

# **Non- Confidential Initiation Report**

## **Certain Bound Stationery from Malaysia**

**Dumping and Countervailing Duties Act 1988**

Trade Rules and Remedies  
February 2007

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## ABBREVIATIONS

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The following abbreviations are used in this report:

Act	Dumping and Countervailing Duties Act 1988
Agreement	World Trade Organisation Agreement on Implementation of Article VI of the General Agreement Tariffs and Trade 1994
BIS	BIS Shrapnel Pty Ltd
Candida	Candida Stationery Limited
CBS	Certain bound stationery
Chee Wah	Chee Wah Corporation Berhad
CIF	Cost, insurance and freight
Croxley	Croxley Stationery Limited
Customs	New Zealand Customs Service
EBIT	Earnings Before Interest and Tax
FOB	Free on Board
gsm	Grams per square metre
kg	Kilograms
Kurtovich	K Kurtovich Products Limited
Ltd	Limited
Ministry	Ministry of Economic Development of New Zealand
mm	Millimetres
MYR	Malaysian Ringgit
NZD	New Zealand Dollars
NZS	New Zealand Standard 8132:1984
Oanda	<a href="http://www.oanda.com">www.oanda.com</a>
PP	Polypropylene
SKU	Stock Keeping Unit
Statistics	Statistics New Zealand
Tasman	Tasman Stationery Limited
VFD	Value for Duty



# Executive Summary

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## Introduction

1. On 22 December 2006 the Ministry of Economic Development (the Ministry) accepted a properly documented application for a dumping investigation from Croxley Stationery Limited (Croxley). Pursuant to section 10 of the Dumping and Countervailing Duties Act 1988 (the Act), this report assesses the accuracy and adequacy of the evidence provided to determine whether there is sufficient evidence to justify the initiation of an investigation.

## Goods Subject to the Investigation

2. The imported goods that are covered by the dumping application (hereafter referred to as certain bound stationery or CBS) are:

*Exercise books, note books, project books, sketch pads and pads of a type intended for the purpose of writing/printing/drawing, suited primarily for primary, post-primary schools and commercial sectors, having the following specifications:*

*HEIGHT: Not less than 75millimetres (mm) and not more than 450mm*

*WIDTH: Not less than 75mm and not more than 450mm*

*LEAF: Not less than 20 and not more than 300*

*PAGES: Not less than 40 and not more than 600*

- *Includes perforated or hole punched pages*
- *Can be printed/unprinted*
- *All colours*

*PAPER WEIGHT: Not less than 45 grams per square metre (gsm) and not more than 150gsm*

*LINES: Ruled or un-ruled; print any colour*

*COVER: Can be hard or soft covered,*

*Pads, sketch and other types, may/may not be covered*

*Can be printed/unprinted*

*BINDING: Stapled, sewn, glued or wire bound*

3. Croxley claims that the above goods are being imported from Malaysia at dumped prices and are causing material injury.

## Dumping

4. The assessing team is satisfied that Croxley has provided sufficient evidence of dumping for the purposes of initiation of an investigation. The dumping margins expressed as a percentage of export price range from -7 percent (not dumped) to 431 percent with a simple average of 35 percent.

## **Injury**

5. The assessing team is satisfied, on the basis of the information provided by Croxley, that there is sufficient evidence that the import volumes of the subject goods have increased significantly, and the New Zealand industry's prices have been depressed by the imports resulting in a decline in sales revenue, market share and gross profits.

6. Croxley has provided information that the material injury it has suffered has been caused by dumping and a causal link between the two exists.

## **Injury Factors other than Dumped Goods**

7. In its application Croxley addressed the volume of non-dumped imports, the patterns of consumption, its exports, imports and productivity and stated that there are no other known causes of injury than from the imports of CBS from Malaysia.

## **Conclusion**

8. The assessing team is satisfied, based on the information reasonably available to Croxley, that sufficient evidence of dumping causing material injury has been provided for the purposes of initiation of an investigation.

## **Provisional Measures**

9. Croxley believes the continued importation of the subject goods during the period of investigation will cause material injury and, therefore, has requested the imposition of provisional anti-dumping duty in accordance with section 16 of the Act.

## **Recommendation**

10. This report recommends that the Chief Executive of the Ministry initiate an investigation to determine both the existence and effect of any alleged dumping of CBS from Malaysia.

# 1. Introduction

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## 1.1 Application

11. On 22 December 2006, the Ministry of Economic Development (the Ministry) accepted a properly documented application from Croxley Stationery Ltd (Croxley), alleging that imports of exercise books, note books, projects books and pads hereinafter referred to as certain bound stationery (CBS) from Malaysia are dumped and causing material injury to the New Zealand industry.

12. In accordance with section 10 of the Dumping and Countervailing Duties Act 1988 (the Act), the Ministry's Chief Executive may initiate an investigation to determine both the existence and effect of any alleged dumping of any goods on being satisfied that sufficient evidence has been provided that the goods are being dumped and, by reason thereof, material injury to an industry has been or is being caused.

13. This report assesses the present application against the requirements of the Act, to determine if adequate evidence has been presented to justify the initiation of an anti-dumping investigation.

14. *Kerry (NZ) Limited v Taylor*<sup>1</sup> determined that in order to initiate an investigation, there must be evidence beyond a mere assertion and of a nature and extent that indicate a likelihood of dumping and material injury, requiring investigation. The Court stated the application should be assessed with due scepticism, bearing in mind the commercial context, but emphasised that the assessment is one of sufficiency of evidence, not of dumping.

15. Dumping is defined in sub-section 3(1) of the Act and is essentially price discrimination between markets. Dumping occurs when an exporter sells goods to New Zealand (export price) at a price less than the price charged in its domestic market (normal value). Adjustments are made to ensure that the comparison of these prices is fair.

16. Croxley has requested the imposition of provisional anti-dumping duty in accordance with section 16 of the Act to prevent further material injury during an investigation.

## 1.2 Report Details

17. In this report, years are ended December. Values are in New Zealand Dollars (NZD) unless stated otherwise. In tables, column totals may differ from individual figures, or those in the application document, due to rounding.

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<sup>1</sup> *Kerry (NZ) Limited v Taylor* (1991) 2 PRNZ 393

### **1.3 Investigation Period**

18. This report recommends that an investigation be initiated and due to the timing of this report it is recommended that the period used to determine claims of dumping be the year ended 31 January 2007.

19. Croxley claims that dumped CBS from Malaysia began injuring it in 2001 and caused serious material injury in 2005 and it has also requested provisional measures are imposed. Therefore, if an investigation is initiated, the assessing team's consideration of material injury will need to assess actual and forecast data for 2000 to 2007.

20. It should be noted that the inclusion of any information in this report does not indicate that the Ministry necessarily accepts that information or any conclusions arising from it. Any final determination of whether or not goods are dumped and causing injury can be made only after a full investigation carried out in accordance with the Act and the World Trade Organisation Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (the Agreement)<sup>2</sup>.

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<sup>2</sup> Recommendation adopted by the World Trade Organisation Committee on Anti-Dumping Practices on 5 May 2000 (G/ADP/6)



## 2. Interested Parties

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### 2.1 Basis of Application

21. The application was lodged by Croxley, a wholly owned subsidiary of Office Max Incorporated Limited (Ltd), a multi-national company registered in the United States of America. Croxley has identified that it is not the sole New Zealand manufacturer of CBS.

22. Croxley states that injury resulting from the importation of allegedly dumped goods occurred as early as 2001 with material injury occurring in 2005.

23. Croxley claims the alleged dumped CBS has resulted in material injury via increased import volumes and price undercutting, resulting in price depression and a decline in profits.

### 2.2 Subject Goods

24. The goods covered by the application are:

*Exercise books, note books, project books, sketch pads and pads of a type intended for the purpose of writing/printing/drawing, suited primarily for primary, post-primary schools and commercial sectors, having the following specifications:*

*HEIGHT: Not less than 75 millimetres (mm) and not more than 450mm*

*WIDTH: Not less than 75mm and not more than 450mm*

*LEAF: Not less than 20 and not more than 300*

*PAGES: Not less than 40 and not more than 600*

- *Includes perforated or hole punched pages*
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*LINES: Ruled or un-ruled; print any colour*

*COVER: Can be hard or soft covered,*

*Pads, sketch and other types, may/may not be covered*

*Can be printed/unprinted*

*BINDING: Stapled, sewn, glued or wire bound*

25. The Ministry takes the measurements above as being nominal. Croxley submitted that CBS enters under the three tariff items and statistical keys shown in Table 2.1 below.

**Table 2.1: Tariff Classification**

48.2	Registers, account books, note books, order books, receipt books, letter pads, memorandum pads, diaries and similar articles, exercise books, blotting-pads, binders (loose-leaf or other), folders, file covers, manifold business forms, interleaved carbon sets and other articles of stationery, of paper or paperboard; albums for samples or for collections and book covers, of paper or
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<b>paperboard:</b>			
4820.10.00			- Registers, account books, note books, order books, receipt books, letter pads, memorandum pads, diaries and similar articles
	02J	No.	. . Diaries
	09F	Hd	. . Receipt books, invoice books and like books designed for use with carbon paper
	11H	Hd	. . Ledger account books and registers
	21E	Hd	. . Writing blocks
	29L	..	. . Other
4820.20.00	00F	Hd	- Exercise books
4820.30.00			- Binders (other than book covers), folders and file covers
			. . Binders (loose-leaf type):
			. . . Plastic covered:
	01H	No.	. . . . Ring
	09C	No.	. . . . Other
	19L	No.	. . . Other
	21B	No.	. . File covers
	29H	No	. . Other
4820.40.00			- Manifold business forms and interleaved carbon sets
			. . Manifold business forms:
	01A	kg	. . . Continuous
	09G	..	. . . Other
	19D	..	. . Interleaved carbon sets
4820.50.00	00G	..	- Albums for samples or for collections
4820.90			- Other:
4820.90.01	00H	..	- - Oiled paper and drawing paper, in blocks, for artists

26. There is no applicable Normal Tariff rate for the above tariff items and statistical keys.

27. Croxley has advised that the three tariff items and statistical keys cover a wider range of goods than the CBS subject to the application. Croxley has estimated that 10 percent of the total imports under these three tariff items would not be covered by the subject goods description.

28. In addition tariff item and statistical key 4820.20.00.00F for exercise books is the only one of the three that has units recorded by the New Zealand Customs Service (Customs). No statistical unit is available for the other two of the tariff items and statistical keys, but gross weight in kilograms for entire consignments (i.e. possibly including other tariff lines) is recorded. Any investigation will analyse this data for establishing actual import volumes of CBS and its effects on the industry.

## 2.3 Exporters and Suppliers

29. Croxley identified Chee Wah Corporation Berhad (Chee Wah) as a Malaysian manufacturer and exporter of CBS. Croxley advised that Chee Wah produce the Campap range of CBS, with the Chee Wah company logo usually displayed on the back cover of its imported products.

30. Croxley also identified two other Malaysian brands in the New Zealand market; Prostat and Pres Stik, but advised it is unsure who the Malaysian manufacturer(s) of these brands are.

31. Customs data shows that in the year ended 31 January 2007 the 18 firms shown in Table 2.2 exported Malaysian CBS to New Zealand. The firms are listed in alphabetical order.

**Table 2.2: Exporters**

Asia File Products Sdn Bhd	JIT Freight Services Sdn Bhd
Axiom Distributors (Australia)	Kmart Pty
Bright Ideas Enterprises Ltd	Le Jardin Enterprises Limited
Buzz Boys Ltd	MNB Variety Imports Pty Ltd
Chee Wah Corporation Sdn Bhd	NM Paper Converting Sdn Bhd
Chiat Hin Envelope Manufacturer Sdn Bhd	Roche Products Pty Ltd
Dats Pty Ltd	Ruho Corporation Sdn Bhd
Ika Works Sdn Bhd	SRM Production Services Sdn Bhd
Jasco Pty Ltd	Vital Technical Sdn Bhd

32. The assessing team notes from the names of the exporters listed above that it appears nine are companies registered in Malaysian (denoted by Sdn Bhd) and six companies registered in Australia (denoted by Pty Ltd), with the remaining three company names not immediately identifying the country of registration. Therefore it is likely with the inclusion of the Australian firms there may be other Malaysian firms that have manufactured and exported to New Zealand than those listed in Table 2.2.

33. Customs data shows that CBS originating from Malaysia was exported to New Zealand either directly from Malaysia, or via Australia and Singapore. Any investigation will need to identify the Malaysian manufacturer of the CBS and establish whether the exporter that appears in the Customs data is the manufacturer or if it is an exporter only. Whether there are any intermediary sales in the supply chain between the original Malaysian manufacturer and the exporter that shipped the CBS to New Zealand will also need to be established.

34. Customs data shows that in the year ended 31 January 2007 the 17 firms shown in Table 2.3 imported Malaysian CBS into New Zealand. The firms are listed in alphabetical order.

**Table 2.3: Importers**

Candida Stationery Ltd	Jasco Pty NZ Ltd
Croxley Stationery Ltd	JNS Eastern Traders Ltd
David John McNaughton (trading as Variety Imports)	Kiwi Books Ltd
Draw-Art Supplies Ltd	Kiwi Notes
Edge Envelopes Ltd	Kmart New Zealand

Esselte New Zealand Ltd	Roche Products NZ Ltd
Eurobrand Imports	Sims Distributing Company (division of Puraclene Products (NZ) Ltd)
Global Science & Technology Ltd	The Warehouse Ltd
Harper Collins Publisher (New Zealand) Ltd	

35. The list of 17 importers in Table 2.3 includes two New Zealand manufacturers; Croxley and Candida Stationery Ltd (Candida).

36. As Croxley has identified that the three tariff items and statistical keys cover a wider range of goods than the CBS covered by the application, any investigation will have to establish the extent to which the parties listed above are importing CBS subject to the application.

## Selection of Exporters

37. Due to the number of exporters identified, an investigation would need to restrict its analysis to a selection of exporters. Paragraph 10 of Article 6 of the Agreement states that a sample may be limited to the largest percentage of the volume of the exports from Malaysia that can reasonably be investigated. For the current application the assessing team propose that any investigation uses the selection shown at Table 2.4, which represents 95 percent of the Malaysian CBS exports (by value) for the year ended 31 January 2007.

38. Table 2.4 shows the tentative selection of exporters and importers listed in alphabetical order.

**Table 2.4: Tentative Sample**

<b>Exporters</b>	<b>Importers</b>
Chee Wah Corporation SDN BHD	Candida Stationery Ltd
Bright Ideas Enterprises Ltd	Croxley Stationery Ltd
Buzz Boys Limited	Draw-Art Supplies LTD
NM Paper Converting SDN BHD	Harper Collins Publisher (NZ) Ltd
Ruho Corporation SDN BHD	Jasco Pty NZ Ltd
	Sims Distributing Company (division of Puraclene Products (NZ) Ltd)
	The Warehouse Ltd

39. An investigation may require a change in the tentative selection once further information is obtained.

40. Additionally, all other known exporters and importers will be informed of any investigation and its progress and could make submissions to the investigation, although these would not be actively sought.

## Exports Originating from Other Countries

41. Customs data shows that for the year ended 31 January 2007 CBS imports entered New Zealand that originated from the countries (other than Malaysia) shown in Table 2.5.

**Table 2.5: Other Listed Countries of Origin**

Australia	Indonesia	Singapore
Austria	Israel	South Africa
Bangladesh	Italy	Spain
Belgium	Japan	Sri Lanka
Canada	Korea, Republic of	Sweden
Chile	Mexico	Switzerland
China, Peoples Republic of	Nepal	Taiwan
Czech Republic	Netherlands	Thailand
Denmark	New Zealand	Ukraine
Fiji	Norway	United Arab Emirates
Finland	Pakistan	United Kingdom
France	Philippines	United States of America
Germany	Poland	Virgin Islands, USA
Guatemala	Russia	Zimbabwe
Hong Kong	Saudi Arabia	
India	Seychelles	

42. The assessing team notes that CBS originating from New Zealand has been re-imported into New Zealand. Croxley advised that it is unaware of this occurring. If an investigation is initiated, the Ministry will have to establish either the origin of these goods or whether there has been an error in the data.

## 2.4 Imported Goods

43. Croxley provided a sample of allegedly dumped Malaysian CBS imported by all importers it believes are currently in business, with the exception of Candida.

44. The sample of goods provided was purchased from The Warehouse Ltd, Woolworths and the Mangere Bridge Stationery Store. The sample consists of Campap, Prostat and Pres Stik branded goods. The Campap goods include exercise books, project books and pads. The Prostat and Pres Stik goods include various types of note books. Table 2.6 illustrates some features of the sample provided e.g. whether the cover is made of soft or hard card or from polypropylene (PP).

**Table 2.6: Details of Sample Malaysian CBS**

<b>NZS code</b>	<b>Description</b>	<b>Pages</b>	<b>Cover</b>	<b>Binding</b>	<b>Ruled/Unruled</b>	<b>Brand</b>
A5	notebook	100	PP	wire	Ruled	prostat
A4	notebook	100	PP	wire	Ruled	prostat
A6	notebook	100	PP	wire	Ruled	prostat
Unknown	Short hand notebook	100	PP	wire	Ruled	presstik
Unknown	Note book brights	100	PP	wire	Ruled	prostat
A4	notebook	100	PP	wire	Ruled	prostat
A4	Sketch pad	15	soft	wire	Unruled	campap
A4	Visual Diary	60	PP	wire	Unruled	campap
Unknown	Maxi pad	100	no	glued	Ruled	campap
A4	Sketch pad	15	soft	wire	Unruled	campap
2B6	Lecture book	unknown	hard	glued	Ruled	campap
1B5	Exercise book	80	soft	stapled	Ruled	campap
1B4	Exercise book	64	soft	stapled	Ruled	campap
1B8	Exercise book	72	soft	stapled	Ruled	campap

45. Croxley provided an [REDACTED] 2006 price list of Candida branded products which includes CBS that Candida does not have the facilities to manufacture in New Zealand. Croxley states that Candida's manufacturing facilities in New Zealand include a Bielomatic machine for producing soft covered exercise books and pads, but that Candida does not have any Kolbus machinery, which is required to manufacture hard covered books. Croxley therefore concludes that some of the Candida range is imported.

46. [REDACTED] advised Croxley during contract negotiations that it was considering purchasing Candida branded goods that were to be [REDACTED]. This, combined with the fact that [REDACTED] imported CBS from Malaysia [REDACTED], has led Croxley to conclude that Candida is importing CBS from Malaysia. However, because Candida manufactures some CBS in New Zealand and its products do not display its country of origin, Croxley was unable to conclusively identify any Malaysian CBS imported by Candida.

47. The assessing team notes that the above inference of origin alone would not be sufficient evidence to justify initiation of an investigation but Croxley has provided samples of Malaysian CBS within the New Zealand market that indicates CBS of Malaysian origin is being imported. Additionally, the import data confirms that Candida is an importer of Malaysian CBS (as shown in Table 2.3) with Candida

accounting for [REDACTED] percent of Malaysian CBS imports for the year ended 31 December 2006.

## 2.5 New Zealand Production of “Like Goods”

48. Croxley considers that the CBS it produces is not like in all respects to the CBS from Malaysia but it has characteristics that closely resemble the Malaysian goods. Croxley offers CBS with the same size/code as those attributed to the sample in Table 2.6. Consideration as to whether Croxley produces “like goods” to the CBS imported from Malaysia is discussed below.

49. Croxley states that from 2003 to 2006 its CBS has been manufactured under 586 separate stock keeping units (SKU). These goods are sold under various brands such as 'Warwick', 'Bockingford', 'Collins', 'OMX', and 'Croxley', as well as house brands and designer or licensed products such as 'Universal', 'Prostat', 'King Kong', 'Lord of the Rings', and the [REDACTED] brand (for [REDACTED]). Croxley provided a list of the 586 SKU numbers with corresponding descriptors together with a product catalogue and a sample of its goods.

50. The CBS covered by the application includes exercise books, note books, project books and refill pads. Table 2.7 illustrates some features of the sample of Croxley manufactured products provided to the Ministry.

**Table 2.7: Details of Sample of Croxley CBS**

NZS Code	Description	Pages	Cover	Binding	Ruled/Unruled	Brand
3B1	Notebook	64	Soft	stapled	ruled	Warwick
1B4	Exercise book	64	Soft	stapled	ruled	Warwick
1B5	Exercise book	80	Soft	stapled	ruled	Warwick
A4	Leaf value pad	200	No	glued	ruled	Warwick
A4	Leaf value pad	100	no	glued	ruled	Warwick
14B8	Loose leaf refill	100	no	glued	ruled	Warwick
7B8	Lecture pad	150	paper	glued	ruled	Warwick
1B8	Exercise book	72	soft	stapled	ruled	Warwick
2B5	Lecture book	188	hard	Sewn/stapled	ruled	Warwick

51. The goods in sample provided, as shown in Table 2.7, cover a number of SKU that are sold under various brands and colours. For 2006 the assessing team has calculated that the sample New Zealand Standard 8132:1984 (NZS) code sizes above accounted for [REDACTED] percent of Croxley's total sales volume of like goods.

52. In identifying which goods produced in New Zealand are like the CBS from Malaysia, the Ministry considers physical characteristics, function and usage, pricing structures, marketing and any other relevant considerations, with no one of these factors being necessarily determinative.

## Physical Characteristics

53. Assessing the physical characteristics involves looking at the appearance, size and dimensions, composition of the product and the production methods and technology utilised to create it.

### Size, Dimensions and Composition of Product

54. Table 2.6 shows some of the specifications for the Malaysia CBS and Table 2.7 shows some of the goods manufactured by Croxley against the same criteria. Comparison between the two tables shows that the samples provided have similar size dimensions and composition. Croxley did not state how representative the samples were of all of the CBS covered by the application but from the data provided it appears that the Croxley sample covers goods that accounted for [REDACTED] percent of its CBS sales volume in 2006.

55. A distinguishing feature between the two samples is that some of the Malaysian goods have a PP cover, and in response to the assessing team's question Croxley noted that it does manufacture CBS with PP covers such as the [REDACTED] notebook. Also the assessing team noted that the imported 'note book brights' consists of different coloured pages. Croxley advises that it considers coloured pages to be a "designer type product" and that page colour is not determinative.

56. Croxley states that if the Malaysian CBS uses a NZS code, such as 1B5, to identify its goods, this implies that it has been produced according to the specifications of the NZS.

57. Croxley says it does not know of any other New Zealand producer that holds a licence to manufacture to the NZS and therefore to display the NZS symbol on its products. Croxley states that the NZS codes (but not the NZS symbol) are displayed on most of the CBS from Malaysia and that most of the goods do comply with the NZS. Croxley advise that, like most CBS manufacturers, it can adjust output quality and appearance to match demand.

58. Croxley produces a similar size and range of products to both the sample and catalogues of Malaysian CBS that it has provided. Most of the characteristics of the goods produced by Croxley are similar to the Malaysian CBS. Any investigation will have to determine whether physical characteristics are helpful in splitting CBS into useful categories and if these categories lead to like goods conclusions.

### Production Method

59. Croxley advises that it believes the production method of CBS imported from Malaysia would be similar to that employed by Croxley and that the principal stages in manufacturing CBS would include: printing the covers; lining the paper; cutting paper into sheets; stacking to desired page content; binding; and hole punching the paper.

60. Croxley states that products of a similar size range are manufactured on the same machinery. As discussed at paragraph 45 however, a Bielomatic machine is



required for producing soft covered exercise books and pads, and Kolbus machinery is required for manufacture of hard covered books.

61. Any investigation will need to consider production methods together with any differences and similarities.

## Function and Usage

62. Function and usage covers consumer perceptions, expectations, and end uses, which can assist in reaching conclusions regarding substitutability where relevant.

63. Croxley states that CBS from Malaysia is used for the purpose of printing or writing and this is the same purpose of its products. The end users identified for both the Malaysian and New Zealand CBS are primary, post primary and commercial users.

64. Croxley has observed that [REDACTED] now uses Malaysian CBS as it wanted to use products with heavier paper. This was in contrast to using the NZS products that specify a lighter paper weight. At this stage Croxley has not provided any further comment on this shift but if an investigation is initiated it will need to explore the extent to which a possible shift away from the NZS is another cause of material injury to Croxley. However, as Croxley manufactures a broad range of CBS that includes products with a grams per square metre (gsm) level that is heavier than the NZS, any such shift may manifest itself as a change in product mix rather than a decline in total volume.

## Pricing Structures

65. Some products are differentiated by the level at which they are priced to end users, by the costs that are built into the pricing structure, or by other ways in which prices are set.

66. Croxley provided a copy of a price list published by [REDACTED] of Candida products, which Croxley considers to be of Malaysian origin. In addition, Croxley provided a copy of its own price lists to [REDACTED], being customers it considers to be at a similar level of trade as [REDACTED]. A comparison of these prices appears later in this report at Table 4.4. When comparing a sample of goods, the prices do not differ to such an extent to indicate that the goods produced by Croxley are utilising a different pricing structure from the CBS from Malaysia.

## Marketing

67. Marketing considerations include the distribution channels used, customers (both actual and targeted), branding, and advertising.

68. Croxley states that the distribution channels for its products are similar to the channels used for imports of CBS from Malaysia. It also states that there are four main channels for CBS supply in New Zealand: supermarket chains (e.g. Woolworths); stationery retailers (e.g. Paper Plus); contract suppliers to large

corporations (e.g. Office Products); and specialist school supply companies (e.g. Auckland Educational Supplies).

69. Most of the CBS from Malaysia displays branding, as does the CBS produced by Croxley. Many Croxley products are of a special or limited design that is updated each year, some of which are licensed trademarks including 'King Kong' and 'Lord of the Rings' and the assessing team is unaware of any Malaysian CBS marketed the same way. Most of the CBS in the samples provided, of both New Zealand and Malaysian origin, display the NZS product code, but only some of the Croxley manufactured products also display the NZS logo.

## **Tariff Classification**

70. Croxley provided the tariff items under which it considers the CBS from Malaysia would enter (see Table 2.1). There is a distinct tariff item and statistical key for exercise books. However, for imports of the remaining CBS items such as note books, project books, and pads, the tariff items and statistical keys identified cover a broad category of goods and may encompass other non-CBS goods not covered by the application. Croxley has estimated that 10 percent of imports classified under the three tariff items are non-CBS products (within the meaning of the goods description in paragraph 24).

71. Croxley has not specifically stated which tariff classification its own products would have been if imported or that it exports under. However, based on the information and samples provided, it appears that Croxley would use the same classifications it allocated to the Malaysian CBS.

## **Other**

72. Croxley has not provided any information on other items that would assist in the assessment of like goods.

## **Conclusions Relating to Like Goods**

73. Croxley considers that the CBS it produces are not like in all respects to the Malaysian CBS but has characteristics that closely resemble the imported CBS.

74. From the samples provided and the limited information provided on physical characteristics; function and usage; pricing structures; and marketing, the assessing team concludes that the goods produced by Croxley, while not identical to the Malaysia CBS in all respects, have characteristics closely resembling them and are, therefore, like goods.

## **2.6 New Zealand Industry**

75. The requirements of section 10 of the Act must be met before an investigation can be initiated. This includes a requirement that an application is supported by New Zealand manufacturers representing at least 25 percent of the production of like goods. In addition, at least half of the New Zealand manufacturers (by production

volume) that have provided written comment on the application must be in support of the application.

76. Croxley considers it manufactures [REDACTED] percent of all CBS that is produced in New Zealand, that [REDACTED] percent is manufactured by Candida and the remaining [REDACTED] percent of manufacture is allocated between two other niche producers; K Kurtovich Products Limited (Kurtovich) and Tasman Stationery Limited (Tasman). These estimated production percentages have been applied to Croxley's 2006 total CBS production volume to calculate the size of the total New Zealand industry.

77. Croxley stated that its allocation of local production between manufacturers was based on market intelligence gathered by its sales team. In its estimation, Croxley considered the brands in the market place i.e. OMX, Collins, Warwick, Olympic, Croxley and house brands, its customers, and its sales via all the major distribution channels.

78. Croxley stated that BIS Shrapnel Pty Ltd (BIS) undertakes independent market surveys of New Zealand's office products market. Croxley [REDACTED] the BIS 2006 -2008 report [REDACTED] note pads (A4 and others), note books (not spiral bound) and spiral bound note books in New Zealand. [REDACTED] the brands of note books with the highest sales are produced by Croxley. Although [REDACTED] indicates that Croxley's brands such as Warwick occupy the largest portion of the market in its analysis of note books, due to the broader range of CBS subject to the application the report alone does not support or contradict Croxley's estimation on the New Zealand market for CBS.

79. Croxley advises that Candida is the "next major producer" in the New Zealand market, offering a similar range to Croxley including; envelopes, exercise books and writing pads. Croxley's estimation of Candida's production volume is based on the number of schools Candida supplies directly and the number of Candida branded goods available in retail stores. Croxley has also identified Candida as an importer of goods from Malaysia.

80. Kurtovich is an Onehunga based firm that manufactures "a variety of stationery and packaging goods, including a selective range of diaries and note books".








81. Tasman is a Papatoetoe based firm that manufactures what Croxley describes as "a similar range of goods such as note books and pads" to its own.


82. Croxley states that both Kurtovich and Tasman generally manufacture designer type products. These products are not, in Croxley opinion, generally manufactured to the NZS.

83. The assessing team has identified another New Zealand manufacturer of CBS, Office Line NZ Ltd. This company has on-line advertising that states it is a manufacturer of stationery products and produces record and spiral books. The proportion of the market that this company's sales represent is unknown at this stage and will need to be determined during an investigation.

84. The known New Zealand producers of CBS and their estimated production volumes (with the exception of Croxley's figures which are actual) are shown for year ended 31 December 2006 in Table 2.10.

**Table 2.10: New Zealand Industry**

<b>Producer</b>	<b>2006 production (units)</b>	<b>% of Domestic Manufacture</b>
Croxley		
Candida		
Other		
Total		100%

85. As Table 2.10 shows it is estimated that  percent of the total New Zealand industry supports the application, which meets the standing requirements of sub-section 10(3) of the Act.

## 3. Evidence of Dumping

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### 3.1 Base Export Prices

86. Croxley has not provided any actual export prices of the allegedly dumped goods. This is not unusual as this information is often difficult to obtain as it is confidential between the contracting parties, namely the New Zealand importer and the foreign manufacturer or exporter.

87. In lieu of actual prices Croxley has estimated export prices using a deductive method that starts with either a retail price or a net indent price, as the first price point. Deductions have then been made for the sale and importation into New Zealand back to the free-on-board (FOB) price point at port Penang, Malaysia, where Chee Wah is located.

#### Candida Brand

88. Croxley supplied an [REDACTED] price list for Candida products. From this Croxley has identified a selection of CBS that it considers is imported from Malaysia (as discussed in paragraph 45), which it estimates to be equivalent to approximately [REDACTED] percent of Croxley's total sales. The list shows four price levels: everyday price, 2007 net indent price, trade price and retail price. Croxley has used the 2007 net indent prices as the base for establishing export prices.

89. Base prices for Candida branded CBS range from NZD [REDACTED] to NZD [REDACTED] per unit.

#### Prostat and Pres Stik Brands

90. For the Prostat and Pres Stik brands, the net indent prices of the most similar Candida product have been used as base prices, as this is the best information available to Croxley.

91. For the Prostat A4 100 page and 100 page acid free notebooks, Croxley has used the price of the Candida 1B5 product as a base price. For the Pres Stik shorthand notebook, Croxley has used the price of the Candida 3B1 product as a base price.

92. Base prices for Prostat and Pres Stik branded CBS are NZD [REDACTED] to NZD [REDACTED] per unit respectively.

#### Campap Brand

93. Croxley purchased a range of Campap branded CBS from Mangere Bridge Stationers and has used the retail prices as base prices for establishing export prices.

94. Base prices for Campap branded CBS range from NZD1.07 to NZD1.78 per unit.

## Adjustments

95. The base prices have been reduced as follows.

### Retailers Margin

96. The Campap branded CBS (where the base is a retail price) has been adjusted by a retailer's margin of [REDACTED] percent of the base price. Croxley's [REDACTED] with the [REDACTED] provided this figure based on [REDACTED] experience.

97. Adjustments for a retailer's margin range from NZD [REDACTED] to NZD [REDACTED] per unit.

### Importers Margin

98. Croxley has made an adjustment for an importer's margin. For Candida and Prostat branded CBS the adjustment was made at [REDACTED] percent of the base price and for the Campap and Pres Stik branded CBS the adjustment was made at [REDACTED] percent of the base price.

99. Croxley explained the differing margins reflected the differences in the distribution channels used. Croxley stated that the Campap and Pres Stik branded CBS appear to be imported for sale through smaller retailers and sold throughout the year. This is distinct from the importing pattern attributed to the Candida and Prostat branded products that are assumed to be procured via an annual purchase and delivered to a single distribution centre.

100. Adjustments for an importer's margin range from NZD [REDACTED] to NZD [REDACTED] per unit.

### Overseas Freight and Insurance

101. Croxley provided an estimate from [REDACTED] dated September 2006 for freight related costs from FOB Penang to in-to store Auckland. The estimates are based on a full 20 foot container for a customer that would import between one and 200 containers per annum.

**Table 3.1: Costs on Overseas Cartage and Clearance (NZD)**

Charge	Amount
Cartage to Importer Store	[REDACTED]
Importers clearance/handling costs	[REDACTED]
Overseas freight	[REDACTED]
Other Charges	[REDACTED]
Total (per 20 foot container)	[REDACTED]

102. The costs shown above are per 20 foot container. An adjustment has been based on a full container holding 26,000 pads being NZD [REDACTED] per unit, or 105,000 exercise books equating to NZD [REDACTED] per unit.

103. The assessing team notes from the application that 14B8 is a loose leaf refill and has used the cartage and clearance fees of NZD [REDACTED] per unit, rather than NZD [REDACTED] per unit for exercise books. This has reduced the export price given in the application.

## Exchange Rates

104. Croxley converted the NZD prices to Malaysian Ringgit (MYR) at 2.33098. This was the exchange rate for 11 September 2006 published at [www.oanda.com](http://www.oanda.com) (oanda).

## Export Prices Calculation

105. Table 3.2 illustrates the calculated FOB export prices using the base prices and adjustments outlined above.

**Table 3.2: Export Prices (per unit)**

Candida product codes	NZS code	Base price	Importers margin	Retailers margin	Cartage & clearance	Export price	Export price)
231425	1B5	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
999003	3B1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
231424	1B4	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
234434	Pad (200lf)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
234429	14B8	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
234428	7B8	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
234437	2B5	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
234432	Pad (100lf)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
231428	1B8	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Pres Stik	3B1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Campap	1B5	1.33	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Campap	1B8	1.78	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Campap	1B4	1.07	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prostat	1B5	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

## 3.2 Base Normal Values

106. Croxley provided a Chee Wah July 2005/06 product catalogue and a price list dated July 2005. Croxley stated that the price list is a general list used by the trade and applies to both the indent and wholesale markets in Malaysia. Croxley advised

that the product catalogue and the price list were provided by [REDACTED] stationery manufacturer.

107. From the catalogue, Croxley has identified CBS prices for products that are equivalent, or similar, to those products for which export prices have been calculated and has used these as base prices for the normal values.

108. Base normal values range from MYR1.00 to MYR10.00 per unit.

## Adjustments

109. Croxley has made adjustments for discounts and differences in physical characteristics which are described below.

### Discounts

110. [REDACTED] advised that Chee Wah usually offers a discount of [REDACTED] percent off the price list in the Malaysian domestic market. Croxley states that the discount is an industry standard for purchases direct from the manufacturer.

111. Adjustments for discounts range from MYR [REDACTED] to MYR [REDACTED] per unit.

### Physical Characteristics

112. Croxley's application made an adjustment for the differences in physical characteristics between its goods and those produced by Chee Wah for sale in Malaysia. To do so, Croxley has compared the specification of its products with those listed in the Chee Wah catalogue, which provides the dimensions and other relevant specifications for each product.

113. The purpose of an adjustment to either an export price or a normal value is to ensure that the comparison between Malaysian goods manufactured for domestic consumption and those manufactured for export is fair. However, given that most of the Malaysian CBS imported into New Zealand is manufactured to the same NZS that Croxley's product conforms to, this seems a reasonable basis for an adjustment being the only information that is reasonably available to Croxley.

114. Croxley did not provide any information regarding any applicable Malaysian standard, if any, and associated variance from the NZS.

115. Adjustments for differences in physical characteristics range from MYR [REDACTED] to MYR [REDACTED] per unit.

## Normal Values Calculation

116. Table 3.3 illustrates the normal values calculated from the base prices and adjustments outlined above.



**Table 3.3: Normal Values (MYR per unit)**

Product Code	NZS code	List price	Discount	Physical differences	Normal value
CA 3544	1B5	1.80			
CA 3302	3B1	2.40			
CA 3542	1B4	1.00			
CA 3450	Pad (200 leaf)	10.00			
CA 3405	14B8	2.10			
CA 3446	7B8	4.10			
CA 3106	2B5	3.80			
CA 3447	Pad (100 leaf)	5.40			
CA 3544	1B8	1.80			

### 3.3 Dumping Margins

117. Table 3.4 shows the calculated dumping margins based on the export prices and normal values calculated above.

118. Dumping margins range from -7 percent (not dumped) to 431 percent, expressed as a percentage of the export price.

**Table 3.4: Dumping Margin (MYR per unit)**

NZS Code	Export price	Normal value	Dumping margin	Dumping margin as % of export price
Candida				
1B5				40%
3B1				148%
1B4				12%
Pad (200lf)				74%
14B8				55%
7B8				11%
2B5				18%
Pad (100lf)				30%
1B8				22%
Pres Stik				
3B1				431%
Campap				
1B5				24%
1B8				-2%
1B4				-7%



119. The assessing team notes that paragraph 6.1.3 of the application shows a normal value for a 1B8 of MYR [REDACTED], which has used the normal value for a 7B8 in error. This correction reduces the normal value for the Campap 1B8 and removes the calculated dumping margin for that product.

120. The assessing team has also calculated a simple average dumping margin based on those products for which export prices and normal values were calculated, the result being an average dumping margin of 35 percent. Due to the lack of volume information the assessing team is unable to calculate a weighted-average dumping margin.

### 3.4 Conclusion

121. Sub-section 10(2) of the Act requires that Croxley provide evidence on dumping as is "reasonably available" to it.

122. Croxley has established export prices using a deductive method based on retail or net indent prices. The retail or net indent prices have been reduced by, where appropriate, a retailer's margin, an importer's margin and costs incurred between into store Auckland, New Zealand back to the port at Penang, Malaysia. These reduced prices have been converted to MYR using the exchange rate at 11 September 2006 to establish an FOB export price(s).

123. The retail prices are based on products purchased from various retail outlets and clearly show they are of Malaysian origin. The net indent prices are from Candida's price list. The origin of the Candida CBS is not certain but Croxley's statement that Candida is importing CBS of Malaysian origin is supported by the import data.

124. The adjustments to the retail or net indent prices are based on Croxley's industry experience and evidence from a logistics company.

125. The assessing team has recalculated export prices and, with the exception of a small variation in one of the export prices, the recalculated amounts, agreed with the export prices based on the data provided in the application.

126. Normal values have been based on Chee Wah's July 2005 price list. The list prices have been reduced by a discount and an adjustment for physical characteristics.

127. Chee Wah's price list was provided by [REDACTED] company that also commented on normal discount levels in the Malaysian market. The adjustments for physical characteristics are based on the differences in the physical specifications between the products in the Chee Wah price list and the CBS manufactured by Croxley (as a proxy for the Malaysian CBS exported to New Zealand).

128. The assessing team agrees with Croxley's calculation of normal values based on the information provided in its application.

129. The assessing team is satisfied that Croxley has provided sufficient evidence of dumping and that the average dumping margin of 35 percent is not *de minimis*, as defined by Paragraph 8 of Article 5 of the Agreement as it is greater than two percent when as expressed as a percentage of the export price.

130. Any investigation will need to consider all export price and normal value in greater detail.

### 3.5 Import Volumes

131. Under Paragraph 8 of Article 5 of the Agreement if the allegedly dumped goods represent less than 3 percent of the total imports of CBS into New Zealand then that volume shall normally be regarded as negligible and if held to be negligible an investigation cannot be initiated. This is reflected in sub-section 11(2) of the Act. When considering the volume of imports, the Ministry normally uses the proposed period of investigation to assess whether the import volumes are negligible<sup>3</sup>.

132. As discussed at paragraph 28, statistical units are not recorded for two of the tariff items and statistical keys under which the Malaysian CBS enters New Zealand. Customs entries do, however, record the gross weight of import consignments but the weight recorded against any given entry may relate to an entire consignment rather than an individual entry line.

133. Croxley provided Statistics data for imports for 2000 to YTD November 2006 that gave the quantity of exercise books in hundreds for tariff item and statistical key 4820.20.00.00F and the gross weight in kilograms (kg), value for duty (VFD) and the cost-insurance-freight (CIF) figures for all three tariff items and statistical keys.

134. Because of the limited coverage of Malaysian CBS that tariff item and statistical key 4820.20.00.00F represents and the lack of a common volume measurement across the different classifications, the assessing team has looked at the value and weight of CBS imports in order to assess negligibility. Without the initiation of an investigation and collection of invoices from importers and exporters, the above calculations are the best proxy for actual volume information.

135. Customs data differs slightly from that provided by Statistics due to the review and cleansing of the raw data that is carried out by Statistics. As the Customs data is available for the full 2006 year and has been used elsewhere throughout this report the assessing team has assessed negligibility using Customs data.

136. Import volumes and values have been reduced in line with Croxley's estimate that 10 percent of imports would not be CBS of the type subject to the application.

137. As shown in Table 3.5 imports of Malaysian exercise books accounted for over half of total imports under tariff item 4820.20.00.00F in 2006.

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<sup>3</sup> Recommendation adopted by the World Trade Organisation Committee on Anti-Dumping Practices on 27 November 2002 (G/ADP/10).

**Table 3.5: Import Volumes Exercise Books (4820.20.00.00F)**

	<b>2006</b>	<b>% of Total</b>
Malaysian Imports	3,707	55%
Other Imports	2,993	45%
Total	6,701	100%

138. Table 3.6 shows the value of the allegedly dumped CBS from Malaysia as a percentage of total imports of CBS into New Zealand, which is greater than three percent.

**Table 3.6: VFD Imports (NZD)**

	<b>2006</b>	<b>% of Total</b>
Malaysian Imports	873,754	13%
Other Imports	5,645,829	87%
Total	6,519,583	100%

139. Table 3.7 shows the weight of the allegedly dumped CBS from Malaysia as a percentage of total imports of CBS into New Zealand are greater than three percent.

**Table 3.7: Imports by weight (kg)**

	<b>2006</b>	<b>% of Total</b>
Malaysian Imports	719,795	3.99%
Other Imports	17,315,596	96.01%
Total	18,035,391	100%

140. From the three methods used above, the volume of imports of Malaysian CBS import volumes are not negligible as all are over three percent.

## 4. Evidence of Material Injury

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### 4.1 Introduction

141. Section 10 of the Act outlines the evidence of material injury that must be provided in an application. Material injury is considered for the industry as a whole, or in the absence of information from all producers, in relation to those producers that constitute a major proportion of the New Zealand industry, regardless of whether an application has been supported by all producers.

142. An application can be made on the basis of either current material injury or the threat of material injury. When no current material injury is found the Ministry assesses the extent to which a threat of material injury may exist using the guidelines in paragraph 7 of Article 3 of the Agreement. The Agreement states that a threat of material injury has to be clearly foreseen and imminent, being beyond mere allegation, conjecture or remote possibility.

143. Material injury is assessed by comparing data for an injury factor against the data in a period unaffected by dumping. Croxley has stated that injury first occurred in 2001 and that it escalated to serious material injury in 2005. Due to a change in Croxley's accounting and finance system, as yet it has been unable to provide detailed financial data for the period 2000 to 2002. Therefore for the purpose of assessing material injury, Croxley provided data relating to sales of 586 SKUs of CBS in New Zealand from 1 January 2003 to 31 December 2006. This data covers the full range of CBS goods identified by Croxley as being like goods to the Malaysian CBS.

144. While section 10 of the Act outlines the evidence of material injury that must be provided in an application, section 8 of the Act sets out in detail the matters that must be examined in any investigation to establish if material injury exists. In determining whether sufficient evidence has been provided, the Ministry therefore takes guidance from the provisions of section 8, the relevant parts of which are referred to below.

### 4.2 Import Volumes

145. Sub-section 8(2) of the Act directs that consideration shall be given to increases in import volumes relative to the volumes manufactured and consumed in New Zealand.

146. As discussed from paragraph 28, for two of the three tariff items and statistical keys covered by the application, there is no unit recorded in the import data, accordingly non-unit measurements have been used to estimate the trends in the underlying import volumes alongside limited quantitative data.

147. Croxley provided Statistics data from 2000 to the YTD 30 November 2006, however as Customs data was available to the assessing team for the full 2006 year it has been used in the assessment of import volumes below.

148. Import volumes have been reduced by 10 percent as per Croxley's estimate that this portion of imports is not CBS of the type subject to its application.

149. Croxley has provided information relating to its own sales of CBS between 2003 and 2006 and has estimated the portion of local manufacture by other companies for 2006. These figures relate to total CBS sales volumes and they have been used for a comparison of the New Zealand consumption and production in the import volume tables below, including Table 4.1 that shows imports solely of exercise books.

150. Croxley stated that over all three tariff items and statistical keys significant increases have been recorded for Malaysia in terms of the volumes, VFD and CIF amounts in 2006 compared to previous years.

151. Additionally Croxley considers Chee Wah has significant excess capacity and the Malaysian school year is September to June, which differs from that in New Zealand. Croxley states that these two factors indicate a likelihood of substantially increased imports of Malaysian CBS in the future.

152. Tariff item and statistical key 4820.20.00.00F records units in hundreds and relates to paper, paperboard and exercise books. Import data shows volumes decreased from 2003 to 2005 and Croxley estimated that imports of exercise books for 2006 would increase by 102.7 percent from 2005 levels based on imports during the first half of 2006 and the presence of exercise books in the market. Full year data shows that the figures have increased well beyond Croxley's projection.

153. Table 4.1 shows that import volumes of exercise books from Malaysia have fluctuated significantly since 2000, reaching a peak in 2006. This shows a massive proportional increase from 2005 (although Croxley state that this could be attributable to a shift in the seasonality as the back to school season spans two calendar years) and a 607 percent increase over the whole period from 2000. Imports of exercise books from countries other than Malaysia have increased since 2004.

**Table 4.1: Import Volumes 4820.20.00.00F (hundreds)**

	2000	2001	2002	2003	2004	2005	2006
Malaysian Imports	5,908	4,459	8,180	15,509	3,187	135	41,791
Other Imports	678	2,654	692	2,267	1,294	5,150	4,128
Total Imports	6,586	7,113	8,872	17,776	4,481	5,285	45,920
NZ Industry							
NZ Market							
<i>As a Percentage of NZ Consumption:</i>							
Malaysian Imports							
Other Imports							
NZ Industry							
<i>As a Percentage of NZ Production:</i>							

Malaysian Imports							
Other Imports							
<i>Change on Previous Year:</i>							
Malaysian Imports		-	3,721	7,329	-12,322	-3,052	41,656
Other Imports		1,976	-	1,575	-973	3,856	-1,022
Total Imports		527	1,759	8,904	-13,295	804	40,635
NZ Industry							
NZ Market							
<i>% Change:</i>							
Malaysian Imports		-25%	83%	90%	-79%	-96%	30774%
Other Imports		292%	-74%	228%	-43%	298%	-20%
Total Imports		8%	25%	100%	-75%	18%	769%
NZ Industry							
NZ Market							

154. Table 4.2 shows the value of imports subject to the application. In normal circumstances, when volume data is available, the assessing team would not use value to assess whether volumes have increased as any dumping that is occurring could have a distortionary effect on values, especially if goods were previously imported at un-dumped prices.

**Table 4.2: CBS Imports VFD (000's NZD)**

	2000	2001	2002	2003	2004	2005	2006
Malaysian Imports	654	533	770	886	248	324	786
Other Imports	5,303	4,480	4,358	4,722	5,041	4,988	5,081
Total Imports	5,956	5,013	5,128	5,608	5,289	5,312	5,868
NZ Industry							
NZ Market							
<i>As a Percentage of Consumption:</i>							
Malaysian Imports							
Other Imports							
NZ Industry							
<i>As a Percentage of Production:</i>							
Malaysian Imports							
Other Imports							
<i>Change on Previous Year:</i>							

Malaysian Imports		-121	237	116	-639	76	462
Other Imports		-823	-122	363	319	-53	93
Total Imports		-943	115	480	-319	23	556
NZ Industry					■	■	■
NZ Market					■	■	■
<i>% Change:</i>							
Malaysian Imports		-19%	45%	15%	-72%	31%	143%
Other Imports		-16%	-3%	8%	7%	-1%	2%
Total Imports		-16%	2%	9%	-6%	0%	10%
NZ Industry					■	■	■
NZ Market					■	■	■

155. Table 4.2 shows that the New Zealand consumption shown by the total market value has slightly increased between 2003 and 2006. At the same time, the New Zealand industry's market share declined by ■ percentage point from 2003 to 2006, while the Malaysian imports share of the market has also decreased by ■ percentage point, relative to NZ production and consumption. However, from 2004 to 2006 imports from Malaysia have increased relative to New Zealand consumption and production at the expense of the New Zealand industry's share of total consumption.

156. It should be noted that VFD reflects the value of the CBS at the FOB level and this has been compared to the net sales price achieved by the New Zealand industry's at the ex-factory level i.e. the values have been compared at different points in the supply chain. Therefore the portion of Malaysian imports relative to New Zealand production and consumption will be understated, but should nevertheless be sufficient to show trends.

157. Table 4.3 shows the weight of CBS import volumes. There is no comparison to changes in import volumes relative to the changes in New Zealand production and consumption as Croxley has not supplied weight data relating to its own sales.

**Table 4.3: Import Volumes (000's kg)**

	2000	2001	2002	2003	2004	2005	2006
Malaysian Imports	537	393	620	823	159	265	720
Other Imports	14,514	14,029	27,391	13,577	15,704	16,921	17,316
Total Imports	15,051	14,422	28,011	14,400	15,863	17,187	18,035
<i>As a Percentage:</i>							
Malaysian Imports	4%	3%	2%	6%	1%	2%	4%
Other Imports	96%	97%	98%	94%	99%	98%	96%
<i>Change on Previous Year:</i>							
Malaysian Imports		-144	227	203	-664	106	454



Other Imports		-485	13,362	-13,814	2,128	1,217	394
Total Imports		-629	13,589	-13,611	1,463	1,323	849
<i>% Change:</i>							
Malaysian Imports		-27%	58%	33%	-81%	67%	171%
Other Imports		-3%	95%	-50%	16%	8%	2%
Total Imports		-4%	94%	-49%	10%	8%	5%

158. Table 4.3 shows that the gross weight of Malaysian CBS imports from increased 34 percent over the period 2000 to 2006. The 2006 weight figures represent a 171 percent increase from the 2005 levels

## Conclusion

159. Croxley claims that material injury as a result of dumping was first experienced in 2001 and that the material injury became serious in 2005. Croxley provided its own sales and estimations for other New Zealand manufacturers along with import data to show trends in absolute imports and trends relative to the volumes manufactured and consumed in New Zealand over the same period.

160. Data provided shows there has been an increase in imports of exercise books from Malaysia from 2004 to 2006. Relative to New Zealand production and consumption imports from Malaysia have also increased from 2004 to 2006.

## 4.3 Price Effects

161. Sub-section 8(2) of the Act sets out several price effects that need to be considered when assessing material injury, which are undercutting, suppression and depression. Each of these is set out below.

162. Croxley has provided net sales revenue data for the period 2003 to 2006 but has not provided any price lists or discount components for these net figures, apart from a selection for 2006.

### Price Undercutting

163. Price undercutting refers to the extent that the allegedly dumped Malaysian CBS is sold more cheaply than CBS made in New Zealand. Prices are compared at the point that the Malaysian CBS first competes with CBS made in New Zealand (referred to as the level of trade). The level of trade is determined for each importer and therefore prices from several importers may be considered at different points in the supply chain.

164. Croxley considers that the retail prices of the Malaysian CBS were the only prices reasonably available to it in making its application and are not necessarily the

first price point that the Malaysian CBS competes with domestically manufactured CBS.

165. Croxley stated that its prices have been undercut by the presence and level of prices for Malaysian CBS in the market, which has become evident during price negotiations with customers (discussed further at paragraph 172).

166. Croxley stated the CBS prices in the Candida 2006 price list are at a similar level of trade to its own sales. The assessing team has compared Candida’s prices against the initial 2006 prices Croxley presented to ██████████ that were reduced through the negotiating process. This comparison is shown in Table 4.4.

**Table 4.4: Price Undercutting**

NZS Code	Croxley's Prices	Candida's Prices	Undercutting	Undercutting %
██████████	██████████	██████████	██████████	██████████
1B5	██████████	██████████	██████████	██████████
Pad	██████████	██████████	██████████	██████████
2B5	██████████	██████████	██████████	██████████
1B8	██████████	██████████	██████████	██████████
1B4	██████████	██████████	██████████	██████████
Pad	██████████	██████████	██████████	██████████
14B8	██████████	██████████	██████████	██████████
3B1	██████████	██████████	██████████	██████████
7B8	██████████	██████████	██████████	██████████
██████████	██████████	██████████	██████████	██████████
1B5	██████████	██████████	██████████	██████████
Pad	██████████	██████████	██████████	██████████
2B5	██████████	██████████	██████████	██████████
1B8	██████████	██████████	██████████	██████████
1B4	██████████	██████████	██████████	██████████
Pad	██████████	██████████	██████████	██████████
14B8	██████████	██████████	██████████	██████████
3B1	██████████	██████████	██████████	██████████
7B8	██████████	██████████	██████████	██████████

167. The comparison of prices in Table 4.4 shows price undercutting ranging from ██████████ (no price undercutting) to ██████████ percent of Croxley’s prices.

168. As it is unlikely that retail is the first point in the supply chain that the Malaysian and New Zealand manufactured CBS compete, based on Croxley’s financial data,

the assessing team has compared average sales revenue per unit for 2006 with the aggregate importer’s into-store price for selected NZS code exercise book products. The estimated importer’s into-store price has been taken as the average VFD for imports under tariff item and statistical key 4820.20.00.00F and adding the costs identified from FOB Penang to into-store Auckland. Table 4.5 illustrates the assessing team’s price undercutting comparison.

**Table 4.5: Price Undercutting**

NZS Code	Croxley average Price	Importers Into-Store Price	Undercutting	Undercutting %
1B5				%
2B5				%
1B8				%
1B4				%
Weighted -Average				%

169. Table 4.5 demonstrates price undercutting ranging from [redacted] to [redacted] percent of Croxley’s prices for the limited range of CBS for which a comparison was possible.

**Price Depression**

170. Price depression occurs where prices achieved by New Zealand manufacturers are lower than those achieved in a period unaffected by dumped goods.

171. Croxley stated that it has been forced to depress prices in response to the Malaysian CBS being offered by Candida, which is also a New Zealand manufacturer. Croxley submitted that [redacted] it was necessary to reduce its prices to prevent the loss of volume to allegedly dumped Malaysian CBS.

172. Croxley provides potential customers, upon request, with a price list. If a customer wishes to purchase CBS from Croxley, it will either purchase at the listed price(s) or negotiate a price reduction. In recent years Croxley contend that the customers’ requirement for further price reductions can be linked, inter alia, with likely imports from overseas. Croxley provided a list of its prices offered to [redacted]. From the initial 2006 prices, Croxley lowered its prices to [redacted] between [redacted] percent and [redacted] percent and its prices to [redacted] between [redacted] percent and [redacted] percent.

173. The assessing team has compared Croxley’s average sales revenue per unit for a sample of SKU since 2003 in Table 4.6. The sample accounts for one third of Croxley’s total CBS sales (by value) in 2006 and contains what Croxley considers are its core products. The same comparison has also been made for weighted-average sales revenue per unit for all CBS produced by Croxley for the NZ market.

**Table 4.6: Price Depression**

	2003	2004	2005	2006
<b>1B5 Exercise Book</b>				
Average price per unit				
Change				
% change				
<b>200 Leaf Value Pad</b>				
Average price per unit				
change				
% change				
<b>2B5 Lecture Book</b>				
Average price per unit				
Change				
% change				
<b>1B8 Exercise Book</b>				
Average price per unit				
Change				
% change				
<b>1B4 Exercise Book</b>				
Average price per unit				
Change				
% change				
<b>14B8 Refill</b>				
Average price per unit				
Change				
% change				
<b>3B1 Notebook</b>				
Average price per unit				
Change				
% change				
<b>7B8 Lecture Pad</b>				

Average price per unit				
Change				
% change				
All Like Goods				
Weighted Average price per unit				
Change				
% change				

174. Table 4.6 shows that prices for some but not all like goods have been depressed since 2003. With price depression ranging from [redacted] (i.e. an increase in selling price per unit produce) to [redacted] percent. However the average unit price of all Croxley’s CBS has decreased [redacted] percent since 2003, with 2006 being the only year within that period where price increased.

### Price Suppression

175. Price suppression exists when New Zealand manufacturers are unable to fully recover increases in costs by raising sale prices.

176. Croxley has not commented on price suppression. However, based on its financial data, the assessing team has calculated the percentage that the cost of production represents of the sales revenue per SKU. Table 4.7 illustrates those findings.

**Table 4.7: Price Suppression**

	2003	2004	2005	2006
<b>1B5 Exercise Book</b>				
Revenue	[redacted]	[redacted]	[redacted]	[redacted]
Cost of production	[redacted]	[redacted]	[redacted]	[redacted]
Cost of production as % revenue	[redacted]	[redacted]	[redacted]	[redacted]
<b>200 Leaf Value Pad</b>				
Revenue	[redacted]	[redacted]	[redacted]	[redacted]
Cost of production	[redacted]	[redacted]	[redacted]	[redacted]
Cost of production as % revenue	[redacted]	[redacted]	[redacted]	[redacted]
<b>2B5 Lecture Book</b>				
Revenue	[redacted]	[redacted]	[redacted]	[redacted]
Cost of production	[redacted]	[redacted]	[redacted]	[redacted]

	Cost of production as % revenue				
1B8 Exercise Book					
	Revenue				
	Cost of production				
	Cost of production as % revenue				
1B4 Exercise Book					
	Revenue				
	Cost of production				
	Cost of production as % revenue				
14B8 Refill					
	Revenue				
	Cost of production				
	Cost of production as % revenue				
3B1 Notebook					
	Revenue				
	Cost of production				
	Cost of production as % revenue				
7B8 Lecture Pad					
	Revenue				
	Cost of production				
	Cost of production as % revenue				
All Like Goods					
	Revenue				
	Cost of production				
	Cost of production as % revenue				

177. Table 4.7 illustrates that the cost of production as a percentage of sales revenue for all CBS has increased slightly since 2003 after a decrease in 2004. Particular products, such as and , have experienced a more marked increase, indicating that there has been some suppression of prices.

## Other Factors Affecting New Zealand Prices

178. Croxley has not identified any factors other than the Malaysian CBS that it considers is affecting its CBS prices in New Zealand.

## Conclusion

179. Croxley has demonstrated price undercutting ranging from [REDACTED] to [REDACTED] percent for the CBS products that it has provided data for.

180. Croxley states that it was forced to reduce prices [REDACTED] in 2006 in order to maintain sales volume against prices of Malaysian CBS. Pricing data shows that Croxley has experienced price depression and price suppression on some but not all of the SKU presented and the average price for all CBS has been depressed and slightly suppressed since 2003.

181. Any investigation will need to consider the effects, if any, that any changes in sales mix have had on the weighted-average price per unit and examine price suppression taking into account costs additional to the production costs.

## 4.4 Other Material Injury Indicators

182. Section 8 of the Act requires that the economic impact of the dumped goods on the New Zealand industry be assessed and any other relevant indicators taken into account. These indicators are considered below.

### Output and Sales

183. Dumped imports can affect the New Zealand industry's output, sales volume, sales revenue and prices, depending upon the industry's response to the dumped imports.

#### Output – Sales Volume

184. Croxley stated that its output has been maintained but prices have been depressed in order to achieve this. Output figures have not been provided. Table 4.8 shows sales volume for a sample of SKU and the total sales volume since 2003.

**Table 4.8: Sales Volume**

	2003	2004	2005	2006
1B5 Exercise Book				
Sales Volume	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

	Change				
	% change				
200 Leaf Value Pad					
	Sales Volume				
	change				
	% change				
2B5 Lecture Book					
	Sales Volume				
	Change				
	% change				
1B8 Exercise Book					
	Sales Volume				
	Change				
	% change				
1B4 Exercise Book					
	Sales Volume				
	Change				
	% change				
14B8 Refill					
	Sales Volume				
	Change				
	% change				
3B1 Notebook					
	Sales Volume				
	Change				
	% change				
7B8 Lecture Pad					
	Sales Volume				
	Change				
	% change				



All Like Goods					
	Sales Volume				
	Change				
	% change				

185. Table 4.8 demonstrates that sales volume decreased in 2006 after year on year increases from the levels observed in 2003 but the total sales volume in 2006 was percent higher than in 2003. This is consistent with Croxley’s statement that, in response to increased imports of Malaysian CBS, sales have been maintained via reducing prices.

186. When looking at all CBS SKU changes in sales volumes for the period 2003 to 2006 for individual products ranged from to percent. Products that were not produced throughout the entire 2003 to 2006 period (either because they replaced other SKUs or were discontinued) account for % of the total CBS SKUs and have been excluded from the above range. From the data many of the SKU changes appear to be the same product with an updated design, which may suggest that Croxley has adapted its production decisions by changing the CBS produced in order to meet consumer demand in the face of competitive pressure from imports. The reasons for such a large proportion of CBS entering or leaving production during the injury periods is a matter that will need to be explored further if an investigation is initiated.

**Sales Revenue**

187. Table 4.9 shows sales revenue for a sample of SKU and the total sales revenue.

**Table 4.9: Sales Revenue**

	2003	2004	2005	2006
<b>1B5 Exercise Book</b>				
<b>200 Leaf Value Pad</b>				
<b>2B5 Lecture Book</b>				

	% change				
1B8 Exercise Book					
	Sales Revenue				
	Change				
	% change				
1B4 Exercise Book					
	Sales Revenue				
	Change				
	% change				
14B8 Refill					
	Sales Revenue				
	Change				
	% change				
3B1 Notebook					
	Sales Revenue				
	Change				
	% change				
7B8 Lecture Pad					
	Sales Revenue				
	Change				
	% change				
All Like Goods					
	Sales Revenue				
	Change				
	% change				

188. Table 4.9 shows a decrease in total revenue of [REDACTED] percent since 2003. Changes in average sales revenue per unit for individual products ranged from [REDACTED] to [REDACTED] percent. As explained in paragraph 186, products that were not produced throughout the entire 2003 to 2006 period have been excluded from the above range.





























189. The figures regarding sales volume and sales revenue further illustrate that prices have been reduced in 2006 to maintain sales volume. The sample of like goods illustrates that revenue decreases are more pronounced for some key products.




## Market Share

190. Analysis of market share must consider changes in the size of the total market. A decline in 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. In addition the New Zealand industry is not entitled to any particular market share per se.

191. Due to the limitations in the import data market share analysis has been based on value using Croxley's revenue figures and the VFD for imported CBS. The understatement of import's share of the NZ market as explained at paragraph 156 also applies to this data, but trends over the period are illustrative for injury assessment. Adjustments have been made for imports and other New Zealand manufacturers as explained at paragraph 148.

**Table 4.10: Market Share**

	2003	2004	2005	2006
Malaysian Imports	886,389	247,775	324,080	786,379
Other Imports	4,721,625	5,040,891	4,987,809	5,081,246
Croxley				
Other NZ Producers				
NZ Market				
<i>% of Total:</i>				
Malaysian imports				
Other Imports				
Croxley				
Other NZ producers				

192. From 2003 to 2006 the value of the market share held by Croxley declined by  percentage points (this was reflected in the value of the portion held by other New Zealand manufacturers as a result of the method used to estimate their production levels) and that held by other imports increased by  percent points. The market share held by Malaysian imports has decreased by  percentage points since 2003, meaning the reduction in Croxley's share appears to be attributable to imports from other sources. This could of course be affected by the fact that market share has been estimated based on value. However, if 2004 is taken as the base year, a different picture emerges as between 2004 and 2006 CBS

imports from other sources have remained stable, while Croxley's market share has been eroded by Malaysian CBS.

## Profits

193. Dumped imports can affect net profit via the impact on sales prices and volumes.

194. Croxley has not provided any data on its net profit or earnings before interest and taxation, but has provided gross profit figures, which are shown in Table 4.11.

**Table 4.11: Gross Profit**

	2003	2004	2005	2006
<b>1B5 Exercise Book</b>				
Gross Profit				
Change				
% change				
<b>200 Leaf Value Pad</b>				
Gross Profit				
change				
% change				
<b>2B5 Lecture Book</b>				
Gross Profit				
Change				
% change				
<b>1B8 Exercise Book</b>				
Gross Profit				
Change				
% change				
<b>1B4 Exercise Book</b>				
Gross Profit				
Change				
% change				
<b>14B8 Refill</b>				

	Gross Profit	██████████	██████████	██████████	██████████
	Change		██████████	██████████	██████████
	% change		██████████	██████████	██████████
3B1 Notebook					
	Gross Profit	██████████	██████████	██████████	██████████
	Change		██████████	██████████	██████████
	% change		██████████	██████████	██████████
7B8 Lecture Pad					
	Gross Profit	██████████	██████████	██████████	██████████
	Change		██████████	██████████	██████████
	% change		██████████	██████████	██████████
All Like Goods					
	Gross Profit	██████████	██████████	██████████	██████████
	Change		██████████	██████████	██████████
	% change		██████████	██████████	██████████

195. Table 4.11 shows that total gross profit has decreased by ██████████ percent from 2003 to 2006. Any investigation will need to obtain data on EBIT to fully evaluate the impact of the allegedly dumped imports on profitability.

### Productivity

196. Productivity is the relationship between goods produced and the inputs required to manufacture them. Productivity is affected by output and capacity utilisation levels.

197. Croxley suggests that its productivity has improved in recent years due to its continuous improvement program. As a consequence of the allegedly dumped Malaysian CBS, Croxley states the number of full time equivalent staff has not reduced but that domestic productivity has decreased.

198. Croxley provided a schedule of its total annual productivity for 2003 to 2006 for its 'back to school' range, which includes export performance, as shown in Table 4.12. Croxley advise that the output has increased because of its ██████████ and increased ██████████ sales.

**Table 4.12: Productivity (NZD 000's)**

	2003	2004	2005	2006
--	------	------	------	------

Papakura				
Output				
Direct Labour				
% Labour				
Collins				
Output				
Direct Labour				
% Labour				
Total				
Output				
Direct Labour				
% Labour				

199. Table 4.12 shows that the value of both output and the direct labour required to produce it have increased in absolute terms but the percentage of the value of the finished outputs represented by direct labour has decreased. However, as noted above these figures include export performance and any investigation will have to consider productivity related to domestic production and sale only.

### Return on Investments

200. Return on investments measures profit against the value of the investment in a business. Changes in the return on investments may impact the ability to retain current investment or attract new investment. Declines in return on investments can result from a decline in profit or an increase in the level of investment within the business.

201. Croxley has not provided the assessing team with any information relating to any changes in its return on investments.

### Capacity Utilisation

202. The utilisation of production capacity reflects changes in production volumes or changes in capacity. A decline in production volumes will lead to a higher cost per unit due to increased overhead allocation. This will lead to a decrease in profit level, unless offsetting savings are found elsewhere.

203. Croxley states that if its capacity were calculated on the basis of 24 hours a day, 7 days a week, its current utilisation is approximately . To increase capacity Croxley states that it would have to employ more staff and operate more shifts, possibly or its storage .

204. Croxley has not provided any comments on how its capacity utilisation has been affected by the presence of the allegedly dumped Malaysian CBS. Given Croxley's statements on its strategy for competing with the Malaysian CBS, that is, to maintain volumes through price reductions and the results shown under sales volume above, the Ministry would expect that capacity utilisation has not been adversely affected.

## 4.5 Other Adverse Effects

205. The other adverse effects that the assessing team is required to consider are the actual and potential effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investments. The assessing team is also required to consider factors affecting domestic prices and the impact of the level of the dumping margin. These are considered below with the exception of cash flow, wages, growth, and factors affecting domestic pricing, for which no information has been provided.

### Inventories

206. Croxley maintains a live inventory system which shows where a product is at any single point in time. Inventory data is archived monthly against the value of value of sales for each given month.

207. Croxley provided a schedule of its monthly value of inventories and sales of CBS from September 1999 to January 2007 (inclusive) that indicated the lowest level of stock was in [REDACTED] and the highest occurred in [REDACTED].

208. Due to capacity restraints and the seasonality of the product based on the timing of the school year, Croxley has advised that it builds up the level of inventory until December after which its products are sold in peak season for the "back to school" range.

209. Table 4.13 displays the value of inventory held by Croxley in February between 2000 and 2006. These levels show an increase in stock over the period, but will need to be adjusted for changes in the primary school term during that period if that affecting the timing of any seasonality in the sales and inventory levels. Any revaluation of unsold stock following the peak season will also need to be considered if any investigation is initiated.

**Table 4.13: February Inventory (NZD)**

Year	Value	Change	% Change
2000	[REDACTED]		
2001	[REDACTED]	[REDACTED]	[REDACTED]
2002	[REDACTED]	[REDACTED]	[REDACTED]
2003	[REDACTED]	[REDACTED]	[REDACTED]
2004	[REDACTED]	[REDACTED]	[REDACTED]

2005			
2006			

## Employment

210. Croxley considers that it could likely lose the business of [REDACTED] to CBS from Malaysia as these customers are price driven and tend to move suppliers easily. Croxley states that if these customers did change their supplier, it would likely impact on its employee numbers.

## Ability to Raise Capital and Investments

211. Croxley considers that loss of profits, due to depressed prices, has restricted its ability to raise additional capital for investment purposes. Croxley states that historically the emphasis has been on producing new product ranges and to increase output to spread overhead costs. When asked for further comment Croxley stated that since 2000 investments have been minimal and below the annual depreciation cost.

## Level of Dumping Margin

212. Croxley submits that it has provided satisfactory evidence of significant margins of dumping. Calculated dumping margins range from -7 percent (not dumped) to 431 percent, expressed as a percentage of the export price, with an average of 35 percent.

213. Croxley states that the level of dumping margin has allowed Malaysian CBS to be sold in New Zealand at low prices, which has forced Croxley to depress its prices to maintain its market presence.

## 4.6 Causal Link

214. Sub-section 10(1) of the Act requires that sufficient evidence be provided that material injury is caused by the dumped goods. This does not preclude another factor also being a cause of material injury. This echoes the requirements of Paragraph 2 of Article 5 of the Agreement.

215. The Ministry adopts a two-limb test to assess causality. The first limb focuses on the dumped imports, asking whether there has been material injury by applying the criteria in sub-sections 8(1) and 8(2) of the Act. This test accepts that there is an inference that where material injury occurs, it is caused by dumping.

216. The second limb examines whether there are any known factors apart from the dumped imports that are also materially injuring the industry. If other factors are



identified, it must be established whether the material injury caused by other factors breaks the inferred “causal link” established under the first limb. If there is no manifest cause of material injury apart from the dumped goods, then the inferred causal link under the first limb is confirmed.

217. For the purpose of testing whether sufficient evidence of a causal link has been provided, the Ministry takes guidance from the potential causes of material injury, other than the dumped goods, set out in sub-section 8(2) of the Act. These factors are outlined below.

## Non-dumped Imports

218. The volumes of imports from countries other than Malaysia are displayed in Tables 4.1, 4.2 and 4.3. Volumes of other imports under the one tariff item and statistical key for which data is available show an increase from [redacted] percent of the New Zealand market in 2003 to [redacted] percent in 2006. By value, across all three tariff items other imports represented [redacted] percent of the total New Zealand market in 2003 and that had increased to [redacted] percent in 2006, but this share remained stable from 2004 to 2006. By weight, across all three tariff items other imports went from 14,511 kg in 2000 to 13,577 in 2003 and had increased to 17,316 in 2006.

219. While some small increases in imports from other countries has been recorded the ability to draw any conclusions from the above analysis are restricted by the limitations in the import data. Any investigation would have to explore whether imports from countries other than Malaysia are a cause of material injury.

## Demand or Consumption Change

220. Croxley states that some sales may have been lost to customers switching to niche market sources but believes it is difficult to quantify this change. Croxley advise that it has experienced a reduction in demand for exercise books because of a preference for heavier (70gsm) paper weight than that specified by the NZS (60gsm). For example Croxley’s sales to [redacted] reduced as [redacted] moved to Candida products with a higher gsm a few years ago.

221. In relation to products manufactured according to the NZS, Croxley stated that the only shift away from the standard that has occurred is in relation to the loose leaf refill (e.g. the 200 leaf pad). Croxley also advised that there is a move towards A4 and a move from limp/soft covers to hard covers.

## Restrictive Trade Practices

222. Croxley has not provided any information on whether there are any restrictive trade practices of overseas or New Zealand producers (e.g. price ceilings, other statutory measures, or exclusive dealer arrangements).

223. Croxley has referred to the NZS as signalling to consumers that a product is produced to a certain quality, but has not stated that the NZS restricts the sale of CBS in New Zealand.

## Competition

224. Croxley has not provided any information regarding its competitive position with Candida, other New Zealand producers, and overseas producers beyond estimating its share of domestic production at █%.

## Developments in Technology

225. Croxley has not provided any information regarding any developments in technology over the past few years which may or may not have an impact on its production and domestic sales.

## Exports

226. Croxley states that it exports to █ and has provided details of its exports for November 2004 to October 2006. As the information provided contains only one full year of sales the assessing team has compared the first three quarters of 2005 with the same three quarters of 2006.

**Table 4.14: Export Sales**

Quarter	Quantity (hundreds)			Value (NZD)		
	2005	2006	Change	2005	2006	Change
Q2	█	█	█	█	█	█
Q3	█	█	█	█	█	█
Q4	█	█	█	█	█	█
Total	█	█	█	█	█	█

227. Table 4.14 shows that export sales have increased in 2006 in both quantity (increasing █ percent) and value (increasing █ percent) from 2005. The reasons for this and the impact upon Croxley's domestic sales will need to be explored if an investigation is initiated.

228. Croxley advised that the products it exports to █ are unique because they are manufactured to different specifications and have unique SKU identifiers. The goods sold to █ are produced to the same specifications as those sold on the New Zealand market.

229. Consequently, Croxley's █ exports to are not included in the financial data provided in its application but exports to █ are.

Should an investigation be initiated export sales to [REDACTED] will need to be excluded from the financial data used in the injury analysis.

## Imports

230. If a New Zealand industry is an importer of dumped goods, the Ministry is required to analyse the nature and extent of those importations, including the value, quantity, frequency and purpose of any such importations.

231. Croxley advises that it imports some goods to make up the range of products it offers to New Zealand customers but that this does not normally include CBS. The assessing team noted that it imports its [REDACTED], which it states is a good like the Malaysian CBS. Croxley advised that it does manufacture [REDACTED] but it has in the past imported [REDACTED] volume. Croxley has not provided the specific volume or reasons for this decision.

232. Croxley advises that it has imported goods subject to the application but all such imports were returned as faulty, damaged, or were samples. Croxley re-imported product from [REDACTED] because of [REDACTED] or due to [REDACTED] respectively.

## Additional Causes

233. Croxley has not identified any potential additional causes of material injury.

## Causal Link Conclusion

234. Croxley has provided data showing significant increases in imports in terms of volume and value in 2005 and 2006, which are well above 2003 levels. This increase coincides with evidence of price undercutting, suppression and depression, congruent with Croxley's statement that its response to the allegedly dumped imports has been to reduce prices in order to maintain sales volumes. These volume and price effects correspond with declines in market share, revenue, and gross profit.

235. From the information available and for the purpose of initiating an investigation, the assessing team considers that sufficient evidence of a causal link between the dumping and material injury exists.

## 4.7 Material Injury Conclusion

236. Croxley has provided evidence on the effects of the imports of the allegedly dumped Malaysian CBS on its own CBS prices and the consequent impact of the Malaysian CBS on the New Zealand industry.

237. Adverse price effects have been demonstrated as have decreases in gross profit levels. No information was provided on returns on investment, cash flow, wages or growth.

238. Productivity and sales volume show small but positive trends, while sales revenue and market share have declined. Limitations around the ability to identify the actual volumes of import levels and the whole of business basis for some of this data (i.e. includes export sales) means that the trends are not necessarily those seen for CBS alone. In addition some of the information provided has been restricted to sub-groups of the CBS that Croxley has identified as like goods to the Malaysian CBS subject to the application.

239. Mindful of the test set out in *Kerry (NZ) Limited v Taylor*<sup>4</sup> the assessing team is satisfied that evidence of material injury has been presented that warrants the initiation of an investigation and does not need to be satisfied that material injury itself is definitively occurring as that is a matter to be properly considered in an investigation itself.

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<sup>4</sup> *Kerry (NZ) Limited v Taylor* (1991) 2 PRNZ 393

## 5. Conclusions

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240. On the basis of the information available, the assessing team concludes that, for initiation purposes, sufficient evidence has been provided that:

- a. CBS from Malaysia is being dumped;
- b. material injury to the industry has been caused; and
- c. the allegedly dumped goods are a cause of the material injury.



## 6. Recommendations

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241. Following the conclusion above, it is recommended in accordance with section 10 of the Act that the Manager of Trade Rules and Remedies, acting under delegated authority from the Chief Executive, initiate a dumping investigation into CBS from Malaysia.

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Assessing Team  
Trade Rules and Remedies

**Agree/Not Agree**

Anne Corrigan  
Manager  
Trade Rules and Remedies  
Competition, Trade and Investment Branch