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

**LABOUR, SCIENCE  
AND ENTERPRISE**

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**Trade (Anti-dumping and Countervailing Duties) Act 1988**

# **Initiation Report: Application for Anti-Dumping Duties**

## **Certain Hollow Steel Sections from China and Malaysia**

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**April 2018**

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## Abbreviations and Acronyms

This report contains the following abbreviations and acronyms:

Acronym	Meaning
Act, the	The <i>Trade (Anti-dumping and Countervailing Duties) Act 1988</i>
AD Agreement, the	The WTO Agreement on Implementation of Article VI of the GATT
Australian ADC	Australian Anti-Dumping Commission, the Australian investigating authority
CBSA	Canadian Border Services Agency
China	People's Republic of China
CIF	Cost, Insurance, Freight
CITT	Canadian International Trade Tribunal
Customs	New Zealand Customs Service
Dalian Steelforce	Dalian Steelforce Hi-Tech Co Ltd
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
FOB	Free on Board
FY	Financial Year
GATT 1994	General Agreement on Tariffs and Trade 1994
GOC	Government of China
HDG	Hot-dipped galvanised
HRC	Hot rolled coil
HSS	Hollow steel sections
ILG	In-line galvanised
MBIE	Ministry of Business, Innovation and Employment
MFN	Most Favoured Nation
MPa	MegaPascals (measurement of pressure/stress)
MT	Metric ton (tonne)
NZ	New Zealand
NZ Steel	New Zealand Steel Limited
NZD	New Zealand Dollar
Rebar	Steel reinforcing bar and coil
ROI	Return on investment
SCM Agreement, the	The WTO Agreement on Subsidies and Countervailing Measures

<b>USDOC</b>	United States Department of Commerce, International Trade Administration, the United States investigating authority
<b>USD</b>	United States Dollar
<b>VFD</b>	Value for Duty
<b>WTO</b>	World Trade Organisation

#### **Confidentiality of Information**

In a number of instances, information in this report, including figures in the tables, is considered confidential because the release of this information would be of significant competitive advantage to a competitor or its release would otherwise have a significant adverse impact on a party.

In these instances, the information has been redacted or where possible has been summarised in sufficient detail to permit a reasonable understanding of the substance of the information submitted in confidence. For example, in tables, where possible, actual figures have been replaced by figures showing indexed or percentage changes from the previous period. Shading has been used to show where this occurs.

Where it has not been possible to show summaries in this manner, the information has not been susceptible of summary because to do so would unnecessarily expose the provider of the information to commercial risk.

## EXECUTIVE SUMMARY

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**MBIE recommends initiating an investigation into the alleged dumping of certain hollow steel sections from China and Malaysia**

This report recommends that the General Manager of the Science, Innovation and International Branch of the Ministry of Business, Innovation and Employment (MBIE), acting under delegated authority from the chief executive, initiates an investigation of alleged dumping of certain hollow steel sections (HSS) from the People's Republic of China (China) and Malaysia.

MBIE has assessed the accuracy and adequacy of the evidence provided by New Zealand Steel Limited (NZ Steel) in terms of the criteria in sections 10 and 10A of the *Trade (Anti-Dumping and Countervailing Duties) Act 1988* (the Act), and the World Trade Organisation (WTO) Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (the AD Agreement).

MBIE is satisfied that NZ Steel has provided sufficient evidence to justify initiating an investigation of claims that imports of allegedly dumped HSS from China and Malaysia are causing material injury to the New Zealand industry. An investigation would establish whether or not allegedly dumped imports are, in fact, dumped; whether such imports are causing material injury to the domestic industry; and whether anti-dumping duties should be imposed to remedy any such injury.

**NZ Steel alleges injurious dumping of HSS from China and Malaysia**

On 6 December 2017, MBIE accepted a properly documented application from NZ Steel for anti-dumping duties on HSS from China and Malaysia. NZ Steel claimed that imports of Chinese and Malaysian HSS are being dumped and have caused material injury to the New Zealand industry.

**The subject goods include certain specifications of HSS**

The imported goods covered by the application, the subject goods, are:

*Certain electric resistance welded pipe and tube made of carbon steel, comprising circular and noncircular hollow sections, collectively referred to as hollow steel sections (HSS).*

The finish types of the goods are galvanised including in-line galvanised (ILG), pre-galvanised or hot-dipped galvanised (HDG); or non-galvanised, including but not restricted to, painted, black, lacquered or oiled finishes.

The sizes of the goods are: circular products – nominal diameter up to and including 150mm; or oval, square and

rectangular products – perimeter up to and including 520mm.

The goods may also be categorised according to minimum yield strength, the most common classification being 250 and 350 MPa.<sup>1</sup>

**NZ Steel meets the requirements to be considered as the New Zealand industry**

The application was made by NZ Steel, which estimates that it is responsible for 80 per cent of New Zealand production of HSS. This constitutes a major proportion of domestic production of like goods to the subject goods. Subject to confirmation, this meets the requirements of section 10A of the Act, which outlines the minimum level of support required from the domestic industry for the application for an investigation.

**Applications for anti-dumping duties must meet certain criteria for MBIE to initiate an investigation**

MBIE's chief executive may initiate an investigation to determine the existence and effect of alleged dumping of goods when satisfied that the application meets the criteria of:

- Sufficient evidence of dumping
- Sufficient evidence of material injury to the domestic industry
- Sufficient evidence of a causal link between the alleged dumping and the injury.

**NZ Steel has provided sufficient evidence of dumping**

For the purpose of initiation, MBIE is satisfied that NZ Steel has provided sufficient evidence of dumping by Chinese and Malaysian HSS producers.

The evidence of dumping submitted by NZ Steel consists of information based on import statistics for the export price. In the absence of information on domestic prices, NZ Steel bases normal values on constructed values.

**NZ Steel has provided sufficient evidence of material injury**

Material injury is not defined in the Act, or the AD Agreement, but is taken to mean injury of a reasonably significant nature. It is the level of injury which can be demonstrated as material by an objective and unbiased investigating authority on the basis of an assessment of the factors set out in the Act, and in the context of the circumstances of the industry concerned. Injury is normally analysed in terms of how an industry has performed, financially, over time, especially in competition with the allegedly dumped imports.

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<sup>1</sup> MegaPascals is a unit of pressure used to quantify internal pressure, stress, Young's modulus (which defines the relationship between stress and strain in a material) and ultimate tensile strength.

MBIE has assessed the information provided by NZ Steel covering the last seven financial years to June 2017, and for the purpose of initiation considers that NZ Steel has provided sufficient evidence that it is incurring material injury from the alleged dumping of HSS by Chinese and Malaysian producers.

**There is evidence of volume and price effects and a consequent impact on NZ Steel**

MBIE's assessment shows that for the period examined:

- there has been a significant increase in the volume of imports of HSS from China and Malaysia, in absolute terms and in relation to production and consumption in New Zealand
- there is evidence of some price undercutting of NZ Steel's prices by the prices of imports of HSS from China and Malaysia
- there is evidence of price depression, in that NZ Steel's average prices have decreased significantly
- there is evidence of price suppression to the extent that NZ Steel's average unit revenue did not reflect the same extent of the margins over costs per unit achieved in the earlier part of the period
- there is evidence that NZ Steel has experienced a decline in sales volume and sales revenue
- there is evidence of a significant decrease in total profit
- there is evidence of adverse effects on cash flow and return on investments
- there are additional factors affecting domestic prices related to the pricing of imports of HSS from China and Malaysia

MBIE also notes that the application shows that:

- there is no significant decline in market share that can be attributed to the allegedly dumped imports of HSS from China and Malaysia
- NZ Steel does not consider that it has suffered impaired productivity or utilisation of production capacity; has not identified any adverse effects on inventories, employment and wages; and has not provided evidence of any effect on growth, the ability to raise capital or investments.

**MBIE has examined other factors that may be causing injury**

MBIE must also consider factors other than the allegedly dumped goods that may be causing injury to the domestic industry.

MBIE's assessment supports the conclusion that, for the purpose of initiation, there is sufficient evidence that material injury to NZ Steel

is attributable to allegedly dumped imports from China and Malaysia over the period examined.

**NZ Steel has requested that provisional measures be imposed**

NZ Steel is seeking the imposition of provisional anti-dumping duties. Provisional measures may be applied if certain conditions are met at any time after 60 days from the date on which an investigation has been initiated in order to prevent material injury being caused during the period of investigation. This request will be addressed in any investigation.

# 1. Introduction

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## 1.1 Application

1. On 3 November 2017, MBIE received an application for anti-dumping duties to be imposed on HSS from China and Malaysia. The application was submitted by NZ Steel, a producer of HSS in New Zealand.
2. On 6 December 2017 MBIE accepted the application as properly documented.
3. Under section 10 of the Act, MBIE's chief executive may start (initiate) an investigation to determine the existence and effect of any alleged dumping of any goods on being satisfied that sufficient evidence has been provided that the goods are being dumped and, by reason thereof, material injury has been or is being caused or is threatened to the domestic industry.
4. Article 5 of the AD Agreement deals with the initiation of an investigation, and requires that any application include sufficient evidence of dumping, and its amount; injury to a domestic industry in competition with the allegedly dumped imports; and a causal link between the allegedly dumped imports and the alleged injury. Article 5 also sets out the kind of evidence, reasonably available to the applicant that is required, and states at Article 5.2 that "Simple assertion, unsubstantiated by relevant evidence, cannot be considered sufficient to meet the requirements [for initiation]." Article 5.3 requires investigating authorities "to review the accuracy and adequacy of the evidence provided in the application to determine whether the evidence is sufficient to justify the initiation of an investigation."
5. With regard to the sufficiency of evidence, MBIE takes guidance from the 1988 judicial review case of *Kerry (New Zealand) Ltd v Taylor* in which Gault J said that in order to initiate a dumping investigation, the authority must be satisfied "that there is evidence beyond a mere assertion and of a nature and extent that indicates a likelihood of dumping and material injury, requiring investigation." The Court also found that "the evidence should be scrutinised with due scepticism, bearing in mind the commercial context," but emphasised that the assessment is one of sufficiency of evidence, not of dumping.<sup>2</sup>
6. This report assesses, against the requirements in the Act, the application submitted by NZ Steel for an investigation of alleged dumping of HSS imported from China and Malaysia. The report outlines the basis for determining if the application presents sufficient evidence to justify the initiation of a dumping investigation.
7. Dumping is defined in section 3(1) of the Act as "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

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<sup>2</sup> (1988) 3 TCRL 265 at page 17, accessed from [www.nzlii.org/nz/cases/NZHC/1988/595.pdf](http://www.nzlii.org/nz/cases/NZHC/1988/595.pdf)

Act.” MBIE’s consideration is also subject to the AD Agreement, which outlines how countries should conduct investigations into dumped imports.

8. NZ Steel claims that the alleged dumping of HSS from China and Malaysia is causing the company material injury principally through:

- price undercutting
- price depression
- price suppression

resulting principally in:

- adverse consequences upon sales
- adverse consequences upon profit, both in per unit (e.g. EBIT<sup>3</sup> per tonne) and overall (e.g. EBIT)
- adverse consequences upon return on investment
- adverse consequences upon cash flow.

9. NZ Steel requests that provisional anti-dumping duties be imposed to prevent material injury being caused to the domestic industry during the period of investigation.

10. NZ Steel has also applied for the imposition of countervailing duties on HSS from China. MBIE is treating that application as a separate matter.

## 1.2 Report Details

11. In this report, unless otherwise stated, years (FY) are years ending 30 June and dollar values are New Zealand dollars (NZD). In tables, column totals may differ from the sum of individual figures because of rounding.

12. All volumes are expressed on a metric ton (MT) basis unless otherwise stated. Exports to New Zealand were generally invoiced in United States dollars (USD). The exchange rates used are those relating to specific transactions, where available, or the New Zealand Customs Service (Customs) exchange rates, or the rate that MBIE considers most appropriate in the circumstances, as indicated in the text.

13. Any investigation will likely use the calendar year 2017 as the period of investigation of dumping.

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<sup>3</sup> EBIT – earnings before interest and taxes.

## 2. Goods Description

### 2.1 Imported Goods

14. The subject goods are described as:

*Certain electric resistance welded pipe and tube made of carbon steel, comprising circular and noncircular hollow sections, collectively referred to as hollow steel sections (HSS).*

15. NZ Steel specifies that the **finish** types of the goods are: galvanised including in-line galvanised (ILG), pre-galvanised or hot-dipped galvanised (HDG); or non-galvanised, including but not restricted to painted, black, lacquered or oiled finishes.
16. earnings before tax and interest NZ Steel specifies that the sizes of the goods are circular products with a nominal diameter up to and including 150mm; or oval, square and rectangular products with a perimeter up to and including 520mm.
17. NZ Steel notes that the goods may also be categorised according to minimum yield strength, the most common classification being 250 and 350 MPa.

### Tariff Classification

18. NZ Steel notes that New Zealand's tariff classifications do not align with the description of the subject goods outlined above. Up to the end of 2016, assuming that the goods were correctly coded, then all goods in the following tariff items and statistical keys (tariff keys) would be subject goods.

Tariff Item	Statistical Key	Description
73063019	11	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, screwed, welded, of circular cross-section, of a nominal internal diameter less than 102mm
73063019	21	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, unscrewed, welded, of circular cross-section, of a nominal internal diameter less than 102mm
73066100	19	Iron or steel (excluding cast iron); rectangular hollow sections (other than stainless steel or seamless), welded, of maximum dimension less than 102mm, not elsewhere classified in chapter 73
73066100	27	Iron or steel (excluding cast iron); rectangular hollow sections (other than stainless steel or seamless), welded, of maximum dimension of 102mm or more but less than 128mm, not elsewhere classified in chapter 73

19. The above tariff keys may not cover all of the sizes identified in the description of the subject goods.
20. From 1 January 2017, the tariff keys were changed as part of a periodic review of tariff keys by the World Customs Organization. The four above tariff keys are now equivalent to 24 tariff keys in the 2017 Harmonised System Classification, as listed below. However there are additional tariff keys covering sizes other than those covered by the 24 tariff keys.
21. The tariff keys applying from 2017 are:

<b>7306301911</b>	<b>HS2017</b>	<b>Description</b>
	7306301923	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, plated or coated with zinc, screwed, welded, of circular cross-section, of a nominal internal diameter under 102mm
	7306301941	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, plated or coated with metals other than zinc, screwed, welded, of circular cross-section, of a nominal internal diameter under 102mm
	7306301961	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, painted, lacquered or similarly coated, screwed, welded, of circular cross-section, of a nominal internal diameter under 102mm
	7306301981	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, screwed, welded, of circular cross-section, of a nominal internal diameter under 102mm [OTHER]
<b>7306301921</b>	<b>HS2017</b>	<b>Description</b>
	7306301931	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, plated or coated with zinc, unscrewed, welded, of circular cross-section, of a nominal internal diameter under 102mm
	7306301951	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, plated or coated with metals other than zinc, unscrewed, welded, of circular cross-section, of a nominal internal diameter under 102mm
	7306301971	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, painted, lacquered or similarly coated, unscrewed, welded, of circular cross-section, of a nominal internal diameter under 102mm
	7306301991	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, unscrewed, welded, of circular cross-section, of a nominal internal diameter under 102mm [OTHER]
<b>7306610</b>	<b>HS2017</b>	<b>Description</b>
	7306610051	Iron or steel (excluding cast iron); tubes and pipes, seamless and welded, rectangular hollow sections, of maximum dimension under 102mm, plated or coated with zinc, of wall thickness <b>not over</b> 2.6mm

	7306610053	Iron or steel (excluding cast iron); tubes and pipes, seamless and welded, rectangular hollow sections, of maximum dimension under 102mm, plated or coated with zinc, of wall thickness <b>over</b> 2.6mm
	7306610054	Iron or steel (excluding cast iron); tubes and pipes, seamless and welded, rectangular hollow sections, of maximum dimension under 102mm, plated or coated with metals (excluding zinc), of wall thickness not over 2.6mm
	7306610055	Iron or steel (excluding cast iron); tubes and pipes, seamless and welded, rectangular hollow sections, of maximum dimension under 102mm, plated or coated with metals (excluding zinc), of wall thickness over 2.6mm
	7306610056	Iron or steel (excluding cast iron); tubes and pipes, seamless and welded, rectangular hollow sections, of maximum dimension under 102mm, (painted, lacquered or similarly coated), of wall thickness not over 2.6mm
	7306610057	Iron or steel (excluding cast iron); tubes and pipes, seamless and welded, rectangular hollow sections, of maximum dimension under 102mm, (painted, lacquered or similarly coated), of wall thickness over 2.6mm
	7306610058	Iron or steel (excluding cast iron); tubes and pipes, seamless and welded, rectangular hollow sections, of maximum dimension under 102mm, not elsewhere classified in subheading 7306.61, of wall thickness not over 2.6mm [other]
	7306610059	Iron or steel (excluding cast iron); tubes and pipes, seamless and welded, rectangular hollow sections, of maximum dimension under 102mm, not elsewhere classified in subheading 7306.61, of wall thickness over 2.6mm [other]
	<b>HS2017</b>	<b>Description</b>
	7306610063	Iron or steel (excluding cast iron); tubes and pipes, seamless and welded, rectangular hollow sections, of maximum dimension at least 102mm but under 128mm, plated or coated with zinc, of wall thickness not over 2.6mm
7306610019	7306610064	Iron or steel (excluding cast iron); tubes and pipes, seamless and welded, rectangular hollow sections, of maximum dimension at least 102mm but under 128mm , plated or coated with zinc, of wall thickness over 2.6mm
	7306610065	Iron or steel (excluding cast iron); tubes and pipes, seamless and welded, rectangular hollow sections, of maximum dimension at least 102mm but under 128mm , plated or coated with metals (excluding zinc), of wall thickness not over 2.6mm
	7306610066	Iron or steel (excluding cast iron); tubes and pipes, seamless and welded, rectangular hollow sections, of maximum dimension at least 102mm but under 128mm , plated or coated with metals (excluding zinc), of wall thickness over 2.6mm
	7306610067	Iron or steel (excluding cast iron); tubes and pipes, seamless and welded, rectangular hollow sections, of maximum dimension at least 102mm but under 128mm , (painted, lacquered or similarly coated), of wall thickness not over 2.6mm
	7306610068	Iron or steel (excluding cast iron); tubes and pipes, seamless and welded, rectangular hollow sections, of maximum dimension at least 102mm but under 128mm, (painted, lacquered or similarly coated), of wall thickness over 2.6mm
	7306610069	Iron or steel (excluding cast iron); tubes and pipes, seamless and welded, rectangular hollow sections, of maximum dimension at least 102mm but under 128mm , not elsewhere classified in subheading 7306.61, of wall

	thickness not over 2.6mm [other]
7306610070	Iron or steel (excluding cast iron); tubes and pipes, seamless and welded, rectangular hollow sections, of maximum dimension at least 102mm but under 128mm , not elsewhere classified in subheading 7306.61, of wall thickness over 2.6mm [other]

22. There were no imports in 2017 under a number of the tariff keys listed in paragraph 21.
23. The additional tariff keys which partly cover the subject goods are:

<b>HS2017</b>	<b>Description</b>
Ex 7306301925	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, plated or coated with zinc, screwed, welded, of circular cross-section, of a nominal internal diameter 102mm or more but less than 229mm
Ex 7306301935	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, plated or coated with zinc, unscrewed, welded, of circular cross-section, of a nominal internal diameter 102mm or more but less than 229mm
Ex 7306301945	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, plated or coated with metals other than zinc, screwed, welded, of circular cross-section, of a nominal internal diameter 102mm or more but less than 229mm
Ex 7306301955	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, plated or coated with metals other than zinc, unscrewed , welded, of circular cross-section, of a nominal internal diameter 102mm or more but less than 229mm
Ex 7306301965	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, painted, lacquered or similarly coated, screwed, welded, of circular cross-section, of a nominal internal diameter 102mm or more but less than 229mm
Ex 7306301975	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, painted, lacquered or similarly coated, unscrewed , welded, of circular cross-section, of a nominal internal diameter 102mm or more but less than 229mm
Ex 7306301985	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, screwed, welded, of circular cross-section, of a nominal internal diameter 102mm or more but less than 229mm [OTHER]

Ex 7306301995	Iron or non-alloy steel (excluding cast iron); tubes, pipes and hollow profiles (not seamless), not elsewhere classified in chapter 73, unscrewed, welded, of circular cross-section, of a nominal internal diameter 102mm or more but less than 229mm [OTHER]
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## Duties

24. The following are the rates of Custom duty applicable to the subject goods.

Tariff Item	Normal Tariff (MFN) - %	Preferential Tariff - %
7306.30.19	5	Free* CA Free
7306.61.00	5	Free* CA Free

\*Unless otherwise indicated, following rates in the Preferential Tariff are Free:

- AAN – ASEAN, Australia, New Zealand Free Trade Agreement (AANZFTA): from 2012 - Free
- AU – NZ-Australia Closer Economic Relations (CER): from 1990 - Free
- CN – NZ-China Free Trade Agreement (FTA): 2008 – 5%; 2009 – 5%; 2010 – 3%; 2011 – 2%; from 2012 - Free
- HK – NZ-HK China Closer Economic Partnership (CEP): from 2011 - Free
- KR - NZ-Korea FTA: from 2016 - Free
- LLDC – Least Developed Countries: from 2005 - Free
- MY – NZ-Malaysia FTA: 2010 – 5%; 2011 – 3%; from 2012 - Free
- Pac – South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA): from 1981 - Free
- SG – NZ-Singapore CEP: from 2001 - Free
- TH – NZ-Thailand CEP- 2005 – 5.5%; 2006 - 5.5%; 2007 – 5.5%; 2008 – 5%; 2009 – 5%; 2010 - Free
- TPA – P4 (Trans-Pacific Strategic Economic Partnership): 2006 - 5.5%; 2007 – 5.5%; 2008 – 5%; 2009 – 5%; 2010 - Free
- TW – Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Cooperation (ANZTEC): from 2014 – Free
- CA – Canada

Note: there are no Less Developed Country (LDC) rates for these goods.

## Imports

25. MBIE has obtained Customs data for the above tariff keys which indicates that there were imports in 2017 under most of the tariff keys listed in paragraph 23.

26. In its application, NZ Steel provides HSS import data over the period FY2012 to FY2017, with FY2017 estimated. MBIE obtained data from the New Zealand Customs Service (Customs) over the same period, but not including the tariff keys referred to in paragraph 23. This data is shown in Table 2.1.

**Table 2.1: Imports of HSS  
Financial years, tonnes**

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017e	FY2017 %
Application (NZ Stats)							
China	6912	8657	8146	10739	9987	10979	69.0%
Malaysia	279	292	359	409	237	703	4.4%
Other	11440	9209	13762	5287	3744	4245	27.0%
Total	18631	18157	22267	16436	13968	15927	100.0%
Customs data							
China	6861	8784	8088	10673	9858	11075	67.5%
Malaysia	279	287	359	409	237	540	3.3%
Other	11427	9223	13754	5277	3760	4793	29.2%
Total	18567	18294	22201	16359	13855	16408	100.0%

27. Imports from China and Malaysia in FY2017 individually accounted for more than 3 per cent of imports of the like product. Article 5.8 of the AD Agreement provides that imports of less than 3 per cent of total imports are considered to be negligible and therefore a basis for rejection of an application.

## 2.2 Like Goods

28. In order to establish the existence and extent of the New Zealand industry for the purposes of an investigation into injury, and having identified the subject goods, it is necessary to determine whether there are New Zealand producers of goods which are like those goods in all respects or have characteristics which closely resemble the subject goods.
29. Section 3(1) of the Act defines **like goods**, in relation to any goods, as:
- Other goods that are like those goods in all respects; or
  - In the absence of goods referred to in paragraph (a), goods which have characteristics closely resembling those goods.
30. The scope of the subject goods is defined in section 2.1 above.
31. NZ Steel considers that the HSS goods that it produces are “like goods” to the subject goods, as required under section 3(1) of the Act.
32. In its application NZ Steel advises that it uses hot-rolled coil (HRC) semi-finished steel to produce HSS with wall thicknesses between 2.00mm and 6.0mm.
33. NZ Steel claims that the goods it produces have the same physical characteristics as the subject goods and meet New Zealand/Australia standards. The subject goods are label-identified as having been made to the New Zealand/Australian standards or to now-outdated British standards that previously applied to NZ Steel’s goods. The grades, shape and appearance are alike. NZ Steel notes that domestic goods are produced in sizes up to 114.9mm outer diameter for circular products, and up to 127mm dimension and 400mm

perimeter for non-circular products. The application covers goods up to 30 per cent greater than these values in order to address the “price spillover” and injury caused by goods of greater and/or smaller diameter. NZ Steel cites findings by the Canadian International Trade Tribunal (CITT) in support of its arguments.<sup>4</sup>

34. NZ Steel claims that the domestic and subject goods compete with one another in the same New Zealand market, with strong price competition and using the same distributor route to market.
35. NZ Steel claims that the domestic and subject goods have comparable or identical end-uses and are functionally substitutable, and lists a wide range of end-uses. NZ Steel suggests that the high degree of product substitutability arises from like mechanical performance.
36. In terms of manufacturing processes, NZ Steel notes that both the domestic and subject goods are produced from carbon steel, with the input arising from smelting or through ferrous scrap waste recovery to produce carbon steel slabs which are converted into steel plate, thence to hot-rolled/cold-rolled carbon steel coil for feed into an HSS plant.
37. NZ Steel provides specifications for the HSS products that it produces.

#### **MBIE Consideration**

38. To determine whether the goods produced in New Zealand are like goods to the subject goods, MBIE normally considers physical characteristics, function and usage, pricing structures, marketing and any other relevant considerations, with no one of these factors being necessarily determinative.
39. On the basis of these considerations, and in particular the physical characteristics and function and usage of the goods, MBIE concludes that, for initiation purposes, NZ Steel produces like goods to the goods imported from China and Malaysia.
40. However, while NZ Steel sets out arguments for concluding that the goods it produces are like subject goods of dimensions greater than those of the goods produced domestically, it is likely that a detailed like goods analysis will be required to ensure that any investigation is properly directed in terms of the goods that it covers.

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<sup>4</sup> The issues raised at the CITT hearings related to the production of unfinished seamless line pipe in the form of mother tubes and the substitutability of welded and seamless line pipes for certain end-uses, as well as the ability of producers to start producing other size ranges.

### 3. Interested Parties

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#### 3.1 Applicant

41. NZ Steel submitted the application. NZ Steel is a wholly owned subsidiary of New Zealand Steel Holdings Limited whose ultimate parent company is BlueScope Steel Limited, an Australian-based company listed on the Australian Stock Exchange.

#### 3.2 New Zealand Industry

42. Section 3A of the Act defines the term **industry** as:
- a. the New Zealand producers of like goods; or
  - b. such New Zealand producers of like goods whose collective output constitutes a major proportion of the New Zealand production of like goods.
43. NZ Steel identifies three other New Zealand companies involved in the manufacture of steel pipes: Steelpipe, Industrial Tube Manufacturing Co Ltd, and New Zealand Tube Mills Ltd:
- NZ Steel notes that production by Steelpipe is based on HRC but is not like goods to the subject goods because the diameters of the goods produced are significantly larger and the goods are used for different purposes than the HSS goods made by NZ Steel.
  - NZ Steel considers that goods produced by Industrial Tube Manufacturing Co Ltd are like goods to the subject goods because they have a physical, commercial and functional likeness to the goods made by NZ Steel, with overlaps in the range of wall thicknesses of the goods produced.
  - NZ Steel considers that the goods produced by New Zealand Tube Mills Ltd are like goods to the subject goods because they have a physical, commercial and functional likeness to the goods made by NZ Steel, with overlaps in the range of wall thicknesses of the goods produced.
44. NZ Steel estimates on the basis of the information reasonably available to it that the New Zealand production shares for FY2017 are as indicated in the table below.

Company name	Production shares for FY2017 (%)
NZ Steel	██████████
Industrial Tube Manufacturing Co Ltd	██████████
New Zealand Tube Mills Ltd	██████████

45. Industrial Tube Manufacturing Co Ltd and New Zealand Tube Mills have provided letters of support for the application.

46. MBIE is satisfied that, in accordance with section 10A(1)(b) of the Act, the collective output of those New Zealand producers who have, in writing, expressed support for the application constitutes 25 per cent or more of the total New Zealand production of like goods and more than 50 per cent of the total production of the goods by those New Zealand producers who have, in writing, expressed support for or opposition to the application.

### 3.3 Exporters

47. NZ Steel provides information identifying the following HSS suppliers to the New Zealand market:
- Dalian Steelforce Hi-Tech Co Ltd (Dalian Steelforce), associated with the Australian company Steelforce Pty Ltd; address Dalian, Jinzhou, Liaoning Province.
  - Stemcor Global Holdings Ltd (Stemcor), an independent steel trader which has offices in New Zealand, Australia and Singapore.
  - Commercial Metals Corporation (CMC), a USA-based steel manufacturer and trader.
  - Alpine Pipe Manufacturing, Malaysia.
48. Where intermediary traders are involved, MBIE will need to establish which Chinese or Malaysian manufacturers are supplying the subject goods concerned.
49. NZ Steel notes that an application made to the Australian Anti-Dumping Commission (Australian ADC) regarding HSS included Chinese manufacturers, which may be exporting to New Zealand. These manufacturers are listed below with locations ascertained by MBIE:

#### *China*

- Hengshui Jinghua Steel Pipe Co Ltd, Hengshui City, Hebei Province
- Huludao City Steel Pipe Industrial Co Ltd, Beigang Industrial Park, Taishan Street, Longgang District, Huludao, Liaoning Province
- Qingdao Xiangxing Steel Pipe Co Ltd, Chengyang District, Qingdao, Shandong Province.
- Dalian Steelforce Hi-Tech Co Ltd, Dalian, Jinzhou, Liaoning Province.
- Zhejiang Kingland & Pipeline Technologies Co Ltd, Huzhou, Zhejiang Province
- Tianjin Youfa Steel Pipe Co Ltd, Daqiuzhuangzhen, Jinghai, Tianjin Municipality.

#### *Malaysia*

- Alpine Pipe Manufacturing, Klang, Selangor.

### 3.4 Importers

50. NZ Steel does not identify any importers.

### **3.5 The Governments of China and Malaysia**

51. The Governments of China and Malaysia are considered “interested parties” under the AD Agreement.

## 4. Evidence of Dumping

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52. Section 10 of the Act outlines the evidence of dumping that is required in a properly documented application to warrant initiation of a dumping investigation and which is reasonably available to the applicant, which includes:

- evidence of the normal values of the allegedly priced goods
- evidence of the export prices of the allegedly dumped goods.

53. The Act defines 'dumping' in section 3(1), which reflects the definition set out in the AD Agreement. In particular, '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 the Act, and 'dumped' has a corresponding meaning.

### 4.1 Export Prices

54. Section 10(3)(j) of the Act requires that an application include such information as is reasonably available to the applicant to determine the export price of the allegedly dumped goods.

55. MBIE is satisfied the NZ Steel has supplied information that is reasonably available to it on Chinese and Malaysian export prices, including average value for duty (VFD) values and the relevant adjustments required to calculate ex-factory prices.

56. The application notes that the data used for export prices is from Statistics New Zealand and Customs. This data is based on the VFD value and therefore can be used as a reasonable estimate of the free on board (FOB) value.

#### 4.1.1 China

##### Base Prices

57. NZ Steel estimates export prices based on VFD prices from China to New Zealand for its 2016 and 2017 financial years. NZ Steel sources this information from Statistics New Zealand, which is based on New Zealand Customs data.

58. In establishing export prices, MBIE accepts average per unit prices from import data if the subject product is closely aligned with the statistical keys from which the average FOB has been calculated.

59. MBIE accepts that the statistics sourced from Statistics New Zealand, based on Customs data, are sufficiently reliable for the purposes of initiation. MBIE is aware of the possibility that the Customs data may contain imports of goods that fall outside of the goods description in the application. MBIE would need to conduct a more detailed analysis of individual imports during an investigation to clarify this matter.

60. NZ Steel provides average VFD prices for imports of HSS from China during each quarter of FY2016 and FY2017. Exchange rates are based on Customs rates of exchange. These VFD prices are shown in the table below:

**Table 4.1: VFD Export Prices – China**  
(Financial year quarters)

China VFD/MT	Q1-2016 (Jul-Sep)	Q2-2016 (Oct-Dec)	Q3-2016 (Jan-Mar)	Q4-2016 (Apr-Jun)	Q1-2017 (Jul-Sep)	Q2-2017 (Oct-Dec)	Q3-2017 (Jan-Mar)	Q4-2017 (Apr-Jun)
NZD/MT	1,031	1,073	967	951	1,010	1,006	1,056	1,070
USD/MT	679	692	629	642	710	704	732	733

61. The simple average China VFD in FY2016 was USD660.50/MT and in FY2017, USD720/MT. The simple average China VFD over the two-year period was USD690/MT.

### Adjustments

62. To calculate an ex-factory export price, NZ Steel deducts estimated costs between VFD and ex-factory in China. These costs are incurred by the exporter in preparing the goods for shipment to New Zealand.
63. NZ Steel sources information from [REDACTED] to estimate the per tonne costs between ex-factory prices and VFD prices. The estimates are based on a shipment of three containers, and are converted into a per tonne basis.
64. Using the above sources, NZ Steel supplies information on the following ex-factory to VFD costs:
- cost of credit (USD [REDACTED] per tonne)
  - export packaging (USD [REDACTED] per tonne)
  - inland freight (USD [REDACTED] per tonne)
  - terminal handling (USD [REDACTED] per tonne)
  - port services (USD [REDACTED] per tonne)
  - terminal security fee (USD [REDACTED] per tonne)
  - equipment management fee (USD [REDACTED] per tonne)
  - manifest fee (USD [REDACTED] per tonne)
  - VMG fee (USD [REDACTED] per tonne)
  - documentation fee (USD [REDACTED] per tonne)
  - handling fee (USD [REDACTED] per tonne)
  - Customs export fee (USD [REDACTED] per tonne).
65. NZ Steel makes an adjustment to the China VFD price of USD31. MBIE calculates a slight variation in the subtotal of these costs, from USD29.83 to USD30.57, but considers that the difference is not significant.

### Ex-factory Export Prices

66. Set out in the table below are the VFD prices for HSS from China, adjustments submitted by NZ Steel and the resulting ex-factory prices, from July 2015 to June 2017.

**Table 4.2: Export Prices – China  
(Financial year quarters)**

USD/MT	Q1-2016 (Jul-Sep)	Q2-2016 (Oct-Dec)	Q3-2016 (Jan-Mar)	Q4-2016 (Apr-Jun)	Q1-2017 (Jul-Sep)	Q2-2017 (Sep-Dec)	Q3-2017 (Jan-Mar)	Q4-2017 (Apr-Jun)
VFD value	679	692	629	642	710	704	732	733
Adjustments	30	30	30	30	30	30	31	31
Ex-factory Export Price	649	662	599	612	680	674	701	702

### 4.1.2 Malaysia

#### Base Prices

67. NZ Steel estimates export prices based on VFD prices from Malaysia to New Zealand for its 2016 financial year and the first half of its 2017 financial year (July 2015 – December 2016). NZ Steel sources this information from Statistics New Zealand, which is based on New Zealand Customs data.
68. In establishing export prices, MBIE accepts average per unit prices from import data if the subject product is closely aligned with the statistical keys from which the average FOB has been calculated.
69. MBIE accepts that the statistics sourced from Statistics New Zealand, based on Customs data, are sufficiently reliable for the purposes of initiation. MBIE is aware of the possibility that the Customs data may contain imports of goods that fall outside of the goods description in the application. MBIE would conduct a more detailed analysis of individual imports during an investigation.
70. NZ Steel provides average VFD prices for imports of HSS from Malaysia during FY2016 and the first two quarters of FY2017. Exchange rates are based on Customs rates of exchange. The VFD prices are shown in the table below:

**Table 4.3: VFD Export Prices – Malaysia  
(Financial year quarters)**

Malaysia VFD	Q1-2016 (Jul-Sep)	Q2-2016 (Oct-Dec)	Q3-2016 (Jan-Mar)	Q4-2016 (Apr-Jun)	Q1-2017 (Jul-Sep)	Q2-2017 (Sep-Dec)
NZD/MT	1,168	1,145	916	918	962	921
USD/MT	769	738	596	620	676	644

### Adjustments

71. NZ Steel estimates adjustments to Malaysian-origin goods using the same information sourced from [REDACTED] as it uses to make adjustments to Chinese origin goods (see paragraph 64 above). NZ Steel considers that this information applies equally to exports from Malaysia with the exception of credit costs which NZ Steel estimates to be [REDACTED] per tonne. MBIE calculates the total adjustments suggested by NZ Steel to be USD29.72 to USD31.00 per tonne. NZ Steel applies an adjustment of USD30.00 to reach the ex-factory export prices contained in its application.

### Ex-factory Export Price

72. Set out in the table below are the VFD prices for HSS from Malaysia, adjustments submitted by NZ Steel and the resulting ex-factory prices from July 2015 to December 2016:

**Table 4.4: Export Prices – Malaysia  
(Financial year quarters)**

USD/MT	Q1-2016 (Jul-Sep)	Q2-2016 (Oct-Dec)	Q3-2016 (Jan-Mar)	Q4-2016 (Apr-Jun)	Q1-2017 (Jul-Sep)	Q2-2017 (Sep-Dec)
VFD Value	769	738	596	620	676	644
Adjustments	31	31	30	30	30	30
Ex-factory Export Price	738	707	566	590	646	614

### 4.1.3 Conclusions on Export Prices

73. MBIE is satisfied that NZ Steel provides information that is reasonably available to it on Chinese and Malaysian export prices. MBIE considers this information is sufficient for initiation purposes, including VFD values (reasonably equivalent to FOB values) and the relevant adjustments required to calculate ex-factory export prices.

## 4.2 Normal Values

74. Section 10(3)(i) of the Act requires that an application include such information as is reasonably available to the applicants to provide normal values of the allegedly dumped goods when destined for consumption in the domestic markets of the countries of origin or export (or, where appropriate, on prices to third countries or prices based on constructed value).
75. NZ Steel calculates constructed normal values at between USD890 and USD1,022 per tonne from China, and between USD831 and USD924 per tonne for Malaysia. This approach is consistent with New Zealand legislation which allows the applicant to construct normal values based on the cost of production of the goods in the country of export and reasonable amounts for administrative, delivery and selling costs, and profit.

76. MBIE is satisfied with the arguments provided by NZ Steel to justify its use of the constructed normal value method for both China and Malaysia. MBIE is also satisfied that the relevant sources of information, assumptions and adjustments made by NZ Steel, in constructing normal values, are made on a reasonable basis, and is satisfied with the values NZ Steel provides, for initiation purposes. In its applications, NZ Steel establishes Malaysian and Chinese normal values as described in the following sections.

#### 4.2.1 China

##### Introduction

77. NZ Steel claims that it is unable to obtain relevant domestic prices for China despite seeking to use reputable steel industry publications and commentaries to establish Chinese normal values. NZ Steel notes that domestic selling price information is considered to be commercially sensitive by manufacturers and as a result is not available to other parties due to a potential breach of supplier-customer commercial arrangements. Specifically, NZ Steel sought but was unable to find any published Chinese pricing of HSS at the relevant level of trade.
78. NZ Steel considers that there is an absence of relevant and suitable sales in the ordinary course of trade in China. NZ Steel claims that there is well-established and continued intervention by the GOC in the Chinese iron and steel industry that has distorted the prices of HSS and other precursor steel goods, such as HRC, used to make HSS. NZ Steel claims that this makes domestic Chinese prices unsuitable for determination of normal values. NZ Steel states that these circumstances in the Chinese steel industry meet the conditions encompassed by section 5(2)(b) of the Act.
79. As evidence, NZ Steel cites Australian ADC findings of a “market situation” existing in relation to hollow structural steel sections. Additionally, NZ Steel determines that prices in the Chinese domestic market for galvanised steel and aluminium zinc coated steel and hot rolled plate steel are unsuitable for the determination of normal values. In that report, the Australian ADC determined:

*...the costs incurred by HSS manufacturers in China for HRC and narrow strip used in the investigation period do not reasonably reflect competitive market costs...*

80. As a result of this finding the Australian ADC determined that a “particular market situation” applied to HSS in China and that normal values should be constructed using production costs of the exporter.
81. NZ Steel also relies on the Australian ADC’s report into steel reinforcing bar (rebar) from China as evidence that certain steel products were unsuitable for determining normal values, because of particular conditions in the Chinese market. In particular, NZ Steel points to the following summary from the Australian ADC’s Final Report dated 13 April 2016:

*Based on the proceeding analysis, the Commission has concluded that the Chinese Government materially influenced conditions within the Chinese rebar*

*market during the investigation period. The mechanism through which the Chinese Government exerted this influence include government directives and oversight, subsidy program, taxation arrangements and the significant number of state owned steel companies.*

*The Commission also concludes that because of the significance of this influence over the Chinese rebar market, the domestic price for Chinese rebar was substantially different to what it would have been in the absence of these interventions by the Chinese Government. Based on this analysis, the Commission has determined that during the investigation period the domestic price for rebar was influenced by the Chinese Government to a degree which makes domestic sales of rebar unsuitable for use in determining normal values under subsection 269TAC(1).*

82. NZ Steel also provides commentary from an Australian ADC report which addresses GOC intervention in the Chinese steel and aluminium industry.<sup>5</sup> NZ Steel considers the report is clear that GOC policies have distorted the domestic Chinese steel prices and profitability.
83. NZ Steel also references findings of other trade remedies authorities, such as the Canadian Border Services Agency (CBSA). NZ Steel considers findings of the CBSA support its claim that the GOC plays a significant role in influencing the domestic Chinese iron and steel industry through its economic policies and measures. In particular, NZ Steel points to the 2016 Statement of Reasons in an investigation into Line Pipe:<sup>6</sup>

*Based on the information on the record, the scope of the GOC's macro-economic policies and measures indicates that the GOC is influencing the Chinese steel industry, which encompasses the steel pipe sector including large line pipe. The use of such policies and measures can dramatically change the demand and supply balance in the domestic market and could influence the domestic prices of steel products such as steel pipe and large line pipe.*

*In addition to the GOC's actions to eliminate obsolete steel production and reduce energy emissions, the GOC has clearly identified its plans for mergers and acquisitions. The GOC calls for provincial, autonomous regional and municipal governments to focus on formulating and reporting 2010 2011 iron and steel enterprise merger and restructuring plans to be organised, upon approval by the Ministry of Industry and Information Technology. The GOC directs that the implementation/improvement of policies for promoting mergers and restructuring be improved. These are compelling facts that the*

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<sup>5</sup> *Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission, Anti-Dumping Commission (August 2016).*

<sup>6</sup> *Statement of Reasons: Dumping and Subsidy Final Determinations – Large Line Pipe from China and Japan (5 October 2016)*

*GOC is firmly in charge of the reform of the Chinese steel industry which encompasses the steel pipe sector including large line pipe.*

84. NZ Steel does not consider the New Zealand Government's recognition of China as a market economy to be an impediment to the New Zealand trade remedies authority disregarding Chinese domestic sales in establishing normal values in China. This is because this recognition does not have an impact on the operation of New Zealand legislation. NZ Steel cites the fact that Australia also recognises China as a market economy and the Australian trade remedies legislation is very similar to New Zealand's, yet the Australian ADC has made recent findings that Chinese domestic prices are unsuitable to establish normal values.
85. In the absence of relevant and suitable domestic pricing for a comparable volume of like goods exported to New Zealand, NZ Steel uses the constructed normal value method to establish Chinese normal values. NZ Steel constructs Chinese domestic prices using surrogate input costs and its own costing information where appropriate, and other cost information, with due allowance for likely differences in costs between New Zealand and Chinese manufacture of like goods. NZ Steel provides details of the costs used to construct the Chinese normal values.

#### **MBIE Comment**

86. MBIE notes NZ Steel's claims regarding the existence of a "particular market situation" in China and the basis for those claims. MBIE also notes that any distortion or prices in the market of the country of export will not necessarily permit the construction of normal values, since, for example, any claimed distortion of input prices is likely to apply equally to domestic and export prices, and would not, therefore provide a basis for constructing a normal value. In any event, any constructed values must be based on the records of the manufacturer concerned. MBIE also observes that in previous subsidy investigations involving steel products from China it has found that there has been no distortion of input prices attributable to State ownership of steel producers.
87. Section 5(2)(d) of the Act allows the Secretary to determine the normal value on the basis of a constructed value that includes the amount determined by the chief executive to be the cost of production or manufacture of the goods in the country of export. In the case of an application, where the applicant has provided evidence in support of its claims relating to the elements of the cost of production, MBIE considers that information that is reasonably available to the applicant in relation to such claims can include cost information derived from a variety of sources, including information relating to components or elements which come from outside the country of export, where a reasonable explanation has been provided in support of such claims. On this basis, and for the purposes of initiation, MBIE is prepared to accept that prices for Korean and Taiwanese HRC feed material provide a reasonable basis for incorporation into a constructed normal value as indicative of world market prices for this input.
88. MBIE is satisfied that the unavailability of information provides sufficient grounds for an applicant to use constructed values, but will address the extent to which any particular

market situation might exist and might justify the use of constructed values in any investigation.

### Constructed Normal Value

89. NZ Steel provides details of the costs used to construct the Chinese normal value. Set out in the table below is NZ Steel's constructed normal value for Chinese rebar for the 2016 and 2017 financial years:

**Table 4.5: Constructed Chinese normal values (USD)  
(Financial year quarters)**

USD/MT	Q1-2016 (Jul-Sep)	Q2-2016 (Oct-Dec)	Q3-2016 (Jan-Mar)	Q4-2016 (Apr-Jun)	Q1-2017 (Jul-Sep)	Q2-2017 (Sep-Dec)	Q3-2017 (Jan-Mar)	Q4-2017 (Apr-Jun)
HRC								
HRC costs to mill								
HRC handling								
HRC inventory								
<i>HRC subtotal</i>								
HRC post yield								
Less scrap credit								
Conversion								
SGA	26	25	24	28	29	29	33	31
<i>Subtotal</i>	777	751	739	844	864	876	992	940
Profit	23	22	22	25	26	26	29	28
<b>Constructed Normal Value</b>	<b>800</b>	<b>773</b>	<b>760</b>	<b>869</b>	<b>890</b>	<b>902</b>	<b>1,022</b>	<b>968</b>

90. NZ Steel provides the following explanation of the costs used to construct a Chinese normal value for HSS.

91. The cost of HRC feed material from which HSS is manufactured is based on information from [REDACTED]. It is a monthly average of the Korean and Taiwan domestic prices in USD per tonne at the relevant exchange rate, calculated into

- quarters. NZ Steel notes this source of input to construct normal value is consistent with the approach accepted by the Australian ADC.
92. NZ Steel estimates costs to transport HRC to the mill using internal NZ Steel information.
  93. NZ Steel assesses HRC handling costs to be a nominal amount based on costs to track and sort incoming HRC feed. This arises because the mechanical properties of finished HSS goods are related to the properties of the HRC from which it is made.
  94. NZ Steel estimates HRC inventory costs to be a nominal amount to hold the necessary coil feed.
  95. NZ Steel uses its average 2016 financial year yield on prime HRC which has been taken from NZ Steel production records.
  96. The scrap credit is based on the NZ Steel 2016 financial year average for prime HRC from NZ Steel production records.
  97. The conversion cost (cost to convert HRS to HSS) is based on NZ Steel's analysis of thirteen line row items made by NZ Steel. This information is from the NZ Steel 2016 financial year cost report and covers electricity, gas, coating, labour, services, consumables, indirect plant-related rechargeables (for example, utilities, technical, procurement), other fixed costs and depreciation. NZ Steel notes it has individually examined each item to estimate the difference in costs between New Zealand and Chinese manufacture of HSS. These figures have then been converted to USD at the relevant exchange rate.
  98. For SGA expenses, NZ Steel bases its estimates on average Angang, Baoshan and Maanshan (three Chinese steel producers) 2010 to 2016 financial accounts (SGA expenses as a percentage of cost of sale).
  99. For profit, NZ Steel has estimated a 2.953 per cent earnings before interest, tax, depreciation and amortisation (EBITDA) margin. This estimate is based on the operating profits of Angang, Baoshan and Maanshan over their 2010 to 2016 financial years. NZ Steel notes this level is materially lower than the profit rate indicated by global management consulting firm McKinsey & Company to be required for long-term steel mill sustainability (i.e. a 17 per cent EBITDA margin).

## 4.2.2 Malaysia

### Introduction

100. NZ Steel claims that it is unable to obtain relevant Malaysian domestic prices, and therefore relies on section 5(2)(a) of the Act to construct a normal value for Malaysia. NZ Steel notes that domestic selling price information is considered commercially sensitive by manufacturers and as a result is not available to other parties due to a breach of supplier-customer commercial arrangements. NZ Steel claims to have examined steel industry newsletters and web publications in an attempt to obtain domestic selling prices for HSS in Malaysia. It claims that domestic selling prices for HSS, at the relevant level of trade, are not available.

101. NZ Steel also claims that in any event, it can rely on section 5(2)(b) of the Act, any prices it could obtain relating to Malaysian domestic prices would be unreliable. NZ Steel submits that it has found some FOB export prices but that these show very large ranges which appear to reflect a wide range of domestic pricing. NZ Steel claims, for example, that sample HSS goods were being offered to a spread 30 per cent above the figures in the table below.

### Constructed Normal Values

102. NZ Steel provides details of the costs used to construct the Chinese normal value. Set out in the table below is NZ Steel's constructed normal value for Chinese rebar for its FY2016 and the first half of its FY2017:

**Table 4.6: Constructed Malaysian normal values (USD)  
(Financial year quarters)**

USD/MT	Q1-2016 (Jul-Sep)	Q2-2016 (Oct-Dec)	Q3-2016 (Jan-Mar)	Q4-2016 (Apr-Jun)	Q1-2017 (Jul-Sep)	Q2-2017 (Sep-Dec)
HRC						
HRC costs to mill						
HRC handling						
HRC inventory						
<i>HRC subtotal</i>						
HRC post yield						
Less scrap credit						
Conversion						
SGA	53	51	51	53	57	57
<i>Subtotal</i>	815	777	783	807	869	871
Profit	49	47	47	49	52	53
<b>Constructed Normal Value</b>	<b>865</b>	<b>824</b>	<b>831</b>	<b>855</b>	<b>922</b>	<b>924</b>

### Cost of Production

103. NZ Steel provides the following explanation of the costs used to construct a Malaysian normal value for HSS.
104. The cost of HRC feed material from which HSS is manufactured is based on information from ██████████ (a Malaysian steel producer) for cold-rolled coil less the HRC to cold-rolled coil conversion cost.

105. Costs to transport HRC to the mill are an estimate established by NZ Steel using internal NZ Steel information.
106. NZ Steel assesses HRC handling costs to be a nominal amount based on costs to track and sort incoming HRC feed. This arises because the mechanical properties of the finished HSS goods mechanical properties relate to the properties of the HRC from which it is made.
107. NZ Steel estimates HRC inventory costs to be a nominal amount to hold the necessary coil feed.
108. NZ Steel uses its average 2016 financial year yield on prime HRC which has been taken from NZ Steel production records.
109. The scrap credit is the NZ Steel 2016 financial year average on prime HRC from NZ Steel production records.
110. The conversion cost (cost to convert HRS to HSS) is based on NZ Steel's analysis of thirteen line row items made by NZ Steel. This information is from the NZ Steel 2016 financial year cost report and covers electricity, gas, coating, labour, services, consumables, indirect plant-related rechargeables (for example, utilities, technical, procurement), other fixed costs and depreciation. NZ Steel notes it has individually examined each item to estimate the difference in costs between New Zealand and Chinese manufacture of HSS. These figures have then been converted to USD at the relevant exchange rate.
111. For SGA expenses, NZ Steel has based its estimates on average Masteel and Southern Steel (two Malaysian steel producers) 2016 financial accounts (SGA expenses as a percentage of cost of sale).
112. For profit, NZ Steel has estimated an approximate 6 per cent EBITDA margin. This estimate is based on the operating profits of Masteel and Southern Steel over their 2016 financial year. NZ Steel notes this level is materially lower than the profit rate indicated by global management consulting firm McKinsey & Company to be required for long-term steel mill sustainability (i.e. a 17 per cent EBITDA margin).

## Conclusion

113. MBIE is satisfied that the applicant supplies information that is reasonably available to it to estimate Chinese and Malaysian normal values, by using the constructed normal value method. MBIE also considers that the applicant is justified in using a constructed normal value approach, on the grounds that actual information from Chinese and Malaysian producers on domestic prices is not available to it. Accordingly, for the purposes of this Initiation Report, the relevant sources of information, assumptions and adjustments made by the applicant, in constructing normal values, are made on a reasonable basis. In particular:
  - The Act and the AD Agreement provide for constructing a normal value (i.e. a domestic price based on costs of production, selling, general and administration expenses and a reasonable profit margin) in the absence of information on domestic market prices sold in the ordinary course of trade. In this case, the applicant constructed a normal value for the subject product in Malaysia and China because it

is unable to source relevant and suitable Chinese pricing of rebar for a comparable volume of like goods to HSS exported to New Zealand.

- In constructing normal values, MBIE considers that the applicant is entitled to use information reasonably available to it if it cannot access actual information on the costs and expenses incurred by Malaysian or Chinese producers when producing the subject product for sale in their domestic markets, or if it doesn't have sufficient knowledge of the production inputs and production processes incurred by these producers.
- In these circumstances, MBIE considers that for the purposes of an application, the price of Korean and Taiwanese HRC feed material (from which HSS is produced), used by the applicant to construct a normal value for China, is a sufficient substitute for HRC feed material prices in China (in the absence of prices in China).
- In accepting prices of Korean and Taiwanese HRC feed material in the applicant's constructed normal value for HSS in China, MBIE pays special attention to section 10A of the Act and Article 5.3 of the AD Agreement and, in particular, the need to examine the information provided by an applicant in order to determine whether it constitutes "sufficient evidence" to justify the initiation of an investigation.
- WTO jurisprudence makes it clear that the quantity and quality of the evidence required to meet the threshold of sufficiency of the evidence needed to initiate a dumping investigation, is of a different standard to that needed for a preliminary or final finding.<sup>7</sup>

114. MBIE considers the information provided by the applicant is sufficient for initiation purposes to construct normal value for Chinese and Malaysian HSS.

### 4.3 Dumping Margins

115. Section 11 of the Act and Article 5.8 of the AD Agreement require that authorities shall immediately terminate a case if they determine that there is no dumping, or that the margin of dumping is below *de minimis* (less than two per cent of export price).

116. Based on the normal value and export price information provided by NZ Steel, as described above, dumping margins for China and Malaysia are as follows:

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<sup>7</sup> See Panel Report, *United States – Final Dumping Determination on Softwood Lumber from Canada*, WT/DS264/R, adopted 31 August 2004, para 7.71; Panel Report, *Guatemala – Definitive Anti-dumping Measures on Grey Portland Cement from Mexico*, WT/DS156/R, adopted 17 November 2000, para 8.35; Panel Report, *Mexico – Anti-dumping duties on Steel Pipes and Tubes from Guatemala*, WT/DS331/R, adopted 24 July 2007, para 7.24.

**Table 4.7: Dumping Margins - China  
(Financial year quarters)**

China USD/MT	Q1-2016 (Jul-Sep)	Q2-2016 (Oct-Dec)	Q3-2016 (Jan-Mar)	Q4-2016 (Apr-Jun)	Q1-2017 (Jul-Sep)	Q2-2017 (Sep-Dec)	Q3-2017 (Jan-Mar)	Q4-2017 (Apr-Jun)
Ex-factory export price	649	662	599	612	680	674	701	702
Constructed normal value	800	773	760	869	890	902	1,022	968
Dumping margin	151	111	161	258	210	228	320	266
Dumping margin (% of export price)	23.3%	16.8%	26.6%	42.1%	30.9%	33.8%	45.7%	37.9%

**Table 4.8: Dumping Margins - Malaysia  
(Financial year quarters)**

Malaysia USD/MT	Q1-2016 (Jul-Sep)	Q2-2016 (Oct-Dec)	Q3-2016 (Jan-Mar)	Q4-2016 (Apr-Jun)	Q1-2017 (Jul-Sep)	Q2-2017 (Sep-Dec)
Ex-factory export price	738	707	566	590	646	614
Constructed normal value	865	824	831	855	922	924
Dumping margin	126	116	265	265	276	310
Dumping margin (% of export price)	17.1%	16.4%	46.7%	45.0%	42.7%	50.4%

#### 4.4 Levels of Dumping and Imports

117. Section 11 of the Act reflects Article 5.8 of the AD Agreement which requires that authorities shall reject an application and terminate an investigation if they are satisfied that there is not sufficient evidence of dumping or injury to justify proceeding with the case. There shall be immediate termination if the authorities determine that the margin of dumping is *de minimis*, or that the volume of dumped imports is negligible. A margin of dumping is *de minimis* if it is less than 2 per cent of the export price, while the volume of dumped imports, actual, or potential, is negligible if the volume from a particular country accounts for less than 3 per cent of imports, unless countries that individually account for less than 3 per cent of the imports collectively account for more than 7 per cent of imports.
118. As noted in section 4.3 above, the dumping margins for China and Malaysia exceed 2 per cent for all quarters of the periods examined.
119. Table 2.1 in section 2.1 above sets out Customs data for the tariff items and statistical keys covering the subject goods, for the year ended 30 June 2017. This information has not been adjusted to account for any clarification of the goods entering under the relevant tariff classifications. Imports from China made up 67.5 per cent of total imports FY2017, and Malaysia accounted for 3.3 percent of total imports. On this basis, MBIE considers that Chinese and Malaysian import volumes are not negligible under the AD Agreement.

## **4.5 Conclusions on Dumping**

120. MBIE considers that NZ Steel has provided sufficient information in relation to dumping to initiate an investigation. NZ Steel provided information for the 2016 and 2017 financial years for China, and 2016 and first half of 2017 financial years for Malaysia, all of which indicate dumping. Section 5 below considers the sufficiency of the evidence as to whether or not these imports are causing material injury to the domestic industry.

## 5. Evidence of Material Injury

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121. Under section 10 of the Act, a properly documented application must contain evidence of injury to a New Zealand industry caused by allegedly dumped imports before an investigation may be initiated. In the present case, NZ Steel meets the requirements to be considered as the domestic industry.
122. Section 8(1) of the Act sets out the matters that must be examined when determining whether or not material injury to an industry is being caused by means of the dumping of goods imported into New Zealand, while section 8(2) sets out in more detail the matters that MBIE must have regard to in any investigation to establish if material injury exists. In determining whether the evidence provided by NZ Steel is sufficient in terms of section 10(2), MBIE therefore takes guidance from these provisions of section 8 of the Act.
123. Section 8(1) of the Act provides:
- 8. Material injury to industry—(1) In determining for the purposes of this Act whether or not any material injury to an industry has been or is being caused or is threatened or whether or not the establishment of an industry has been or is being materially retarded by means of the dumping or subsidisation of goods imported or intended to be imported into New Zealand from another country, the Secretary shall examine—*
- (a) The volume of imports of the dumped or subsidised goods; and*
  - (b) The effect of the dumped or subsidised goods on prices in New Zealand for like goods; and*
  - (c) The consequent impact of the dumped or subsidised goods on the relevant New Zealand industry.*

### 5.1 Financial information provided by NZ Steel

124. In its application as it relates to injury, NZ Steel provides evidence of price undercutting, then discusses the analysis of material injury, including the use of coincidence or counterfactual analysis.

#### **Basis for Injury Analysis**

125. Throughout its application, NZ Steel emphasises that because of the approach it has taken to maintaining sales by meeting price competition, the injurious effects of allegedly dumped imports are manifested through the price effects, and the levels of injury are best addressed through adopting a counterfactual approach which looks at the position the industry would be in but for the dumping. As a consequence, NZ Steel focusses on the evolution of unit prices and per unit levels of revenue and profits as key indicators of injury.
126. NZ Steel argues that the counterfactual approach is best suited to the circumstances of the case, and provides evidence to support its claims that:

- injury is based upon selling price, which is mathematically and dynamically removed from sales revenue or EBIT, and the conditions of competition in the New Zealand market require a close focus on the price nexus, not on matters downstream;
- it is inappropriate to focus on one element, such as absolute profit, which is two points removed from the price nexus, out of the sixteen referred to in section 8(2) of the Act, for decisive guidance on economic impact;
- a very closely aligned case in Australia provides useful guidance to use of counterfactual analysis focusing on selling price;
- coincidence analysis is at best a screening tool but its use is not required by the relevant treaties, and sole reliance on coincidence analysis may result in an incomplete assessment of material injury in the circumstances of the New Zealand HSS industry;
- the use of coincidence/trend analysis in safeguards investigations is not a sound basis to support its use in dumping and subsidisation investigations;
- on the basis of the supporting information and arguments provided by NZ Steel the counterfactual analysis is the most suitable in the circumstances of the New Zealand HSS industry, and has been used previously by MBIE.

### **MBIE Practice**

127. MBIE interprets section 8(1) of the Act to mean that injury is to be considered in the context of the impact on the industry arising from the volume of the allegedly dumped goods, their effect on prices, and the consequent impact on the industry. This is consistent with Article 3 of the SCM Agreement. A finding of injury does not require that **both** volume and price effects should have a consequent impact on the industry, but that impact must be attributable to at least one of volume or price effects, which also means that for injury to be determined any volume and/or price effects must result in adverse consequences for the industry.
128. The Act goes on to set out a number of factors and indices which the chief executive shall have regard to, although noting that this is without limitation as to the matters the chief executive may consider. These factors and indices include:
- the extent to which there has been or is likely to be a significant increase in the volume of dumped goods, either in absolute terms or relative to production or consumption;
  - the extent to which the prices of dumped goods represent significant price undercutting in relation to prices in New Zealand;
  - the extent to which the effect of the dumped goods is or is likely significantly to depress prices for like goods of New Zealand producers or significantly to prevent price increases for those goods that otherwise would have occurred;
  - the economic impact of the dumped goods on the industry, including actual or potential decline in output, sales, market share, profits, productivity, return on

investments, and utilisation of production capacity; factors affecting domestic prices; the magnitude of the margin of dumping; and actual and potential effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investments.

129. What this means for any analysis of claims of injury is that price undercutting on its own is not sufficient evidence of injury, since the material injury is manifested in the consequent impact on the industry of any volume and price effects of dumped goods. Also, MBIE is required to examine and report on all of the factors and indices set out in the Act and the extent to which they are attributable to the dumping of imports.

#### *Basis for Analysis*

130. In applying the requirements of section 10 of the Act when determining whether there is sufficient evidence that the New Zealand industry has suffered material injury, MBIE normally compares data for an injury factor against the data in a period unaffected by dumping (a coincidence analysis). This approach takes account of the clear wording of the Act in section 8(2)(d)(i) which refers to “actual and potential decline” in a series of factors, but also considers the trend experienced over the period for the factors concerned, and is not simply a binary comparison of the beginning and end points of the period investigated. In considering the extent of the effect of dumped imports in contributing to an “actual or potential decline,” the analysis can also be undertaken on the basis of the position that the industry would have been in but for the dumping, requiring inferences to be drawn as to the counterfactual situation.
131. MBIE notes that a counterfactual analysis needs to be considered in light of the whole of the available evidence. Unrealised sales revenue and profit is unlikely, by itself, to constitute material injury in an industry where profits are increasing. However, the application can be evaluated for evidence of injury to the industry caused by unrealised sales revenue and profit, in terms of the factors relating to economic impact of the allegedly dumped goods as set out in section 8(2)(d) of the Act. A counterfactual analysis also needs to take particular care in assessing the effect of factors other than the allegedly dumped or subsidised goods that might be injuring the industry. It should be noted that the WTO Appellate Body findings relating to the methodology to be used in an injury investigation in *Mexico – Anti-Dumping Measures on Rice*,<sup>8</sup> agreed that the AD Agreement did not prescribe a methodology that must be followed by an investigating authority in conducting an injury analysis and noted, “Thus, when, in an investigating authority's methodology, a determination rests upon assumptions, these assumptions should be derived as reasonable inferences from a credible basis of facts, and should be sufficiently explained so that their objectivity and credibility can be verified.”

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<sup>8</sup> *Mexico – Definitive Anti-dumping Measures on Beef and Rice – Complaint with respect to Rice – AB-2005-6 – Report of the Appellate Body*, WT/DS295/AB/R, p.69.

132. The injury analysis outlined in this section of this report has been conducted primarily on the basis of a 'coincidence' analysis where the industry's performance is analysed over time. Where injury is not apparent from such an analysis, or where the applicant has claimed that a counterfactual analysis should be used, MBIE can have regard to the position the industry would have been in but for the dumping, but in doing so would carefully examine the assumptions made. In undertaking this assessment MBIE needs to consider the influence of factors other than the dumped goods in preventing price expectations from being achieved, as well as the level of dumping established. The assumptions derived as reasonable inferences from a credible basis of facts need to be identified and explained.

## 5.2 Cumulation of the Effects of Dumping and Subsidisation

133. NZ Steel's injury evidence relates to the effects of both dumping and subsidisation (unfairly trade goods), without seeking to make any differentiation between those effects.
134. On the face of it, sections 8, 10 and 10A of the Act do not appear to require any differentiation between the dumping and subsidisation of goods when assessing injury to a domestic industry. However, while both the SCM Agreement and the AD Agreement provide for the cumulation of the effects of dumping or subsidisation, as the case may be, from more than one country, cross-cumulation of the effects of allegedly dumped and subsidised goods is not permitted. This position was recently confirmed by the WTO Appellate Body in *US – CVDs on Carbon Steel Flat Products from India*<sup>9</sup> (DS436).
135. Article VI of GATT 1994 requires that "no product of the territory of any contracting party imported into the territory of any other contracting party shall be subject to both anti-dumping and countervailing duties to compensate for the same situation of dumping and export subsidisation."
136. In investigating concurrent claims of subsidisation and dumping relating to the same goods from the same country at the same time, MBIE must be careful to ensure that the requirements of GATT 1994 and the SCM and AD Agreements are met. It also means that in assessing any application involving such claims which might lead to an investigation, MBIE should ensure that, to the extent reasonable, it gives due weight to these requirements, as far they are consistent with the Act.
137. In this context, it is relevant to note that the Australian ADC's Final Report<sup>10</sup> in its investigation of subsidisation of *Steel Reinforcing Bar from China* noted that isolating the individual effects of dumping and subsidisation was very difficult. It also noted that trying to apportion some of this injury arising from a single set of price and volume effects to the subsidisation as opposed to the dumping would require the Australian ADC to make a great deal of assumptions that would be arbitrary and imprecise. The Australian ADC concluded

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<sup>9</sup> WT/DS436/AB/R.

<sup>10</sup> *Final Report No 322*, 19 September 2016, Australian ADC.

that it could not isolate the injury caused by subsidisation from the effect of it being dumped on to the Australian market, nor from the effects of other possible causes. The Australian ADC concluded that it could not be satisfied that in and of itself the subsidisation was causing injury to the domestic industry and whether the injury, if any, was material. It was therefore recommended that no countervailing duties be imposed.

138. With regard to the double-counting of the rates of dumping and subsidisation, the Australian ADC, in its report referred to above, noted that the levels of subsidy in the Less Than Adequate Remuneration programmes considered in the investigation were effectively offset by the dumping margins calculated in the investigation into dumping of the same goods, and the level of countervailable subsidy would need to have been adjusted to remove the double-counting. This would have led to significantly reduced levels of countervailable subsidies, which, in the case of some cooperating exporters, would have been less than 1 per cent (which is *de minimis*).

### 5.3 Import Volume Effects

139. For the purposes of this analysis, it is assumed, based on the analysis outlined in section 4 of this Report, that all imports from China and Malaysia are dumped, and that the level of dumping is more than *de minimis*.
140. In its application NZ Steel noted that there was significant difficulty in obtaining correct import volume and value information, including miscoding of entries. The information provided was based on the four tariff keys covering imports up to December 2016, as identified in paragraph 18 above and the revised tariff keys for the first two quarters of calendar 2017. NZ Steel suggests that if correctly coded, the figures up to December 2016 are likely to be subject goods, but not all subject goods are likely to be covered by these tariff keys. This likelihood of miscoding was exacerbated by the 2017 changes. NZ Steel undertook a process to seek to clarify the revised coverage and has identified 22 tariff keys which are most likely to cover the subject goods in 2017. NZ Steel notes that the unit values for imports from China may be erroneously high.
141. NZ Steel's estimates of imports are set out in Table 5.1 below. NZ Steel notes that other exporters to New Zealand have included a wide range of countries but the volumes remain small compared with China and Malaysia. The figures are not dissimilar to those obtained by MBIE from Customs data.

**Table 5.1: NZ Steel estimation of New Zealand import volumes by country  
(Financial years, tonnes)**

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
China	6912	8657	8146	10739	9987	10979
Malaysia	279	292	359	409	237	703
Other	11440	9209	13762	5287	3744	4245
Total	18631	18158	22267	16435	13968	15927

142. Using Customs data, MBIE has identified imports from China and Malaysia, in absolute terms and in relation to production and consumption in New Zealand, as shown in Table 5.2 below.

**Table 5.2: HSS imports by origin: Customs data  
(Financial years, tonnes)**

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Tonnes:						
China and Malaysia	7140	9071	8446	11083	10095	11616
Other	11427	9223	13754	5277	3760	4792
Total imports	18567	18294	22201	16360	13854	16408
NZ Steel sales	1000	1015	1045	947	792	835
NZ market	1000	1002	1109	919	772	856
Change on previous year - tonnes:						
China and Malaysia						
Other imports						
NZ Steel sales						
NZ market						
China and Malaysia imports as percentage of:						
NZ Steel sales	1000	1252	1132	1639	1786	1948
NZ market	1000	1267	1066	1689	1830	1901

*To ensure confidentiality of commercially-sensitive information figures have been indexed with FY2012=1000.*

143. The tables above show that in **absolute** terms the volume of imports from China and Malaysia has generally increased over the period, with a sharp increase in FY2015, followed by a decrease and a subsequent increase in FY2017 to even higher levels. Other imports have decreased significantly over the period, primarily as a result of decreases in imports from Australia.
144. Relative to New Zealand **production**, imports from China and Malaysia have increased steadily from FY2012 to FY2017. In FY2017, Chinese and Malaysian imports represented  per cent of domestic production as opposed to  per cent in FY2012.
145. As a percentage of domestic **consumption** (the New Zealand market), imports from China and Malaysia have followed a similar pattern. Chinese and Malaysian imports increased significantly over the full period from FY2012 to FY2017, with some fluctuations, reflecting primarily the changes in imports from Australia. In FY2017, Chinese and Malaysian imports represented  per cent of domestic consumption as opposed to  per cent in FY2012.
146. On the basis of this analysis, there is sufficient evidence to support a conclusion that there has been a significant increase in the volume of imports of allegedly dumped goods from China and Malaysia in absolute terms and in relation to production and consumption in New Zealand.

## 5.4 Price Effects

147. In its application, NZ Steel explains that its pricing strategy is based on maintaining market share by responding to prevailing HSS price offers and import product flow. NZ Steel pricing to the merchant distributor and end user market is based on import parity pricing and is reviewed monthly to ensure competitiveness. A premium is applied over import pricing to

reflect the benefits of local supply and NZ Steel's market offer, including short lead times, order flexibility, small order item quantities, product quality, technical service and customer service, and New Zealand currency pricing.

### 5.4.1 Price Undercutting

148. Price undercutting refers to the extent to which the prices of the subject goods are lower than prices in New Zealand for like goods of New Zealand producers. Prices are compared at the point that the imported goods first compete with the goods made in New Zealand. Price undercutting is not in itself a determinant of the existence or extent of injury, i.e. the margin of price undercutting is not a measure of the extent of the economic impact on the industry. That impact is to be measured, *inter alia*, in terms of the factors set out in section 8(2)(d) of the Act, outlined in section 5.4 of this Report.
149. In its application NZ Steel noted that the level of trade at which imported HSS first competes with domestically-produced HSS has been considered by MBIE as the relevant level of trade for the purpose of assessing price undercutting. The relevant price levels are ex-wharf for imports and NZ Steel's ex-factory price (i.e. its free-into-store (FIS) price less freight).
150. NZ Steel used quarterly export statistics sourced from Statistics New Zealand (Statistics NZ) for the tariff items and statistical keys identified in section 2.1 above to estimate average cost, insurance and freight (CIF) prices from China. Estimated costs from China to the ex-wharf level in New Zealand, sourced from a third-party industry specialist, were then added to the CIF values to derive estimated ex-wharf values. These costs relate to New Zealand destination costs. NZ Steel then compared these ex-wharf prices with its ex-factory domestic prices to gauge the extent of any price undercutting.
151. Using the above information, the following table based on NZ Steel information compares the average ex-wharf prices of HSS from China with NZ Steel's average ex-factory prices to assess the extent of any price undercutting. The undercutting is measured as a percentage of NZ Steel's average ex-factory price.

**Table 5.3: Price Undercutting - China, NZ Steel data  
(NZD/MT, calendar quarters)**

	China ex-wharf	NZ Steel ex-works	Difference	Undercutting
<b>2015 Q3</b>				
<b>2015 Q4</b>				No undercutting
<b>2016 Q1</b>				
<b>2016 Q2</b>				
<b>2016 Q3</b>				
<b>2016 Q4</b>				
<b>2017 Q1</b>				No undercutting
<b>2017 Q2</b>				

*To ensure confidentiality commercially-sensitive information has been redacted and summarised below.*

**Table 5.4: Price Undercutting, NZ Steel data  
(NZD/MT, calendar quarters)**

	Malaysia ex-wharf	NZ Steel ex-works	Difference	Undercutting
2015 Q3				
2015 Q4				No undercutting
2016 Q1				
2016 Q2				
2016 Q3				
2016 Q4				

*To ensure confidentiality commercially-sensitive information has been redacted and summarised below.*

152. NZ Steel notes that the figures for the 2017 quarters reflect abnormally lower ex-works values for NZ Steel because [REDACTED] higher freight costs to South Island buyers resulting from the Kaikōura earthquake in November 2016. Also, NZ Steel considers that the CIF prices for China for the same two quarters are unusually high and are believed to be incorrect. NZ Steel considers that these two factors have contributed to lower price undercutting margins in 2017.
153. MBIE prepared the following table on the basis of Customs data for the tariff items listed in section 2.1 (but excluding the Ex items listed in paragraph 23); using a CIF value in the equation; and accepting NZ Steel's figures for destination costs.

**Table 5.5: Price Undercutting – China, Customs data  
(Calendar quarters, NZD/MT, %)**

	China ex-wharf	NZ Steel ex-works	Difference	Undercutting
2015 Q3				
2015 Q4				No undercutting
2016 Q1				
2016 Q2				
2016 Q3				
2016 Q4				
2017 Q1				No undercutting
2017 Q2				No undercutting

*To ensure confidentiality commercially-sensitive information has been redacted and summarised below.*

**Table 5.6: Price Undercutting – Malaysia, Customs data  
(Calendar quarters, NZD/MT, %)**

	Malaysia ex-wharf	NZ Steel ex-works	Difference	Undercutting
2015 Q3				
2015 Q4				No undercutting
2016 Q1				
2016 Q2				
2016 Q3				
2016 Q4				
2017 Q1				No undercutting
2017 Q2				

*To ensure confidentiality commercially-sensitive information has been redacted and summarised below.*

154. The price undercutting tables above show prima facie evidence that for some of the period there was price undercutting of NZ Steel's average selling prices by the average prices of HSS imported from China and Malaysia. MBIE will clarify the position in any investigation.
155. There is sufficient evidence of some price undercutting during the period examined, but in more recent quarters the level of price undercutting by imports from China and Malaysia is not significant.

#### 5.4.2 Price Depression

156. Price depression occurs where prices achieved by the New Zealand manufacturers are lower than those achieved in a period unaffected by allegedly dumped or subsidised goods. Price depression is not in itself a determinant of the existence or extent of injury. There must be a consequent impact on the industry, measured primarily in terms of the factors set out in section 8(2)(d) of the Act.
157. NZ Steel submits that it is suffering price undercutting and price depression at the level of trade at which it sells.
158. NZ Steel has provided financial information to enable MBIE to assess whether it is suffering price depression. The following table shows NZ Steel's average domestic selling prices for HSS from FY2011 to FY2017, with index values based on FY2011.

**Table 5.7: Price Depression  
(NZD per tonne)**

	Revenue NZD/MT	Index 2011=1000
<b>FY2011</b>		1000
<b>FY2012</b>		991
<b>FY2013</b>		948
<b>FY2014</b>		920
<b>FY2015</b>		870
<b>FY2016</b>		779
<b>FY2017</b>		779

*To ensure confidentiality commercially-sensitive information has been redacted and summarised below.*

159. Table 5.7 shows that NZ Steel's average selling price decreased over the period. By FY2016, NZ Steel's average selling price had dropped to 78 per cent of its FY2011 average selling price, but did not fall further in FY2017.
160. There is sufficient evidence that NZ Steel has experienced price depression, in that average prices have decreased significantly over the period.

### 5.4.3 Price Suppression

161. Price suppression occurs when New Zealand producers are unable to increase prices, for example, to recover cost increases. Price suppression is not in itself a determinant of the existence or extent of injury. There must be a consequent impact on the industry, measured in terms of the factors set out in section 8(2)(d) of the Act.
162. MBIE has compared NZ Steel's total costs as a percentage of sales revenue from FY2011 to FY2017. The following table shows the resulting calculations:

**Table 5.8: Price Suppression  
(NZD per tonne)**

	Sales revenue NZD/MT	Cost of production NZD/MT	Cost of production as % of Revenue (Indexed)
<b>FY2011</b>			1000
<b>FY2012</b>			1019
<b>FY2013</b>			1055
<b>FY2014</b>			1059
<b>FY2015</b>			1237
<b>FY2016</b>			1310
<b>FY2017</b>			1310

*To ensure confidentiality commercially-sensitive information has been redacted and summarised below.*

163. Table 5.8 shows that NZ Steel's total costs per unit fluctuated over the period but did not increase significantly. However, average sales revenue has decreased significantly, and costs as a percentage of sales revenue per unit increased significantly over the period to FY2016, and especially between FY2014 and FY2015, but did not decline further in FY2017.
164. There is sufficient evidence that NZ Steel has experienced price suppression to the extent that average unit revenue did not reflect the extent of the same margins over costs per unit achieved in the earlier part of the period being examined.

#### **5.4.4 Conclusion on Price Effects**

165. There is evidence that the average prices of HSS imports from China and Malaysia have undercut NZ Steel's average selling prices for some of the period examined, and that there is price depression and price suppression. MBIE is satisfied that NZ Steel provides sufficient evidence, for the purpose of initiation, that the allegedly dumped Chinese and Malaysian imports may be causing these price effects.
166. As noted earlier, the price effects examined above are not in themselves a determinant of injury. There must be a consequent impact on the industry, in particular when measured, *inter alia*, in terms of the factors and indices set out in section 8(2)(d) of the Act. Injury caused to the New Zealand industry is assessed in terms of the economic impact in the following section of the report.

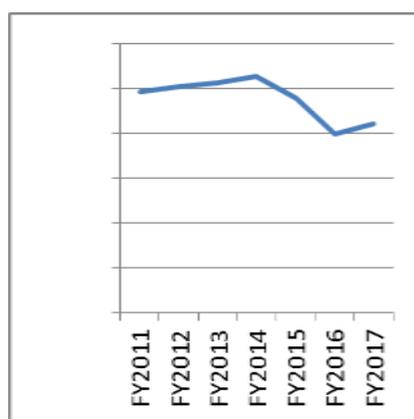
### **5.5 Consequent Impact**

#### **5.5.1 Sales Volume and Sales Revenue**

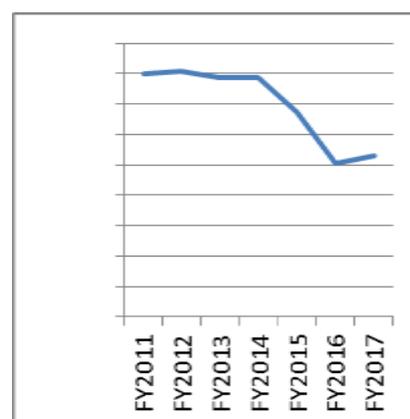
167. Movements in sales revenue can reflect changes in volume and prices of goods sold. Allegedly dumped imports can affect both of these factors through increased supply of goods to the market and through price competition.

168. NZ Steel provides sales volume and sales revenue information covering its 2010 to 2017 financial years.
169. NZ Steel submits that its strategy is to retain volume by competing on price (plus other assured quality and service elements). Injury effects are therefore reflected in sales revenue decreases and loss of profits, rather than in volume effects.
170. The following charts illustrate the sales volume and sales revenue information provided by NZ Steel.

**Chart 5.1: Sales Volume  
MT**



**Chart 5.2: Sales Revenue  
NZD000**



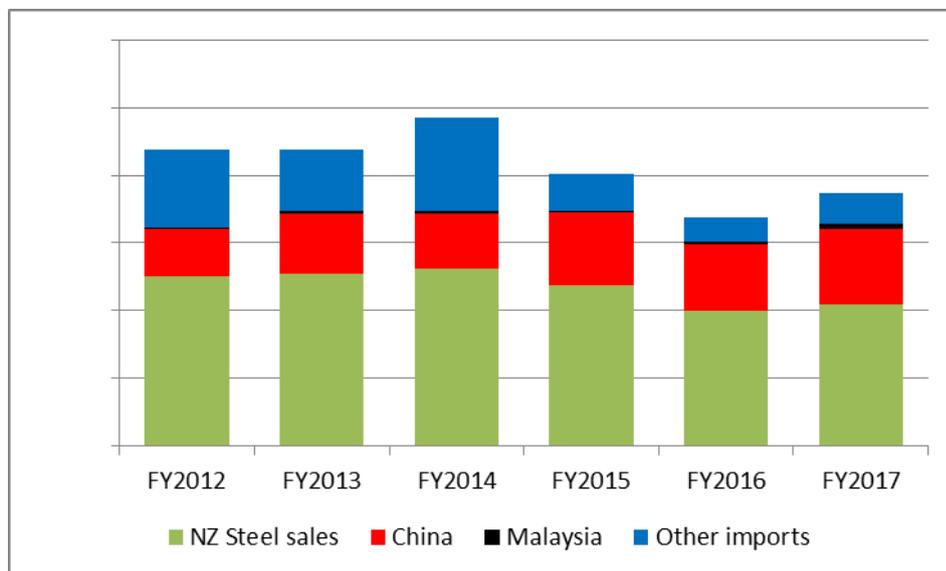
171. The information clearly shows that NZ Steel's annual sales volumes and revenues declined over the whole period, following a slight increase in volumes between FY2011 and FY2014, but with static sales revenue over this period. Both volume and value of sales declined sharply from FY2014 before recording some recovery in FY2017.
172. There is sufficient evidence that NZ Steel has experienced a decline in sales volume and sales revenue over the period of investigation.

### 5.5.2 Market Share

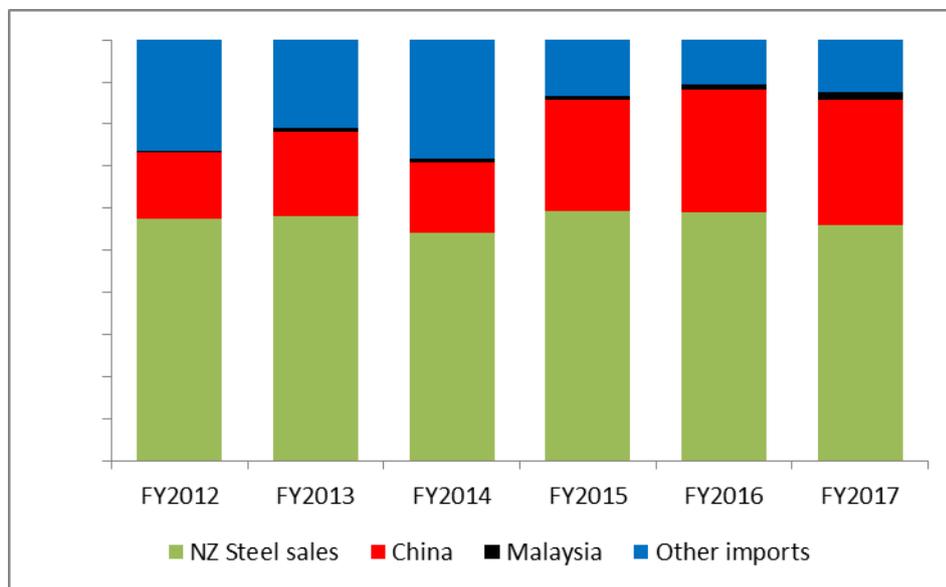
173. Analysis of market share must consider changes in the size of the total market. A decline in the domestic industry's market share when the total market is expanding will not necessarily indicate that material injury is being caused, particularly if the domestic industry's sales are also growing, because the New Zealand industry is not entitled to a particular market share.
174. NZ Steel provides market share information (total imports from all sources and domestic sales volumes from NZ Steel and other New Zealand producers). The information was shown in the form of a chart, and appears to confirm that there is little change in the market share held by New Zealand producers. NZ Steel notes that the material injury claims in its application relate to the downward pressure on NZ Steel's selling prices from the growing share held by Chinese and Malaysian HSS goods and not on market share-related matters.

175. The following charts illustrate market share information for HSS from FY2012 to FY2017 using Customs data and NZ Steel sales (information on sales by other New Zealand producers across the whole period reviewed was not included in the application).

**Chart 5.3 Market Share (MT)**



**Chart 5.4: Market Share %**



176. The charts show that the domestic industry’s market share fluctuated during the period FY2012-FY2017 within a range of [redacted]. The decrease in market share in FY2014 reflected an increase in imports from countries other than China and Malaysia. The Chinese market share nearly doubled over the period, primarily at the expense of imports from other countries as a result of a significant decrease in imports from Australia.

177. It cannot be concluded that there is a significant decline in market share that can be attributed to allegedly dumped imports of HSS from China and Malaysia.

### 5.5.3 Profits

178. Dumped or subsidised imports can affect gross profit and net profit via the impact on sales prices and volumes.
179. NZ Steel claims that it has suffered material injury against profit as a result of the presence in the New Zealand market of unfairly traded imports, induced in particular by price suppression. NZ Steel argues that its unrealised higher selling price is necessarily reflected in the economic consequence of foregone EBIT. NZ Steel also notes that material injury arises from significantly lower per unit profitability in FY2016 and FY2017 compared with previous years.
180. To illustrate the extent of the injury, NZ Steel notes that EBIT in FY2017 is adverse relative to FY2011 and FY2012 by NZD ██████████ million and NZD ██████████ million respectively, established by applying the differential in EBIT to the volume of FY2017 sales. NZ Steel uses a similar approach to identify adverse effects on gross profits.
181. The following table shows NZ Steel's EBIT figures from FY2011 to FY2017.

**Table 5.9: Profit and Profitability  
(NZD000, %)**

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Sales revenue		102%	102%	103%	91%	84%	105%
EBIT		83%	52%	81%	-352%	111%	100%
EBIT/MT		81%	51%	78%	-388%	132%	95%
EBIT % of revenue		81%	51%	78%	-388%	132%	95%

*To ensure the confidentiality of commercially sensitive information figures have been replaced with percentages changes from the previous year and summarised below*

182. All measures of profit and profitability declined significantly over the period.
183. MBIE is satisfied that there is sufficient evidence that NZ Steel has experienced a significant decline in profit, as measured by EBIT, and in profitability.

### 5.5.4 Other Economic Impacts

184. NZ Steel's application lists the other factors referred to in section 8(2)(d) of the Act, with comments on whether or not they are affected by allegedly dumped imports.

#### Productivity

185. Productivity is the relationship between goods produced and the inputs required to manufacture those goods. Productivity is affected by output/sales and capacity utilisation levels.
186. NZ Steel notes that it does not consider material injury to be related to productivity, and any injury to productivity will be less than the effects of unfairly traded Chinese goods on HSS selling price and profitability.

#### Return on investment (ROI)

187. An analysis of return on investment measures profit against the value of the investment in a business. Changes in return in investment may impact the ability to retain current

investment or attract new investment. Declines in return on investment can result from a decline in profit or an increase in the level of investment within the business.

188. NZ Steel claims that it has suffered an economic impact in the form of a diminished return on investments, as evidenced by the level of EBIT expressed as a return on assets.

**Table 5.10: Return on Investment  
(NZD000, %)**

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
EBIT		83%	52%	81%	-352%	111%	100%
Fixed assets		93%	110%	95%	90%	91%	98%
EBIT % Assets		89%	47%	85%	-392%	121%	102%

*To ensure the confidentiality of commercially sensitive information figures have been replaced with percentages changes from the previous year and summarised below*

189. NZ Steel notes that an alternative assessment could incorporate the undercutting suppressive effect, which would indicate a  per cent improvement in ROI compared with the actual outcome.
190. MBIE notes that there is sufficient evidence that NZ Steel has experienced a significant decline in return on investments.

#### **Utilisation of production capacity**

191. The utilisation of production capacity reflects changes in production volumes or changes in capacity. A decline in production volumes will normally lead to a higher cost per unit due to increased fixed overheads per unit. This will lead to a decrease in profit level, unless offsetting savings are found elsewhere.
192. NZ Steel notes that it does not consider material injury to be related to production capacity, and any injury to production capacity will be less than the effects of unfairly traded Chinese goods on HSS selling price and profitability.

#### **Factors affecting domestic prices**

193. The Act lists this matter as one of the various factors and indices to which the chief executive must have regard to when assessing the economic impact of dumped goods on the industry. MBIE examines this factor in the context of the economic impact of dumped goods on the industry.
194. NZ Steel considers that the primary factor affecting domestic prices is the price of the unfairly traded imports from China and Malaysia, which undercut NZ Steel prices, causing price depression and price suppression. NZ Steel notes that China and Malaysia have collectively about a 75 per cent share of imports, with the next largest share being from Australia. The average CIF price of Australian goods is significantly higher than that of goods from China and Malaysia. Other countries, including Korea, Thailand and the United Arab Emirates, have small import shares, and are also low-priced. NZ Steel identifies the market pressure on its prices as coming from China and Malaysia.

195. MBIE's consideration of the price effects of imports is summarised above in section 5.4. The requirements in relation to this factor go more broadly to encompass NZ Steel's pricing policy, and the New Zealand and global market situations.
196. NZ Steel has outlined its import parity pricing policy as being based on [REDACTED] reviews of market offer feedback from New Zealand distributors of imported products, and pricing from international steel review publications and from BlueScope overseas offices. Prices are converted to NZD free into store (FIS) levels by adding freight charges, port service charges and handling costs, import duty where applicable, and domestic cartage to distributor's store to determine a nominal FIS price. A premium is then added to reflect the benefits of local supply, and the outcome is an NZ Steel distributor price, less any rebates, to be compared with the nominal FIS import price, and a market price adjustment is made if necessary to reflect any change in import pricing, or any movement in exchange rates.
197. Other matters affecting domestic prices include the impact of events in New Zealand, such as the Kaikōura earthquake, which is identified in the application as having affected NZ Steel's sales in the South Island.
198. MBIE notes that in light of NZ Steel's import parity pricing policy, prices of imports clearly affect domestic prices, and such effects and the impact of domestic and global factors influencing prices will need to be addressed in any investigation.

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

199. Section 8(2)(d)(iii) of the Act refers to the magnitude of the margin of dumping as a factor the chief executive is to have regard to. NZ Steel notes that the margin of dumping is estimated to be 32 to 36 per cent. The magnitude of the margin of dumping can be an indicator of the extent to which injury can be attributed to dumping.

#### **Cash Flow**

200. Cash flow is the total amount of money being transferred into and out of a business, especially as it affects liquidity, and provides an indication of the ability of producers to self-finance their activities.
201. NZ Steel claims that it has suffered a material-level economic impact from unfairly traded imports as diminished cash flow as a result of the presence in the New Zealand market of unfairly traded goods. NZ Steel attributes the effects on cash flow to induced price suppression as a result of unrealised higher prices.
202. NZ Steel provides information on cash flow as shown in the table 5.8 below.

**Table 5.11: Cash flow**  
**NZD000**

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Cash flow	1000	863	504	505	-904	-1017	-1052
Change on previous year							

203. The information provided by NZ Steel indicates that cash flow [REDACTED] for most of the period, with some recovery in FY2014 but a very significant reverse in FY2015.

204. MBIE notes that there is sufficient evidence that NZ Steel has experienced a significant negative effect on cash flow, but any investigation will need to examine the basis for the figures provided.

### **Inventories**

205. NZ Steel does not point to an adverse economic impact related to inventory.

### **Employment and Wages**

206. NZ Steel does not point to material-scale economic impact related to employment and wages.

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

207. NZ Steel observes that the availability of unfairly traded HSS on the New Zealand market adversely affects growth prospects for its business and for any requests that NZ Steel might make to its owners for more capital. It suggests that the unremedied degree of economic damage from unfairly traded imports is inevitably considered by NZ Steel's parent when growth and further investment in New Zealand are being considered. NZ Steel notes that its potential source of growth funding has a choice to direct capital to geographies where unfairly traded imports of HSS are being trade-remedied.

208. NZ Steel does not provide any specific evidence in support of these observations.

## **5.5.5 Conclusion on Consequent Impact**

209. MBIE is satisfied that there is sufficient evidence that:

- NZ Steel has experienced a decline in sales volume and sales revenue over the period of investigation;
- there is not a significant decline in market share that can be attributed to imports from China and Malaysia;
- NZ Steel has experienced a significant decline in profit, as measured by EBIT, and in profitability
- NZ Steel has experienced a significant decline in return on investments;
- in light of NZ Steel's import parity pricing policy, prices of imports clearly affect domestic prices;

- NZ Steel has experienced a significant negative effect on cash flow.
210. MBIE notes that NZ Steel does not claim that it suffers from an actual or potential decline in productivity or utilisation of production capacity.
211. MBIE notes that NZ Steel does not claim that there are actual or potential negative effects on inventories, employment and wages, and provides no evidence to support any conclusions on growth, the ability to raise capital and investments.
212. Overall, MBIE is satisfied that there is sufficient evidence that there is a consequent impact on NZ Steel in relation to a number of injury factors arising from the volume and price effects of allegedly dumped imports of HSS from China and Malaysia.

## 5.6 Conclusion on Material Injury

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

### Import Volumes

214. There is sufficient evidence to support a conclusion that there has been a significant increase in the volume of imports of allegedly dumped goods from China and Malaysia in absolute terms and in relation to production and consumption in New Zealand.

### Price Effects

215. There is evidence that the average prices of allegedly dumped HSS imports from China and Malaysia have undercut NZ Steel's average selling prices for some of the period examined, and that there is price depression and price suppression. MBIE is satisfied that NZ Steel has provided sufficient evidence, for the purpose of initiation, that the allegedly dumped imports of HSS from China and Malaysia may be causing these price effects.

### Economic Impact

216. MBIE is satisfied that there is sufficient evidence that there has been a consequent impact on NZ Steel in relation to a number of injury factors arising from the volume and price effects of allegedly dumped imports of HSS from China and Malaysia. These injury factors include a decline in sales volume and sales revenue, significant decline in profit and return on investments and a negative effect on cash flow.

### Conclusion

217. On the basis that there is sufficient evidence, for the purpose of initiation, that imports of HSS from China and Malaysia are dumped, then with regard to the matters specified in the Act relating to the volume of imports of allegedly dumped goods and the effect of allegedly dumped goods on prices in New Zealand for like goods:

- there is sufficient evidence to support a conclusion that there has been a significant increase in imports of allegedly dumped goods in absolute terms and in relation to production or consumption in New Zealand;
- there is sufficient evidence that allegedly dumped imports of HSS from China and Malaysia have been undercutting prices of NZ Steel;
- there is sufficient evidence that the effect of the allegedly dumped imports of HSS from China and Malaysia is to depress and suppress prices for like goods in New Zealand;
- there is sufficient evidence that there has been a consequent impact on the New Zealand industry in terms of the matters that the chief executive is required to have regard to.

218. On the basis of its analysis, MBIE concludes that for the purposes of initiation there is sufficient evidence that the domestic industry is being materially injured by allegedly dumped imports of HSS from China and Malaysia.

## 6. Evidence of Causal Link

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219. Section 10A(a)(ii)(A) of the Act requires that sufficient evidence be provided that material injury is caused by the allegedly dumped goods in order for an investigation to be initiated. This does not preclude any other factor(s) also being a cause of material injury, and section 8(2)(e) of the Act identifies those other factors that the chief executive shall have regard to in assessing injury. This reflects the requirements of Article 5.2 of the AD Agreement.
220. The assessment of the injury factors in section 5 above includes discussion of the causal relationships of allegedly dumped imports on volume and price effects and their consequent impact on the domestic industry, as set out in the application and in MBIE's examination of the adequacy and accuracy of the claims made.
221. MBIE has also examined factors other than the dumped goods that have injured or are injuring the industry.
222. In its application, NZ Steel's discussion of the causal link focussed on the price effects of the allegedly dumped imports of HSS from China and Malaysia. NZ Steel illustrated this link with mathematical calculations to show the relationship, including evidence of a lagged effect. NZ Steel noted that some price decline could be attributed to world price changes, but the facts showed that NZ Steel was forced to respond to the significant price undercutting of Chinese and Malaysian goods, which caused adverse NZ Steel economic performance.

### 6.1 Dumped Imports

223. As described in the preceding sections of this report, MBIE has examined the claims made by NZ Steel with regard to the volume and price effects of allegedly dumped imports and the consequent impact on the domestic industry, including the extent and nature of any such effects and the causal relationship with the allegedly dumped imports of HSS from China and Malaysia.
224. MBIE has identified that sufficient evidence has been provided, for initiation purposes, that there has been an increase in imports of HSS from China and Malaysia, and that price undercutting by allegedly dumped imports from China and Malaysia has contributed to price depression and price suppression being experienced by NZ Steel. Sufficient evidence has been provided to support claims that the consequence of these price effects is actual declines in profits and flow-on effects on return on investments and cash flow.
225. MBIE notes that the information available indicates that price undercutting may have diminished or is not occurring in the last few quarters of FY2017. If this is confirmed in any investigation then doubt would be cast on the causal link between the allegedly dumped imports of HSS from China and Malaysia and the consequent price depression, price suppression and consequent impact on the domestic industry.

### 6.2 Other Imports

226. Section 8(2)(e)(i) of the Act refers to the volume and prices of goods that are not dumped.

227. The following table sets out the levels of imports from the main supplying countries and other sources for all of the subject goods. The information covers some goods which may not compete directly with the goods produced by NZ Steel, and are average values, but the information is provided as an indication of the potential impact of imported goods other than the allegedly dumped goods from China and Malaysia.
228. The information indicates that imports from sources other than China and Malaysia were primarily from Australia, with much smaller volumes from sources other than China, Malaysia and Australia. Average unit values from China, Malaysia, Thailand, Japan and Korea were at broadly similar levels in FY2017. Australia was the primary source of HSS up to FY2014, with China taking over as the main supplier from FY2015, when imports from Australia started to diminish sharply.

**Table 6.1: Steel HSS imports: Source Customs  
(MT)**

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Australia	10468	10312	7828	12176	3982	2499	2976
China	4893	6861	8784	8088	10673	9858	11075
Japan	88	32	167	49	51	289	357
Korea	848	287	279	385	143	96	181
Malaysia	27	279	287	359	409	237	540
Thailand	225	488	536	277	328	176	118
Chinese Taipei	143	151	170	281	275	259	588
Other	235	156	244	586	498	441	572
Total	16927	18567	18294	22201	16360	13854	16408

229. MBIE is satisfied that information on the prices and volumes of imports other than the allegedly dumped goods does not provide a basis for changing the conclusions reached in this report.

### 6.3 Demand and Consumption

230. Section 8(2)(e)(ii) of the Act refers to contraction in demand or changes in the patterns of consumption.
231. NZ Steel makes no comment on these matters, and MBIE notes that overall demand for steel products in New Zealand, including HSS, may have increased as a result of increased building activity in recent years.

### 6.4 Trade Practices

232. Section 8(2)(e)(iii) of the Act refers to restrictive trade practices of, and competition between, overseas and New Zealand producers.
233. NZ Steel makes no comment on these matters, and MBIE is not aware of any developments which would affect the domestic industry.

### 6.5 Developments in Technology

234. Section 8(2)(e)(iv) of the Act refers to developments in technology.

235. NZ Steel makes no comment on these matters, and MBIE is not aware of any developments in technology that could be affecting the New Zealand industry.

## 6.6 Exports of New Zealand Producers

236. Section 8(2)(e)(v) of the Act refers to the export performance and productivity of the New Zealand producers.

237. NZ Steel advises that in FY2017 HSS export sales amounted to [REDACTED] MT out of total sales of [REDACTED] MT. Export-related costs are excluded from the financial data provided to support the application.

238. There is no evidence to suggest that NZ Steel's export performance contributes to any injury.

## 6.7 Conclusions on Causal Link

239. MBIE is satisfied that there is sufficient evidence, for the purpose of initiation, of a causal link between the allegedly dumped imports from China and Malaysia and the volume and price effects and consequent impact on the domestic industry.

240. With regard to the other causes of injury identified in the Act, MBIE notes that any investigation will need to have regard to the extent to which imports from other sources might be affecting the state of the domestic industry, as well as the effect of movements in export sales volumes and values on the business. It will also need to examine other factors, including the global steel market, to determine whether they are relevant.

## 7. Conclusion

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241. On the basis of its examination of the information provided by the applicant, MBIE concludes that:
- a. Sufficient evidence has been provided for the purpose of initiation that HSS from China and Malaysia is being dumped, and that;
  - b. Sufficient evidence has been provided for the purpose of initiation to show that material injury to the New Zealand industry is being caused by the alleged dumping of goods imported from China and Malaysia.
242. On this basis, an investigation should be initiated to determine the existence and effect of the alleged dumping of HSS imported from China and Malaysia.

## 8. Recommendation

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243. Based on the above conclusions, MBIE recommends that the General Manager of the Science, Innovation and International Branch of MBIE, acting under delegated authority from the Chief Executive, initiates an investigation into the alleged dumping of HSS imported from China and Malaysia.

Jim Robinson  
Manager  
Trade and Regulatory Cooperation  
Labour, Science and Enterprise

..... March 2018

Agreed

Peter Crabtree  
General Manager  
Science, Innovation and International  
Labour, Science and Enterprise

..... April 2018