of the [Chief Executive]; or

(b) Where a request for a reassessment is submitted to the [Chief Executive] by an interested party who submits evidence justifying the need for a reassessment; or

(c) Following the completion of a review carried out under subsection (8) of this section—

and the Minister may determine a new rate or amount in accordance with subsection (4) of this section, and, in that event, shall give notice of the new rate or amount.

23. On 10 March 2005 the Chief Executive, acting pursuant to section 14(6)(b) of the Act, formally initiated a reassessment of the anti-dumping duty on *galvanised steel wire of high, medium and low tensile strength between (and including) 2mm and 4.5mm in diameter*.

Background

Application

24. The application for the current reassessment of the rate or amount of anti-dumping duty on galvanised wire from Malaysia was made by Pacific Wire on the basis that the prices of inputs into the manufacture of galvanised wire, such as the raw material steel scrap and the processed input wire rod, had increased significantly and the current level of duty was ineffectual in relieving injury caused by dumped galvanised wire originating from Malaysia.

History of Anti-Dumping Duties on Imports of Galvanised Wire

25. On the 31 October 2002 the Minister of Commerce imposed anti-dumping duties on imports of galvanised wire originating from South Africa (hereinafter referred to as the South African investigation). The goods are described as *galvanised steel wire of high, medium and low tensile strength between 2mm and 4.5mm in diameter, but EXCLUDING galvanised steel spring wire AS1472 exceeding 4mm in diameter.*

26. On the 24 March 2004 the Minister of Commerce imposed anti-dumping duties on imports of galvanised wire originating from Malaysia (hereinafter referred to as the Malaysian investigation). The goods (subject goods) are described as *galvanised steel wire of high, medium and low tensile strength between (and including) 2mm and 4.5mm in diameter.*

27. The current method of imposing anti-dumping duty on imports of galvanised wire from Malaysia is in the form of Normal Value (Value for Duty Equivalent) (NV(VFDE)) reference price amounts on goods supplied by two exporters (NV(VFDE) reference prices are explained below at paragraph 237.) For other exporters an *ad valorem* rate applies which is capped by a NV(VFDE) amount. One Malaysian supplier is exempt from anti-dumping duty as it was found not to be dumping during the Malaysian investigation.

1.2 Period of Reassessment

28. Imports of the subject goods were examined over the year ended 28 February 2005 (the POR) in order to determine if a new rate or amount of anti-dumping duty should be determined.

1.3 Interested Parties

New Zealand Industry

29. The request was submitted by Pacific Wire, a business unit of Fletcher Building Limited, the sole New Zealand producer of galvanised wire.

Exporters/Suppliers

30. The following companies have been identified from data obtained from the New Zealand Customs Service (Customs) as supplying the subject goods over the POR. Aspac Alliance Steel Sdn Bhd (Aspac), an exporter in the original investigation, did not supply any of the subject goods to New Zealand and accordingly is not recorded below.

Southern Wire Industries (Malaysia) Sdn Bhd

31. Southern Wire Industries (Malaysia) Sdn Bhd (Southern Wire) is a wholly owned subsidiary of Southern Steel Berhad which is a public company listed on the Kuala Lumpur Stock Exchange. Southern Wire manufactures steel wires, ropes, strands and a wide range of steel wire products.

32. Southern Wire provided a comprehensive response to the manufacturer's questionnaire.

RCI Wire Sdn Bhd

33. RCI Wire Sdn Bhd (RCI) has supplied the subject goods to New Zealand importers over the POR. In the Malaysian investigation the goods supplied by RCI were found not to be dumped and therefore were exempt from the application of anti-dumping duty and from reconsideration during this reassessment.

SMI Wire Sdn Bhd

34. SMI Wire Sdn Bhd (SMI) is a wholly owned subsidiary of South Malaysian Industries Berhad which is a publicly listed company on the Kuala Lumpur Stock Exchange. SMI manufactures a range of galvanised wire products.

35. SMI provided a partial questionnaire response. Further information was required to determine the ex-factory export and domestic prices of the subject goods but it has not been provided.

Importers

36. The following importers have been identified from Customs data over the POR as importing the subject goods.

Euro Corporation Ltd

37. Euro Corporation Ltd (Euro) is a privately owned company specialising in the distribution and manufacture of steel, rural and fastening products. Euro is based in Auckland but also operates a warehouse and factory in Christchurch.

38. Over the POR Euro imported from [REDACTED] tensile galvanised wire of diameters from [REDACTED] mm to [REDACTED] mm in coils that ranged from [REDACTED] to [REDACTED] kg.

[REDACTED] Euro advised that purchases [REDACTED].

39. Euro provided a comprehensive response to the importers questionnaire.

Olex New Zealand Ltd trading as Olex Cables NZ

40. Olex New Zealand Ltd (Olex) is a wholly owned subsidiary of Olex Holdings Pty Limited, Australia. Olex is a manufacturer of electric power cables which are manufactured at its facility located in New Plymouth.

41. Over the POR Olex imported from [REDACTED], ACSR (Aluminium Conductor Steel Reinforced) wire and heavy galvanised wire (HGW). Olex stated that it was necessary to import certain sizes of [REDACTED] as the whole range is not produced in New Zealand. Olex also found up to the commencement of 2005, that it needed to purchase HGW from [REDACTED].

due to constraints in its manufacturing facility regarding the presentation of the coils.

42. Olex provided a comprehensive response to the importers questionnaire.

1.4 Goods Subject to Anti-Dumping Duty

43. The goods which are the subject of the application are:

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

44. Some ACSR core wire has been imported under the same tariff items as the subject goods. ACSR core wire consists of a single galvanised, solid steel core. ACSR core wire is designed to provide strength to electricity transmission lines and high voltage overhead lines, where it is combined with strands of conductive aluminium wire.

45. During the South African and Malaysia investigations into galvanised wire no consideration was given to whether ACSR wire was a like good to the goods made by the New Zealand industry as at that time it was not imported. Pacific Wire has advised that it does not manufacture ACSR core wire and it does not consider that this product is a like good. Olex has also advised that Pacific Wire does not manufacture an appropriate wire for use as ACSR core wire suggesting that the tensility specification could not be met.

46. The ACSR core wire imported by Olex comes within the above description of goods subject to anti-dumping duty above and could attract anti-dumping duty as a high tensile galvanised wire imported. The description of goods cannot be amended during a reassessment to exclude this good. In order to establish whether ACSR core wire is a like good to goods made by the New Zealand industry, the Ministry would be need to conduct a confined review on this matter. An interested party may request a review to address this issue but would need to include with any such request positive evidence justifying the need for a review.

47. The subject goods enter New Zealand under the following tariff classifications:

7217	Wire of iron or non-alloy steel
7217.20	- Plated or coated with Zinc:
7217.20.10	- - Containing by weight less than 0.6% carbon
	. . . Containing by weight less than 0.25 % carbon:
	. . . . Fencing Wire:
	. . . . . 1.6 mm or more, but less than 2.5 mm in diameter:
05L kg	. . . . . Coils, not exceeding 50 kg

07G	kg	. . . . .	Other
		. . . . .	2.5 mm or more, but less than 4 mm in diameter:
08E	kg	. . . . .	Coils, not exceeding 50 kg
09C	kg	. . . . .	Other
		. . . . .	4 mm or more in diameter:
11E	kg	. . . . .	Coils, not exceeding 50 kg
13A	kg	. . . . .	Other
		. . . . .	Other
			Other:
15H	kg	. . . . .	1.6 mm or more, but less than 2.5 mm in diameter
16F	kg	. . . . .	2.5 mm or more, but less than 3.55 mm in diameter
17D	kg	. . . . .	3.55 mm or more, but less than 4.5 mm in diameter
18B	kg	. . . . .	4.5 mm or more, but less than 5.5 mm in diameter
		. . . . .	Other:
		. . . . .	Fencing Wire:
		. . . . .	1.6 mm or more, but less than 2.5 mm in diameter:
25E	kg	. . . . .	Coils, not exceeding 50 kg
27A	kg	. . . . .	Other
		. . . . .	2.5 mm or more, but less than 4 mm in diameter:
28K	kg	. . . . .	Coils not exceeding 50 kg
29H	kg	. . . . .	Other
		. . . . .	4 mm or more in diameter:
31K	kg	. . . . .	Coils, not exceeding 50 kg
33F	kg	. . . . .	Other
35B	kg	. . . . .	1.6 mm or more, but less than 2.5 mm in diameter
36L	kg	. . . . .	2.5 mm or more, but less than 3.55 mm in diameter
37J	kg	. . . . .	3.55 mm or more, but less than 4.5 mm in diameter
39E	kg	. . . . .	4.5 mm or more in diameter

7217.20.90	- -	Other
	. . .	Fencing Wire:
	. . . .	1.6 mm or more, but less than 2.5 mm in diameter:
05D	kg	Coils, not exceeding 50 kg
07L	kg	Other
	. . . .	2.5 mm or more, but less than 4 mm in diameter
08J	kg	Coils, not exceeding 50 kg
09G	kg	Other
	. . . .	4 mm or more in diameter:
11J	kg	Coils, not exceeding 50 kg
13E	kg	Other
	. . .	Other:
15A	kg	1.6 mm or more, but less than 2.5 mm in diameter
16K	kg	2.5 mm or more, but less than 3.55 mm in diameter
17H	kg	3.55 mm or more, but less than 4.5 mm in diameter
18F	kg	4.5 mm or more in diameter

48. Applicable duty rates are:

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

49. Customs data shows the country of origin and country of export as Malaysia. This means the goods are directly exported to New Zealand and do not pass in transit through another country. Malaysia qualifies for LDC preference under the New Zealand Customs tariff.

1.5 Reassessment Details

50. In tables, column totals may differ from individual figures because of rounding. The term VFD refers to value for duty for Customs purposes. The units of measure are kilograms (kg) unless otherwise specified.

1.6 Exchange Rates

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

When the comparison under paragraph 4 [of Article 2] requires a conversion of currencies, such conversion should be made using the rate of exchange on the date of sale⁸, provided that when a sale of foreign currency on forward markets is directly linked to the export sale involved, the rate of exchange in the forward sale shall be used. Fluctuations in exchange rates shall be ignored and in an investigation the authorities shall allow exporters at least 60 days to have adjusted their export prices to reflect sustained movements in exchange rates during the period of investigation.

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

52. In this report normal values are expressed in Malaysian Ringgit (MYR). Export transactions took place in United States dollars (USD). As in the Malaysian investigation the Ministry has used the sales order (S/O) confirmation date as the date of sale and the exchange rate has been sourced using the interbank rates listed on the OANDA.com currency conversion website.

1.7 Disclosure of Information

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

54. A copy of the Act and the Anti-Dumping Agreement is available at:

- www.legislation.govt.nz/browse_vw.asp?content-set=pal_statutes
- www.wto.org/english/docs_e/legal_e/19-adp.pdf or www.wto.org/english/docs_e/legal_e/19-adp.doc

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

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

56. A verification visit was made to Southern Wire Industries (Malaysia) Sdn Bhd.

57. Southern Wire commented on the content of the verification report after the release of the interim report. Southern Wires comments have not resulted in any changes to the Ministry's conclusions in the interim report.

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

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

59. SMI provided an exporters questionnaire response. However, the information was not complete enough to establish an export price(s) and normal values(s). Further information was requested from SMI but it was not received.

60. Where sufficient information has not been provided to enable the export price or normal value to be ascertained, in accordance with section 6 of the Act, such amounts can be determined having regard to all available information.

61. In view of the failure by SMI to provide all of the necessary information decisions have been made on the basis of the facts available.

Pacific Wire's Submission Regarding Extensions of Time Given to Interested Parties

62. In response to the interim report Pacific Wire expressed concern that "...repeated requests for extensions of time (all of which have been granted by the Ministry) are a pattern of activity by Euro and its associates that is [REDACTED]." Pacific Wire provided examples which relate to the Ministry granting an extension for the completion of the importer's questionnaire completed by Euro and the granting of additional time for Southern Wire to consider the draft verification report.

Ministry's Consideration of the Issue

63. Article 6 of the Agreement requires that all interested parties shall be given notice of the information which the Ministry requires and ample opportunity to present in writing all evidence which is considered relevant in respect of the investigation in question. Paragraph 1.1 of Article 6 of the Agreement prescribes that due consideration should be given to any request for an extension of time to complete a questionnaire and, upon good cause shown, an extension should be granted whenever practicable. Euro requested an extension to complete the importer's questionnaire because of the delay between notification of initiation and receipt of the questionnaire. The Ministry considered this a reasonable request and it was decided that the due date would be thirty days from the date of receipt of the questionnaire. Euro later requested another extension of nine days due to heavy work commitments at that time. Euro therefore had thirty nine days in total to complete the importers questionnaire.

64. With regard to Southern Wire's draft verification report the Ministry gave Southern Wire one week to comment on the content and any confidential information. Southern Wire did not respond by the date set and upon a reminder being sent requested an extension of just over three weeks. The Ministry declined this request but allowed another five days. When Southern Wire did not respond as requested the Ministry notified Southern Wire that it would be basing its findings in the interim report on the verified information discussed and recorded in the verification report and completed the interim report on that basis.

65. The Ministry considers that the requests by interested parties for an extension of time in order to supply the information required for the reassessment were not unreasonable. In granting extensions during this reassessment the Ministry considers it was meeting its obligations under both Article 6.1.1 and under New Zealand administrative law. The Ministry cannot comment on whether the requests for extension were [REDACTED] but it does not consider that any extension granted significantly impeded the reassessment.

Pacific Wire's Submission on Related Parties

66. Also in its submission on the interim report, Pacific Wire expressed concern that the Ministry did not "note or act upon" specific cautions in relation to what it considered a "related party circumstance". Pacific Wire explicitly noted that the Ministry stated it was cautious about using transactions between related companies in relation to establishing Pacific Wire's cost of wire rod but did not expressly state the same caution when considering Southern Wire's cost of wire rod, which Pacific Wire submitted was also purchased from a related company.

67. Pacific Wire also suggested that the Ministry did not check whether Southern Wire "might be submitting an incorrectly high carbon cost gap" i.e. intentionally paying an inflated price to its supplier for high carbon (HC) wire rod. Pacific Wire said this would result in the Ministry making an artificially large downward adjustment to normal values where the transaction used to establish normal values consisted of a sale of low carbon (LC) galvanised wire.

68. Pacific Wire also proposed that the Ministry "should take some more steps to be more fully informed" about various [REDACTED] which Pacific Wire contend that [REDACTED]. Pacific Wire noted it has made allegations in relation to such [REDACTED] previously and considered the matter "[REDACTED]".

Ministry's Consideration of the Issue

69. The Ministry noted in the interim report that it always conducted verification processes with due scepticism. While the Ministry may refer explicitly to its caution in some circumstances and not in others, this cannot be considered reason to believe that the Ministry has not conducted itself with due scepticism or in an objective manner.

70. The Ministry noted its caution in relation to Pacific Wire's purchase of wire rod because of the [REDACTED] difference in cost of wire rod [REDACTED].

sets the price of wire rod sold by Pacific Steel to Pacific Wire. Quite clearly such a material change would have a substantial affect on a non-injurious price (NIP) calculated using a current cost of production plus pre-injury profit margin method.

71. Although the Ministry does not note express caution in the interim report when referring to Southern Wire's purchase of wire rod to assess the validity of the information provided by Southern Wire the Ministry sighted a number of invoices relating to purchases by Southern Wire of both HC and LC wire rod. Some of the invoices were compared to the purchase order. The Ministry also compared the differences in Southern Wire's purchase price of both HC and LC wire rod, the "carbon cost gap", between different months of the POR and between the POR generally and the Malaysian investigation. The Ministry found no cause for further enquiry.

72. In relation to Pacific Wire's submission about the various , the Ministry has taken note of the made by Pacific Wire and considered them when conducting verification and analysis to the extent that it is appropriate. During the verification processes and within the scope of the whole reassessment the Ministry is satisfied with the authenticity of the documents and submissions that it has relied on in forming its conclusions.

2. Dumping Investigation

73. Section 3(1) of the Act states:

“Dumping”, in relation to goods, means the situation where the export price of goods imported into New Zealand or intended to be imported into New Zealand is less than the normal value of the goods as determined in accordance with the provisions of this Act, and ‘dumped’ has a corresponding meaning:

2.1 Introduction

74. This section of the report explains how the Ministry established whether galvanised wire from Malaysia was being dumped, and the extent of any dumping, in the POR.

75. The Ministry compared export prices and normal values on a transaction-to-transaction basis. The basis of comparison involves selecting (or, when no information was provided by the exporter, estimating) an appropriate domestic transaction value for comparison with each export transaction value. The Ministry was then able to compare the two values to establish whether or not each transaction was dumped and the extent of any dumping.

76. The Ministry uses a transaction-to-transaction basis for comparing export prices and normal values, rather than a weighted average-to-weighted average method, because this method identifies the individual transactions that are dumped. Under this method, in calculating the volume of dumped imports only those transactions found to be dumped are included (although in the case of a reassessment it is not necessary to calculate the volume of dumped imports). The Ministry considers this provides a more accurate representation of the extent of any dumping and is particularly suited to a small economy such as New Zealand where the number of transactions is relatively small.

77. According to data, over the POR, obtained from Customs there were [REDACTED] shipments of galvanised wire originating from Malaysia that are classified under the 30 Tariff items as shown in paragraph 47. These shipments totalled [REDACTED] kgs.

78. As outlined in paragraph 60, in the absence of required information, section 6 of the Act provides for a decision to be made having regard to all available information. In view of the failure by SMI to provide all necessary information to determine the export price(s) and normal values(s) the Ministry has used a combination of information provided by SMI, its importer and Southern Wire.

79. The Ministry calculates export prices and normal values by making adjustments to a base price. The base price for establishing export prices has been determined in all cases in this reassessment using the price paid or payable by New Zealand importers. The base price for establishing normal values has been determined in all cases in this reassessment using the price paid for like goods in the ordinary course of trade for home consumption in the country of export.

80. Adjustments are made to base prices in order to allow a fair comparison to be made between export prices and normal values. This comparison is made at the

same level of trade, normally at the ex-factory level and with due allowance made for differences which effect price comparability.

2.2 Export Prices

81. Export prices are determined in accordance with section 4 of the Act, which provides as follows:

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

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

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

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

82. Section 6 of the Act states 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 of this Act, or the normal value of goods to be ascertained under section 5 of this Act, the normal value or export price, as the case may be, shall be such amount as is determined by the [Chief Executive] having regard to all available information.

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

83. In the normal course of events, export prices are determined in accordance with section 4 of the Act. Export prices were established on this basis using information provided in submissions made by the relevant overseas exporters and New Zealand importers in response to the Ministry's questionnaires.

Southern Wire Industries (Malaysia) Sdn Bhd

Export Sales Distribution

84. Southern Wire exported [REDACTED] kgs of ARM and [REDACTED] kgs of HGW to [REDACTED]. Southern Wire [REDACTED] the subject goods to New Zealand from Malaysia.

85. The New Zealand customer advises Southern Wire of the goods it wishes to purchase. [REDACTED]

[REDACTED] it will send a

purchase order and Southern Wire will then send a sales order (S/O) to the New Zealand customer.

Payment for exported goods is made in relation to the Bill of Lading (B/L) date i.e. 5 or 10 days after the B/L is issued. When the goods are sent to the New Zealand customer an invoice is issued which confirms the details of the S/O and demand is made for payment of the account.

Base Prices

86. Base prices have been established from the [redacted] and [redacted] invoiced prices in USD. Southern Wire together with the importer provided copies of all export sale invoices. The date of sale has been taken as the date of the S/O.

Adjustments

Inland Freight

87. The Ministry based its adjustment for inland freight on verified information. The cost of inland freight is made up of two components; transport by lorry from the factory to the Inland Cargo Terminal (ICT) and transport by railcar to the export port, Port Klang. A proportion of the charges relate to the number of containers with the remaining charges relating to the weight of the load. The Ministry has made an adjustment on the basis of each container holding 22 tonnes and the weight of the consignment. An adjustment of MYR [redacted] per kg has been made to each export transaction for the cost of inland freight.

Export Packing

88. The Ministry based its adjustment for export packing on verified information. The Ministry has made an adjustment on export transactions of MYR [redacted] per kg.

Handling Costs

89. The Ministry based its adjustment on verified information. The handling costs refer to the loading of coils into containers for ocean transport.

90. The Ministry has made an adjustment on export sales of MYR [redacted] per kg.

Terminal and Processing Charge

91. The terminal and processing charges relate to electronic data interchange (EDI), B/L fee, terminal handling and "MT repositioning". The EDI, B/L fee and terminal handling relate to the charges incurred by Southern Wire at its export port, Port Klang. The repositioning charge refers to the need to move or reposition empty containers and Southern Wire is charged this cost in all instances. The Ministry has based an adjustment for each of these costs on verified information.

92. The cost of EDI and B/L has been allocated across the weight of each shipment. The adjustment for EDI ranges from MYR [redacted] to MYR [redacted]. The adjustment for B/L ranges from MYR [redacted] to MYR [redacted] per kg.

Aspac Alliance Steel Sdn Bhd

104. Over the POR there was no record that Aspac supplied the subject goods to New Zealand.

105. A questionnaire was sent to Aspac requesting information that would enable the Ministry to reassess the anti-dumping duty that is imposed on galvanised wire exported by Aspac. However, the Ministry has not received a submission.

106. In the Malaysian investigation Aspac sourced its galvanised wire for export to New Zealand from [REDACTED]. Aspac has not been a customer of [REDACTED]'s for calendar years 2004 and 2005.

SMI Wire Sdn Bhd

Export Sales Distribution

107. SMI exported directly to the New Zealand importer. Over the POR it exported [REDACTED] kgs of [REDACTED]. Customs data shows these imports occurred [REDACTED].

Base Prices

108. Base prices have been established from the [REDACTED] invoiced prices in USD. SMI provided copies of all export sale invoices. The date of sale has been taken as the date of the invoices.

Adjustments

Inland Freight

109. SMI provided the cost of inland freight on a per tonne basis from the factory at Johor Bahru to the export port, Pasir Gudang but no evidence to substantiate these costs was provided. The export port is 35 km east of Johor Bahru. According to information from Southern Wire, its inland freight expense is charged on the basis of the weight of the goods and the distance to its destination. The cost advised by SMI of USD [REDACTED] per tonne is similar to Southern Wire's inland freight expense per tonne but it is higher on a per km basis. While the information is not ideal in all respects the Ministry has nevertheless used the information provided by SMI to make an adjustment for the inland freight of MYR [REDACTED] per kg.

Export Packing

110. According to SMI's questionnaire response the packing cost is the same on export sales as it is for domestic sales. No adjustment, therefore, has been made regarding export packing.

Handling Costs

111. The Ministry considers that given the information supplied and verified at Southern Wire and in the absence of information to the contrary, an adjustment for the cost of handling the goods should be made.

112. The Ministry has made an adjustment on export of MYR [REDACTED] per kg for export transactions, based on information provided by Southern Wire.

Terminal and Processing Charge

113. No information regarding Malaysian customs terminal and processing charge(s) has been provided by SMI. An adjustment has been made for terminal and processing charges based on information provided by Southern Wire. The adjustment is collectively MYR [REDACTED] per kg.

Bank Charges

114. No information regarding bank charges has been provided by SMI. According to the questionnaire response and the importer's questionnaire response, sales to [REDACTED] are made on an [REDACTED] basis and the terms of payment are [REDACTED] ([REDACTED]).

115. According to information supplied and verified at Southern Wire there is a bank charge in relation to [REDACTED] of funds. The Ministry considers it is appropriate to make an adjustment for bank charges. On the basis of the quantity exported the Ministry has made an assumption that each sale relates to one container of goods. An adjustment has been made of MYR [REDACTED] per kg, based on information provided by Southern Wire.

Export Prices

116. Ex-factory export prices were established by deducting the adjustments outlined above from the base prices.

117. The range of export prices for SMI is shown in Table 2.4.

2.3 Normal Values

118. Normal values are determined in accordance with section 5 of the Act. Sections 5(1) and (3) of the Act provide as follows:

- (1) Subject to this section, for the purposes of this Act, the normal value of any goods imported or intended to be imported into New Zealand shall be the price paid for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arm's length transactions by the exporter or, if like goods are not so sold by the exporter, by other sellers of like goods.

- (3) Where the normal value of goods imported or intended to be imported into New Zealand is the price paid for like goods, in order to effect a fair comparison for the purposes of this Act, the normal value and the export price shall be compared by the [Chief Executive]—
- (a) At the same level of trade; and
 - (b) In respect of sales made at as nearly as possible the same time; and
 - (c) With due allowances made as appropriate for any differences in terms and conditions of sales, levels of trade, taxation, quantities, and physical characteristics, and any other differences that affect price comparability.

119. Where sufficient information has not been provided or is not available in an investigation, normal values can be established under section 6 of the Act. The provisions of section 6 allow the Chief Executive to ascertain normal values having regard to all available information.

Southern Wire Industries (Malaysia) Sdn Bhd

Domestic Sales Distribution

120. Southern Wire provided detailed information about its domestic activities. Southern Wire sells HGW, lightly galvanised wire (LGW) and ARM to a variety of domestic customers. Almost all of the HGW and LGW is low tensile. The relevant domestic customers of like goods were manufacturers that further processed the goods before reselling them.

121. The purchase process is essentially the same on the domestic market as that which applies to export sales. For sales within Peninsula Malaysia a delivery order is provided to the customer when the goods are delivered. Payment terms for customers within Peninsula Malaysia are based on the date of the delivery order. Sales to East Malaysia (Sabah and Sarawak) incur the same ex-factory distribution costs as export sales as they are transported via container and shipped to their destination.

Base Prices

122. For comparison with sales of HGW to [REDACTED], base prices for domestic sales have been established by using the invoiced price to [REDACTED] of the nearest product type and diameter and as near as possible to the same date of the export transaction. Where sales to [REDACTED] are not sufficiently close to the dates of export sales and choosing these would have a material effect on the price, sales to [REDACTED] have been used as a base price. [REDACTED] and [REDACTED] are manufacturers of wire mesh and other wire products.

123. For comparison with sales of ARM to [REDACTED], base prices for domestic sales have been established by using the invoiced price to [REDACTED] of the nearest product type and as near as possible to the

same date of the export transaction. [REDACTED] is a cable manufacturing company.

124. For comparison with sales of HGW to [REDACTED] base prices for domestic sales have been established by using the invoiced price to [REDACTED] of the nearest product type and as near as possible to the same date of the export transaction. [REDACTED] is company specialising in geo-stability products and design, which also manufactures gabions.

Adjustments

Levels of Trade

125. The Ministry made no adjustment for levels of trade in the interim report.

126. Pacific Wire, in its submission on the interim report proposed that an adjustment be made for the difference in levels of trade between the domestic customers, used to establish normal values, and export customers. Pacific Wire said it understood the domestic customers were manufacturers and considered the main importer to be a distributor. Pacific Wire contended that “usual market structure would see a manufacturer pay a lower price for a good that it intends to further process, than a distributor, who does minimal or nil further processing”. Based on this assertion Pacific Wire proposed that normal values be adjusted upwards.

127. Pacific Wire also made subsequent submissions to the Ministry on this matter after a meeting to discuss Pacific Wire’s initial submission on the interim report. These submissions generally reiterated Pacific Wire’s earlier position and called on the Ministry to make an adjustment for differences in levels of trade.

128. Pacific Wire submitted that it believed there were distributor customers in Malaysia and that they would pay a higher price than domestic manufacturing customers but provided no evidence supporting this statement.

129. Pacific Wire also proposed that the appropriate interpretation of the Act is that allowance be made under Section 5(3)(c) for differences that *would* affect price comparability.

130. Section 5(3)(c) requires the Ministry to make due allowance “... as appropriate for any *differences* in terms and conditions of sales, *levels of trade*, ... and any other differences *that affect price comparability*” (emphasis added).

131. The Ministry interprets Section 5(3)(c) to consist of a two step test. Both steps must be satisfied in order to warrant an adjustment for levels of trade to the prices compared in terms of Section 5(3)(a) and (b):

- there must be a *difference* in the levels of trade between export and domestic transactions; *and*
- that difference in the levels of trade must *affect price comparability*.

132. Because both steps must be satisfied to warrant an adjustment there can be no presumption that any difference in levels of trade should, of itself, result in an adjustment. Any difference must affect price comparability to warrant adjustment. Section 5(3)(c) clearly provides that allowance be made for differences “that affect price comparability”. The Ministry believes there should be no presumption in favour of an adjustment where a difference exists that *might* or *could* affect price comparability.

133. The Ministry agrees with Pacific Wire that an export customer and the domestic customers used for establishing normal values appear to be at different levels of trade i.e. the position the relevant companies occupy in the market in Malaysia and in New Zealand appears to be different to the extent that the Malaysian companies are manufacturers while of the NZ companies only one can be described primarily as a manufacturer. The other, Euro, is primarily a distributor, although undertakes some ‘manufacturing’ processes such as recoiling. Consequently some sales appear to be to companies at different levels of trade. Where the domestic and export customer appear to be at a different level the Ministry believes the enquiry should be thorough, however it does not believe there should be a presumption, for the reasons above, that a difference has affected price comparability, necessitating an adjustment.

134. The second part of the test requires that the difference affect price comparability, i.e. the difference results in customers receiving different prices. At paragraph 30 of the verification report the Ministry noted that Southern Wire describes [REDACTED] as a “manufacturer who adds value by recoiling or fabricating before selling..”. The Ministry also notes in the same paragraph that Southern Wire stated that “[REDACTED] are not too dissimilar to its domestic customers”. The Ministry is satisfied that Southern Wire considers the customers used to establish normal values and its New Zealand export customers to be at sufficiently similar levels of trade so as not to motivate Southern Wire to offer these customers different prices based on the different levels of trade they occupy in their respective markets.

135. In order to consider further whether differences in level of trade might affect prices the Ministry has compared the prices Southern Wire charged to [REDACTED] distributor) and [REDACTED] manufacturer) for the same product, 2.50 mm HT HGW, at a date as close as possible to the same time. After removing [REDACTED] costs from the price to [REDACTED], the price to [REDACTED] is still between [REDACTED] to [REDACTED] percent cheaper than the price to [REDACTED]. These levels of discount are slightly larger than those the Ministry observed when comparing sales of two domestic customers who purchased similar volumes to [REDACTED] and [REDACTED]. Both domestic customers are manufacturers. Pacific Wire has proposed that usual market structures would result in manufacturers receiving lower prices. If this were so, the Ministry might expect to see a smaller difference between the prices paid by [REDACTED] [REDACTED].

136. The preceding comparison indicates that differences in the levels of trade between [REDACTED] do not appear to have any discernible effect on the price that they receive rather that the differences in price are attributable to differences in quantities.

137. The Ministry is satisfied that Southern Wire has not discriminated on price due to any differences in levels of trade between export and domestic customers. The Ministry also reached the same conclusion during the Malaysian investigation.

138. Footnote 7 to Article 2.4 of the Agreement states that some of the factors for which a fair comparison adjustment may be required “may overlap, and authorities shall ensure that they do not duplicate adjustments that would have been already made under this provision”.

139. The Ministry has considered below whether an adjustment is required for differences in quantities and where the evidence is sufficient to justify an adjustment, an adjustment has been made. The Ministry considers that the evidence available shows that Southern Wire has not discriminated on price because of differences in levels of trade between the relevant domestic and export customers but did in some cases discriminate on price between these customers on the basis of differences in quantities. This discrimination on the basis of quantities may coincide with differences in levels of trade but did not result from levels of trade differences per se. The Ministry considers that to make a further adjustment for differences in levels of trade over and above the adjustment already made for differences in quantities would be duplicating an adjustment already made and therefore contrary to Footnote 7 of Article 2.4.

Discount

140. Southern Wire offers a [REDACTED] percent discount if a customer pays within [REDACTED] days from the date of the invoice. Southern Wire advised that of the customers selected above only [REDACTED] takes advantage of this discount. The Ministry verified the discount amount and in instances where sales to [REDACTED] were used to compare with export transactions a discount of [REDACTED] percent was applied.

Cost of Credit

141. Southern Wire advised that as from September 2003 the base lending rate (BLR) is [REDACTED] percent and it provided a statement from its bank to confirm this amount.

142. With regards to actual receipt of payment on domestic sales Southern Wire did not provide this information. Payment terms on domestic sales are either [REDACTED] days credit and the payment method is either [REDACTED]. Payment terms are based on the date of the delivery order.

143. The Ministry does not hold information on the date of the delivery order. To determine the date of the delivery order the Ministry has added to the S/O date [REDACTED] which represents the average time advised by Southern Wire that it takes from confirmation of the sale (S/O date) to delivery of the goods to the customers. In instances where the domestic sale is made on a [REDACTED] basis the Ministry has added an extra [REDACTED] days which represents the difference in the time the goods leave the factory to the time [REDACTED]. From the estimated delivery order date the Ministry has added the payment term shown on the invoice and by this method has established that the number of days credit on domestic sales ranges from [REDACTED] to [REDACTED] days.

144. The Ministry has made an adjustment for the cost of extending credit based on the difference between the number of days of credit on export sales and the number of days of credit on the domestic sales. The difference is between [redacted] to [redacted] days of credit. The cost of credit adjustment is based on the BLR of [redacted] percent and it ranges from MYR [redacted] to MYR [redacted] per kg. Where domestic sales to [redacted] were used to establish normal values, no cost of credit adjustment applies as the same terms apply to this customer as those that apply to the export customer.

Inland Freight

145. Southern Wire said the cost of freight is based on the distance from the factory to the customer and the weight of the goods.

146. Where sales to [redacted] were used to establish base normal values the Ministry has made an adjustment for inland freight based on an average of the verified freight cost to [redacted] of MYR [redacted] per kg.

147. Where the Ministry has used normal value transactions that relate to sales to [redacted] the Ministry has made an adjustment for the cost of inland freight based on an average of the verified freight cost to these companies of MYR [redacted] per kg.

148. In instances where sales to [redacted] were used the Ministry has made an adjustment of MYR [redacted] per kg, based on the verified freight cost to this company.

Packing

149. An adjustment of MYR [redacted] per kg was made for domestic overland transactions. For normal value transactions where the sale relates to [redacted] an adjustment of MYR [redacted] per kg has been made, which is the same verified adjustment that is made for export transactions.

Handling Costs

150. For overland sales the coils are loaded onto lorries. An adjustment has been made for overland domestic sales of MYR [redacted] per kg. Sales to [redacted] incur overseas handling costs, the same as that for export sales. The Ministry has made an adjustment where sales to [redacted] have been used to establish normal values of MYR [redacted] per kg which is the same as for export transactions.

Terminal Handling and Processing Charges

151. For sales to [redacted] it has been assumed that the processing charges at the port are the same as those for export sales. The Ministry has not seen any evidence to suggest that these charges would differ from export sale transactions. Some of these charges are based on the number of containers with the remainder of the charges made according to the weight of the consignment. The Ministry has made an assumption that all charges relate to one container (22 tonne) and made a collective adjustment, based on verified information, for EDI (MYR

), B/L (MYR), terminal handling (MYR) and repositioning charges (MYR) of MYR per kg. The overall effect of adjusting these transactions on both export and normal value is a net nil adjustment for terminal handling and processing charges where sales to were used to establish normal values.

Bank Charges

152. For sales to the terms of sale are which is the same terms as the corresponding New Zealand customer. The Ministry assumes that since payment is made on the same basis as the corresponding export sale the same charge applies and has made an adjustment where sales to have been used to establish normal values of MYR or MYR per kg. The overall effect, where sales to have been used to establish normal values is a net nil adjustment. No adjustment was made to sales to other domestic customers as they were located within peninsula Malaysia and did not incur bank charges specific to the sale.

Quantities

153. Southern Wire advised that the volume a customer purchases can have an effect on prices. The Ministry asked if this could be quantified. Southern Wire advised that

154. The Ministry compared a sample of prices to domestic customers. Because domestic prices are on a or basis this comparison necessarily requires the deduction of costs to allow a fair comparison. The results of these comparisons are shown in the following table:

Table 2.1: Comparison of Domestic Customers Purchasing Power

2.70 mm HGW Low Carbon (LC)		
Company	Date	Price MYR
	6/04/2004	
	3/03/2004	
Difference	-34 days	%
2.20 mm HGW HC		
Company	Date	Price MYR
	14/01/2005	
	8/01/2005	
Difference	-6 days	%

2.00mm ARM (LC)

Company	Date	Price MYR
[REDACTED]	31/08/2004	[REDACTED]
[REDACTED]	25/08/2004	[REDACTED]
Difference	-6 days	[REDACTED] %

155. The above table shows comparable prices to [REDACTED] were [REDACTED] percent and [REDACTED] percent cheaper per tonne than prices to [REDACTED]. [REDACTED] purchased [REDACTED] tonnes over the POR while [REDACTED] purchased [REDACTED] tonnes. The table also shows that comparable prices to [REDACTED] were cheaper than prices to [REDACTED]. [REDACTED] purchased 416 tonnes over the POR while [REDACTED] purchased [REDACTED] tonnes. These comparisons confirm that larger customers receive lower prices.

156. Section 5(3)(c) of the Act provides that the Ministry must give due allowance for differences that effect price comparability including differences in quantities. The Ministry concludes from the above information that if the export customer purchases a substantially different quantity of goods from that purchased by the comparable domestic customer the export customer may receive a different price. Therefore the Ministry has considered whether adjustments for differences in quantities are appropriate.

157. The Ministry concluded that sales to the largest export customer [REDACTED] will be compared to domestic sales to [REDACTED]. Over the POR [REDACTED] and [REDACTED] purchased a very similar quantity of products from Southern Wire. Consequently it is unnecessary to make an adjustment for any differences in quantities between [REDACTED] and [REDACTED].

158. The Ministry concluded that export sales to the smaller export customer [REDACTED] should be compared to domestic sales to [REDACTED], for [REDACTED] and [REDACTED] for HGW. During the POR [REDACTED] purchased 416 tonnes while [REDACTED] purchased 317 tonnes from Southern Wire. [REDACTED] purchased [REDACTED] tonnes over the POR. In the Ministry’s interim report it was stated that precise discounts could not be quantified so no adjustment was made at that stage.

159. Pacific Wire, in its submission on the interim report, proposed that the Ministry should make an adjustment for quantity where relevant and that this should be done by assuming that the adjustment should be the higher “small upward adjustment that [the Ministry] is aware of”. Pacific Wire suggested the adjustment should be the higher amount because Southern Wire did not provide the information necessary to make such an adjustment.

160. Where a party had actively withheld information from the Ministry, making accurate adjustment impossible, the Ministry might consider using a higher adjustment, as suggested by Pacific Wire. The Ministry does not believe that such an assumption should be made in this case as Southern Wire complied with the

Ministry's requests and provided a large sample of sales with which to allow comparisons to be made between prices to different customers.

161. From the information available a simple discount percentage by volume can be established. The discount percentage is based on information provided by Southern Wire and provides a good approximation of the likely discount in the absence of a mathematical model or formula. The discount percentage is established by calculating the percentage difference in price (discount) received by one customer when comparing their price with another customer who only purchased a small amount over the POR. Because the volume of sales to [REDACTED] is 57 tonnes over the POR the Ministry has assumed that this customer receives no discount and its prices could be considered a 'list price'. When prices to [REDACTED] were compared to [REDACTED] (416 tonnes) a discount of [REDACTED] percent to [REDACTED] is observed. This gives a discount ratio of one percent discount for every [REDACTED] tonnes purchased (416 tonnes / [REDACTED] percent discount = [REDACTED]). Applying the same discount ratio to other customers means [REDACTED] discount is [REDACTED] percent and Olex would receive a discount of [REDACTED] percent off the hypothetical 'list price'.

162. The problem with this function is that it is linear and when comparing prices between [REDACTED] and [REDACTED], as discussed above, it is apparent that the discount rates are not linear. However, it is likely that the actual function is close to linear within the range that is relevant for making an adjustment which is between [REDACTED] and 416 tonnes. In the absence of information capable of allowing quantification of the relationship between volume and discount the Ministry propose that this simple formula be used.

163. The Ministry has made an upward adjustment to base prices to [REDACTED] of [REDACTED] percent and an upward adjustment to base prices to [REDACTED] of [REDACTED] percent

Physical Characteristics

Differences in Diameter

164. Southern Wire exported to New Zealand four different diameters of galvanised wire which are either 2.00mm, 2.50mm, 3.15mm and 4.00mm. Of the four diameters Southern Wire stated that there were [REDACTED] equivalent types sold on the domestic market that were not exactly the same in diameter. The differences are 0.20mm and 0.05mm. Southern Wire did not seek an adjustment for the differences in diameter but it did reserve its position should the Ministry determine a difference between export sales and normal values that exceed 0.20mm. In the Malaysian investigation no adjustment was made for the differences in diameter as Southern Wire stated that it was unable to be quantified.

165. The Ministry based its normal value transactions firstly on the domestic customer/sale then its sale of the closest diameter to that exported to New Zealand. Over the POR the difference in diameters between export and domestic transactions ranged from -0.70mm to 1.30mm with a weighted average of 0.18mm. As the weighted average is less than 0.20mm, no adjustment for the difference in diameters was made in the interim report.

166. Pacific Wire, in its submission on the interim report, did not accept that an adjustment for difference in diameter could not be made. Pacific Wire requested that the Ministry provide substantive reasons why the cost difference cannot be quantified.

167. Because the average diameter of the transactions used to calculate normal values is smaller than the average diameter of the export transactions any adjustment would result in a reduction in normal values. Southern Wire advised that any adjustment for differences in diameter that was less than 0.20mm would be negligible and therefore did not consider it necessary to provide the information required to make the adjustment. The Ministry is satisfied that the likely quantum of the adjustment would be negligible, and consequently no adjustment has been made.

Differences in Zinc Coating

168. All export sales are HGW and normal values are mainly sales of HGW with some transactions of low galvanised wire (LGW).

169. The average cost of zinc per kg over the POR was verified at MYR [REDACTED] per kg. To establish the difference in the cost of zinc between HGW and LGW the Ministry used the average kgs of zinc per metric tonne for HGW and LGW as seen in the Australian and New Zealand Standard (ANZS) 4534:1998. On this basis the Ministry established a difference in the cost of zinc for each of the different diameters.

170. The Ministry has used only four domestic transactions to establish normal values which have a different level of galvanising to the comparable export transaction. For these four transactions, upward adjustments were made in the interim report of MYR [REDACTED] for diameter [REDACTED] mm and MYR [REDACTED] for diameter [REDACTED] mm.

171. In its response to the interim report, Pacific Wire submitted that the verification report contained an error where it referred to galvanised wire having "at least a coat weight of 215gm/mm²". The Ministry notes this quote from Southern Wire's verification report actually relates to galvanised wire of 1.50mm in diameter only.

172. The Ministry has subsequently observed that the coat weight described in ANZS is a lighter weight to that advertised by Southern Wire in its brochure. For 2.50mm HGW the coat weight used by the Ministry in the interim report, based on the ANZS, was 230g/m² whereas Southern Wire's 2.50 HGW has a coat weight of 260g/m² according to the coat weight advertised in Southern Wire's brochure.

173. To re-calculate the adjustment for the difference in the cost of zinc the Ministry has applied a formula which was supplied during the Malaysian investigation, at the verification visit in March 2004, to determine the mass of zinc coating on a kilogram per metric tonne basis (kg/mt).

174. The formula reads as follows:

$$\text{Kg/mt} = [(\text{zinc coating(g/m}^2\text{)})/(\text{bare wire diameter} \times 1962)] \times 1000$$

175. The following bullet points describe the components of the formula:

- The zinc coating (g/m²) for LGW is the verified amount from the visit of March 2004 and the g/m² for HGW is the amount in Southern Wire's brochure (the brochure shows the g/m² for HGW only);
- For LGW the bare wire diameter is the same diameter as the finished product whereas for HGW the bare wire diameter is [REDACTED] mm less than the total diameter. This information was also provided at the verification visit in March 2004; and
- The figure of 1962 is a constant in the formula.

176. The change in zinc coat weights from that used for the interim report results in a heavier coat weight over the range of diameters of on average 5g/m² (LGW) and 30g/m² (HGW). This change has resulted in a small increase in the adjustment to MYR [REDACTED] for diameter [REDACTED] mm and MYR [REDACTED] for diameter [REDACTED] mm.

Difference in Tensile Strengths

177. The Ministry has made an adjustment for the difference in the tensile strengths on the basis of the difference in the carbon content of the wire rod. In instances where the export transaction has high carbon content and the normal value transaction has low carbon content the Ministry has made an upward adjustment to the normal value based on the average difference of high carbon and low carbon content over the POR of MYR [REDACTED] per kg. In instances where the export transaction and the normal value transaction have the same carbon content no adjustment has been made.

Complexity and Compliance Costs

Submission by Pacific Wire

178. In response to the interim report Pacific Wire submitted that the normal values are understated. The Ministry has not taken into consideration complexity and compliance costs incurred to manufacture and supply galvanised wire to New Zealand importers that comply with the NZS3471:1974 (NZS). Pacific Wire submitted that the Ministry should make an adjustment for complexity costs that relate to the manufacture of a one-off product and an adjustment for compliance costs that result from the cost(s) of testing each shipment of galvanised wire to the NZS. Pacific Wire submitted that complexity costs "in the normal course of events appear as a price premium" and proposed that an upward adjustment be made to normal values to reflect these costs. These costs are considered by Pacific Wire to be a cost of the type in accordance with Section (5)(3)(c) of the Act.

179. Relying on Euro's questionnaire submission (public file document #90) that HT HGW "is not sold on the Malaysian domestic market, and is only produced for export,..." and Southern Wire's submission dated 13 April 2004 (public file document #530 of the Malaysian investigation) which states that the wire products supplied by Southern Wire "are only unique to [blank] and nobody else..." Pacific Wire submitted that the galvanised wire exported by Southern Wire to Euro is a one-off product. Pacific Wire submitted, based on Southern Wire's submission in the Malaysian investigation that "...[Southern Wire] has no particular interest in seeking sales of one

off products...”, that Southern Wire would seek “...generous recompense in the selling price for any additional costs involved in the manufacture and administration of the same product sold for domestic consumption.”

180. Pacific Wire supplied a copy of a label of galvanised wire sold by Euro. The label refers to 2.50mm galvanised wire which states that it complies with the NZS. Pacific Wire stated that compliance with the standard requires meeting prescriptive testing regimes. Pacific Wire claimed that the prescriptive testing, which requires testing of a set number of samples, has high costs that are incurred on sales of galvanised wire to New Zealand but not on domestic sales.

181. Pacific Wire has asked the Ministry to assess the testing requirements of the NZS and verify the costs to carry out these tests. Pacific Wire submitted that a test certificate is required for every 50 coils of finished wire if coiled in Malaysia or one test for every 500kg if the wire is imported from Malaysia in bulk form. Pacific Wire proposed the Ministry seek copies of test certificates relating to the requirements of the NZS to assess the cost of the prescriptive nature of the NZS testing requirements.

182. Pacific Wire argued that there is a one-off product made for a single customer. Pacific Wire proposed that such a product would incur additional administrative costs through scheduling the different product and would incur additional production costs through different operational set up, planned downtime to change the dies and re-threading the galvanised plant, together with extra testing relative to other products, a price premium over and above the standard price should apply. Pacific Wire submitted that this price premium could be quantified by using an example of a one off product (HT HGW [REDACTED]) that Pacific Wire sold to one of its customers. Pacific Wire advised that the price premium charged to that customer for this one-off product, of which it sold approximately [REDACTED] tonnes per month, was \$[REDACTED] per tonne or [REDACTED] percent of the selling price over and above the price of standard HT HGW product.

Submission by Southern Wire

183. In response to an inquiry by the Ministry in regards to Pacific Wire’s submission about complexity costs Southern Wire submitted that “there is nothing complex in changing jobs”. Southern Wire submitted that generally no rethreading is required as wires are joined at the end of the line. Southern Wire noted also that the galvanising lines of its plant run for 24 hours a day, 12 months of the year. Southern Wire advised it sells on its domestic market the same diameters of wire that it supplies to New Zealand.

184. Southern Wire submitted that the wire drawing of low carbon wire rod uses the same die draftings as high carbon wire rod so a change of die is not necessary when changing from HT wire to LT wire. Southern Wire advised that when it is required to change the dies it takes less than half an hour so even if a change was required, the wage cost would “constitute negligible value which by no means commands any premium”.

185. Responding on the compliance costs matter Southern Wire advised that it is mandatory in Malaysia for its wire products to be tested. Southern Wire advised that

it tests to the British Standard (BS) and the American Society for Testing and Materials (ASTM) Standard which exceeds the local Malaysian Standard. Southern Wire advised that all wire, whether for domestic or export sale is tested according to “BS443 and BS EN10244”.

186. Southern Wire advised that all testing is done at its laboratory and that the test results are audited annually by Sirim Berhad (Malaysian Testing Authority). Southern Wire submitted that it does not need to test differently for the products it supplies to New Zealand as its test results would show that it exceeds and therefore conforms to the New Zealand standard.

Ministry’s Consideration of the Issues

Complexity Costs

187. The Ministry interprets Pacific Wire’s submission to mean that ‘complexity’ cost/s are additional production and administration costs associated with supplying New Zealand importers with galvanised wire that Southern Wire does not supply to its own domestic market in Malaysia, and therefore an upward adjustment should be made to normal values to ensure a fair comparison with export prices that reflect these higher costs.

188. Pacific Wire contends that the goods supplied to one New Zealand customer are a “one-off” product. The Ministry interprets this to mean they are products which comply with the NZS, as opposed to the Standards of other countries. The Ministry is aware of at least one other customer, in New Zealand, who purchased the same products during the POR, and is aware that others have imported such products at other times.

189. Normal values have been established using predominantly LT HGW and some LT LGW. Over the POR all export sales are HGW of different tensile strengths therefore the difference in physical characteristics between these sales relates to the different tensile strength and galvanised coating. The Ministry has made adjustments for differences in these physical characteristics that affect price comparability.

190. Although the goods supplied to New Zealand importers have differences from the goods sold on the domestic market the Ministry is uncertain how the costs identified by Pacific Wire can mean that the good sold to New Zealand incurs complexity costs that other sales, domestic or otherwise, do not. The Ministry notes that most manufacturing facilities schedule a wide range of different products and production runs are organised to minimise down-time and unnecessary expense.

191. Pacific Wire stated that it charges an extra price premium of [REDACTED] percent for supplying [REDACTED] tonnes a month of a one-off product. On an annual basis this volume would be approximately [REDACTED] tonnes which is significantly less than the volume supplied to New Zealand importers over the POR by Southern Wire and may affect the premium per tonne required to re-coup one off costs. However the pricing strategy of one company does not necessarily apply to another. The Ministry considers it is unrealistic to assume that Southern Wire charge a premium of the magnitude proposed by Pacific Wire and based on the Ministry’s discussion above of

the elements of complexity cost it seems most likely that no premium, or additional charge, to recover such costs is passed on to the New Zealand customers.

192. The Ministry has not seen any evidence that providing the type of galvanised wire supplied to New Zealand importers requires Southern Wire to incur additional production costs that affect price comparability other than those made for the difference in tensility and zinc coating. The Ministry is satisfied that no adjustment for complexity should be made.

Compliance Costs

193. Because Southern Wire's products are audited by the Malaysian testing authority, the Ministry is satisfied that Southern Wire does undertake tests that conform with the Standards that Southern Wire claims that its galvanised wire meets. At Pacific Wire's request, the Ministry assessed the respective testing requirements of NZS3471:1974 and the British Standards; BS443:1982, BS EN10244-2:2001, BS EN10244-1:2001 (which both supersede BS443:1982) and BS1052:1980 (the Standard disclosed in Southern Wire's brochure).

194. The Ministry's assessment of any differences in the testing requirements between the respective Standards has no bearing on this reassessment because Southern Wire has advised that the same tests are undertaken on all wire, irrespective of whether the wire is for domestic or export sale. Because the same level of testing is undertaken for the wire sold to New Zealand as the domestic sale there can be no difference in the cost of testing between the two sales. Consequently no adjustment needs to be made to either export price or normal value to allow a fair comparison.

Normal Values

195. The normal values were established by deducting or adding, as applicable, the adjustments outlined above from or to the base prices.

196. Normal values established on the basis set out above were able to be matched with export prices of galvanised wire that represented 100 percent of the galvanised wire manufactured by Southern Wire that was exported to New Zealand during the POR.

197. The ranges of normal values for Southern Wire are shown in Tables 2.2 and 2.3.

SMI Wire Sdn Bhd

Domestic Sales Distribution

198. SMI sells galvanised wire on the domestic market to wholesalers and end users. These sales are LT HGW and standard galvanised wire. The costing information provided by SMI shows diameters from 2.00mm to 4.50mm inclusive.

199. SMI advised that all domestic sales are made on the basis of a seller and buyer only and there are no supply agreements or contracts with their domestic customers.

Base Prices

200. SMI provided copies of eight domestic invoices together with a sales price structure of the [REDACTED] with diameters from 2.00mm to 3.40mm. SMI advised that it could not provide a sales price structure for [REDACTED] with diameters between 4.00mm to 4.50mm as no domestic sales had been recorded over the POR. The breakdown of cost from list price to into store price is mainly based on sales to end users.

201. The invoices show the sale of various types of galvanised wire ranging in diameters from 2.00mm to 3.40mm. The invoices were issued in [REDACTED].

202. The Ministry has used as its base price the invoiced price per tonne of MYR [REDACTED] which refers to the sale of a [REDACTED] of a diameter of [REDACTED] mm to [REDACTED] in [REDACTED]. This sale is the closest in terms of the type of wire exported to New Zealand and is only [REDACTED] than the export sales.

Adjustments

Levels of Trade

203. The customer chosen to establish normal values appears to be a manufacturer. The Federation of Malaysian Manufacturers website shows that the domestic customer is a manufacturer of, among other products, gabions and mattresses. The Ministry considers that the export customer is [REDACTED], indicating that there is a difference in the levels of trade between the export and domestic customer. The Ministry has not received sufficient information from SMI to establish whether differences in levels of trade affect price comparability. However, based on the Ministry's assessment and verification of Southern Wire's business practices the Ministry considers that it is unlikely that SMI practices price discrimination due to differences in levels of trade. The Ministry has therefore not made an adjustment for levels of trade.

204. In its response to the interim report, Pacific Wire submitted that the Ministry had advised in that report that SMI's customers were wholesalers and end users and later described them as manufacturers. The reference in the interim report that SMI's customers were wholesalers was based on a submission from SMI while the other reference in the interim report, that SMI's customers were manufacturers was the conclusion reached by the Ministry after its consideration of the domestic customers provided by SMI.

Handling Costs

205. An adjustment has been made for domestic sales of MYR [REDACTED] based on information provided by Southern Wire.

Discounts

206. Terms of payment are [redacted] days (eligible for a [redacted] percent discount) [redacted] or [redacted] days. The Ministry has not made an adjustment for discounts as the credit term of [redacted] is [redacted] days.

Cost of Delivery

207. Domestic sales are made on a [redacted] basis. SMI has not provided any information on the cost of delivering the galvanised wire to its customers. [redacted] is located in [redacted] which is approximately [redacted] kilometres from the factory. Based on information provided by Southern Wire the Ministry has made an adjustment of MYR [redacted] per kg. This amount is based on sales by Southern Wire to [redacted] which is approximately the same distance from Southern Wire's factory as [redacted] is from SMI's factory.

Cost of Credit

208. SMI provided details of receipt of payment by the importer. The days of credit on export sales are [redacted] [redacted] [redacted] days from the date of the invoice. Domestic sales invoices show a credit term of [redacted] days and therefore a greater length of credit is extended on domestic sales than on export sales.

209. According to information from Southern Wire the BLR on funds is [redacted] percent per annum. The Ministry has calculated the cost of credit based on the difference of [redacted] or [redacted] days and made an upward adjustment of MYR [redacted] or MYR [redacted] per kg.

Quantities

210. Because the Ministry has minimal information about the nature of the chosen customer no adjustment can be considered for differences in quantities purchased by the export and domestic customers.

Physical Characteristics

Difference in diameter

211. SMI provided a breakdown of the cost of materials and direct labour to manufacture diameters from [redacted] mm to [redacted] mm. SMI exported [redacted] [redacted] [redacted] to New Zealand. The domestic sale chosen to establish normal values is [redacted] mm which is a difference of [redacted] mm.

212. The cost breakdown shows that it costs more to produce [redacted] mm compared with [redacted] mm. The cost of raw materials is an additional MYR [redacted] per kg and direct labour is an additional MYR [redacted] per kg. The total cost difference therefore is MYR [redacted] per kg. The Ministry has made a downward adjustment of MYR [redacted] per kg for the difference in the cost to produce the different diameter of wire.

Difference in Zinc Coating

213. Export sales by SMI were [REDACTED] and the domestic sale chosen to establish normal values is [REDACTED]. Because both sales relate to the same zinc coating no adjustment has been made.

Difference in Tensile Strength

214. Both the export sale and normal value sales are of the same tensile strength and therefore no adjustment is required.

Normal Value

215. The normal values were established by deducting or adding, as applicable, the adjustments outlined above from or to the base prices.

216. Normal values established on the basis set out above were able to be matched with export prices of galvanised wire that represented 100 percent of the galvanised wire manufactured by SMI that was exported to New Zealand during the POR.

217. The range of normal values for SMI is shown in Table 2.4.

2.4 Comparison of Export Price and Normal Value

Margins of Dumping

218. Export prices and normal values were compared at the ex-factory level, which is the normal point of comparison referred to in Article 2.4 of the Agreement. To arrive at the ex-factory values, the Ministry made a number of downward or upward adjustments from or to the base prices. The Ministry has also made adjustments to ensure that a fair comparison was made between export prices and normal values.

Southern Wire

219. There were [REDACTED] transaction lines related to goods supplied by Southern Wire. Of these transactions [REDACTED] transactions are dumped and [REDACTED] transactions have a *de minimis* dumping margin i.e. the dumping margin is less than 2 percent. Of the [REDACTED] kgs supplied by Southern Wire [REDACTED] kgs were found to be dumped which is [REDACTED] percent of total imports over the POR.

220. The following tables show the range of normal values, export prices and dumping margins expressed as a percentage of export prices for ARM and galvanised wire supplied by Southern Wire.



Table 2.2: Ranges of Data for Southern Wire (MYR per Kg) (Armouring Wire)

Normal Values	
Export Prices	
Dumping Margins	
Margins as % of Export Price	Nil to 18.20

Table 2.3: Ranges of Data for Southern Wire (MYR per Kg) (Galvanised Wire)

Normal Values	
Export Prices	
Dumping Margins	
Margins as % of Export Price	-32.17 to -1.67

SMI Wire Sdn Bhd

221. There were  transaction lines relating to goods supplied to New Zealand by SMI. Over the POR SMI supplied  kgs of galvanised wire and 100 percent of the goods were dumped.

222. The following tables show the range of normal values, export prices and dumping margins expressed as a percentage of export prices for galvanised wire supplied by SMI.

Table 2.4: Ranges of Data for SMI (MYR per Kg)

Normal Values	
Export Prices	
Dumping Margins	
Margin as % of Export Price	11.21 to 11.39

2.5 Conclusions Relating to Dumping

223. The Ministry concludes that the ARM supplied by Southern Wire over the POR was dumped.

224. The Ministry concludes that the galvanised wire supplied by Southern Wire over the POR was not dumped.

225. The Ministry concludes that the galvanised wire supplied by SMI over the POR was dumped.

226. The Ministry notes that the absence of dumping in a situation where anti-dumping duties have been in place is not necessarily indicative of the likely dumping margins in the absence of anti-dumping duty. This is especially so in relation to duties imposed by the reference price method as the export prices are likely to be influenced by the existence of reference prices. The likelihood of a continuation or recurrence of dumping, should anti-dumping duties be removed, can only be established by way of a review.



















227. Because this reassessment proposes that reference prices be set at the normal value level through the use of NV(VFDE) amounts, future imports into New Zealand of galvanised wire will not be subject to anti-dumping duty unless the VFD amount per kg (in NZD) is less than the reference price of that product (i.e. the goods are dumped).

3. Anti-Dumping Duties

3.1 Existing Anti-Dumping Duty

228. The anti-dumping duties that are currently in place for two suppliers in Malaysia are in the form of NV(VFDE) amounts in the currency of the country of origin which ensures that any exchange rate movements will not result in collection of anti-dumping duty above the full margin of dumping. The *ad valorem* rate that applies to other suppliers/exporters is capped by a NV(VFDE) amount to ensure that the collection of anti-dumping duty does not exceed the margin of dumping. The existing anti-dumping duty rates per kg are as follows:

Table 3.1: Duty Rates (MYR per kg)

Diameter Size:	2.00	2.24	2.5	3.15	3.55	4.00
Southern Wire						
Aspac						
Other Exporters (Excluding RCI Wire Sdn Bhd)	9% *	9%*	9%*	9%*	9%*	9%*
Capped NV(NVDE)						

* The *ad valorem* rate of anti-dumping duty is capped through the use of a NV(VFDE) amount.

3.2 Methods of Imposing Duty

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

230. Section 14(4)(a) of the Act provides that the Minister must not impose a duty that exceeds the margin of dumping for the dumped goods. The Solicitor-General has advised that the references to "export price" and "normal value" in this section are to be read as a reference to the export price and normal value established in the reassessment or to the values at the time the goods subject to the duty are imported¹. Given this, the Ministry's approach is to adopt a form of duty that

¹ Final Report Reassessment of Anti-dumping duties of Plasterboard from Thailand (September 1999) at Para 1.1.11 http://www.med.govt.nz/buslt/trade_rem/pdfs/pbdrev99fin.pdf

minimises the possibility of the duty exceeding the margin of dumping on shipments subsequent to the imposition or reassessment of the duty by the Minister.

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

- A specific amount per unit of product;
- An *ad valorem* rate; and
- A reference price approach, consisting of either:
 - a static reference price; or
 - a Variable Element Reference Price (VERP)

Specific Duty

232. 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 and impossible to evade by incorrectly stating the value for duty and clearly indicates to the importer the amount of duty payable. However, difficulties can arise where there is a wide range of goods involved, where exchange rates fluctuate to the extent that the margin of dumping will be exceeded unless there are constant reassessments of the specific amount, or where the exporter otherwise changes prices so that the duty is either greater than the margin of dumping or less than the margin of dumping previously established.

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

Ad Valorem Duty

234. An *ad valorem* duty is a duty based on the dumping margin expressed as a percentage of the export price, and is expressed as a percentage of the dutiable value. An *ad valorem* duty is convenient to apply, is not substantially affected by exchange rate movements or fluctuations in commodity prices. However, collusion between exporters and importers can lead to the manipulation of the invoice value of the goods concerned. *Ad valorem* rates are often appropriate where there is a large

range of goods or where new models appear, provided that the transaction-to-transaction comparison does not result in a range of different dumping margins.

235. Because an *ad valorem* duty is imposed proportionate to the export price of the goods, a particularly low export price (and therefore a potentially more injurious export price) will result in a proportionately lower amount of duty, which may not be sufficient to remove injurious dumping. Conversely, a particularly high export price (and therefore likely to be less injurious), will attract a proportionately higher amount of duty, which may be higher than is necessary to remove injurious dumping.

236. An *ad valorem* rate gives an indication of the impact of the duty, but is not as clear an indication as the other forms of duty.

Static Reference Price Duty

237. Using the reference price method of collecting duty, the duty payable is the difference between the transaction price and a reference price. The reference price would normally be based on the normal value by means of NV(VFDE) amounts, or the Non-Injurious Price (NIP) by means of Non-Injurious Free on Board (NIFOB) amounts. A NV(VFDE) amount represents the undumped value of the goods at the FOB level. A NIFOB amount represents the FOB price at which imports would not cause injury to the New Zealand industry.

238. A reference price duty has advantages in that it is best able to deal with movements in the export price and exchange rates (if expressed in the currency of the normal value), and is particularly appropriate for dealing with situations where a lesser duty is applicable. However, it has been argued that it is more easily evaded than the other forms of duty, by overstating the VFD of the goods. Nevertheless, a reference price does have the advantage of clearly signalling to exporters and importers what price is undumped or non-injurious, and provided it is carefully described, the problem of evasion can be dealt with. In addition, a reference price duty only collects duty when the goods are priced below the non-injurious or undumped reference price. It therefore collects duty only to the extent necessary to remove injurious dumping and avoids over-collecting duty.

239. In considering whether a reference price duty should apply in this case, the Ministry notes that reference prices were imposed in the Malaysian investigation and may have become less effective after substantial increases in the price of galvanised wire. The Ministry is mindful that reference prices set at the level representing prices over the POR may become out of date and require further reassessment. In the Malaysian investigation the Ministry set duties which were effective from March 2004, the first month of the POR. There was a substantial increase in prices during the investigation, with world wire rod prices appearing to peak at the end of 2004. More recent trends in world steel industry prices suggest that prices are again moving, this time in a downward direction. Although the current trend is down, the Ministry is not in a position to predict what future prices might be.

Variable Element Reference Price Duty

240. A VERP contains a variable element within a (NV(VFDE)) or NIFOB reference price. The VERP would change to reflect movements in the price of an input. A benefit of this is that the VERP recognises that the undumped or non-injurious price is not static. If prices of inputs fall after duties are imposed, a static reference price, that is one without a variable element, may result in a larger duty being payable than is required to remedy injurious dumping. Conversely if prices of inputs rise above the reference price threshold the reference price may cease to provide protection from injurious dumping.

241. A VERP relating to galvanised wire could reflect changes in the price of wire rod immediately. However, a VERP may require reassessment where a change occurs in the cost of production which is not due to changes in the price of wire rod. The confined nature of a reassessment of this type may mean it could be completed more rapidly than a full reassessment process. Any changes in costs other than wire rod would normally be relatively minor because the majority of costs are reflected in the cost of wire rod.

242. The imposition of a VERP would not exclude a party from seeking a reassessment or a review of anti-dumping duty although it would mean that reassessments for the most common reason, changes in price of an input, would be unnecessary. Reducing the frequency of reassessments could have substantial resource benefits for the Ministry and interested parties alike as well as providing the New Zealand industry with a more certain environment for doing business.

243. There are a number of issues to be considered however. In considering whether to recommend a VERP to the Minister of Commerce the Ministry has taken into account all relevant considerations including whether such a duty is a better solution than a static reference price or any other potential method of imposing an anti-dumping duty.

244. Not all goods would lend themselves to the VERP format. An appropriate product might have the following characteristics:

- a substantial proportion of the cost of production consists of materials (to minimise the effect on total cost of production of non material costs);
- the cost of materials would ideally be made up of only one or two significant inputs;
- the price of input(s) must be capable of calculation through a commodity price index that is easy to access and authoritative sufficiently representative of actual costs; and
- the price of the input must be susceptible to material change so as to warrant enquiring into whether a VERP is an effective method of imposing duty.

245. The Ministry wrote to all interested parties in a letter dated 25 July 2005, explaining that it was considering using a VERP as the method of reassessing the

duties and seeking feedback as to how such a method of collecting duty might work (the discussion letter). The discussion letter included an example of a VERP which utilised a price index as the variable element. The Ministry proposed using an index from the Metal Bulletin, an international metals industry resource². The Ministry provided an example that was indicative as a starting point for discussion. The possible formula was:

$$\text{VERP (2.50mm galvanised wire)}^3 = (\text{"World wire rod price" x Yield \%}) + \text{"Cost of converting into 1 tonne of 2.50mm galvanised wire by Malaysian manufacturers"}$$

"World wire rod price" is the price per tonne of steel wire (size 5.50mm) as notified by the Metal Bulletin, at date of sale, converted to New Zealand dollars at the Customs exchange rate on the day of importation.

"Yield %" reflects the amount of wire rod necessary for Malaysian manufacturers to produce 1 tonne of galvanised wire.

"Cost of converting to 1 tonne of 2.50mm Galvanised wire by Malaysian Producers" represents the amount in Malaysian Ringgit (MYR) to convert steel rod into 2.50mm galvanised wire *plus* costs to FOB. This will also be converted to New Zealand dollars at the Customs exchange rate on the day of importation. Different diameters will have different conversion factors to reflect the specific costs of production.

246. The example provided in the discussion letter and reproduced above is a NV(VFDE) duty which would represent the normal value for the Malaysian producers. If it were to be established that a lesser duty was applicable i.e. a NIFOB amount, the Ministry proposed that the NIFOB could also vary according to the changes in the world wire rod prices. It was suggested that the VERP amount could be multiplied by the proportion that a NIFOB represented of the NV(VFDE) amount to arrive at a NIFOB amount. This suggestion was supported by an example to illustrate how it might work.

247. The Ministry sought submissions by 8 August 2005 and two were received. The following paragraphs summarise those submissions made by interested parties and the Ministry's consideration of the issues raised.

Submission by Malaysian Ministry of International Trade and Industry (M.I.T.I.)

248. This submission proposed that the VERP mechanism contravenes normal value determination under the Agreement because "VERP is not one of the methodologies provided for under WTO Anti-dumping Agreement".

² <http://www.metalbulletin.com/>

³ A separate VERP could be established for each diameter of wire for which reference prices currently exist, i.e. 2.00mm, 2.24mm, 2.50mm, 3.15mm, 3.55mm, and 4.00mm. The variables for each diameter would be the yield %, if significant for that diameter and the cost of converting into 1 tonne of that diameter.

249. M.I.T.I. also submitted that such a mechanism “imposes extreme burden and is too onerous both on the importers and as well as the exporters as it requires information to be submitted prior to each exportation”.

250. M.I.T.I. considered that dependence on a world price, such as that offered by the Metal Bulletin, or some other index was not appropriate “because these are not actual prices paid by the exporters concerned for the raw material”.

251. M.I.T.I. also said that it had consulted with the exporter concerned and the exporter had advised that it was not in favour of such a mechanism. M.I.T.I. concluded by proposing that the duties be reassessed using the same mechanism used in the Malaysian investigation.

Pacific Wire’s Submission

252. Pacific Wire also made a detailed submission relating to the Ministry’s discussion letter. This submission contained the following points:

- Using exporter’s costs carries a danger that the costs will be [REDACTED]. Pacific Wire referred to previous occasions where it believed Malaysian steel companies [REDACTED].
- Pacific Wire noted that the method of imposing duty used by the Ministry in the Refined Sugar cases was different than the method proposed in the Ministry’s discussion letter. Pacific Wire submitted that the discussion letter method would be more [REDACTED] by exporters who could “effect [REDACTED] adjustments that will drive the reference price down.”
- Pacific Wire also submitted that while a price index for wire rod such as the Metal Bulletin reflects current aggregate prices of wire rod, those prices are not always accurately reflected in particular countries. Pacific Wire used itself as an example. Pacific Wire provided correlation coefficients comparing the price Pacific Wire paid to Pacific Steel with a ‘consolidated index price’ represented by the average monthly prices of two price indexes available from the Metal Bulletin. The two indexes relate to the FOB prices for drawing grade wire rod in USD. One related to prices in the Turkish market while the other referred to prices in the Brussels market. The results of this comparison show a [REDACTED] between the two sets of data although it was [REDACTED].
- Pacific Wire noted that Belgium and Turkey, the sources of the price indexes, were distant economies from both New Zealand and Malaysia, and that it did not believe that either of these markets made significant sales to New Zealand or Malaysia. Pacific Wire also noted world price indexes did not bear a strong resemblance with prices within a country because some countries, including Malaysia, have artificial state mechanisms in place. Pacific Wire referred to ceiling prices, non-tariff barriers and state ownership of steel mills as examples of distortive effects on local prices.

- Pacific Wire submitted that the method proposed by the Ministry could become distorted by fluctuations in the NZD:USD exchange rate. Pacific Wire submitted that this was reflected in its correlation coefficient calculation.
- Pacific Wire also expressed unease at using information from Malaysian manufacturers to establish the yield rate for wire rod and the actual costs to convert wire into galvanised wire, including profit and selling and administration expenses. Reiterating its reference to Malaysian manufacturers [REDACTED], Pacific Wire suggested it is “does not consider it reasonable to presume that [information from Malaysian manufacturers] will [REDACTED]”.
- Pacific Wire did point to effective instances of marker prices, and referred to the [REDACTED] as an example. [REDACTED] export market. Pacific Wire noted the conditions in the market made this an effective pricing method. These included New Zealand’s [REDACTED] and a stable market structure both in [REDACTED].
- Pacific Wire noted that the example the Ministry proposed in its discussion letter advocated using the price of 5.50mm rod. Pacific Wire submitted that it was unaware of whether the Metal Bulletin prices for Belgium and Turkey were for a specific diameter or an aggregation of diameters.
- In relation to the Ministry’s comment that NIFOB amounts, based on a percentage of the NV(VFDE) may be used to collect duty a rate less than the full margin Pacific Wire advised that it did “not believe that there is necessarily a constant relationship between a NIFOB and an NV(VFDE)”.
- Pacific Wire noted that the Ministry did not comment in great detail on what circumstances a reassessment of a VERP might be required. Pacific Wire asked how the Ministry might accommodate requests by exporters for an adjustment in the conversion cost, or yield, or fair profit. Pacific Wire also asked how an adjustment to the NIP might be made. Pacific Wire supposed that when a VERP method of duty is reassessed every element, apart for the variable element, must be re-verified, as well as a requirement to reconsider the NIP to ensure that duties need not be any higher than necessary to remedy injury to the New Zealand industry. Bearing in mind the above comment Pacific Wire submitted that it was “not sure how the VERP mechanism will reduce the timeframe that we have experienced in this reassessment.”

Ministry’s Consideration of the Issues

253. The Ministry has considered M.I.T.I.’s comments that the use of a VERP mechanism to collect anti-dumping duties “contravenes normal value determination

for the purposes of dumping margin determination”, and does not consider that to be the case for the following reasons.

254. The Ministry has calculated normal values using the method described in Article 2.1 of the Agreement which is, “comparable sales, in the ordinary course of trade, for the like product destined for consumption in the exporting country”. The Ministry proposes consideration of an index price to represent part of the reference price. A static reference price is based on the normal value. While the VERP is also based on the normal value it can reflect changes in the price of the raw material that are also reflected in the normal value.

255. New Zealand uses the prospective system to collect anti-dumping duty. In this system historical financial information is used to impose duties that are prospective in nature. An accurate surrogate index would allow the future duties to reflect more closely the actual normal values at the time of import. In this sense a VERP may better serve to meet the Ministry’s obligations under Article 9.3 of the Agreement, reflected in the Act under Section 14, to not impose a duty that exceeds the margin of dumping established under Article 2 of the Agreement.

256. Only if the Ministry concluded that the index price was a sufficiently accurate surrogate for the manufacturer’s actual costs of wire rod would it further consider imposition of a VERP mechanism. The obligation to use one of the methodologies identified in Article 2.1 and 2.2 of the Agreement *for calculating normal values* does not preclude the use of reference or benchmark prices *for imposing anti-dumping duties* nor does it preclude a VERP as the method of imposing anti-dumping duty.

257. The Ministry has used a VERP mechanism previously to collect anti-dumping duties, in the anti-dumping investigation into Refined Sugar from the Netherlands, Belgium and Denmark and subsequent reviews and reassessments dating from 1989 to 1998. The Ministry is also aware of at least one other jurisdiction (Canada) that has imposed VERPs to assess liability for anti-dumping duty.

258. M.I.T.I. has suggested that the VERP method proposed by the Ministry is too onerous on parties as it requires information to be submitted prior to exportation. The Ministry is conscious that any method of imposing anti-dumping duty should not be overly burdensome on the exporters, importers or Customs. If a VERP method was imposed, the method would be unlikely to burden parties any more than requiring importers to provide Customs with a copy of the sales order(s) relating to the importation. It is unclear what additional information M.I.T.I. considers would need to be submitted before the goods are exported.

259. M.I.T.I. has rejected the use of a price index such as those available in the Metal Bulletin because “[price indexes] are not the actual prices paid for by the exporters”. The Ministry has proposed consideration of a price index as it might act as a publicly available surrogate for the actual prices of the Malaysian manufacturers. The Ministry acknowledges that to be a fair surrogate for actual prices, a price index must accurately reflect the prices paid by the Malaysian manufacturers. The relationship between price indexes and Southern Wire’s actual prices of wire rod are discussed in the following paragraphs.

260. Pacific Wire submitted that the prices in particular countries may not directly reflect those of the price index. Pacific Wire provided information about its own pricing as an example and analysed the differences between an average of the Brussels and Turkish price indexes for wire rod, sourced from the Metal Bulletin (the consolidated price) and its own purchase price, paid to Pacific Steel.

261. The Ministry has used this same form of analysis as Pacific Wire to compare Southern Wire’s price of wire rod, over the POR, to the monthly averages of the Brussels, Turkish and consolidated prices. The Ministry found that there were only weak correlations between the actual prices and the indexes. The Ministry also found that small changes in the data created large changes in the correlation coefficient. Consequently the Ministry also compared the prices by converting the monthly USD index prices to MYR and plotting the ranges on a graph to review the relationship. The graph below shows Southern Wire’s monthly purchase prices over the POR, i.e. Southern Wire’s LC, HC and average price, compared with the consolidated price.

Table 3.2: Relationship between index prices and Southern Wire’s cost of Wire Rod

Confidential Table

262. The Ministry acknowledges that price indexes are an aggregation of prices and may not necessarily reflect the market in which individual companies exist. In this instance the Ministry’s analysis of the relationship between Southern Wires actual purchase prices and the index prices confirms this.

263. Pacific Wire has sought clarification from the Ministry as to the circumstances in which a VERP might require reassessment. M.I.T.I. noted that conversion costs may change regularly. The Ministry is mindful of this and pointed out in its discussion letter “that the VERP may require reassessment where changes occur in the cost of production that are not due to changes in the price of wire rod”. Should a VERP be put in place, the Ministry could initiate a reassessment of the conversion cost if an interested party provides evidence justifying the need for such a reassessment.

264. The Ministry considers that such a reassessment may be justified where an interested party could provide evidence that a component of the conversion cost, such as wages or the cost of zinc, had changed. Such a reassessment could normally be expected to be completed rapidly as the overall change to the conversion cost would be the difference between the previous verified amount of that cost and the new verified amount.

265. If a VERP was in place and the relevant index price had ceased to accurately reflect the cost of wire rod the Ministry might have to consider whether a static reference price should be used or consider if there was a more appropriate index. This might occur where the producer advises that its prices will be based on a new method that incorporates a different index.

266. M.I.T.I. also referred to the importation date “which is proposed to be the reference date”. M.I.T.I. said uncertainty is caused because the exporter may not be sure of this date. The Ministry’s example does not require the exporter to know the importation date. The example bases the wire rod price on the date of sale. The exchange rate on the date of importation is used to convert the world wire price (USD) and the conversion costs (MYR) to NZD. The actual FOB price is also converted to NZD to compare to the VERP for the purpose of calculating any duty. These tasks are done by Customs or the customs agent acting for the importer.

267. Pacific Wire felt that using information supplied by the Malaysian exporters [REDACTED]. Pacific Wire referred specifically to yield, conversion costs, profits and selling and distribution expenses. The Ministry always conducts its verification processes with due scepticism. Pacific Wire’s [REDACTED] in relation to [REDACTED] by the Ministry and would not of themselves represent [REDACTED].

268. The Ministry has used the verified actual sales and costs of the Malaysian manufacturers because it is satisfied that this information is sufficient to calculate export prices and normal values for this reassessment. The Ministry advised Pacific Wire in a meeting on 7 July 2005 that conversion costs (including profit and selling and administrative expenses) could be calculated by deducting the cost of wire rod from the invoice price. This allows for actual costs and profits to be used in establishing the conversion cost component of a VERP in the same manner as actual invoice prices are used to establish NV(VFDE)’s.

269. Pacific Wire has also submitted that the discussion letter method is prone to abuse as it does not include a NIFOB component. In order to simplify the example given in the discussion letter, and because during the Malaysian investigation only NV(VFDE) reference prices were established, the Ministry’s main example was that of a NV(VFDE) amount. However, the Ministry did suggest in the discussion letter how the variable element could be included in a NIFOB amount. A NIFOB can use information from the New Zealand industry or from some other source. Whatever the

source the Ministry approaches the information with due scepticism and will verify information where necessary.

270. Pacific Wire also considered there was an inconsistent relationship between the NIFOB and the NV(VFDE) and that it did not agree with the Ministry's comment about the possibility of establishing a lesser duty at 90 percent of the NV(VFDE). In this report the NIFOB and the NV(VFDE) for the POR have been compared to establish which is the lesser amount in terms of section 14(5) of the Act. Both methods represent an aggregation of prices, normally over the length of the POR. If the Ministry were to compare the two at another point in time using another period then it could result in a different ratio. At the same time when NIFOB and NV(VFDE) amounts are set using a static method for setting reference prices, the ratio between them is set for the period they remain in place, except to the extent they may be affected by exchange rate movements. The Ministry's comment regarding the NIFOB in the discussion letter was posed as a potential method of creating a variable NIFOB.

271. Pacific Wire queried whether the diameter in the Ministry's example method (5.50 mm) was appropriate. The Ministry has enquired with the Metal Bulletin about the criteria used to calculate its price indexes. The Metal Bulletin stated that their pricing series covers many steel products of different types and standard. To provide clarity the Metal Bulletin states the major end-use of the product e.g. mesh making or wire drawing. The Ministry's analysis is based on index prices that are the result of aggregating prices of a variety of diameters and types of wire rod.

272. M.I.T.I. submitted that the yield percentage in the Ministry's example method is arbitrary. The Ministry agrees. The example method is only intended to be illustrative of a possible method of calculation a VERP. If a VERP method of collecting AD duty was to be imposed any yield percentage in the calculation would reflect the actual yield of the Malaysian manufacturers.

Conclusion

273. After considering the potential use of a VERP to accommodate fluctuations in the price of galvanised wire the Ministry considers that the indexes it has considered are not sufficiently representative of the prices of the Malaysian manufacturers to allow a VERP to be an appropriate method for calculating anti-dumping duties.

274. The Ministry concludes from the above analysis that duties should be established using static reference prices as it did during the Malaysian investigation. In order to establish effective static reference prices the Ministry must consider the appropriate period of time over which reference prices should be calculated to allow for effective and fair duties.

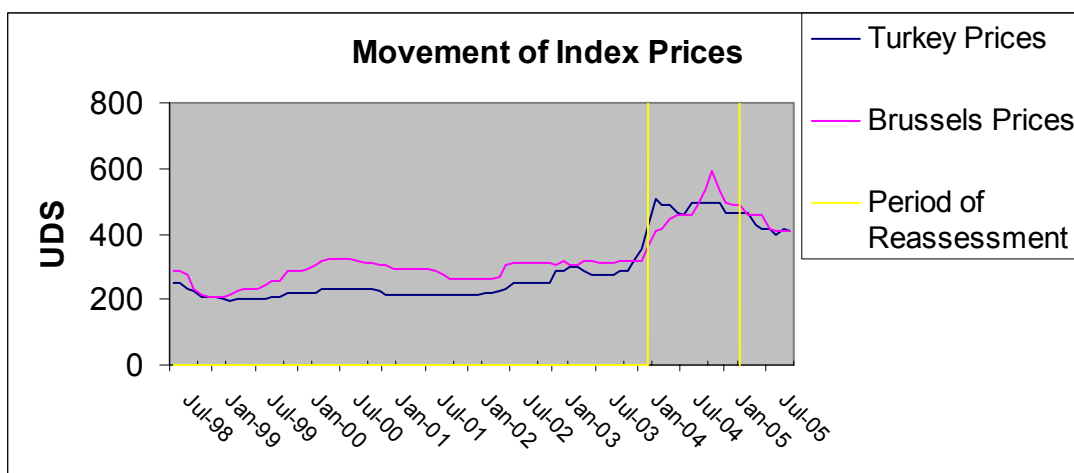
3.3 Period for Reference Prices

275. The price of galvanised wire follows the prices of wire rod, being the major input in the production of galvanised wire both physically and in terms of cost of production. In the Malaysian investigation, NV(VFDE) reference prices were established using prices from the month of March 2004, because export prices rose

after the POI due to increases in the cost of scrap, and presumably the cost of wire rod.

276. The following graph shows international prices of wire rod from July 1998 to October 2005⁴. It clearly shows that prices during the POR are much higher than the preceding period. The Ministry has included eight months of data collected after the POR. As of 26 October 2005 the Brussels wire rod prices (FOB) were between USD 400 and USD 415. This shows that prices have dropped from the highs of late 2004 but are still significantly higher than before the POR.

Table 3.3: Prices of Wire Rod from July 1998 to October 2005 (USD per Tonne)



277. Setting duties is a forward looking exercise, but is one which should generally be based on information gathered during the current investigated period. Accordingly NIFOB and NV(FVFDE) amounts should, to the extent possible, reflect prices that are most likely to be representative of future prices.

278. The Ministry has examined the extent to which prices of imports of galvanised wire have fluctuated over the POR and has availed itself of prices for wire rod subsequent to the POR as well as industry commentary on future prices. The Ministry considers that the recent downward trend in wire rod prices coupled with industry commentary predicting further cooling of the world steel market, indicates that prices are most likely to continue to decline.

279. The Ministry also notes that the steel market, like any international market, is unpredictable. Although prices appear likely to decrease they may flatten off at their current level or even increase further. In spite of the volatility the Ministry considers it unlikely that galvanised wire prices will return to pre-investigation levels in the short term.

280. Given the above the Ministry considers that the weighted-average data from the whole POR is the fairest method of calculating duties that are representative of future

⁴ <http://www.metalbulletin.com/>

values. The weighted average data takes into account prices from the beginning of the POR which are lower than the most recent prices. Import volumes were also greater in the earlier part of the POR. The weighted average will also reflect the highest prices experienced later in the POR.

3.4 Amount of Anti-Dumping Duty

281. Section 14(5) of the Act requires that the Minister have regard to the desirability of ensuring the amount of duty is not greater than is necessary to prevent material injury to the New Zealand industry. To establish the appropriate level of duty and whether a lesser duty should apply, the Ministry firstly calculates a NIFOB and secondly calculates a NV(VFDE) to check that the NIFOB has not exceeded the margin of dumping. If the NIFOB is less than the NV(VFDE), then the NIFOB amount, which is a form of lesser duty, will apply. If the NIFOB is greater than the NV(VFDE) then the NV(VFDE) will apply, i.e. duty will be reassessed at the full margin of dumping.

282. In order to calculate a NIFOB it is first necessary to establish the New Zealand industry's unsuppressed selling price achievable in the absence of dumped product in the New Zealand market normally referred to as its NIP, and considerations relating to this for the purposes of determining whether a lesser duty should apply, are set out below.

3.5 Calculation of a Non-Injurious Price

283. The NIP refers to the price achievable in the absence of dumped product in the New Zealand market. The difficulty arises where, as in this case, the objective is to try to determine an appropriate NIP in the absence of dumping, when dumping has been taking place for some years, and where a remedy has been applied with the objective of removing the injury caused by dumping. Possible methods for determining a NIP include:

- a. the current cost of production plus industry profits taken at a time when the industry was unaffected by dumped imports;
- b. determining the lowest priced undumped product in the market such as the price of goods originating from Australia or Malaysia; or
- c. using pre-injury prices scaled up by a relevant index.

284. The first method described above was used to calculate the NIP in the South African investigation and the Malaysian investigation.

Relevant Factors in Establishing the NIP

285. Before proceeding to consider the most appropriate method of establishing a NIP consideration needs to be given to when the industry was unaffected by dumped goods and whether the current prices can be used to establish a NIP(s). The following paragraphs discuss these issues.

Latest Non-Injurious Period

286. Pacific Wire submitted that the non-injurious period is 1998. Consequently Pacific Wire proposed that the NIP should reflect its margins in 1998 and the sales mix that it achieved in 1998 for 2.50mm high tensile galvanised wire (because this was the product line which Pacific Wire said incurred the substantial injury).

287. In the South African investigation Pacific Wire claimed in its application that material injury commenced in 2001, but later advised that material injury occurred as early as 1999. In 1999 Pacific Wire achieved a margin of [REDACTED] percent (of the cost of production) for HiSpan V and a margin of [REDACTED] percent (of the cost of production) for standard high tensile galvanised wire. Pacific Wire claimed it could achieve these margins in the absence of dumped imports. In its final report on the South African investigation the Ministry stated that the most recent period unaffected by dumping was the year ended June 1998.

288. The Ministry concluded in the South African investigation that it was appropriate to use the HiSpanV gross margin of [REDACTED] percent (achieved in 1999), as it would allow the most effective remedy to the New Zealand industry, based on what would have been achieved, but for the presence of the dumped galvanised wire. Three NIPs were established in the South African investigation for three different ranges of diameters all incorporating this 1999 profit margin. Any inference that the Ministry used the year ended June 1998 as a benchmark to calculate the NIP in the South African investigation is incorrect.

289. In the Malaysian investigation the Ministry determined that it was more appropriate to establish a NIP for six diameters of galvanised wire, which represented the bulk of the imported like goods over the POI. The Ministry established a NIP for the six diameters using a profit margin based on the overall weighted average profit margin achieved in 1999 of [REDACTED] percent. The Ministry noted that a margin based solely on sales of HiSpan V was now an unfair approach.

290. In 1999 Pacific Wire introduced a new financial software package and in providing financial information for the Ministry specifically on the production and domestic sale of galvanised wire from 1998 onwards, the financial information for 1998 only was based on one month of actual data (June only) and the remaining eleven months being estimated from its financial performance in 1999 and 2000.

291. On that basis the Ministry considers that the 1998 information is not as reliable as the later information from 1999, which at any rate represents a more recent non-injurious period, as concluded in the Malaysian investigation.

Current Domestic Sales

292. For the purpose of considering whether current prices are subject to price depression or price suppression the Ministry has compared current financial data with information from 1999.

293. To assess whether Pacific Wire's prices continue to be affected by imports of galvanised wire from Malaysia and therefore are not suitable for use in determining a

NIP, the Ministry has examined whether the up-to-date financial information supplied by Pacific Wire shows that its average price is depressed or suppressed.

294. Price depression occurs when actual prices are lower than they would be in a market unaffected by dumping, usually in a previous period. The Ministry has based its analysis on financial information provided in the South African investigation and the Malaysian investigation which has been updated to December 2004. The following table illustrates Pacific Wire’s average selling price.

**Table 3.4: Price Depression Per Tonne
(Yrs Ended June Except Where Otherwise Stated)**

	1999	2004	6mths to Dec 2004
Overall Galvanised Wire Selling Price			
Change on Previous Period			
% Change			%

295. The table above shows a decrease in the average price for 2004 and a increase in six months to December 2004. The price in 2004 was depressed as it was at a level lower than shown in 1999, but in the six months to December 2004 it has increased to a level higher than that in 1999.

296. The Ministry generally bases its assessment of price suppression on positive evidence, in particular the extent to which cost increases have not been recovered in prices. Cost increases not recovered in prices will be reflected in decline in gross profit and Earnings Before Interest Tax (EBIT) expressed as a percentage of sales. Where cost savings have been made, the lack of any price increase will not normally be regarded as price suppression.

297. The following table shows Pacific Wire’s costs, gross profit and EBIT relative to sales revenue.

**Table 3.5: Price Suppression: Revenue, Costs and Gross Profit (Per Tonne)
Years ended June (Except Where Otherwise Stated)**

	1999	2004	6 Months to Dec 2004
Average Selling Price	██████	██████	██████
Average Cost Of Production	██████	██████	██████
Gross Profit	██████	██████	██████
Average S&A Expenses	██████	██████	██████
Total Average Costs	██████	██████	██████
EBIT	██████	██████	██████
As % of Revenue			
- Cost of Production	██████%	██████%	██████%
- Gross Profit	██████%	██████%	██████%
- S&A Expenses	██████%	██████%	██████%
- Total Costs	██████%	██████%	██████%
- EBIT	██████%	██████%	██████%

298. The table above shows that in 2004 the gross profit and EBIT as a percentage of sales revenue has declined ██████████ compared to 1999 and then increased ██████████ in the six months to December 2004, but not to the level seen in 1999.

Conclusion

299. The average price per tonne of galvanised wire in 2004 is depressed when compared to 1999, a period unaffected by dumped product. For the six months to December 2004 the price is not depressed when compared with 1999. However, in 2004 and for the six months to December 2004 the prices are suppressed compared with 1999, indicating that price suppression is occurring even after the imposition of anti-dumping duties against galvanised wire from Malaysia. The Ministry, therefore, concludes that the present price of galvanised wire is not suitable to establish a NIP.

Pacific Wire's Submissions Before Release of Interim Report

Current Cost of Production plus Industry Profit from Non-Injurious Period

300. Pacific Wire does not believe that the circumstances have changed sufficiently in the year since the Malaysian investigation to warrant the consideration of any other

NIP methodology than using the current method. However, Pacific Wire disagrees with the way elements of the methodology were used by the Ministry, as shown below:

- the weighted average profit margin incorrectly lowers the NIP on the 2.50mm high tensile product where injury is being substantially suffered;
- the 1999 profit margin is no longer relevant to the new world wire prices and wire industry profitability; and
- the new NIP should be based on an escalation in production costs due to the suppression of Pacific Wire's cost of wire rod.

301. Pacific Wire contends that the pre-injury period was fully assessed in the South African investigation and since the final determination of the Malaysian investigation there have been few or immaterial changes to the market place.

302. The following paragraphs detail Pacific Wire's submission regarding the components of the present method of calculating the NIP.

Cost of Production

303. Pacific Wire submitted information on its cost of production. The information related to all of Pacific Wire's domestic sales of galvanised wire from July 2003 until June 2005 (the sales data). The sales data contained actual sales revenue and quantity as well as standard costs and associated margins for each sale.

304. Pacific Wire advised that variances from standard cost were reasonably [REDACTED] and supplied the total variance for the POR. In later correspondence Pacific Wire provided the total tonnage over the POR to allow for an approximate variance per tonne to be established. The variance per tonne has been added to the standard cost per tonne for each diameter to arrive at an actual cost of production for each diameter.

305. Pacific Wire submitted that the Ministry should depart from using the actual cost of production because "although it is the only New Zealand wire galvaniser, the price of wire rod feed to it from Pacific Steel has been adversely affected by the competitive pressure applied by the dumped goods on Pacific Steel's wire rod customer [REDACTED] finished product. The magnitude of that squeeze is an increase in the cost of wire rod in NZD (but for the dumping) of [REDACTED] percent since 1998. If the NIP increase were not to accommodate this world wire rod price increase method then there would be a significantly (sic) shortfall in the relief that Pacific Wire would achieve, against the test of 'but for the dumping'".

Profit Margin

306. Pacific Wire submitted that the substantial injury to Pacific Wire has been on sales of 2.50mm HiSpan V and standard high tensile galvanised wire. Pacific Wire initially stated that the profit margin should be the weighted average margin of [REDACTED] achieved in 1998. This was calculated by taking a weighted average of the HiSpan V margin of [REDACTED] percent and the standard high tensile 2.50mm wire margin of [REDACTED]

percent. The margins are weighted by the sales mix of each product; HiSpan V represents [redacted] percent of sales of 2.50mm high tensile wire and the standard high tensile wire represents [redacted] percent. The Ministry notes that the margin for 2.50mm wire is [redacted] percent and the sales mix relates to 1999.

307. Pacific Wire later submitted that the Ministry should apply a weighted margin of [redacted] percent which is based on the sales mix from 1998 ([redacted] percent for HiSpan V and [redacted] percent for standard high tensile) applied to margins suggested above of [redacted] and [redacted] percent. The Ministry notes that this is weighting the 1999 margins by the 1998 sales mix.

Table 3.6 Pacific Wire’s Submissions on Profit Margin

	Initial Submission			Later Submission		
	Sales mix	Margin as % of Cost of Production	Weighted Margin	Sales mix	Margin as % of Cost of Production	Weighted Margin
HiSpan V High Tensile (2.50mm)	[redacted]%	[redacted]%	[redacted]%	[redacted]%	[redacted]%	[redacted]%
Standard High Tensile (2.50mm)	[redacted]%	[redacted]%	[redacted]%	[redacted]%	[redacted]%	[redacted]%
Total	100%		[redacted]%	100%		[redacted]%

308. Pacific Wire’s contention is that it would now, but for the dumping, achieve average unit profitability not less than it experienced in 1998 or 1999. This is due to improved world steel industry profitability. Pacific Wire pointed to a number of examples including, Nippon Steel which recorded a record rise in consolidated net profit⁴ and the overall performance of the US Steel Index⁵.

Industry Current Cost of Production plus Profit Margin of Other Business Units of Fletcher Building Ltd

309. Pacific Wire submitted that this method would be subject to industry and market differences and is “considered inferior to restoration to pre-injury conversion within Pacific Wire”.

⁴ <http://www.yieh.com/Mnewsc.asp?No=10667>

⁵ <http://www.marketwatch.com>

Import Parity Prices

310. Pacific Wire does not believe that using the price of galvanised wire from Australia is the most suitable method of calculating a NIP because:

- it is incorrect for the Ministry to conclude that an absence of a finding of dumping against Australian goods is the one and same thing as positive proof that those goods are not dumped;
- an error may arise that imports from Australia are undumped which is compounded by the Ministry's suggestion to use the lowest price; and
- there may be reasons why goods that are dumped may not be notified to the Ministry for an investigation.

Pre-Injury Prices scaled up by Relevant Index

311. Pacific Wire submitted that this method is less suitable than the current method. Pacific Wire advised that pre-injury prices scaled up by indexes will not be suitable to reflect prices that would be achieved in the market in the absence of dumped goods. Pacific Wire said that the Consumer Price Index (CPI) is too broad a measure and the correlation is not sufficiently strong between the CPI and price of wire rod, the major input into the production of galvanised wire. Pacific Wire submitted that the Producers Price Index (PPI) does not take into account the escalating costs of production which have reduced its margins.

Pacific Wire's Submissions in Response to Interim Report

Price Premium for Domestic Supplier

312. Pacific Wire, in its submission on the interim report suggested that the Ministry should consider the price premium aspect of an import parity based NIP because the result of other submissions made by Pacific Wire would cause an increase to normal values to an extent that a NIFOB might set the level for reassessed reference prices.

313. Pacific Wire advised that it was of the view that a domestic service premium for "intangible local supplier benefits and so forth is justified". Pacific Wire provided a list of domestic sourcing benefits which are repeated below:

- Local contact in case of product performance inquiry.
- Product made specifically for local conditions.
- 40 year history of making that locally-made product, for local New Zealand conditions.
- Local contact for complaint resolution.
- Local contact for product development.
- Local key account management.

- Readily available tour of the manufacturing plant.
- Presence of the manufacturer at the annual Mystery Creek Fieldays.
- Compliance by local supplier to local product standards.
- Shorter time lead time for routine orders.
- Less risk of possible freight and delivery disruption.
- No foreign exchange risk.
- Greater capability to supply emergency orders.
- Ability to claim/promote “buy NZ made”.

314. Pacific Wire suggested that it is difficult to point to specific evidence of a domestic price premium in the wire industry due to the presence of dumped goods. Pacific Wire suggested that the Ministry contact New Zealand Steel to seek further insights into price premiums within New Zealand steel industry.

315. Pacific Wire proposed that a premium of between [REDACTED] and [REDACTED] percent would be a justified addition to the import parity price. Pacific Wire cited examples of sales to [REDACTED] company, [REDACTED], by [REDACTED], [REDACTED] where the customer paid premiums of [REDACTED] over the cost of an alternative imported product. Pacific Wire did not provide any evidence of what factors that gave rise to the premium in each case although noted the larger premium of [REDACTED] percent was accepted by [REDACTED]. Pacific Wire described the product with the lower premium as “[REDACTED]”.

316. Pacific Wire proposed that it could expect a premium midway between the [REDACTED] percent band mentioned above i.e. [REDACTED] percent. Pacific Wire gave no explicit reason for its estimate although the Ministry assumes this estimate is based on the differences in the premiums of the [REDACTED] products discussed above, and how these factors would relate to galvanised wire products in the New Zealand market.

Method of Calculating the NIP

317. In the interim report the Ministry concluded that NIPs should be calculated on an import parity price basis. In response to the interim report Pacific Wire advised that it disagrees with the use of the import parity price method to establish NIP(s). Pacific Wire submitted that “there remains a lack of full and complete argument and rationale on the matter”. Pacific Wire submitted that the appropriate method of calculating the NIP is to continue to use the current method i.e. Pacific Wire’s cost of production plus a profit margin from a pre-injury period. Pacific Wire submitted that it still considers the most appropriate non-injurious period is 1998.

318. Pacific Wire pointed to the Ministry's conclusion, on the method of calculating the NIP in the Malaysian investigation, that "the team considers the method it has used here to be the most accurate method in this case, as it reflects a current time period (by the use of current cost of production), and is the method that will most likely reflect an accurate selling price in the absence of any dumping (by the use of a pre-injury profit margin)".

319. Pacific Wire also quoted excerpts from two recent dumping investigations i.e. Oral Liquid Paracetamol from the Republic of Ireland (OLP) and Oil Filters from China, Indonesia, Korea and Thailand (Oil Filters), which Pacific Wire proposed provide support for using the cost of production plus pre pre-injury profit method that was used in the Malaysian investigation.

320. Pacific Wire submitted "that the purpose of the reassessment is to review the dumping margins, and therefore the remedy and not to conduct an additional material injury investigation". Pacific Wire did, however, acknowledge that part of the process to establish a new remedy involves recalculating the NIP(s) but it contended that "a reassessment is not the process within which a review of the NIP methodology should take place".

321. Pacific Wire further submitted that the time that has elapsed since the Malaysian investigation is not of such significant length as to bring into question the incumbent NIP methodology even if it were appropriate to reconsider the methodology during a reassessment.

322. Pacific Wire noted the following concerns with using the import parity method to determine the NIP:

- using un-dumped Malaysian pricing carries with it the risk of containing errors that "arise from the difficulty in adequately assessing the adjustments necessary to calculate the normal value";
- Malaysia "has no domestic demand for the goods imported by Euro" and consequently there are "no domestic sales of like goods in Malaysia with which to get any clear comparison or accuracy check for the constructed normal value";
- "the product is made in Malaysia to a New Zealand standard that applies only in New Zealand";
- there are "particular difficulties in assessing the magnitude of manufacturing complexity costs" to produce the galvanised wire destined for New Zealand and the "degree to which those complexity costs are either fully recovered or exceed the constructed normal value"; and
- the adjustments Pacific Wire proposed in its submission on the interim report, would increase normal values to levels that would result in the Ministry finding Malaysian goods were dumped and NV(VFDE)'s would no longer be below the aggregate amount under the current method, therefore justifying retention of the current method to determine the NIP.

323. Pacific Wire also suggested “there are a number of reasons why the price of goods from Australia might be lower than the [NIP using the current method] and/or at a lower price of (sic) the goods from Malaysia” although did not discuss what these reasons might be.

324. With regards to the Ministry’s citation of previous dumping investigations and reviews in forming its conclusion relating to the NIP in this reassessment Pacific Wire submitted:

- the “conclusions from the plasterboard industry do not necessarily relate to the steel industry”;
- the “economic history traversed in the plasterboard period 1988 to 1996 is grossly different to the galvanised wire period 1999 to 2005”;
- “the “other competitive pressures that constrained...” are plasterboard matters, and not necessarily shared in steel”;
- the plasterboard period is eight years whereas the galvanised wire period is six years; and
- in the reinforcing steel bar and coil dumping investigation the margins achievable by Pacific Steel were not affected by the increase in raw materials rather they are affected by the presence of dumped product.

325. Pacific Wire also submitted that a departure from the current method is not supported by any interested party to the reassessment.

326. Pacific Wire submitted the current cost of production information the Ministry has, relating to the POR, is outdated. Pacific Wire proposed that a NIP, calculated using the current method, be set using the most recent available information so that “relevant and up to date reference prices are established”. Pacific Wire referred to the Review of Canned Peaches from Greece (July 2003)⁵ and proposed that that review lent support for updating NIP information in anticipation of setting forward looking duties. Pacific Wire provided cost of production data which consisted of the average cost of production for six diameters between 1 September 2004 and 31 August 2005.

327. Pacific Wire did acknowledge that if the Ministry were to update NIP information for the purpose of setting duties it would be necessary to update normal values also.

⁵ Final Report Review of Canned Peaches from Greece (July 2003)
http://www.med.govt.nz/buslit/trade_rem/peaches-rev-gr/final/index.html

Ministry's Consideration of the Issues

Current Method of Establishing a NIP

Cost of Production

328. From the sales data provided by Pacific Wire the Ministry has been able to extract data relating to the cost of production over the POR. The sales data was sorted by diameter to produce standard costs per tonne for each diameter of galvanised wire produced by Pacific Wire. The sales data also included variances which enabled the Ministry to adjust the cost of production for each diameter to actual cost of production for the six diameters that reference prices were established for during the Malaysian investigation. This is shown in table 3.7.

329. Pacific Wire purchases wire rod from Pacific Steel. From 1999 to [REDACTED] 2004 the price of wire rod was based on an import parity model. Pacific Wire advised that during 2004, [REDACTED] price of wire rod purchased by Pacific Wire with the world price for wire rod.

330. In the Malaysian investigation the average purchase price over the POI of the wire rod feed was \$ [REDACTED] per tonne. Over the POR, the average purchase price of wire rod from Pacific Steel was \$ [REDACTED] per tonne which is on average an increase of \$ [REDACTED] per tonne or [REDACTED] percent.

331. Pacific Wire submitted that the price it pays for wire rod is suppressed due to the competitive pressure placed on Pacific Steel by [REDACTED]. It was apparent from a letter from Pacific Wire that it intended to quantify the amount of the claimed suppression however only included part of the information necessary to do so. Pacific Wire provided world prices of wire rod for calendar years 1998 and 2004 only but did not provide the corresponding prices it paid to Pacific Steel for wire rod in 1998. The Ministry interprets Pacific Wire's submission to mean that the present cost of production is understated because of the suppression of wire rod prices and if the NIP is based on the present cost of production figures it would also be understated. The Ministry asked Pacific Wire to quantify this level of price suppression but Pacific Wire made no further submission on this matter.

332. Information provided by Pacific Wire shows that there is [REDACTED] correlation between its purchase prices of wire rod and world wire rod prices. The [REDACTED] Pacific Wire's cost of wire rod illustrates that using actual costs to calculate the cost of production, or to determine if the price of wire rod is suppressed, may not produce a reliable result. In August 2004 Pacific Wire's cost of wire rod was [REDACTED] below the consolidated index price. Six months after [REDACTED] Pacific Wire's cost of wire rod was [REDACTED] above the consolidated index price. The Ministry is mindful of the effect that such a change in pricing can have on a potential NIP and believes that it should be cautious when using costs set by associated companies.

333. The Ministry considers that the actual cost of production i.e. standard cost adjusted for variances is the appropriate calculation for determining the cost of production over the POR. The table below details Pacific Wire’s cost of production for the six diameters that reference prices were established for during the Malaysian investigation.

Table 3.7: Pacific Wire’s Cost of Production over the Period of Reassessment

Diameter	Standard Cost of production (per Tonne)	"+/- Variance"	Actual Cost of production	Cost of Production Per KG
2.00	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	[REDACTED]
2.24	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	[REDACTED]
2.50	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	[REDACTED]
3.15	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	[REDACTED]
3.55	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	[REDACTED]
4.00	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	[REDACTED]
Overall	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	[REDACTED]

Profit Margin

334. According to financial information supplied by Pacific Wire in the South African investigation, the Malaysian investigation and this reassessment, it appears that Pacific Wire’s submission for the reassessment regarding the profit margin is a combination of figures from 1998 and 1999.

335. According to the data in 1998 the sales mix of 2.50mm HiSpan V and standard high tensile wire was [REDACTED] and [REDACTED] percent respectively of sales of 2.50mm high tensile heavily galvanised wire. The margin per tonne in 1998 was \$ [REDACTED] (2.00mm), \$ [REDACTED] (2.24mm), \$ [REDACTED] (2.50mm), \$ [REDACTED] (3.15mm) and \$ [REDACTED] (4.00mm). The Ministry notes that the margin on sales of 2.50mm of \$ [REDACTED] per tonne is equal to the margins recorded in 1999 of \$ [REDACTED] and \$ [REDACTED] weighted against the sales volume of HiSpan V and standard high tensile galvanised wire in 1998.

336. In 1999 the sales mix of 2.50mm HiSpan V and standard high tensile wire represented [REDACTED] percent and [REDACTED] percent respectively of sales of 2.50mm high tensile heavily galvanised wire. The margin for 1999 specific to these sales was \$ [REDACTED] and \$ [REDACTED] respectively or [REDACTED] percent and [REDACTED] percent of the cost of production. The margins per tonne in 1999 are recorded as \$ [REDACTED] (2.00mm), \$ [REDACTED] (2.24mm), \$ [REDACTED] (2.50mm), \$ [REDACTED] (3.15mm), \$ [REDACTED] (3.55mm) and \$ [REDACTED] (4.00mm).

337. No information has been provided on the cost of production specific to each diameter for 1998 or 1999 (other than that for 2.50mm HiSpan V and standard high tensile wire) which would enable a percentage profit rate to be ascertained for each diameter.

338. The Ministry has examined the sales mix of 1999 and compared it with that of 2004 and the six months to December 2004. The results are as follows:

Table 3.8: Output (Tonnes)

	1999	2004	6mths to Dec '04
HiSpan V High Tensile (HT)	[redacted]	[redacted]	[redacted]
Standard HT	[redacted]	[redacted]	[redacted]
Total HT	[redacted]	[redacted]	[redacted]
Other Galvanised Wire	[redacted]	[redacted]	[redacted]
Total Galvanised Wire	[redacted]	[redacted]	[redacted]
HiSpan V as % of all Galvanised Wire	[redacted]%	[redacted]%	[redacted]%
Standard HT as % of all Galvanised Wire	[redacted]%	[redacted]%	[redacted]%
Other as % of all Galvanised Wire	[redacted]%	[redacted]%	[redacted]%
HiSpan V as % of total HT only	[redacted]%	[redacted]%	[redacted]%
Standard HT as % of total HT only	[redacted]%	[redacted]%	[redacted]%
HT as % of all Galvanised Wire	[redacted]%	[redacted]%	[redacted]%

339. The table above shows that sales of [redacted] have continued to reduce since 1999. Sales of [redacted] in 2004 are at a level [redacted] than in 1999.

340. The Ministry considers that using the weighted average profit margin specific to the sale of HiSpan V and standard high tensile wire to establish a NIP is not an appropriate margin to apply to all types of galvanised wire produced by Pacific Wire. Based on the figures shown in 1998 and 1999 the dollar margins per tonne differ between the different diameters. To apply the percentage margin on sales of HiSpan V and standard high tensile wire of 2.50mm only to other diameters would increase the ex-factory average selling price that could be achieved on diameters less than 2.50mm and decrease the ex-factory average selling price that could be achieved on diameters greater than 2.50mm.

341. In the South African investigation the Ministry noted that “ [REDACTED] ”⁶. The Ministry considers that to base the margin on a product that would probably not command such a position or margin in the New Zealand market, in the absence of dumped products, as it did six or seven years ago, is inappropriate in this case.

342. The Ministry considers it would be more accurate to use the margin achieved on each diameter of galvanised wire sold on the domestic market in 1999 then apply that percentage to the present cost of production of each diameter. Since the Ministry does not have the necessary information to calculate a profit margin specific to the different types and diameters of galvanised wire sold on the domestic market it has used the weighted average profit margin of [REDACTED] percent which is that achieved over all types of galvanised wire in 1999. This is the same profit margin that applied in the Malaysian investigation.

343. The following table shows the NIP of each diameter to which dumping duty applies based on the cost of production figures seen in Table 3.7 with a profit margin added of [REDACTED] percent.

Table 3.9: Pacific Wire’s Non-Injurious Prices per Kg

Diameter	2.00	2.24	2.50	3.15	3.55	4.00	Overall
Cost of Production	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Pre-Injury Profit Margin	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
NIP	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

344. The Ministry is mindful that the current method of calculating a NIP, supported by Pacific Wire, would incorporate a profit margin from either 1998 or 1999 which is more than six years ago. In the 1996 review and reassessment regarding standard plasterboard from Thailand, the Ministry calculated a NIP based on the pre-dumping level of profitability in 1988 which was adjusted for inflation and with allowances made for efficiencies and one-off costs. This method was subject to extensive expert evidence by the industry and the Ministry during judicial review proceedings which established that such an approach could not be justified on economic grounds. This was primarily because of the length of time that had elapsed [8 years], the extensive changes that had taken place in the New Zealand economy since that time and the existence of other competitive pressures that constrained the extent to which the industry could have increased its prices⁷.

⁶ Final Report Galvanised Wire from South Africa. (December 2002) At Para 499. http://www.med.govt.nz/buslit/trade_rem/sagalvanwire/final/index.html

⁷ Final Report Review of Anti-dumping duties on Standard Plasterboard from Thailand (1999) at Para 4.6.1.38. http://www.med.govt.nz/buslit/trade_rem/pdfs/pbdrev99fin.pdf

345. In a recent dumping investigation regarding reinforcing steel bar and coil from Malaysia and Thailand of March 2004, the Ministry concluded that using the present cost of production plus a gross margin from the latest non-injurious period was unsuitable because the margins achievable for that product were effected by the changes in the price of raw materials. The Ministry observes in this reassessment that the prices of the wire rod during the POR have changed significantly. The Ministry has no way to be certain to what degree these changes are passed on to the customer or absorbed by the manufacturer. This also leads the Ministry to question the validity of a profit margin based on historical information.

Industry Current Cost of Production plus Profit Margin of Other Business Units of Fletcher Building Ltd

346. Fletcher Building Ltd is a publicly listed company that consists of a number of business units in the area of building products, infrastructure, distribution, laminates and panels. Pacific Wire is a business unit within the building products group.

347. The Ministry believes that the most appropriate business unit within the group would be Pacific Steel. However, the Ministry notes that its profit margin(s) could be affected by imports of reinforcing steel bar from Thailand that were found to be dumped and causing injury to the New Zealand industry. The Ministry does not consider that there are any other business units within the Fletcher Group that would be a suitable reference regarding profit margins in the absence of dumped goods.

348. The pricing of wire rod between Pacific Steel and Pacific Wire could have a substantial effect on their respective profitability. As has been expressed in paragraph 332, the Ministry is cautious about using prices between related companies.

349. Profit margins of other business units within Fletcher Building Ltd cannot be used as a reference on which to base a margin as the closest of the units, Pacific Steel, has also been affected by the presence of dumped product.

Pre-Injury Prices scaled up by Relevant Index

350. The New Zealand Department of Statistics publishes CPI and PPI indexes which are accessible via its website⁸. The CPI measures changes in the cost of goods and services bought by private households. The PPI measures changes in the levels of prices for the production sector of the economy. The PPI comprises of output indexes (which measures changes in prices received by producers) and input indexes (which measure changes in costs of production).

351. The increase in prices using a CPI or PPI must reflect the New Zealand industry's business operations and the movement in indexes should be similar if not the same compared with the industry's prices over a number of periods. Pacific Wire stated that the most suitable industry group is C14 i.e. manufacturers of sheets and fabricated metal products. Pacific Wire did not provide the Ministry with sufficient

⁸ <http://www.stats.govt.nz>

financial information relating to years when it was unaffected by dumped goods which would allow the Ministry to calculate a NIP using this method.

352. By applying the difference in the C14 output index between the June quarter of 1999 (index 969) and the March quarter of 2005 (index 1129) to Pacific Wire's average selling price for 1999 gives a current overall NIP of \$[REDACTED] per kg.

353. The Ministry has compared the aggregate NIP determined using the PPI to scale up pre-injury prices with other methods of calculating the NIP at table 3.11. A NIP using this method is higher than the current method for the Malaysia investigation and significantly higher than the NIP based on import parity.

354. The Ministry agrees with Pacific Wire that the CPI is an unsuitable method of reflecting the changes in prices. The Ministry considers that the PPI may be suitable but sufficient information has not been furnished by Pacific Wire to conclude that the most appropriate method of determining NIPs is to scale up the prices by relevant indexes.

Aggregate Import Parity Prices

355. Any New Zealand industry must compete with the prices of comparable non-dumped products that are imported into New Zealand. If goods from a country are dumped then the normal values in that country consist of the undumped price, a level at which the industry must compete with.

356. Over the POR imports originating from Australia represented [REDACTED] percent of all imports of galvanised wire. Malaysian imports represented [REDACTED] percent and imports from the Czech Republic represented [REDACTED] percent. Imports originating from these three countries represented the three largest sources of galvanised wire over the POR and account for [REDACTED] percent of imports over that period.

357. Under the rules of the Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) the Ministry is unable to initiate a dumping investigation on goods originating from Australia⁹. New Zealand products must compete with goods of Australian origin, irrespective of whether the export price of the Australian good is higher or lower than the normal value of like goods on the Australian market. Consequently Australian goods may be considered by the Ministry when seeking to establish the lowest undumped import prices in the New Zealand market and the Ministry does not agree with Pacific Wire's submission in paragraph 310.

358. The Ministry's examination of the import data shows that different types and diameters of galvanised wire are imported into New Zealand. As an indication of possible prices in the New Zealand market the Ministry has used aggregate information to determine from sources other than Malaysia, the average import prices into the New Zealand's market. This is an approximate calculation but provides a

⁹ Protocol to the Australia New Zealand Closer Economic Relations- Trade Agreement on Acceleration of Free Trade in Goods (1988)

tool with which to measure the relative price of imports from sources other than Malaysia.

359. The average VFD per unit over the POR from Australia and the Czech Republic is, respectively [redacted] percent and [redacted] percent higher than the equivalent VFD per unit of goods from Malaysia. The estimated ex-wharf price per kg (using costs of insurance and overseas freight from customs data and [redacted]'s customs clearance costs) of galvanised wire from Australia and Malaysia is less than the industry's overall NIP in NZD which has been calculated using the current method. However, the aggregate ex-wharf price per kg of galvanised wire from the Czech Republic is more than the overall NIP in NZD calculated using the current method. The following table compares these prices:

Table 3.10 Estimated Aggregate Ex-Wharf Price per Kg

Country	VFD per Kg (NZD)	Total Costs per Kg (Import Duty, Insurance, Overseas Freight)	Port Clearance Charges	Aggregate Ex-Wharf Price per Kg
Australia	[redacted]	[redacted]	[redacted]	[redacted]
The Czech Republic	[redacted]	[redacted]	[redacted]	[redacted]
Malaysia	[redacted]	[redacted]	[redacted]	[redacted]

360. The Ministry's examination of dumping in this reassessment concludes that exports from Malaysia, with the exception of ARM exported by Southern Wire and [redacted] exported by SMI, are at undumped prices. Where the average ex-wharf price per kg from Malaysia is undumped and is less than the other large sources, Malaysian prices are necessarily the cheapest undumped prices in the New Zealand market. Import parity prices have therefore been based on import prices from Malaysia, except for dumped imports of ARM and [redacted] exported by SMI, which have been based on the normal values of these products.

Ministry's Consideration of Pacific Wire's Submissions in Response to Interim Report

Domestic Supplier's Price Premium

361. Pacific Wire has suggested that the Ministry should consider the price premium aspect of an import parity based NIP because its other submissions may result in an increase in normal values to such an extent that a NIFOB may become relevant. The Ministry notes the situation described by Pacific Wire cannot actually occur when using the country from which the dumped goods originate as the source of import parity prices. Where the NIP is based on undumped export prices and to the extent that these prices remain undumped after any upward adjustments suggested by Pacific Wire are accepted by the Ministry the corresponding NIFOB will be higher than the NV(VFDE) and so cannot form a lesser duty even without a premium for local supply.

362. If adjustments to normal values proposed by Pacific Wire were accepted by the Ministry and were of sufficient magnitude to result in the goods becoming dumped then the NIFOB would be based on the normal value, rather than the undumped export price. This would be equivalent to the NV(VFDE) amount. Adding a premium to the NIFOB for local supply would also make it greater than the NV(VFDE) and incapable of forming a lesser duty. Where the NIP is already based on Malaysian normal values, as in the case of ARM, any increase to the normal values proposed by Pacific Wire will also be reflected in the NIP. So again, by adding a premium to the NIP, this will make the NIFOB higher than the normal value and therefore incapable of forming a lesser duty.

363. Irrespective of whether the Ministry believes that consideration of Pacific Wire's submission on price premium is necessary for the calculation of a NIFOB that can represent a duty at less than the full margin of dumping, consideration of a price premium allows the Ministry to better compare an import parity NIP with other methods of calculating a NIP.

364. This is because, by adding a premium to import parity prices to reflect any benefits that customers perceive the NZ industry provides that allow it to price above the imported products, the NIP can then reflect the position that the local product may not need to compete at that same price point as the imported good. Consideration of Pacific Wire's proposal relating to a price premium can also be used for future consideration of this issue. However each product and market is different in terms of whether the local producer actually provides any additional benefits to its customers that mean the New Zealand industry can command a premium over an imported product and, if so to what extent it can do this.

365. The Ministry considered the concept of a price premium in relation to a NIP calculated by the import parity method in the 2002 reassessment of Plasterboard from Thailand¹⁰. In the final report relating to that reassessment the Ministry considered submissions from interested parties that suggested a price premium for a New Zealand manufacturer competing with imports at the ex-wharf level relevant to ex-wharf purchase might range from [redacted] to [redacted] percent of the NIP, depending on the customer. The New Zealand industry noted that a premium was "sometimes able to be reflected in the [price] and sometimes not at all". This reflected its understanding that its customers were at different positions along a value perception continuum.

366. The Ministry was not required to select the most appropriate price premium in that reassessment. The Ministry calculated import parity based NIPs using all four price premiums that interested parties provided, to test the validity of the NZ industry's submission that it could [redacted].

¹⁰ Final Report of Reassessment of Anti-dumping duties on Plasterboard from Thailand (November 2002) at para 324. http://www.med.govt.nz/busit/trade_rem/thpbdreass/final/index.html

367. Interested parties to that reassessment suggested tangible costs that might be considered when determining what level of premium a customer might be prepared to pay to receive locally produced products could include devanning costs, inventory holding costs, and credit term adjustments among other things. It was suggested that a premium of approximately [REDACTED] percent, for the certainty and timeliness of local supply, was sustainable in the case of some customers.

368. The Ministry considers that Pacific Wire's product is, depending on customer perception, anywhere from easy to substitute, because there are a number of suppliers internationally of like goods, to very difficult to substitute because its product is made specifically for New Zealand conditions and has vanadium in it which enhances tensility. The Ministry also considers Pacific Wire's brand 'wiremark' will also have varying value to customers, again depending on their perception of the value of the brand. The Ministry also considers that galvanised wire is generally considered a commodity product. This appears to support Pacific Wire's contention that any premium it could command would be less than those achieved by the [REDACTED] products Pacific Wire referred to.

369. The Ministry contacted New Zealand Steel upon Pacific Wire's recommendation. New Zealand Steel advised that it could command premiums of anywhere from five to thirty percent over the cost of the imported competitive product. New Zealand Steel advised that the normal premium for their flat rolled products was between eight and fourteen percent, which is [REDACTED] percentages noted by Pacific Wire.

370. The Ministry also contacted Pacific Wire's customer, Hurricane Wire Products Ltd (Hurricane), to obtain its views on what sort of premium its supplier, Pacific Wire could sustain. Hurricane also import galvanised wire products and the Ministry considers it is well positioned to place a value on local supply.

371. Hurricane advised the Ministry that it thought an appropriate premium for local supply was twenty five percent. It went on to calculate, by way of a hypothetical example, what it considered to be the objective elements of the premium. Hurricane noted the following costs when sourcing goods internationally:

- a ten percent rate for goods that did not meet Hurricane's specifications and was not refunded by the exporter;
- a cost of credit adjustment to take into account extra stock holding costs;
- extra warehousing costs;
- devanning costs;
- employment of two extra full time equivalent staff to check quality, compliance with specification and liaise with the foreign producer; and
- an increased charge to customers to recover losses due to orders outside yield tolerance.

372. Hurricane noted that the objective costs listed in the above bullet points do not alone amount to twenty five percent of the cost of purchasing the wire as the list does

not include the intangible benefits of local supply such as support for product failure and the ease of doing business with a local company.

373. Hurricane also noted that it did not consider the above premium applied to goods of Australian origin, due to the ease of doing business between New Zealand and Australia. The Ministry presumes there would however be a small premium attached to local supply when considering purchasing from Australia that may consist of devanning costs and possibly a small cost of credit adjustment.

374. The Ministry considers that settling on an accurate price premium is a complex issue and one that, were NIFOBs incorporating a price premium to be used to establish a duty, would require sufficient verification. Because no NIFOB amount in this investigation will form a lesser duty, and the purpose of considering a premium is to better compare an import parity NIP with other methods of calculating a NIP it is not necessary to settle upon a definitive amount to represent the premium the New Zealand industry can sustain above the imported good. For that reason the Ministry has applied the premiums proposed by Pacific Wire and Hurricane; i.e. 10 percent and twenty five percent (representing estimates from the lower and upper end of submissions), to the aggregate ex-wharf prices from the three countries discussed in paragraph 356. Table 3.11 below incorporates these premiums to allow comparison with alternative methods of calculating the NIP.

Method of Calculating the NIP

375. Pacific Wire has raised concerns with basing the NIP on Malaysian undumped export prices and/or normal values. The Ministry undertook a verification visit at the premises of Southern Wire in Malaysia and is satisfied that the information gathered and verified, is accurate and is capable of establishing a NIP. The Ministry notes that the same information has contributed to the calculation of normal values, export prices and the formulation of anti-dumping duties also. Any method of calculating a NIP requires thorough consideration and verification.

376. Pacific Wire has submitted there are no sales of like goods in Malaysia, and that errors are therefore more likely to exist because adjustments to normal values are necessary to allow the export sales and domestic sales to be fairly compared. Pacific Wire proposed the likelihood of these errors make the use of Malaysian prices inappropriate for establishing a NIP.

377. The Ministry concluded in the investigation that the galvanised wire sold on the domestic market in Malaysia while not like in all respects, the wire had characteristics that closely resembled those goods exported to New Zealand. Where differences between the goods affect price comparability adjustments have been made but these adjustments have been made using methods that all parties have been able to evaluate. The additional adjustments to normal values sought by Pacific Wire for complexity and compliance costs are discussed earlier in this report starting at paragraph 178. The Ministry concluded that no further adjustment was necessary to reflect the complexity and compliance costs proposed by Pacific Wire.

378. Pacific Wire has made references to “constructed” normal values when referring to the adjustments that have been made to both export prices and normal values to allow a fair comparison to be made between the two at the same level of trade. The

Ministry notes that “constructed” normal values is a technical term that relates to establishing normal values using the method described in Section 5(2)(d) of the Act. The Ministry has established normal values under Section 5(1) of the Act, being the preferred method under the Act for establishing normal values.

379. Pacific Wire suggested that if the Ministry made the adjustments to normal value proposed in its submission on the interim report then the Ministry would find the Malaysian goods are dumped, which might mean, depending on the quantum of the adjustments, that the current NIP method is less than using non-dumped Malaysian prices (or normal values). Subsequent to the interim report the Ministry has only made further adjustments for differences in zinc and quantity, as discussed in this report starting at paragraphs 168 and 153 respectively. These adjustments are small and do not have a significant effect on normal values. The Ministry is, therefore, satisfied that the information relating to sales of Malaysian goods is suitable for calculation of NIP(s).

380. Pacific Wire has proposed that a reassessment is not the place to reconsider the NIP methodology, and even if it were, the short period since the Ministry last considered the method of calculating the NIP means that no enquiry is necessary during the reassessment and that all that is required is recalculation (using the current method).

381. The Ministry does not agree with Pacific Wire that consideration of the method of calculating the NIP is inappropriate during a reassessment. A reassessment is conducted under Section 14(6) and consists of reassessing “any rate or amount of anti-dumping...duty”. The Ministry considers that the obligations under Section 14(5), to consider a lesser duty, apply to reassessments and reviews as well as investigations. A NIP is a key component in establishing the NIFOB which is compared to the NV(VFDE) to establish whether a lesser duty, sufficient to remedy the injury to the New Zealand industry can be imposed.

382. Although the eleven months that has elapsed since the determination in the Malaysian investigation is not a significantly long period, in order to consider what the industry’s reassessed NIP might be, the Ministry must consider what factors have changed in the market since the investigation. Whether or not to persist with the current method or use another method is a matter for the circumstances of the case and is not to be limited by arbitrary references to timeframes. The Ministry notes the conclusion in the Malaysian investigation, referred to by Pacific Wire in its submission, states “the [Ministry] considers the method it has used here to be the most accurate method *in this case*” (emphasis added).

383. Pacific Wire submitted that conclusions from the plasterboard industry are not necessarily related to steel. The Ministry agrees but notes that the plasterboard case does illustrate considerations that are relevant in the current reassessment. The Ministry considers significant changes have occurred in the respective markets since the relevant decisions of both plasterboard from Thailand and galvanised wire from Malaysia. Material changes in the market are an important reason for questioning the continuing reliability of an historical profit margin and consequently that the cost of production and historical profit method of establishing a NIP is appropriate.

384. The passage of time does not of itself mean that an historical margin is unattainable, but is reason to enquire whether a historical margin may no longer be attainable. In this reassessment the Ministry has been able to test the relevance of the current method by undertaking an enquiry into the cost of undumped import prices, both from Australia and Malaysia, and has found that these are at a level significantly below the NIP established using the current method. This led the Ministry to conclude that the current method is inappropriate for this reassessment.

385. Pacific Wire submitted that the Ministry incorrectly referred to the Reinforcing Steel Bar and Coil from Malaysia and Thailand case¹¹ (the Rebar case) as an example of the Ministry rejecting the current method because of the uncertainty as to whether significant increases in the cost of raw material could be passed on to customers, and therefore whether an historical profit margin was now attainable. Pacific Wire proposed that dumping was the “central plank” which affected margins in that investigation.

386. In the Rebar case the Ministry found that “given the increase in [the] price of scrap and the corresponding international inability to raise finished products prices sufficiently to off-set the increased cost of scrap all manufacturers have experienced a reduction in the margin achieved” (at paragraph 528). While dumping was found in that case the Ministry must look at all the pressures on the New Zealand industry’s prices and cannot, when considering the NIP necessarily attribute all downward price pressure to the dumping.

387. Pacific Wire identified two recent dumping investigations where the Ministry did not establish NIPs using the import parity methods. The Ministry was unable to establish NIPs in the OLP case because of the circumstances surrounding the tender. In the Oil Filters case the Ministry used actual prices from a non-injurious period (2002) to establish the NIP. Using actual prices to determine a NIP is similar in concept to the current method but can normally be used only when there has been a relatively short time between the non-injurious period and the investigation.

388. The Ministry has used the method proposed by Pacific Wire to establish a NIP on a number of occasions and it might have been appropriate again in this reassessment had the aggregate prices of undumped imports from both Malaysia and Australia not significantly undercut the NIP based on the current method, indicating that a NIP calculated under the current method is no longer attainable.

389. The Ministry does not consider, as Pacific Wire has proposed, that because other interested parties have not expressed support for the change to an import parity approach, they do not support it and the Ministry should therefore revert to the current method. The Ministry believes no such conclusion can be drawn from Pacific Wire’s observation because silence cannot infer support or opposition.

390. Pacific Wire has submitted that the Ministry should use up to date cost of production financial information. The Ministry has concluded that NIP(s) should be based on the import parity method and therefore this information is not necessary.

¹¹ Final Report Reinforcing Steel Bar and Coil from Malaysia and Thailand (March 2004)
http://www.med.govt.nz/buslit/trade_rem/steel-bar-mal-thai/final/index.html

391. As to whether up to date normal value information should be sought in order to establish forward looking duties, the Ministry considers that basing duties on information from the whole of the POR, as proposed in the interim report is the most appropriate method.

Comparison of Methods for Establishing NIPs

392. The appropriateness of the method can be considered by comparing the results to the other methods of calculating a NIP. The following table compares NIPs calculated using the import parity method with aggregate NIPs calculated using the pre-injury price scaled up by the PPI and using the current method.

Table 3.11: Comparison of Aggregate Import Parity Prices with Other Aggregate NIPs (per kg)

	Ex-Wharf Price per Kg (Malaysia)	Plus [redacted]% Premium for Local Supply	Plus 25% Premium for Local Supply
Import Parity Prices	[redacted]	[redacted]	[redacted]
Description	Aggregate Industry Prices per Kg		
Pre-injury Price scaled up by PPI	[redacted]		
Aggregate NIP calculated under current method	[redacted]		

393. When adding the [redacted] percent premium for local supply proposed by Pacific Wire the undumped Malaysian price is still below the aggregate NIP using the current method.

394. Applying a 25 percent premium to the ex-wharf values gives a landed cost well above the aggregate NIP calculated under the current method. A 25 percent local supply premium is the upper limit of possible premiums suggested and the Ministry considers it unlikely that Pacific Wire would be able to achieve a premium of this magnitude. This is reinforced by the large number of companies importing the subject goods, indicating that many customers do not place such a high premium on local supply or any premium at all on local supply.

395. Adding a premium of [redacted] percent still results in an import parity price based on undumped import prices from Malaysia well below the NIP calculated using the current method from the Malaysian investigation.

Conclusion

396. A NIP is the selling price in the absence of dumped product and it represents a base from which a potential lesser duty can be calculated to remedy the injury to the New Zealand industry without imposing duties at the full margin of dumping. A lesser duty based on a NIP is founded on historical financial information (over the POR) but is applied on a prospective basis.

397. The Ministry considers that to apply a profit margin achieved six or seven years ago to the present cost of production is fraught with uncertainty. The cost of wire rod has increased significantly over the past year which could have impacted on the profit margin even in the absence of dumped product. The import parity method results in a NIP that, even after adding a price premium for local supply of [REDACTED] percent, significantly undercuts the price calculated using the current method, indicating that prices based on the current method are no longer attainable.

398. The Ministry is satisfied that the import parity method is the appropriate method of establishing the NIP in this reassessment.

399. Although the Ministry has concluded the import parity method is the appropriate method for establishing the industry's NIP in this reassessment, the appropriate method of calculating the industry's NIP in each case will be determined bearing in mind the need to ensure to the extent possible that the NIP used is reasonable and is based on market considerations and on objective criteria.

400. As discussed in paragraphs 361 and 362 where the country under investigation is used as a source of import parity prices NIFOB amounts will be equal to the NV(VFDE), where the NIFOB is based on normal values and the NIFOB will be greater than the NV(VFDE) where the NIFOB is based on undumped export prices. Therefore the NIFOB amount cannot constitute a lesser duty. For this reason it is unnecessary for the Ministry to calculate individual NIPs for each types and diameter of wire in order to calculate a NIFOB to compare with the corresponding NV(VFDE) for that type and diameter of wire to determine whether the NIFOB is lower.

401. Consequently the Ministry has proceeded directly to calculate NV(VFDE) amounts.

3.6 Calculation of NV(VFDE) Amounts

402. NV(VFDE) amounts are calculated by adding to normal values the costs incurred between the ex-factory and FOB levels. The NV(VFDE) therefore represents an undumped price at the FOB level.

403. The NV(VFDE) amounts are based on Southern Wire's and SMI's weighted average normal values over the POR for each of the types of galvanised wire supplied to New Zealand importers. The costs added to the weighted average normal values to reach the FOB level were those used in the calculation of export prices for the manufacturer concerned.

Southern Wire



















404. The following two tables shows the calculation of the NV(VFDE) amounts for goods supplied by Southern Wire.

Table 3.12: Calculation of NV(VFDE) Amounts (Armouring Wire)

Diameter (mm)	2.00	2.50	3.15
Weighted Average Normal Value per Kg (MYR)			
<i>Plus Costs from Ex-factory to FOB</i>			
- export packing			
- inland freight			
- handling			
- EDI			
- Bill of Lading fee			
- terminal handling			
- bank charges			
- container repositioning charge			
NV(VFDE) for Southern Wire (MYR)			

Table 3.13: Calculation of NV(VFDE) Amounts (Galvanised Wire)













Diameter in mm	2.00	2.50	2.50	3.15	3.15	4.00
Tensile Strength	Low	Low	High	Low	High	Low
Weighted Average Normal Value per kg (MYR)						
<i>Plus Costs from Ex-factory to FOB</i>						
- export packing						
- inland freight						
- handling						
- EDI						
- Bill of Lading fee						
- terminal handling						
- bank charges						

- container repositioning charge						
- cost of credit						
NV(VFDE) for Southern Wire (MYR)						

SMI Wire Sdn Bhd

405. The following table shows the calculation of the NV(VFDE) amount for goods supplied by SMI.

Table 3.14: Calculation of NV(VFDE) Amounts (Galvanised Wire)

Diameter (mm)	
Tensile Strength	
Weighted Average Normal Value (MYR per kg)	
<i>Plus Costs from Ex-Factory to Wharf in NZ (MYR)</i>	
- inland freight	
- handling costs	
- bank charges	
- EDI	
- Bill of Lading fee	
- terminal handling	
- container repositioning charge	
- cost of credit	
NV(VFDE) for SMI (MYR)	

3.7 Other Malaysian Exporters

406. It is necessary to establish a residual rate of duty that will apply to exporters other than Southern Wire and SMI. Other than RCI which is exempt from anti-dumping duties, there are no other known exporters.

407. During an investigation the Ministry would be likely to use the weighted average dumping margin expressed as a percentage of export prices to establish a residual rate. The weighted average dumping margin expressed as a percentage of the export price of all goods originating from Malaysia is -11.06 percent. For goods supplied by Southern Wire the weighted average dumping margin is -11.41 percent and for goods supplied by SMI the weighted average dumping margin is 11.31 percent.

408. Because the export prices are likely to be influenced by the presence of reference prices it would be unsuitable to use the weighted average dumping margin calculated on imports subject to a reference price duty as the basis for an *ad valorem* percentage rate. Since the export and domestic prices have changed since the final determination of the Malaysian investigation the Ministry considers it is more suitable to apply the weighted average dumping margin (as a percentage of the export price) of goods supplied by SMI whose exports were subject to an *ad valorem* percentage rate of duty and therefore were less likely to be influenced by the existence of the reference prices. The Ministry has therefore assessed that for goods supplied by exporters other than Southern Wire and SMI, excluding RCI, an *ad valorem* rate of 11 percent should apply.

409. One other exporter Aspac Alliance, which was identified in the Malaysian investigation, appears to have ceased supplying galvanised wire to New Zealand. The Ministry considers that it does not have sufficient information, should it decide to resume supplying New Zealand with galvanised wire, to establish a reference price and therefore, its exports of galvanised wire to New Zealand should be subject to the *ad valorem* percentage rate.

410. The Ministry considers that to ensure the application of the *ad valorem* residual rate does not provide a greater level of duty than is necessary to prevent injury to Pacific Wire it should be capped through the use of reference prices.

3.8 Proposed Reference Prices and Level of Duty

411. Table 3.15 shows the proposed NV(VFDE) amounts in MYR. The Ministry proposes that a reference price is established for each type of galvanised wire as well as for the different diameters. By separating the reference prices according to the different products the Ministry believes a more effective and fairer remedy can be provided.

412. The Ministry considers that the NV(VFDE) amounts should be expressed in the currency of the country of origin, since normal values and costs to FOB have been established in MYR and establishing duty amounts in this currency ensures that exchange rate movements do not result in the collection of any anti-dumping duty above the margin of dumping. NV(VFDE) amounts have therefore been expressed in MYR.

413. Over the POR neither Southern Wire nor SMI exported to New Zealand HT 2.00mm or HT 4.00mm galvanised wire. To ensure that reference prices cover the diameters and types within the range of the description of the goods the Ministry has calculated a reference price for these two products.

414. In the absence of pricing information for these two products the Ministry has used the best available information and established NV(VFDE) amounts on the basis of the proportionate difference between the LT and HT NV(VFDE) amounts for other diameters. For 2.00mm HT wire, the NV(VFDE) amount is based on the proportionate difference between the 2.50mm HT NV(VFDE) amount and the 2.50mm LT NV(VFDE) amount (2.50mm being the size nearest to 2.00mm). For 4.00mm HT wire, the NV(VDFDE) amount was based on the proportionate difference between the 3.15mm HT NV(VFDE) amount and the 3.15mm LT NV(VFDE) amount (3.15mm being the size nearest to 4.00mm).


















415. In instances where the tensile strength of galvanised wire imported into New Zealand is MT the reference price to apply is that of LT. If the diameter of galvanised wire imported into New Zealand is of a size other than the diameters specified in the table below the reference price of the nearest diameter will apply.

416. The Ministry notes that over the POR SMI exported [REDACTED] galvanised wire to New Zealand. In establishing normal values to compare with export prices the Ministry used as the base price invoiced prices relating to domestic sales of LT [REDACTED] mm galvanised wire. Since the Ministry holds information relating to the domestic sale of this size of galvanised wire it has established a NV(VFDE) amount should SMI choose in the future to export this diameter to New Zealand or any diameter that is between 3.40mm to 4.00mm. In establishing a NV(VFDE) amount for [REDACTED] mm HT strength galvanised wire the Ministry has used the same methodology as described above in the previous paragraph i.e. basing the adjustment on the proportionate difference between the NV(VFDE) amounts for [REDACTED] mm HT and LT wire (being the size nearest to [REDACTED] mm).

417. The proposed rates are as follows:

Table 3.15: Proposed Reference Prices and Level of Duty (MYR/Kg)

Armouring Wire					
Diameter in mm	2.00	2.50	3.15		
Southern Wire	[REDACTED]	[REDACTED]	[REDACTED]		
Galvanised Wire					
Diameter in mm	2.00	2.50	3.15	3.40	4.00
Southern Wire					
- Low Tensile Strength	[REDACTED]	[REDACTED]	[REDACTED]	N/A	[REDACTED]
- High Tensile Strength	[REDACTED]	[REDACTED]	[REDACTED]	N/A	[REDACTED]

SMI					
- Low Tensile Strength	N/A	N/A	N/A		
- High Tensile Strength	N/A	N/A	N/A		
Other Exporters Rate (for all types and sizes of wire)			11%		
NV(NVDE) Caps on Other Exporters Rate					
Diameter in mm	2.00	2.50	3.15	3.40	4.00
- Armouring Wire					
- Low Tensile Strength					
- High Tensile Strength					

418. For imports from SMI or Southern Wire anti-dumping duty would only be paid if the VFD per kg in NZD imported into New Zealand were lower than the NV(VFDE) amounts shown in the table above for a particular supplier, type and size of galvanised wire. The NV(VFDE) amounts can be converted to NZD using the exchange rate at the date of the invoice for the purpose of making this comparison. If the VFD per kg is lower than the NV(VFDE) amount in NZD, anti-dumping duty is payable. If the VFD per kg is higher than the NV(VFDE) amount anti-dumping duty would not be payable.

3.9 Developing Country Considerations

419. Article 15 of the Anti-Dumping Agreement provides as follows:

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

420. New Zealand recognises Malaysia to be a developing country for WTO purposes. The Ministry considers the constructive remedies referred to in Article 15 of the Anti-Dumping Agreement are price undertakings as provided for in Article 8 and the desirability of imposing duty at less than the margin of dumping (if a lesser duty would be adequate to remove injury to the domestic industry) as provided for in Article 9.1.

421. Price undertakings are provided for in section 15 of the Act but only in the context of any investigation initiated pursuant to section 10 of the Act. Reassessments are carried out pursuant to section 14(6) of the Act. Price undertakings, therefore, cannot be considered during a reassessment.

422. The Ministry’s normal approach is to calculate the NV(VFDE) and NIFOB and compare the two values. If the NIFOB is less than the NV(VFDE) a lesser duty should apply; conversely if the NIFOB is greater than the NV(VFDE) then duty at the full margin of dumping should apply. If a lesser duty is imposed in the form of a NIFOB it is normal practice to cap the duty using a NV(VFDE) amount.

423. The Ministry has examined the need for a lesser duty and concluded that a reference price of NV(VFDE) amounts will apply on goods supplied by Southern Wire and SMI. To ensure that any anti-dumping duty does not exceed the margin of dumping the *ad valorem* percentage rate is capped by the NV(VFDE).

424. To the extent that it able to do so by the Act, the Ministry considers that it has explored the possibilities of the constructive remedies provided for by Article 15 of the Anti-Dumping Agreement.







3.10 Effective Date of Application of New Duties

425. The Act does not specifically provide for a date from when the new reassessed duties take effect, but the Ministry’s practice has been that the new duty is payable and collectable on demand “on and from” the day after the date on which the notice is published in the *New Zealand Gazette* (section 14(2) of the Act), but is due and payable from the day after the date the Minister determines the new rate under section 14(6) of the Act.

3.11 Changes in Reference Prices and Level of Duty

426. The proposed reference prices for galvanised wire have been separated into reference prices for ARM and reference prices for galvanised wire of five diameters. The following table shows a comparison of the current reference prices and duty with the new reference prices and duty proposed in this report.

Table 3.16: Comparison of Current Reference Prices and Duty with Proposed Reference Prices and Duty (MYR per Kg)

Diameter (mm)	2.00	2.24	2.50	3.15	3.40	3.55	4.00
Current Reference Prices for Southern Wire							
Other Exporters Rate (for all categories of wire)*				9%			

Proposed Reference Prices

Diameter (mm)	2.00	2.24	2.50	3.15	3.40	3.55	4.00
<u>Southern Wire</u>							
Armouring Wire							
Galvanised Wire (LT)							
Galvanised Wire (HT)							
<u>SMI</u>							
Galvanised Wire (LT)							
Galvanised Wire (HT)							
<u>Other Exporters Rate</u> (for all categories of wire)*							11 %

*This duty is capped by NV(VFDE) amounts for each category of wire

427. By separating the reference prices according to the diameter, type and different tensile strengths a direct comparison of current reference prices to the proposed reference prices cannot be made. The proposed reference prices are mainly higher than the current reference prices but the reference prices for galvanised wire of HT and LT 2.00mm, LT 3.15mm and LT 4.00mm in diameters exported by Southern Wire are lower than the current reference prices. SMI is a new supplier since the Malaysian investigation and therefore the proposed reference prices will apply to exports by this company rather than the current *ad valorem* percentage rate.

3.12 Refunds of Anti-Dumping Duty

428. The Act allows for refund of duties under certain conditions. Section 14(10) of the Act states as follows:

Without limiting the ability of the Minister to require refunds in other circumstances, where a reassessment under subsection (6) of this section results in a lower duty being imposed on any goods, the Minister may require the Customs to refund, with effect from the date of initiation of the reassessment (or, in the case of a reassessment carried out under paragraph (c) of that subsection, from the date of initiation of the review referred to in that paragraph), the difference between the duty paid and the lower duty.

429. The most recent prices paid by the importers over the POR are greater than the proposed reference prices except for LT 2.00mm galvanised wire exported by SMI. Any anti-dumping duties paid since the reassessment was initiated, that were collected in excess of the proposed reference prices, may be refunded if the Minister agrees.

3.13 Impact of Anti-Dumping Duties

430. It is proposed that the Minister of Commerce reassess the duty so that reference prices are established in the form of NV(VFDE) amounts for the different types and diameters of galvanised wire exported to New Zealand by Southern Wire and SMI, with a residual *ad valorem* rate applying for other exporters that is capped by a NV(VFDE) amount. RCI Wire continues to be exempt from the duty. The amount of duty payable on imports will depend on the price at which the subject goods are imported.

431. It is difficult to predict the impact the recommended reference prices will have on prices in New Zealand. The latest import prices of galvanised wire from Malaysia over the POR are greater than the proposed reference prices except for galvanised wire sourced from SMI. The latest import prices of ARM are lower than the reference prices for ARM. The Ministry does not have import prices after the end of the period of reassessment but notes that the world price of wire rod, the major input into galvanised wire, has declined since then suggesting that import prices may also have declined. As noted in paragraph 280 above, reference prices were based on weighted average normal values over the period of reassessment because it best represents likely future values.

432. Imposing a reference price on imports by SMI and reassessing reference prices for Southern Wire will ensure that injury to the industry caused by dumping is removed to the extent possible under the Act.

433. If the price of galvanised wire increases significantly the duties may again become ineffective in providing the New Zealand industry the protection it is entitled to. If the price of galvanised wire changes significantly in a downward direction it is likely that the duties would force the price to stay at the level of the reference price providing the New Zealand industry with protection it is not entitled to. Interested parties who submit evidence justifying the need for a reassessment in either of these instances may make a request to the Ministry to reassess the duties.

434. Article 11.2 of the Agreement requires that the authorities shall review the need for continued imposition of duty provided that a reasonable period of time has elapsed upon request by an interested party which submits positive information substantiating the need for a review. The Ministry considers that when anti-dumping duties are imposed on imported goods it takes time for the market to adjust and the Ministry has not normally considered requests for reassessments or reviews until at least six months have elapsed since the duties were imposed or were last reassessed or reviewed. However, given the volatility of the price of raw materials if the Ministry was to receive a request justifying the need to reassess the rate or amount of duty within six months of the date of this reassessment the request would be considered in accordance with the provisions of the Act.

4. Conclusions

435. The Ministry concludes:

- The reference prices for galvanised wire supplied by Southern Wire Industries (Malaysia) Sdn Bhd should be reassessed to reflect updated normal values and to provide specific reference prices for high and low tensile galvanised wire and cable armouring wire.
- Reference prices should be imposed on galvanised wire supplied by SMI Wire Sdn Bhd.
- The reference prices imposed against galvanised wire supplied by Aspac Alliance Steel Sdn Bhd should no longer apply.
- A residual *ad valorem* rate should apply to other exporters, excluding RCI Wire Sdn Bhd which should continue to be exempt from the duty.
- The residual *ad valorem* rate should be capped by the imposition of a reference price.
- The ACSR core wire imported by Olex New Zealand Ltd comes within the description of goods and therefore is subject to anti-dumping duty. The description of goods cannot be amended during a reassessment to exclude this good. This can only be done by way of a review. An interested party may request a review to address this issue but must include with any such request positive evidence justifying the need for a review.

5. Recommendations

436. It is recommended that the Minister should:

- a. Agree to the reassessed rates of anti-dumping duty, on the basis of the information obtained during the reassessment, of anti-dumping duty on imports of galvanised wire from Malaysia on the basis outlined in this report;
- b. agree that any anti-dumping duties paid since the initiation of this reassessment on the 10 March 2005 that are in excess of the duties which would have been applicable if the proposed duties were in place, should be refunded to the extent of such excess; and
- c. sign the attached Gazette notice, and give notice of the reassessment to interested parties in accordance with sections 9 and 14 of the Act.

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Reassessment Team

Trade Remedies Group