



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

**TRADE AND
INTERNATIONAL**

Trade (Anti-dumping and Countervailing Duties) Act 1988

Application for Dumping Investigation

Aluminium-zinc coated steel from Korea and Taiwan

Initiation Report

MBIE/AD/I/2021/001

June 2021

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INITIATION REPORT

DATE	4 June 2021
TO	Matthew Molloy, Manager, Trade and International
PREPARED BY	Trade Remedies Team
SUBJECT	APPLICATION FOR START OF DUMPING INVESTIGATION UNDER THE TRADE (ANTI-DUMPING AND COUNTERVAILING DUTIES) ACT 1988

RECOMMENDATIONS

You have been delegated authority to start investigations under the Trade (Anti-dumping and Countervailing Duties) Act 1988. We recommend you:

Note that the Trade Remedies team having assessed the application for an investigation into dumping of imports of certain aluminium-zinc coated steel from the Republic of Korea and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, including the accuracy and adequacy of the information provided, considers that there is sufficient evidence that the goods are being dumped and that material injury to a New Zealand industry is being caused because of the dumping, to justify starting an investigation.

Noted

Agree to start an investigation of dumping under section 10A(1) of the Act on the basis that the requirements in that section to start an investigation have been met

Agree/Disagree

Agree to sign the attached *Gazette* notice giving notice of the decision to start investigation step 1 of the Act in accordance with sections 10B and 3E of the Act, which will also be given to notified parties

Agree/Disagree

Matthew Molloy
Manager, Trade and International

8 June 2021



PURPOSE

1. In this report we assess an application from New Zealand Steel Limited (NZ Steel/the applicant) asking that the chief executive of the Ministry of Business, Innovation, and Employment (MBIE) (chief executive) start (initiate) an investigation under the Trade (Anti-dumping and Countervailing Duties) Act 1988 (the Act) to determine the existence and effect of alleged dumping of certain aluminium-zinc coated steel (coated steel) from Korea¹ and Taiwan.²
2. The Act provides that the chief executive must start an investigation when satisfied from the evidence in the application that there is sufficient evidence justifying investigating whether goods imported or intended to be imported into New Zealand are being dumped and that the alleged dumping has caused, is causing, or threatens to cause material injury to New Zealand producers of like goods (the New Zealand industry).
3. The application must also be supported by a certain proportion of the New Zealand industry.
4. We recommend that on the basis of MBIE's assessment of the evidence in the application you start a dumping investigation into the subject goods.

APPLICATION FOR ANTI-DUMPING DUTIES

5. On 23 March 2021, MBIE accepted a properly documented application from NZ Steel requesting that anti-dumping duties be imposed on certain aluminium-zinc coated steel from Korea and Taiwan. NZ Steel claims that imports of the coated steel are being dumped and that this dumping is causing material injury to the New Zealand industry.
6. In accordance with the requirement in section 10A(2)(a) of the Act, the authorities of the countries of export of the goods that are the subject of the proposed investigation, were informed of the proposed investigation when the application was accepted as properly documented.
7. In accepting the application as properly documented, MBIE was satisfied that the information included in the application was as much of the information required by section 10 of the Act as was reasonably available to NZ Steel.
8. NZ Steel asked that provisional duties be secured under section 16 of the Act during the period of the investigation on the basis that this action is necessary to prevent material injury to the New Zealand industry during that period. This request will be considered during the investigation.

LEGAL REQUIREMENTS

9. Section 10A(1) of the Act provides that the chief executive must start an investigation if the chief executive is satisfied from the evidence in the application that—
 - (a) there is sufficient evidence to justify investigating whether—
 - (i) goods imported or intended to be imported into New Zealand are being dumped [...]; and

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

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

- (ii) the alleged dumping [...]—
 - (A) has caused, is causing, or threatens to cause material injury to the industry; or
 - (B) has caused or is causing the establishment of the industry to be materially retarded; and
 - (b) the collective output of those New Zealand producers who have, in writing, expressed support for the application constitutes—
 - (i) 25% or more of the total New Zealand production of like goods produced for domestic consumption (as assessed during the most recent representative period of not less than 6 months); and
 - (ii) more than 50% of the total production of like goods produced for domestic consumption (assessed as referred to in subparagraph (i)) by those New Zealand producers who have, in writing, expressed support for or opposition to the application.
10. In interpreting the term “sufficient” MBIE has considered the World Trade Organization Agreement on the Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (AD Agreement) which requires authorities to examine the accuracy and adequacy of the evidence in an application (Article 5.3). Simple assertion unsubstantiated by relevant evidence, cannot be considered sufficient (Article 5.2). The evidence in the application is assessed against the legal requirements.

REPORT DETAILS

11. The information provided by NZ Steel relates to years ending in September (SY). Volumes are generally expressed in metric tons (MT or tonnes). Currencies are in United States dollars (USD) or New Zealand dollars (NZD).
12. The period considered for evidence of dumping is SY2020, and the period for evidence of injury is SY2016-SY2020.

GOODS IMPORTED OR INTENDED TO BE IMPORTED INTO NEW ZEALAND

Summary of evidence provided

Subject goods

13. The goods imported or intended to be imported into New Zealand from Korea and Taiwan that are alleged to be dumped (subject goods), as described by NZ Steel, are:
- Flat rolled iron and steel products (whether or not containing alloys), plated or coated with principally aluminium-zinc alloys (but the plating or coating may contain other alloys), not painted, and whether or not including resin coating or other surface treatment.*
14. The short description of these goods for the purposes of this report is “coated steel.”
15. NZ Steel provided details of trade or generic names for the goods concerned and clarified the purpose and nature of the surface treatment covered in the description. NZ Steel also described the coating process and identified relevant standards applicable to the subject goods.

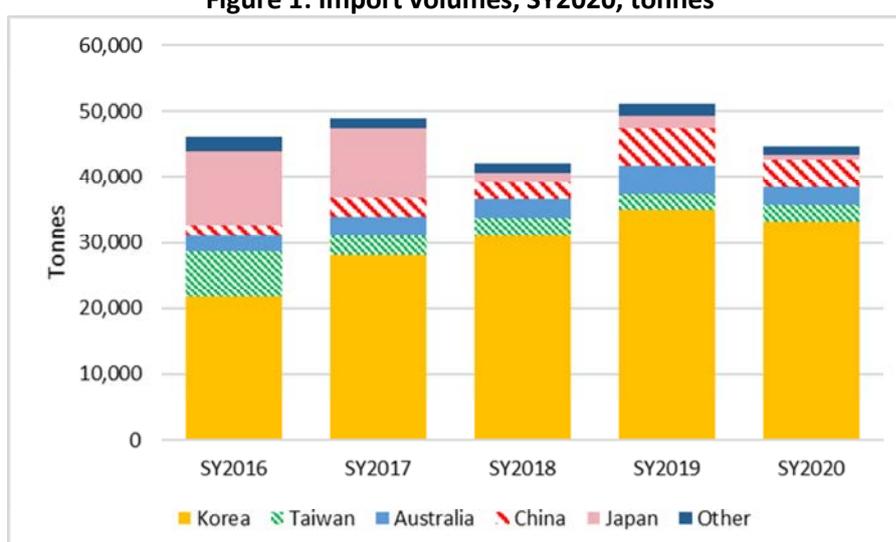
Evidence of imports

16. NZ Steel provided a list of the tariff items and statistical keys under which the subject goods might be imported and suggested that trade data relating to these headings might not be completely accurate. NZ Steel also noted that a number of headings are subject to confidentiality orders by Statistics New Zealand, meaning that New Zealand trade statistics do not include imports under those headings. For these reasons, NZ Steel has used trade data from ISSB³, an international supplier of steel trade data on a subscription basis, which uses data from a range of sources to identify exports to New Zealand.
17. NZ Steel has provided trade data from ISSB to show that the subject goods are currently being imported into New Zealand, and to provide the basis for the calculation of a constructed export price. The trade data from ISSB was limited to five six-digit headings which NZ Steel considers to be relevant to coated steel.

Summary of MBIE assessment

18. MBIE has assessed the accuracy and adequacy of the data relating to imports of the subject goods. In particular, MBIE has compared the coverage of the ISSB trade data provided by NZ Steel with Customs data⁴ checked against published trade statistics from Statistics New Zealand with adjustments made as necessary. In assessing the data, MBIE needs to be satisfied that the information relates to all of the goods identified as the subject goods, and not just to a selected sample.
19. MBIE notes that the 6-digit ISSB trade data has a limited coverage of the subject goods as identified by NZ Steel, and also includes goods that are not covered by the subject goods description.
20. In view of the differences in coverage of the ISSB six-digit level data, and the Customs data for imports of the full range of subject goods, MBIE considers that Customs data is more reliable for assessing the accuracy and adequacy of data on import volumes and values of the subject goods. On the basis of Customs data, MBIE is satisfied that there have been imports of the subject goods from Korea and Taiwan during the SY2020.

Figure 1: Import volumes, SY2020, tonnes



³ International Steel Statistics Bureau.

⁴ Entry level data provided by the New Zealand Customs Service.

ARE BEING DUMPED...

21. Section 3(1) of the Act provides that dumping, in relation to goods, means the situation where the export price of goods imported into New Zealand or intended to be imported into New Zealand is less than the normal value of the goods as determined in accordance with the provisions of this Act, and dumped has a corresponding meaning.

Export price

22. Section 4 of the Act sets out how export price is to be determined for the purposes of the Act. In summary, section 4 provides that the export price shall be the price paid by the importer other than any additional costs, charges and expenses incurred in preparing the goods for shipment to New Zealand, and any other costs, charges and expenses arising after the shipment. The determination also differs depending on whether or not the purchase of the goods by the importer was an arm's length transaction, and whether or not the purchaser is known.

Summary of evidence provided

23. NZ Steel notes that it does not have access to commercial information on prices of exports to New Zealand, so has constructed an export price based on information available to it. This information includes the six-digit trade data from ISSB covering volumes (in tonnes) and values USD for exports to New Zealand. Using this data, NZ Steel has established a **base price** from the weighted average values in USD/tonne for Korea and Taiwan for the year ended September 2020.
24. NZ Steel proposed adjustments to the base price for the following factors in order to calculate an ex-factory export price:
- **Cost of credit:** the adjustment is based on NZ Steel's estimate of the credit periods applying in Korea and Taiwan, with interest rates based from the Bank of Korea and the Central Bank of Taiwan, as derived from tradingeconomics.com ;
 - **Export packaging:** the adjustment is based on NZ Steel's estimate for steel wrap packaging;
 - **Inland freight:** the adjustment is based on NZ Steel's estimate based on information from the 2020 investigation of galvanised wire from China and Indonesia;
 - **Exporting charges:** the basis for the adjustment is NZ Steel's estimate based on information from the 2020 investigation of galvanised wire from China and Indonesia.

25. Information supporting the estimates for the adjustments was provided by NZ Steel.

Summary of MBIE's assessment

26. For the reasons outlined above in the discussion on trade data, MBIE has assessed the accuracy and adequacy of NZ Steel's evidence on export prices by using Customs data as a check on the base price proposed by NZ Steel. On this basis, the weighted average base prices for the subject goods as a whole are significantly higher than the weighted average levels identified by NZ Steel on the basis of the limited ISSB data.
27. MBIE has also checked the bases for the adjustments proposed by NZ Steel, and considers that the proposed adjustments are based on information that is reasonably available to the applicant.

28. MBIE has established weighted average export prices on the basis of the full set of trade data covering the subject goods and the adjustments identified by NZ Steel. The levels of the export prices are significantly higher than those identified by NZ Steel.

Normal value

29. Section 5 of the Act sets out how normal values are to be determined for the purpose of the Act. In summary, section 5 provides that the normal value shall be the price paid for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arm's length transactions by the exporter or, if like goods are not so sold by the exporter, by other sellers of like goods.

Summary of evidence provided

30. NZ Steel explains that it is difficult for it to obtain evidence of the wholesale level of trade prices in Korea and Taiwan. NZ Steel has therefore constructed a normal value, based on the cost of production with provision for reasonable amounts for administrative and selling costs and other charges, and profit.
31. The elements of the constructed value were based on the following:
- **Cost of production:** information on the cost of hot-rolled coil (HRC), processing costs based on information available to NZ Steel from commercial sources.
 - **Administrative and selling costs and other charges:** the estimate used was based on NZ Steel's own costs.
 - **Profits:** the estimates for profits were based on data published by investing.com for the gross profits achieved by specified steel companies in Korea and Taiwan covering SY2020.

32. NZ Steel provided detailed supporting evidence for its estimates.

Summary of MBIE's assessment

33. MBIE has assessed the accuracy and adequacy of the evidence provided for the constructed normal values and considers that the amounts proposed are based on information that is reasonably available to the applicant.
34. MBIE's calculation has made some very minor adjustments in the calculation of the rate of gross profit (to allow for a weighted average of quarterly profits to arrive at annual gross profit for the companies used, rather than a simple average), and has also ensured that the amount for SGA is not counted twice (gross profit usually includes SGA costs), and that the gross profit percentage is based on the percentage of revenue not of cost. The normal values established by MBIE are slightly lower than those proposed by NZ Steel.

Dumping margins

35. The evidence as provided by NZ Steel indicated dumping margins in the upper 30%-40% range for Korea, and the mid 30%-40% range for Taiwan.
36. The weighted average margins found by MBIE using trade data for all of the subject goods, are 6.0% for Korea and 8.6% for Taiwan, reflecting the higher export prices for the weighted average imports of all of the subject goods.

Whether margin of dumping too low or volume of imports negligible

37. Section 11(1)(a) of the Act provides that investigations must be terminated where there is insufficient evidence of dumping to justify proceeding with the investigation.
38. Section 11(2) provides that for the purposes of section 11(1)(a), evidence of dumping shall be insufficient where:
- the margin of dumping is in the case of goods of Singaporean origin, less than 5% (expressed as a percentage of the export price); or in the case of goods of any other origin, less than 2% (expressed as a percentage of the export price);
 - the volume of imports of dumped goods, expressed as a percentage of total imports of like goods into New Zealand, is negligible, having regard to New Zealand's obligations as a party to the WTO Agreement.⁵
39. MBIE will not consider that sufficient evidence of dumping has been provided where evidence does not prima facie show a margin of dumping or volume of imports that meets the thresholds in section 11(2) of the Act.

Summary of evidence provided

40. The evidence put forward by NZ Steel indicates a dumping margin in the upper 30%-40% range for Korea, and the mid 30%-40% range for Taiwan.
41. The information provided by NZ Steel indicated that the shares of total imports held by imports from Korea and Taiwan in SY2020 were above the level of negligibility.

Summary of MBIE's assessment

42. MBIE's reworking of the dumping calculations using Customs data for all of the subject goods, rather than the limited coverage of the ISSB data used by NZ Steel, indicates a dumping margin of 6.0% for Korea and 8.6% for Taiwan.
43. The evidence shows that the dumping margins found on the basis of the methodology put forward by NZ Steel, and using the data resulting from MBIE's assessment of the accuracy and adequacy of the trade data covering the subject goods, are more than *de minimis*.
44. MBIE's analysis of Customs data indicates that the shares of total imports held by imports from Korea (73%) and Taiwan (6%) in SY2020 were more than negligible (negligible is less than 3%).

MBIE's conclusions relating to dumping

45. On the basis of its analysis, MBIE's **conclusion** is that there is evidence that the subject goods imported into New Zealand are being dumped.

⁵ Section 11(2A) further provides that for the purposes of section 11(2)(c), in applying Article 5.8 of the Agreement on the Implementation of Article VI of the General Agreement on Tariffs and Trade 1994, annexed to the WTO Agreement, in relation to goods of Singaporean origin,—
(a) the first reference in Article 5.8 to "3 per cent" must be read as a reference to "5 per cent"; and
(b) accordingly, if the volume of goods of Singaporean origin dumped is found to account for less than 5% of the total imports of like goods into New Zealand, the volume of goods dumped must normally be regarded as negligible.

AND THE ALLEGED DUMPING HAS CAUSED, IS CAUSING, OR THREATENS TO CAUSE MATERIAL INJURY TO THE INDUSTRY...

46. Section 8(1) of the Act provides that in determining for the purposes of the Act whether or not any material injury to an industry has been or is being caused or is threatened [...] by means of the dumping [...] of goods imported or intended to be imported into New Zealand from another country, the chief executive shall examine—
- (a) The volume of imports of the dumped [...] goods; and
 - (b) The effect of the dumped [...] goods on prices in New Zealand for like goods; and
 - (c) The consequent impact of the dumped [...] goods on the relevant New Zealand industry.

Industry and like goods

47. Section 3A of the Act provides that the term industry (i.e. the New Zealand industry), in relation to any goods, means –
- (a) the New Zealand producers of like goods; or
 - (b) such New Zealand producers of like goods whose collective output constitutes a major proportion of the New Zealand production of like goods.
48. Section 3(1) of the Act provides that like goods, in relation to any goods, means—
- (a) other goods that are like those goods in all respects; or
 - (b) in the absence of goods referred to in paragraph (a), goods which have characteristics closely resembling those goods.

Summary of evidence provided

49. The application identifies the applicant as NZ Steel, which is ultimately owned by the Australian listed company BlueScope Steel Limited. NZ Steel produces flat-rolled iron and steel products (whether or not containing alloys), plated or coated with principally aluminium-zinc alloys, not painted, and whether or not including resin coating. There are no other known New Zealand producers of like goods to the subject goods.
50. In support of its claim that it produces like goods to the subject goods, NZ Steel described the following steps, with supporting evidence:
- **Manufacturing method:** the local and imported goods are manufactured in a similar manner. The basic raw material of HRC is near -identical and the processes used in the manufacture of coated steel are the same for both local and imported goods.
 - **Physical characteristics:** The local and imported goods have similar physical characteristics because they are both made of carbon steel, with a similar coating of aluminium and zinc. Both sets of goods are manufactured to certain standards, and the grades are similar, as are coating types, widths, thicknesses, length and coil sizes.
 - **Commercial matters:** NZ Steel claims that the local goods compete directly with imported goods in the New Zealand market to customers who buy from both sources on a competitive basis.

- **Functions and End Uses:** Typical uses for coated steel are roofing and flashings, wall cladding, gutters and downpipes (rainwater goods), fences, garage doors, and garden and other sheds.
 - **Marketing:** Marketing from the point of import or from NZ Steel's plant are basically the same, and can include further processing, such as painting, or transformation into other products.
 - **Distribution channels:** Similarly, marketing channels beyond the point of import or of sale by NZ Steel are virtually indistinguishable.
51. NZ Steel notes that substitutes for the imported subject goods and the local like goods include coated steel substitutes and inter-material solutions. These can include zinc coated (galvanised) steel and painted metallic coated steel, being either painted aluminium-zinc steel or painted galvanised steel. Inter-material substitutes depend on end use and can include, for example, use of other steel, or clay and cement tiles, or aluminium for roofing; concrete panel and masonry brick products for wall cladding; plastic and aluminium substitutes for rainwater products; and timber for structural framing applications.

Summary of MBIE's assessment

52. On the basis of the information provided, NZ Steel produces like goods to the subject goods and makes up the New Zealand industry producing like goods. Consequently, the application meets the requirements of section 10A(1)(b) of the Act regarding the level of support for the application.

Matters the chief executive shall have regard to

53. Section 8(2) provides that without limiting the generality of section 8(1), and without limiting the matters that the chief executive may consider, the chief executive shall have regard to a number of specific matters when determining whether or not any material injury to an industry has been or is being caused or is threatened.
54. The evidence provided is assessed against each of these matters below.

Import volume effects

55. Section 8(2)(a) of the Act provides that the chief executive shall have regard to the extent to which there has been or is likely to be a significant increase in the volume of imports of dumped goods either in absolute terms or in relation to production or consumption in New Zealand.

Summary of evidence provided

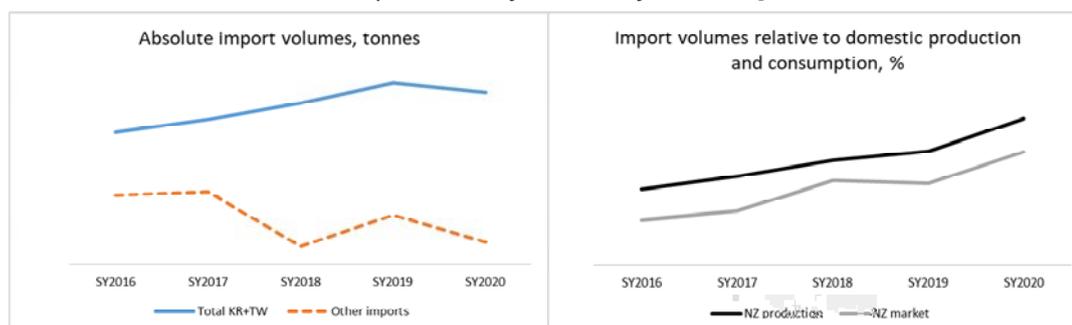
56. In its application, NZ Steel provided import data from ISSB at the broad six-digit level for imports from Korea and Taiwan for both volume (tonnes) and value (NZD), and New Zealand sales information in volume and value, covering the period SY2012-SY2020.
57. NZ Steel considers that the evidence it has provided shows that dumped imports from Korea and Taiwan have shown solid upward growth over the whole period, and in particular, there has been a very significant absolute growth from SY2017 to SY2018, followed by further growth to SY2019. Similarly, the volume dumped imports in relation to domestic production and consumption in New Zealand has risen significantly. NZ Steel points out that imports from other sources have not shown similar trends.

Summary of MBIE’s assessment

58. MBIE notes that the trade figures used by NZ Steel include goods that are not subject goods, and also exclude subject goods entering under headings outside the range of the ISSB data. This means that the evidence provided by NZ Steel may understate the full extent of imports of subject goods.
59. In order to assess the accuracy and adequacy of the information provided, MBIE has analysed imports on the basis of Customs data.

Figure 2: Import Volume Effects

[Y-axis values and gridlines have been deleted, and the X-axis does not cross at 0, in order to protect confidential information]



60. The analysis shows that in absolute terms total imports of subject goods from Korea and Taiwan increased from SY2016 to SY2019, then declined in SY2020, but showed an increase over the period as a whole.
61. It is also clear that relative to production and consumption in New Zealand, imports from Korea and Taiwan increased significantly between SY2016 and SY2020.
62. The evidence would also appear to confirm that the downturn in SY2020 in both imports and domestic production (see Figure 4 below) may well have been a response to the effects of the COVID-19 pandemic.
63. MBIE’s conclusion is that on the basis of the information that NZ Steel has provided and MBIE’s assessment of the accuracy and adequacy of that information, there is evidence that there has been an increase in the volume of imports of dumped goods in absolute terms and relative to production and consumption in New Zealand.

Price Effects

64. Sections 8(2)(b) and (c) of the Act provide that the chief executive shall have regard to the extent to which prices of the dumped goods represent significant price undercutting in relation to prices in New Zealand (at the relevant level of trade) for like goods of New Zealand producers, and the extent to which the effect of the dumped goods is or is likely significantly to depress prices for like goods of New Zealand producers or significantly to prevent price increases for those goods that otherwise would have been likely to have occurred (price suppression).

Summary of evidence provided

65. NZ Steel has pointed out that it uses import parity pricing in establishing prices for its customers. The process takes into account feedback on prices of imports and international prices, so to the extent that such prices are affected by dumping they will have an impact on prices for goods sold by NZ Steel. Because of this policy, the economic impact of price effects can occur without material price undercutting.

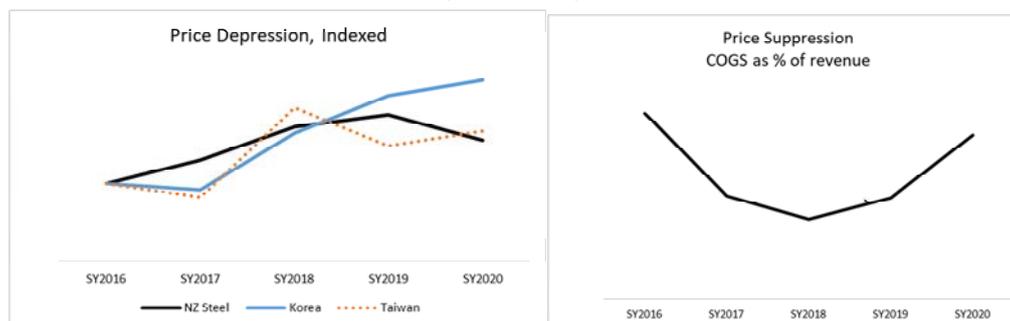
66. NZ Steel provided its calculation of **price undercutting**, based on a comparison of the average NZ Steel sales value per tonne at the ex-factory level, and the average sales values of imports of the allegedly dumped goods based on the constructed export values, converted to NZD, and adjusted by estimates for ocean freight and insurance and charges involved in landing the goods in New Zealand, to reach an ex-wharf level. The resulting level of price undercutting was less than 10%.
67. NZ Steel provided information on the **price depression**, showing the evolution of average prices for its sales of coated steel showing that the average price declined over the period SY2013 to SY2016, then increased sharply to SY2019 before a decline in SY2020. NZ Steel attributes the decline in SY2020 to the increased volumes of allegedly dumped imports in SY2017 to SY2020, and the effect of import parity pricing.
68. Information on **price suppression** showed the cost of production as a percentage of revenue for SY2019 and SY2020 compared with SY2017 and SY2018, indicating that for the two most recent years cost increases have not been fully recovered in increased prices.

Summary of MBIE's assessment

69. In order to assess the accuracy and adequacy of the information provided, MBIE has used Customs data to gauge the level of **price undercutting**. The analysis shows that on the basis of weighted average prices there is no price undercutting. The difference between this finding and NZ Steel's findings arises primarily from the higher average value of imports of the total of the subject goods, compared with the average of the more limited 6-digit ISSB data used by NZ Steel. MBIE notes that within the full range of transactions of the subject goods there may well be price undercutting by individual transactions, and also notes the comments made by NZ Steel regarding its import parity pricing approach in relation to the extent of any price undercutting.
70. MBIE's analysis of the information on **price depression** confirmed the evolution of average values provided by NZ Steel, but in considering the period SY2016-SY2020, MBIE notes that the values increased for the first four year of the period before declining in SY2020. MBIE has sought to compare the evolution of NZ Steel's prices with those of imports by indexing prices for the period SY2016 to SY2020. The analysis indicates that over the full period SY2016 to SY2020 prices were trending upwards for both domestic sales and for imports of the subject goods. This suggests that there was no price depression over the period as a whole.
71. MBIE also analysed the information of **price suppression**, based on the information provided by NZ Steel. MBIE notes that there was no suppression from SY2017 to SY2018, while the proportion of costs to sales in SY2019 and SY2020 was not higher than the levels experienced in SY2015 and SY2016. Nevertheless, it can be concluded that there is evidence of price suppression in SY2019 and SY2020.

Figure 3: Price Depression and Suppression

[Y-values and grid lines deleted, and the X-axis does not cross at 0, in order to protect confidential information]



72. MBIE’s **conclusion** is that on the basis of the information that NZ Steel has provided and MBIE’s assessment of the accuracy and adequacy of that information, there is evidence that the prices of some of the imported goods may well have contributed to undercutting of prices for like goods of the New Zealand producer; have not had the effect of depressing prices for like goods of the New Zealand producer; and have contributed to preventing price increases for those goods that otherwise would have been likely to have occurred (price suppression).

Economic impact of dumping

73. Section 8(2)(d) of the Act provides that the chief executive shall have regard to the economic impact of the dumped goods on the industry (consequent impact), including—
- (i) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilisation of production capacity; and
 - (ii) factors affecting domestic prices; and
 - (iii) the magnitude of the margin of dumping; and
 - (iv) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investments.

Summary of evidence provided

74. NZ Steel provided information on **output and sales** which linked the decline in output and sales to the increase in imports of dumped goods from Korea and Taiwan and their price effects. NZ Steel showed that, based on ISSB six-digit trade data, imports from Korea and Taiwan had increased significantly in the years from SY2017 to SY2019, during a time when the New Zealand industry’s sales had not experienced similar growth. NZ Steel provided estimates of the extent of the economic impact of the allegedly dumped goods by calculating the level of domestic sales foregone because of imports, and calculating the foregone value of domestic sales of the production levels concerned. NZ Steel also noted that price undercutting over SY2018-SY2020 applied to the sales volume for those years indicated the extent of sales and profit foregone.
75. For **market share**, NZ Steel provided information on the evolution of its market share, with import levels based on ISSB six-digit data, which showed that the decline in NZ Steel’s market share from SY2015 was mirrored by the increase in the market share of the allegedly dumped goods.
76. The information provided by NZ Steel on **profits** shows that earnings before interest and taxation (EBIT) declined significantly to SY2016 then increased significantly in SY2017-SY2019 before declining significantly in SY2020. NZ Steel has estimated the extent of the

- economic impact of allegedly dumped goods by calculating the difference in average EBIT between SY2017-SY2018 and SY2019-SY2020, and applying the rate per tonne to total sales in SY2019-SY2020. Additional impacts were experienced as a result of the revenue not recovered from foregone value of domestic sales.
77. NZ Steel provided information on **productivity**, calculated on the basis of the volume of coated steel sold per full time equivalent (FTE) employee allocated to coated steel. The information shows a steady decline in productivity over the period since SY2013, with the decline from start to end of the period being significant.
78. NZ Steel provided information on the **return on investments**, calculated on the basis of EBIT as a percentage of the average assets for coated steel. The evolution of the rate of return on assets reflects that found for EBIT.
79. NZ Steel identified a number of issues relating to the measure of **utilisation of production capacity**. Nevertheless, NZ Steel provided an estimate of notional capacity for coated steel produced by its metal coating line (MCL), and provided estimates of capacity utilisation.
80. In commenting on negative effects on **cash flow**, NZ Steel noted that it was difficult to fully assess the cash flow effect. Information provided by NZ Steel suggested that to assess the effect of dumping on cash flow the approach of multiplying the estimated level of price undercutting by the volume of NZ Steel's sales would give an indication.
81. NZ Steel did not identify any negative effects relating to **inventories, employment, or wages**. With regard to employment, the information provided showed a rising headcount over the period from SY2018-SY2020.
82. NZ Steel claimed that its **growth** is adversely affected by price undercutting by goods from Korea and Taiwan, and observed that if trade remedies are not available, companies will form an adverse view of growth in the manufacturing of goods in New Zealand, compared with other manufacturing locations where recourse to trade remedies is available. No evidence was provided to support the claims relating to negative effects on growth.
83. With regard to **ability to raise capital and investments**, NZ Steel notes that the adverse effects of dumping challenges the availability of investment capital for its coated steel business, but relates this to the availability of trade remedies. NZ Steel points out that the major consequences of the price effects of dumping is the ability to raise capital and to make investments. In support of its arguments, NZ Steel claims that MBIE's recommendations not to impose trade remedies on imports of hollow steel sections from China⁶ was material to the company's decision to close its Auckland hollows manufacturing plant. On the other hand, anti-dumping duties had been imposed on galvanised wire,⁷ without which there was a high likelihood that the wire mill operations would have been closed.

⁶ Dumping Investigation, *Certain Hollow Steel Sections from China and Malaysia*, Final Report at <https://www.mbie.govt.nz/assets/da57507e1a/non-confidential-final-report-dumping-investigation-hollow-steel-sections-november-2018.pdf>; Subsidy Investigation, *Certain Hollow Steel Sections from China*, Final Report at <https://www.mbie.govt.nz/assets/3296d5f36b/non-confidential-final-report-subsidy-investigation-hollow-steel-sections-from-china.pdf>.

⁷ Dumping Investigation, *Galvanised Wire from China and Indonesia*, Step 1 Final Report at <https://www.mbie.govt.nz/assets/step-1-final-report-galvanised-wire-from-china-and-indonesia.pdf>, and Step 2 Final Report at <https://www.mbie.govt.nz/assets/dumping-investigation-galvanised-wire-china-step-2-final-report.pdf>.

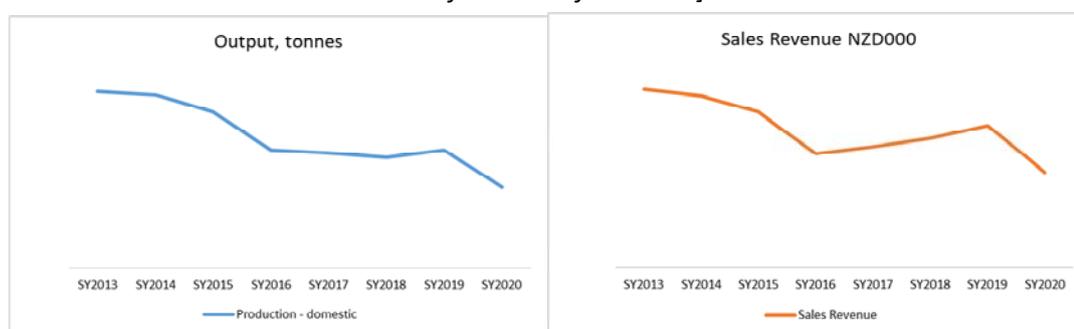
84. NZ Steel did not make separate comments on **factors affecting domestic prices**.
85. With regard to the **magnitude of the margin** of dumping, NZ Steel notes that the dumping margins it has identified have a significant effect on pricing through the import price parity process.

Summary of MBIE’s assessment

86. With regard to **sales and output**, MBIE notes that total imports from Korea and Taiwan increased over the period while domestic sales did not. In light of MBIE’s assessment of price undercutting, based on import data for all subject goods, it is unlikely that the consequent effect on sales and profits is at the level suggested by NZ Steel.

Figure 4: Output and Revenue

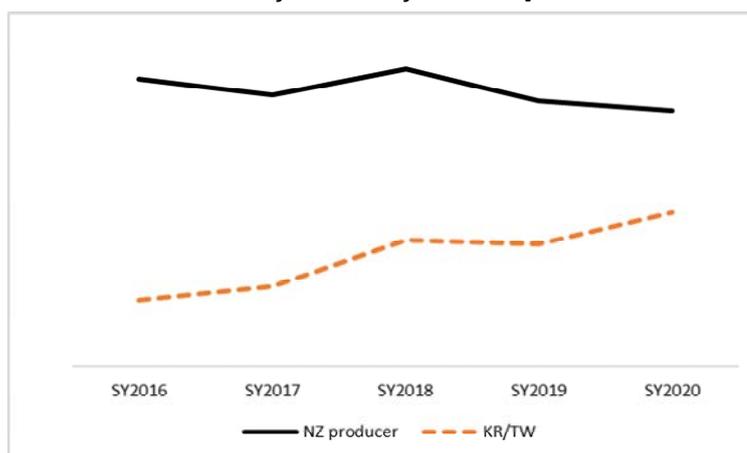
[Y-values and grid lines deleted, and the X-axis does not cross at 0, in order to protect confidential information]



87. MBIE has assessed the effects of the dumped imports on **market share**, using Customs data for imports and the information provided by NZ Steel on its production for domestic sales. The analysis indicates that the New Zealand industry’s market share has declined while the market share of imports of the subject goods has increased.

Figure 5: Market Share: % of volumes

[Y-values and grid lines deleted, and the X-axis does not cross at 0, in order to protect confidential information]



88. MBIE notes that **profit** expressed as EBIT, declined from SY2018 to SY2020. MBIE also notes that the trend in EBIT reflects the price suppression reported by NZ Steel.

Figure 6: Profit: EBIT NZD

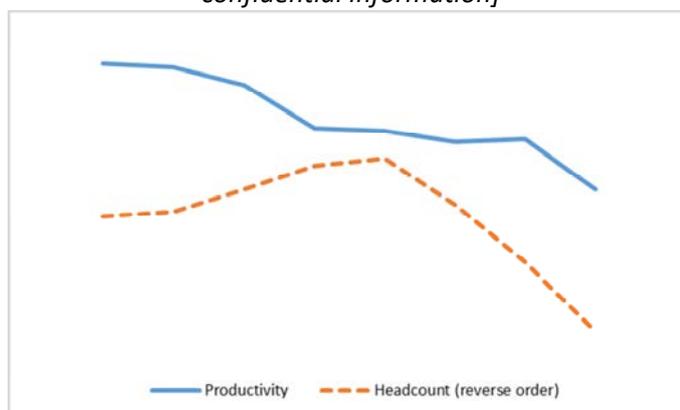
[Y-values and grid lines deleted, and the X-axis does not cross at 0, in order to protect confidential information]



89. The information provided on **productivity**, expressed as tonnes per full-time equivalent worker, shows a decline in productivity over the period, although changes in the FTE numbers may have contributed to the decline in the values calculated (the data is shown in reverse order in the chart below). However, even allowing for this contribution, productivity has declined over the period.

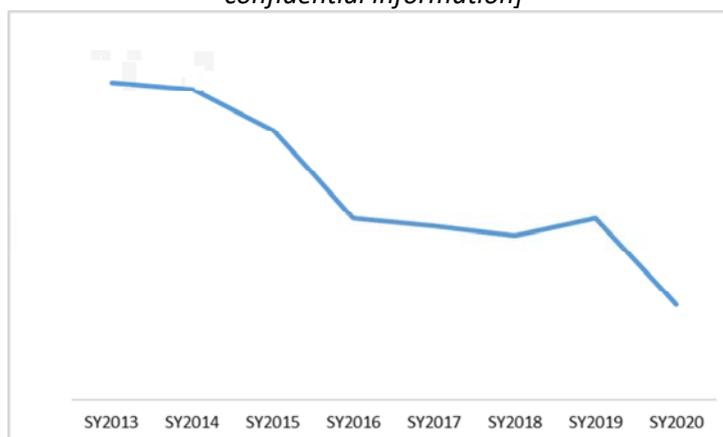
Figure 7: Productivity: Production tonnes per FTE and headcount

[Y-values and grid lines deleted, and the X-axis does not cross at 0, in order to protect confidential information]



90. The **return on investments** information provided by NZ Steel is based on EBIT divided by assets, so the outcome reflects that achieved for EBIT, and in FY2020 is lower than the levels achieved over the previous three years.
91. The information provided by NZ Steel shows that **utilisation of production capacity** has declined over the period, and particularly since SY2016.

Figure 8: Capacity Utilisation: %
[Y-values and grid lines deleted, and the X-axis does not cross at 0, in order to protect confidential information]



92. NZ Steel's information on **cash flow** appears to follow the trends for profits.
93. MBIE notes that NZ Steel is not claiming any negative effects relating to **inventories, employment, or wages**, and while claiming that its **growth** is adversely affected did not provide supporting evidence. NZ Steel also claimed that there was an adverse effect on its **ability to raise capital and investments**, but related that to a lack of response to dumping. NZ Steel did not address **factors affecting prices**, and noted that the **magnitude of the margin of dumping** has an effect on prices as a result of the operation of its import price parity policy.
94. MBIE's **conclusion** is that on the basis of the information that NZ Steel has provided and MBIE's assessment of the accuracy and adequacy of that information, there is evidence that the increase in dumped imports and the price effects identified, have contributed to declines in output and sales, market share, profits, productivity and capacity utilisation, and to negative effects on cash flow.

Factors other than dumping that cause injury

95. Section 8(2)(e) of the Act provides that the chief executive shall have regard to factors other than the dumped goods that have injured, or are injuring, the industry, including—
- (i) the volume and prices of goods that are not sold at dumped prices; and
 - (ii) contraction in demand or changes in the patterns of consumption; and
 - (iii) restrictive trade practices of, and competition between, overseas and New Zealand producers; and
 - (iv) developments in technology; and
 - (v) the export performance and productivity of the New Zealand producers.

Summary of evidence provided

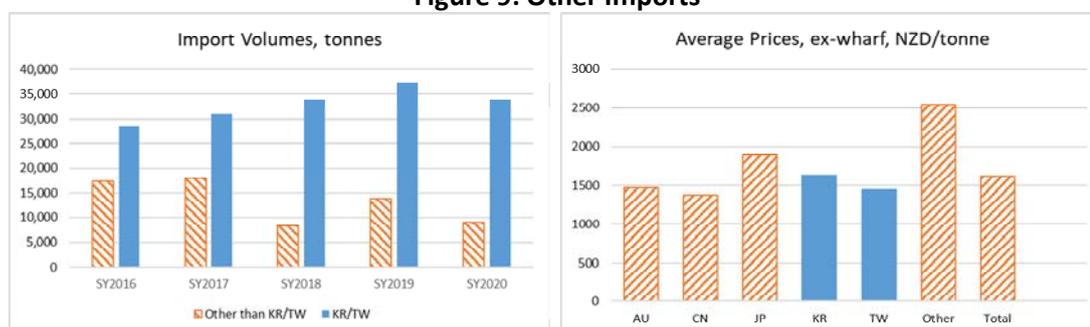
96. In commenting on the **volume and prices of goods that are not dumped**, NZ Steel notes the issues around data suppression, and talks about negligibility in the context of this factor. NZ Steel does note that imports from Australia are not negligible but are priced materially higher than the goods from Korea and Taiwan, and are not considered injurious.

97. With regard to **demand and consumption**, NZ Steel notes that the average market size for SY2019-SY2020 was greater than the average market size for SY2017-SY2018, and considers that this suggests that changes in demand were not a cause of injury.
98. NZ Steel notes that it has no information on, nor does it consider that matters relating to **restrictive trade practices or competition issues** have caused injury to the New Zealand industry.
99. NZ Steel says that it has no information suggesting that **developments in technology** have been a cause of injury to the industry.
100. NZ Steel provided information on **its export performance** affecting like goods to the subject goods. It noted that it had identified the nature of any linkage between injury and its export activities, but claimed that this had not been a cause of injury to NZ Steel *per se*.

Summary of MBIE's assessment

101. MBIE notes that the definition of negligibility applied to allegedly dumped goods is not relevant to the question of injury causation by the **volume and prices of goods that are not dumped**. The point of this factor is to identify whether there are any matters arising from imports of goods other than the allegedly dumped goods that might be a cause of injury. MBIE has analysed the volumes and prices of imports of goods from other countries, and has found that the volume of imports from other countries has declined as imports from Korea and Taiwan have increased, but the average ex-wharf values of these imports from Australia and China are below those for Korea and Taiwan.

Figure 9: Other Imports



102. With regard to NZ Steel's comments on **demand and consumption**, MBIE notes that the use of two-year average market shares might provide a general indication of changes in market share, but may in fact mask significant changes between years as well as over longer time frames. Consideration of such changes needs to look at why they might be occurring and if reasons other than dumping are contributing. For example, there are apparently significant drops in imports, New Zealand production and total market in SY2020 which are likely to reflect the effect of the COVID-19 pandemic, and these effects should not be attributed to the dumping of imports.
103. MBIE has no evidence of any **restrictive trade practices or competition issues** that could be injuring the New Zealand industry.
104. MBIE has no evidence of any **developments in technology** that could be injuring the New Zealand industry.
105. MBIE has noted NZ Steel's comments and information relating to its **export performance**. This is matter that would need to be addressed further in any investigation.

Imports of dumped goods by the New Zealand industry

106. Section 8(2)(f) of the Act provides that the chief executive shall have regard to the nature and extent of importations of dumped goods by New Zealand producers of like goods, including the value, quantity, frequency, and purpose of any such importations.

Summary of evidence provided

107. NZ Steel has noted that it has not of late made any **importations** of the subject goods to any material level, and provided information on its imports of other coated steel goods in FY2020.

Summary of MBIE's assessment

108. MBIE has identified imports by NZ Steel from Customs data, and can confirm that there are no imports of the subject goods identified as being made by NZ Steel in the period FY2016 to FY2020.

Any other matters

109. As well as the matters the chief executive shall have regard to in section 8(2) of the Act, the chief executive must also consider any other matters relevant to the general test for material injury set out in section 8(1) of the Act. This includes ensuring that sufficient evidence has been provided showing that the material injury to the New Zealand industry is caused by dumping (causal link).

Summary of evidence provided

110. NZ Steel has not identified any other matters that should be considered by MBIE.

Summary of MBIE's assessment

111. MBIE notes that the effect of the COVID-19 pandemic is likely to have had a significant effect on production, shipment, markets and purchases, as well as on the level of imports. The declining levels of imports and domestic production in SY2020 would appear to confirm this assessment.

MBIE's conclusions relating to evidence of injury

112. On the basis of its analysis, MBIE's conclusion is that there is evidence that the dumping of the subject goods imported into New Zealand has caused material injury to the New Zealand industry.

MBIE'S CONCLUSIONS ON THE SUFFICIENCY OF EVIDENCE OF DUMPING AND INJURY

113. MBIE's overall conclusion is that on the basis of the information provided in the application, and MBIE's assessment of the accuracy and adequacy of that information, then in accordance with section 10A(1)(a) of the Act, there is sufficient evidence to justify investigating whether goods imported into New Zealand are being dumped, and whether the alleged dumping is causing material injury to the New Zealand industry.

AND THE APPLICATION IS SUPPORTED BY NEW ZEALAND PRODUCERS

114. Section 10A(1)(b) provides that to start an investigation the chief executive must also be satisfied from the evidence in the application that the collective output of those New

Zealand producers who have, in writing, expressed support for the application constitutes—

- (i) 25% or more of the total New Zealand production of like goods produced for domestic consumption (as assessed during the most recent representative period of not less than 6 months); and
- (ii) more than 50% of the total production of like goods produced for domestic consumption (assessed as referred to in subparagraph (i)) by those New Zealand producers who have, in writing, expressed support for or opposition to the application.

Summary of evidence provided

115. NZ Steel points out that it is the only New Zealand producer of coated steel.

Summary of MBIE's assessment

116. MBIE accepts that NZ Steel is the New Zealand industry for the purposes of this application.