

**Glass Wool Insulation from
Chinese Taipei
Non-Confidential Initiation Report**

**Dumping and Countervailing Duties Act 1988
Dumping Application**

November 2002

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ABBREVIATIONS

The following abbreviations are used in this Report:

Act (the)	Dumping and Countervailing Duties Act 1988
Anti-Dumping Agreement	WTO Agreement on Implementation of Article VI of the GATT 1994
ANZCERTA	Australia New Zealand Closer Economic Relations Trade Agreement
Chief Executive	Chief Executive of the Ministry of Economic Development
CIF	Cost, Insurance and Freight
EBIT	Earnings Before Interest and Tax
FOB	Free on Board
LDC	Less Developed Countries
LLDC	Least Developed Countries
Ministry (the)	Ministry of Economic Development
Customs	New Zealand Customs Service
Pac	Forum Island Members of the South Pacific Regional Trade and Economic Cooperation Agreement
Premier	Premier Insulation Limited
Tasman	Tasman Insulation New Zealand Limited
VFD	Value for Duty
WTO	World Trade Organisation
	Confidential Information

1. Proceedings

1.1 Proceedings

1. On 22 August 2002, the Ministry of Economic Development accepted a properly documented application from Tasman Insulation New Zealand Limited (Tasman), alleging that glass wool insulation from Chinese Taipei was being dumped and by reason thereof causing and threatening to cause material injury to the New Zealand industry.

2. In accordance with section 10 of the Dumping and Countervailing Duties Act 1988 (hereinafter also referred to as “the Act”), the Chief Executive of the Ministry of Economic Development (“Chief Executive”) may, on receipt of an application from the industry, 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:

- a. the goods imported or intended to be imported into New Zealand are being dumped; and
- b. by reason thereof material injury to an industry has been or is being caused or is threatened or the establishment of an industry has been or is being materially retarded.

3. In considering an application, the Chief Executive is required to be satisfied that there is evidence going beyond mere assertion and of a nature and extent that indicates a likelihood of dumping and resultant material injury, and requiring investigation. The evidence is to be scrutinised with due scepticism, bearing in mind the commercial context, and the Chief Executive is to be satisfied of the sufficiency of the evidence, not of dumping or material injury.

1.2 Grounds for the Application

4. Tasman claims that as a result of the alleged dumping, material injury is resulting from:

- increased import volumes;
- price undercutting by the dumped imports; and
- price suppression.

Which has resulted in:

- loss of profit;
- loss of sales volume;
- loss of market share;

- reduced return on assets;
- declining return on shareholders' funds; and
- reduced capacity utilisation.

5. Tasman has stated in its application that the material injury resulting from the importation of allegedly dumped glass wool insulation commenced in January 2001.

6. Tasman has requested the imposition of provisional anti-dumping duties to prevent material injury being caused during the investigation. Provisional anti-dumping duties may be imposed no earlier than 60 days after initiation of an investigation if the Minister has reasonable cause to believe that the imported goods are being dumped and are causing material injury to an industry, and the Minister is satisfied that action is necessary to prevent material injury being caused during the period of investigation. Provisional measures will be considered if the case is initiated.

7. It should be noted that the Ministry approaches investigations on the basis that injury and threat of injury are alternatives, i.e. an industry is either injured or threatened with injury, but both cannot apply at the same time.

1.3 Interested Parties

New Zealand Industry

8. Tasman, the sole producer of glass wool insulation in New Zealand, lodged the application. According to the New Zealand Companies Office database, Tasman is wholly owned by Tasman Holdings New Zealand Limited, Auckland, which is wholly owned by Tasman Overseas Pty Limited, North Sydney, Australia.

Importers and Exporters

Exporters

9. Tasman has stated that it understands the exporter of the subject goods is:

Taita Chemical Co. Limited, Taipei, Chinese Taipei

10. New Zealand Customs Service (Customs) data for the year ended 31 July 2002 shows that there is another supplier from Chinese Taipei. This is:

[REDACTED]

11. Any investigation will need to establish the extent to which the goods these companies export to New Zealand are the subject goods.

Importer

12. Tasman believes that the importer is Premier Insulation Limited (Premier). Customs data for the year ended 31 July 2002 indicates that this importer does import goods classified in the tariff item.

13. The Customs' data also shows that

14. Any investigation will need to establish the extent to which the subject goods are being imported. In addition, the investigation will need to establish whether such goods have any degree of manufacture in the country of export, or whether they are merely transshipped.

1.4 Imported Goods

15. The goods which are the subject of the application, hereinafter referred to as "glass wool insulation", or "subject goods", are:

Glass wool insulation, with a resistance to heat flow rating in the range of R1.5 to R2.2 (inclusive).

16. Customs has advised that the subject goods are classified under the following tariff item and statistical key as marked in bold below:

70.19	Glass fibres (including glass wool) and articles thereof (for example, yarn, woven fabrics):
	<i>[- Slivers, rovings, yarn and chopped strands:</i>
<i>7019.11.00</i>	<i>00J .. -- Chopped strands, of a length of not more than 50 mm</i>
<i>7019.12.00</i>	<i>00C .. -- Rovings</i>
<i>7019.19.00</i>	<i>-- Other</i>
	<i>01C Yarns and threads</i>
	<i>09J Other]</i>
	<i>- Thin sheets (voiles), webs, mats, mattresses, boards and similar nonwoven products:</i>
<i>[7019.31.00</i>	<i>00F .. -- Mats</i>
<i>7019.32.00</i>	<i>00L .. -- Thin sheets (voiles)]</i>
7019.39.00	-- Other
	01L Fibreglass insulation

[09F Other]

17. Applicable duty rates are:

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

18. Data obtained by the Ministry from Customs on imports of the subject goods from Chinese Taipei indicates that imports are entering under the normal tariff rate of 6.5 percent.

19. Tasman has advised its financial year is 1 July to 30 June. The financial data in the application was presented in calendar years and year to date (YTD) June. In this report, years are calendar years and dollar values are New Zealand dollars (NZD) and YTD figures refer to the period 1 January 2002 to 30 June 2002, unless otherwise specified. In tables, column totals may differ from individual figures because of rounding.

20. Should any investigation be initiated, the period of investigation for dumping will be the year to 30 September 2002.

21. In this report, when dealing with Customs' data, including average monthly value for duty (VFD) values, which are in NZD, the amounts have been converted from or to foreign VFD values using the annual average of the Customs' exchange rates for the year to 31 August 2002. The rates used are published each fortnight in the Customs Edition of the *New Zealand Gazette*.

22. 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 is carried out in accordance with the Act.

2. New Zealand Industry

23. Section 3A of the Act provides the definition of “industry”:

3A. Meaning of “industry”—For the purposes of this Act, the term “industry”, in relation to any goods, means—

- (a) The New Zealand producers of like goods; or
- (b) Such New Zealand producers of like goods whose collective output constitutes a major proportion of the New Zealand production of like goods.

“Like goods” is defined in section 3 of the Act:

“Like goods”, in relation to any goods, means—

- (a) Other goods that are like those goods in all respects; or
- (b) In the absence of goods referred to in paragraph (a) of this definition, goods which have characteristics closely resembling those goods:

2.1 Like Goods

24. In order to establish the existence and extent of the New Zealand industry for the purposes of an investigation into injury, and having identified the subject goods, it is necessary to determine whether there are New Zealand producers of goods which are like those goods in all respects, and if not, whether there are New Zealand producers of other goods which have characteristics closely resembling the subject goods.

The Imported Goods

25. The subject goods have been identified in section 1.4 of this report as:










Glass wool insulation, with a resistance to heat flow rating in the range of R1.5 to R2.2 (inclusive).

New Zealand Production

26. Tasman manufactures PinkTM Batts[®] and other glass wool insulation, building membranes and specialist insulation materials.

27. Tasman considers that the glass wool insulation it manufactures with R-values from R1.6 to R2.2 are like products to the imported subject goods and are directly substitutable for the subject goods. An R-value is a measure of the resistance to heat flow of a given component of a building element. It is a widely accepted measure of thermal resistance and is used by the New Zealand Building Industry. The New Zealand Building Code records that an R-value is “equal to the temperature difference (°C) needed to produce heat flux (W/m²) through unit area (m²) under steady conditions. The units are °Cm²/W” where W = Watts.

28. Tasman has provided the following details of the glass wool insulation it manufactures that it considers to be like product to the imports.

Product	R-value ($^{\circ}\text{Cm}^2/\text{W}$)	Thickness (mm)	Piece Size (mm)	Price per NZD/m ²
R1.6 Ceiling	1.6	75	1220x432	
R1.6 Wall	1.6	75	1140x580	
R1.8 Ceiling	1.8	75	1220x432	
R1.8 Wall	1.8	75	1140x580	
R1.9	1.9	75	8000x1200	
R2.2 Ceiling	2.2	94	1220x432	
R2.2 Wall	2.2	94	1140x580	
R2.2 Narrow Wall	2.2	94	1140x380	
Handy Pack	2.2	94	610x432	

29. In addition to the sizes of PinkTM Batts[®] listed above, Tasman also makes a range of glass wool insulation with other R-values outside of this range. These, it argues, are not directly substitutable with the imports as the Building Code's minimum requirements are for R1.5 product.

30. Tasman also manufactures other types of insulation, which compete in the insulation market, but these are not made of glass wool fibres.

Imported Goods

31. Tasman has advised that the glass wool insulation imported from Chinese Taipei is most likely to be of R1.8 and about 75mm thick. Tasman has provided the Ministry with a sample of this material.

Like Goods Considerations

32. In deciding like goods issues the Ministry takes into account the following considerations:

- a. physical characteristics, which covers appearance, size and dimensions, components, production methods and technology.
- b. function/usage. This covers consumer perceptions/expectations, end uses, and will lead to any conclusions on the issue of substitutability where relevant.

- c. pricing structures.
- d. marketing issues such as distribution channels and customers' advertising.
- e. other. This can include tariff classification if applicable, and any other matters which could be applicable in the circumstances.

33. This framework will be used to consider what goods produced in New Zealand are like goods to the allegedly dumped imports.

Physical Characteristics

Subject goods

34. The subject goods are described as glass wool insulation, with a resistance to heat flow rating in the range of R1.5 to R2.2 (inclusive). The goods are imported in various physical dimensions such as rolls and pieces. No information was available on the overall size dimensions of the imports other than their being 75mm in thickness. Their appearance resembles thick mats of very fine layered fibres. The product is quite light by weight in comparison to its volume. The imported Chinese Taipei product is dyed yellow.

35. The process used to produce glass wool insulation around the world is similar, but the machine technology used varies. Tasman has indicated that there are about three different types of technology which produce glass wool insulation, and that the allegedly dumped goods and the New Zealand manufactured goods are produced by "different proprietary manufacturing equipment". The production process allows the end product to be easily varied in the density or number of fibres in a given area and the final thickness of the product.

36. Described simply, the general process is that the glass, the predominant raw material, is melted down (with additives such as a bonding agent of phenol formaldehyde thermosetting resin), is then passed into a spinner which spins off fine glass fibres. These are collected into a blanket form. Tasman stated that both the imports and the domestic product are produced as a blanket and this may be further processed into pieces or rolls as required. The product is compression packed in either piece or roll form. When a package or bale of product is opened, the goods "recover" to a thickness that provides the claimed resistance to heat flow, and gives the level of heat insulation specified.

New Zealand Industry

37. The glass wool insulation made by Tasman is very similar in its appearance to the subject goods. It is available in similar forms to the imported product. The only obvious difference in general appearance between the industry's product and the subject goods is the colour. The like goods are dyed pink as part of Tasman's license agreement with Owens Corning.

38. Tasman produces a range of product with different R-values and therefore a range of sizes and thickness. Tasman's product is available in sizes to fit current New Zealand joist, truss and stud spacings.

39. Tasman uses the same general manufacturing process as the subject goods. Tasman stated that its North Island production plant uses about 90 percent recycled glass and about 80 percent recycled glass in the South Island.

Function and Usage

40. Glass wool insulation is designed and produced primarily as a building insulation. It is used for insulating residential and non-residential buildings.

41. The manufactured blankets are cut after manufacture to requirements. It is a simple process to cut the material into specific sizes and shapes for sale. Further cutting and shaping can be done if necessary while being installed. The product does not usually have to be fixed in place. Pieces of the material can be laid side by side and do not have to be joined. Insulation effectiveness can be increased by laying a second layer of insulation on top of a layer that's already in place. The industry's like product can be used in exactly the same way as the imports.

42. As previously noted, the measure of an insulation's performance is its R-value and reflects the insulation's resistance to heat flow. The higher the R-value the greater the insulating properties. For a more detailed description see paragraph 27.

43. The imports from Chinese Taipei are possibly all of the same specification with an R-value of R1.8 and a thickness of approximately 75mm. As the R-value is determined by the physical properties of the product, a higher R-value may mean a greater thickness of product with the same characteristics. Both the subject goods and the domestically produced product provide similar thermal performance for a similar thickness of material and have the same function.

44. Tasman stated that glass wool insulation is best described by its insulation effectiveness (rather than relying on thickness which can be variable) so should be described in the description of the goods by its R-value only.

45. The Ministry concludes that the function and use of the industry's like product is at least similar if not the same as that of the goods being imported.

Pricing Structures

46. Tasman claims that it is being undercut in the Auckland market where Premier operates. Information provided by Tasman about Premier's prices are for the installed product. Tasman only supplies distributors in the New Zealand domestic market and has provided the Ministry with the prices to its distributors including a recommended standard amount charged for installation.

47. The importer appears to be selling R1.8 as the predominant product in the Auckland market. Tasman claims that insulation in the range of R1.5 to R2.2 can be directly substituted by R1.8, without conflicting with the New Zealand Building Code requirements which have a minimum requirement of R1.5. The industry's product appears on average to be undercut on price in the market segment defined by the like goods. Tasman has stated that glass wool insulation outside of this range competes in different market segments.

48. On the basis of the information available the Ministry is of the view that the pricing of the industry's like product and the imported goods compete in the same market segment.

Marketing Issues

49. It is understood that Premier sells directly to companies which build houses in the Auckland area and also appears to install the product for these companies. It does not appear to sell to retail customers or to individual builders. It is not clear whether or not it sells to other insulation companies, which then install the product.

50. With regard to advertising and promotion, Tasman stated it is not aware of any market development work that Premier may have been involved in, such as any widespread advertising or product promotion.

51. Tasman has factories in Auckland and Christchurch. Its distributors sell to the retail market and to the building trade. Tasman states that the market increased significantly from 2000 to 2001 due in part to Tasman's own promotion, and other promotions in the marketplace for higher insulation levels in all types of buildings.

52. The Ministry considers that there appears to be some difference in the distribution channels used by Tasman compared with those used by Premier. However, both the industry and Premier are competing for the same large volume customers in the Auckland market.

Other

Tariff Classification

53. The tariff classification for the subject goods includes other goods as well as the subject goods. The import statistics, therefore, may not accurately reflect imports of the subject goods.

54. On the information available the New Zealand industry's product and the imported subject goods would be classified in the same tariff item and statistical key.

Other Glass Wool Insulation Products

55. In order for the product produced in New Zealand to be considered to be like goods to the subject goods, it must meet the criteria in Article 2.6 of the WTO Anti-Dumping Agreement. This Article provides that:

“the term “like product “ ... shall be interpreted to mean a product which is identical, i.e. alike in all respects to the product under consideration, or in the absence of such a product, another product which, although not alike in all respects, has characteristics closely resembling those of the product under consideration.”

56. Tasman produces a range of other glass wool insulation for the building trade that is outside of the range that competes directly with the glass wool insulation that is being imported. These other insulation goods are also types of Pink™ Batts® and have either lower or higher R-values than the subject goods. The prices of the other

insulation products are generally sufficiently different and so not to compete directly with the subject goods.

57. Examples of Tasman's other glass wool products other than Pink™ Batts® are the green/gray acoustic insulation which reduces noise levels [REDACTED], and glass wool insulation for ovens.

[REDACTED]

[REDACTED] These goods are not, therefore, considered to be like goods under the above like goods definition of Article 2.6.

Other Types of Insulation

58. Tasman and other New Zealand companies make a range of other types of insulation which compete in the insulation market, but these are not considered to be like goods under Article 2.6 because they are not made of glass wool.

Conclusions Relating to Like Goods

59. The range of Tasman's Pink™ Batts® brand products which are outside of the range of R1.5 to R2.2, differ from the subject goods in terms of appearance (colour), thickness, performance effectiveness, pricing and market distribution. These Pink™ Batts® products are, however, similar in terms of production process, and some aspects of function and usage and tariff classification. From the information available these other Pink™ Batts®, i.e. those outside the range of R1.5 to R2.2, do not have characteristics closely resembling the subject goods.

60. The acoustic insulation and other glass wool insulation that Tasman produces differs from the subject goods [REDACTED]

[REDACTED]

[REDACTED] From the information available these products do not have characteristics closely resembling the subject goods and therefore are not covered by the definition of like goods.

61. The types of insulation, other than glass wool, that are made by Tasman and other companies in New Zealand are similar in some aspects of function and usage. They differ in physical characteristics, components, technology, size and dimensions, and pricing structures. From the information available these insulation products do not have characteristics closely resembling the subject goods and therefore are not covered by the definition of like goods.

62. The glass wool insulation produced by Tasman that is in the range of R1.5 to R2.2 is not identical to the glass wool insulation being imported from Chinese Taipei. It is, however, similar in terms of physical characteristics, process of manufacture, heat insulation properties, function and usage, pricing, is competing in the same market, and has the same tariff classification. It is not similar to the subject goods in its colour, and distribution channels.

63. The Ministry, therefore, considers that glass wool insulation, with a resistance to heat flow rating in the range of R1.5 to R2.2 (inclusive), while not identical have characteristics closely resembling the subject goods and are therefore the like goods which will be the subject of any investigation.

2.2 New Zealand Industry

64. An investigation may not be initiated unless the Chief Executive is satisfied that the requirements of section 10(3) of the Act are met. These requirements are that the collective output of those New Zealand producers who have, in writing, expressed support for the application constitutes:

(a) Twenty-five percent or more of the total New Zealand production of like goods produced for domestic consumption (assessed during the most recent representative period, being not less than six months); and

(b) More than 50 percent of the total production of like goods produced for domestic consumption (as so assessed) by those New Zealand producers who have, in writing, expressed support for or opposition to the application.

65. The application was submitted by Tasman, the sole manufacturer of the subject goods in New Zealand. Tasman therefore meets the domestic industry standing requirements of section 10(3) of the Act.

66. The Ministry's research has found no evidence of any other company in New Zealand that manufactures the like goods.

2.3 Imports Of Glass Wool Insulation

67. Section 11(1) of the Act provides that where the Minister is satisfied in respect of some or all of the goods under investigation, that there is insufficient evidence of dumping or injury to justify proceeding with the investigation then the investigation shall be terminated. Section 11(2) of the Act provides that evidence of dumping shall be regarded as insufficient if the volume of imports of dumped goods, expressed as a percentage of total imports of like goods into New Zealand, is negligible, having regard to New Zealand's obligations as a party to the Anti-Dumping Agreement. The Agreement deals with the negligibility of dumped imports under Article 5:8 as follows:

5.8 An application under paragraph 1 shall be rejected and an investigation shall be terminated promptly as soon as the authorities concerned are satisfied that there is not sufficient evidence of either dumping or of injury to justify proceeding with the case. There shall be immediate termination in cases where the authorities determine

that the margin of dumping is *de minimis*, or that the volume of dumped imports, actual or potential, or the injury, is negligible. The margin of dumping shall be considered to be *de minimis* if this margin is less than 2 per cent, expressed as a percentage of the export price. The volume of dumped imports shall normally be regarded as negligible if the volume of dumped imports from a particular country is found to account for less than 3 per cent of imports of the like product in the importing Member, unless countries which individually account for less than 3 per cent of the imports of the like product in the importing Member collectively account for more than 7 per cent of imports of the like product in the importing Member.

68. Tasman provided import data from Statistics New Zealand for the period 1 July 1999 to 31 May 2002. The statistics used to determine negligibility are those most recently available that contain volume data, specifically those of the 12 consecutive months to 31 May 2002. The volumes are recorded in the following Table:

Table 2.1: Share of Imports in 2002 (000 Kilograms)

	Year to 31 May	%
Chinese Taipei	345	10.5%
Other Sources	2,948	89.5%
Total	3,293	100%







69. The above table shows that the goods entering New Zealand from Chinese Taipei account for 10.5 percent of the total goods entering under the Customs' Tariff classification. Tasman, in its application noted that given the volume of "blanket material" known to be entering the New Zealand market, it estimated that in excess of 90 percent of the goods within the classification were the subject goods. The Ministry's assessment of the Custom's data shows that it is likely that [REDACTED]. If the imports from Chinese Taipei are about 10 percent of the total imports and 90 percent of those are considered likely to be the subject goods (about 10 percent of total imports from all sources of like product), the volume of allegedly dumped imports is greater than 3 percent of total imports of like goods and is not negligible.

70. On the basis of the information, imports of the subject goods from Chinese Taipei are not negligible.

2.4 New Zealand Market

71. The import volumes of the goods are shown in the following table. Tasman stated that most but not all of the goods identified in the tariff item are goods subject to investigation.

Table 2.2: New Zealand Market for Year Ended December (Kilograms)

	2000	2001	Estimate ¹ Dec 2002
Chinese Taipei	188,497	404,412	279,076
Australia	2,749,289	2,862,275	3,016,368
Other Imports	6,866	31,235	35,874
Total Imports	2,944,652	3,297,923	3,331,875
NZ Industry Sales			
NZ Market			

72. The New Zealand market is characterised by a high level of imports from Australia, which are increasing in volume. These imports will have to be taken into account in any assessment of other causes of injury if an investigation is initiated.

¹ The methodology in determining an estimate of the New Zealand market for the year ended December 2002 is explained later in this report under heading 4.2 Import Volumes.

3. Evidence of Dumping

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

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

74. Information was provided in the application concerning the normal values and the export price of goods which are subject to the application. The following is an assessment of the information provided.

3.1 Export Prices

75. Export prices are determined in accordance with section 4 of the Act.

Base Prices

76. Tasman was not able to provide actual export prices of the subject goods. In the absence of actual export prices Tasman provided an export price which was calculated by deducting costs from prices quoted for the imported product for installation in New Zealand. Tasman stated that the importer is a wholesaler (Premier does not sell the goods to the retail market) and an installer of glass wool insulation. Wholesale prices were not available, so export price adjustments were deducted from the average installed price from quotations provided in the application. The Ministry has calculated the export price in Table 3.1 below using the applicant’s information and where necessary other information available to it.

Import Data

77. Tasman provided New Zealand import statistics from Statistics New Zealand which was the best information reasonably available to it. The data is on a monthly basis and contains the overseas port, the New Zealand port, the gross weight of the shipment (in kilograms), the value for duty (VFD) and the cost, insurance and freight (CIF). The Ministry notes that this is the only data available which gives the weight (gross) of each shipment. Tasman provided the import statistics from 1 July 1999 to 31 May 2002.

78. The data was provided to the 10 digit level for tariff item 7019.39.00.01 which covers glass fibres, webs, mattresses, boards and similar non-woven products excluding mats and thin sheets, and fibreglass insulation. There are, therefore, other products covered by this tariff description but Tasman has estimated that the subject goods would be in excess of 90 percent of the total goods entering under this description. The Ministry has compared the Statistics New Zealand’s data with Customs’ data of a similar period and agrees that this is a reasonable assumption.

Conversion From Kilograms to Metres Squared

79. Tasman stated that the import statistics are available in kilograms while domestic sales figures are mainly available in square metres and therefore a conversion factor

would be required to enable a comparison of the products. The conversion factor supplied by Tasman used in this report is 1 kilogram is equal to 0.75 meters squared. This rate of conversion will be tested in any investigation.

Customs' Import Data

80. Customs' import data was obtained to compare with the data supplied by the applicant. As noted above the VFD and CIF values may not be representative of the subject goods. The Ministry has taken into account Customs' data on import entries over the period 1 June 2001 to 31 May 2002 and considers that the average VFD and the CIF values are satisfactory to use as an approximation of the actual values for the subject goods.

Exchange Rates

81. Tasman provided the Customs' two weekly exchange rate data from 14 May 2001 to 8 July 2002, which it used to convert Chinese Taipei dollars (TWD) to NZD.

82. The Ministry has updated the Customs' exchange rates to 31 August 2002. Where necessary the Ministry has used the averaged annual exchange rate for the period 1 September 2001 to 31 August 2002. For the period this was 15.14 for the TWD against the NZD. The Ministry averaged the Custom's exchange rates giving an annual rate for the same period for the United States dollar (USD) to the NZD. This was USD0.43 to the NZD and was used to convert USD shipping rates into NZDs.

Adjustments

83. Tasman provided information which has been used in the calculation of the export price. The export price was calculated by deducting costs from the first price in the New Zealand market based on quotations for an installed price by Premier. The adjustment amounts were based on similar costs incurred by Tasman; cost estimates based on Tasman's experience, or quotes obtained by Tasman in the market.

Installation Charge

84. Tasman provided a price list showing the installation charge for the product by the importer, Premier. An amount charged for installing the product was based on the charge for installation from Tasman's price list to distributors of NZD [REDACTED]/m² and an adjustment for this amount has been made to calculate the export price.

Wholesalers' Margin

85. Tasman provided an estimate of the margin the importer, acting as a wholesaler might take, based on its knowledge of what could be considered to be a reasonable expectation in the building industry. An adjustment of [REDACTED] percent of the sale price of the product uninstalled has been made to calculate the export price.

Importers Overhead Costs

86. Tasman provided estimated business costs covering administration and overheads, which included insurance, cost of storage and credit. These costs were estimated by the company based on its own experience of these costs. They were not itemised separately but were included in one amount. This combined cost was estimated at NZD [REDACTED]/m². This amount has been deducted when calculating the export price.

Cartage to Store and Clearance

87. Tasman provided a combined amount for cartage from the wharf to the importer's store and the administration for the clearance through Customs of the goods. Tasman provided a shipping invoice showing an Import Documentation Fee of NZD [REDACTED] and a New Zealand Port Service Charge of NZD [REDACTED] for a container of product. There was no information supplied about the cost of cartage to store, however, the company had allocated NZD [REDACTED]/m² to cover these costs based on its own experience, which included an amount for cartage. An amount of NZD [REDACTED]/m² has been deducted when calculating the export price.

Import Duty

88. Tasman stated a rate of import duty of 5 percent in its application. This has been amended to reflect that Chinese Taipei attracts the normal rate of duty of 6.5 percent. The normal duty is calculated on the Customs' Value for Duty amount (VFD), which is equivalent to the Free on Board value (FOB). The average FOB value of the subject goods has been used to calculate the duty. An amount of NZD [REDACTED] has been deducted when calculating the export price.

Overseas Freight

89. A quotation for the shipping costs for a container was provided by Tasman to support its calculation for the amount it allocated for overseas freight. The quotation was for a 40 foot, High Cube container, from the ports of Keelung and Kaohsiung Chinese Taipei, to Auckland and was USD [REDACTED]. Tasman has calculated that a container of this size has an approximate capacity for R1.8 insulation of 4,500 metres squared (or 6000 kilograms).

90. An amount of NZD [REDACTED]/m² for ocean freight has been used to calculate the export price.

Emergency Bunker Surcharge

91. The Ministry has also included an amount (USD [REDACTED]) for the Emergency Bunker Surcharge that was included in the shipping quotation. This is equal to an amount of NZD [REDACTED]/m² and this amount has been deducted when calculating the export price.

Costs Incurred in Chinese Taipei

92. No adjustments have been made to the export price for the following items, as these items are for amounts which are a cost, charge or expense incurred in preparing the goods for shipment to New Zealand, according to section 4(1)(a)(i) of the Act. Any costs, charges or expenses that are additional to those costs, charges and expenses generally incurred on sales for home consumption, can be taken into account in any investigation that may be initiated.

Wharfage

93. Tasman provided an amount for the cost of wharfage for Chinese Taipei. Tasman referred to the quotation for shipping costs, which contained an Import Documentation Fee and a New Zealand Port Service charge. The company did not have information available to it stating the actual costs of wharfage in Chinese Taipei, but used New Zealand costs as the basis for these costs being NZD [REDACTED] /m².

Cartage to Wharf

94. Tasman has estimated an amount of NZD [REDACTED] for cartage from the factory to the wharf in Chinese Taipei based on its own experience of cartage costs.

Vacuum Packing for Export

95. Tasman provided an amount for the cost of vacuum packing for the export of the product to New Zealand. Tasman stated in its application that this amount was based on the cost of vacuum packing in New Zealand. Tasman's New Zealand cost was stated as being NZD [REDACTED] or NZD [REDACTED]/m².

Export Price

96. The table below shows the export price calculations.

Table 3.1 Export Price Calculations
(NZD per m²)

Average Price at First Point of Sale		4.20
Less:		
Installation Charge	[REDACTED]	
Material Charge		[REDACTED]
Less:		
Importers Margin ([REDACTED]%)	[REDACTED]	
Cost into Importers Store		[REDACTED]
Less:		
Importers Overhead Costs	[REDACTED]	

Cartage to Store & Clearance	[REDACTED]
Overseas Freight	[REDACTED]
Emergency Bunker Charge	[REDACTED]
Duty (6.5%)	[REDACTED]
Export Price (NZD)	[REDACTED]
Export Price (@15.14 = TWD/m ²)	[REDACTED]

97. The table shows the calculation for the export prices for the allegedly dumped goods calculated by deducting costs from the first point of sale in New Zealand.

98. The Ministry also calculated an alternative export price to compare with the export price in Table 3.1, by subtracting the relevant costs from the average annual VFD from Statistics New Zealand data, for imports from Chinese Taipei. A comparison of this export price with the above export price would indicate whether there was any significant difference in the average VFD due to other goods entering under the subject goods tariff classification. The export price using this method was calculated as NZD [REDACTED] which is similar to the export price calculated in Table 3.1 above.

99. The Ministry considers that the information used to calculate the export price in Table 3.1 is sufficient for the purposes of considering initiation of an investigation.

3.2 Normal Values

100. Normal values are determined in accordance with section 5 of the Act.

Base Prices

101. Tasman provided ex-factory domestic prices for the subject goods for the Chinese Taipei manufacturer, Taita. The information was supplied by [REDACTED]. Invoices or price lists were not available, however, information was provided on two categories of product only one of which is considered to be the subject goods.

102. Information about domestic market sales was also obtained by [REDACTED] of Tasman Insulation New Zealand. These prices, however, were higher than the other prices, and would, if used, have given a higher dumping margin.

103. On the information provided the prices supplied appear to be arm's length transactions in the ordinary course of trade.

104. Tasman stated that delivery costs were not included in the ex-factory prices supplied.

Adjustments

Volume Discounts

105. Tasman supplied information that discounts were paid by Taita depending on the volume of goods sold. The discounts were the same whether the product was sold in rolls (blanket form) or boards, but were different for different volumes of the product. The rates of discount were [redacted] percent for [redacted], and [redacted] percent for [redacted] of product. The most compatible volume with that being exported to New Zealand is that of a [redacted] domestic sale which would attract a discount of [redacted] percent of the sales price.

106. An adjustment to the normal value has been made for [redacted] percent of the sales price.

Defence Tax

107. The information provided shows that a “defence” tax of 5 percent is payable on domestic sales of these goods. The normal values have been calculated exclusive of this tax.

Conversion of Kilograms to Metres Squared

108. As referred to under export price in paragraph 79, where information is required to be converted from kilograms cubed to metres squared, Tasman provided a factor of 0.75 for R1.8 goods to use as a conversion factor. This is the same conversion factor as used under export price.

Normal Value

109. The table below shows that the normal value and adjustment calculations from the information that has been provided.

Table 3.2 Normal Value

	TWD per Kg
Taita Price Ex-factory Price	[redacted]
Volume Rebate	[redacted]
Ex-factory Price	[redacted]
Ex-factory Price Converted to m ²	[redacted]




110. The Ministry considers that the information on normal values provided by Tasman is sufficient for the purposes of considering the initiation of an investigation.

3.3 Comparison Of Export Price and Normal Value

Margins of Dumping

111. The table below shows the export price, normal value and dumping margin calculations.

Table 3.3: Dumping Margin
(TWD per m²)

Normal Value	
Export Price (EP)	
Dumping Margin (DM)	
DM as a % of EP	90%

112. The evidence provided shows that the alleged dumping margins as set out above are not *de minimis* in terms of Article 5.8 of the Agreement.

3.4 Conclusions Relating to Dumping

113. Tasman based its calculation of export price on a deductive methodology to the ex-factory price in Chinese Taipei. The Ministry adopted a conservative approach using the deductive method to the FOB export price level, and compared the result with the relevant Customs data's average VFD. The comparison of export price and normal value in all cases showed a significant dumping margin. Therefore there is sufficient evidence that dumping appears to have occurred.

114. Any investigation will need to give consideration to the provisions of section 4 (export price) and section 5 (normal value) of the Act as they should apply, and in particular to the application of the appropriate adjustments required by section 4(1)(a)(i) and section 5(3).

4. Evidence of Injury

4.1 Introduction

115. Tasman has advised that its financial year is 1 July to 30 June. However, the financial information presented in the application is for calendar years and YTD June. Therefore, in assessing the evidence of material injury caused by the alleged dumped goods the Ministry has aligned the data from Statistics New Zealand according to calendar years as presented in the application.

116. The basis for considering material injury is set out in section 8(1) of the Act:

8. Material injury to industry—(1) In determining for the purposes of this Act whether or not any material injury to an industry has been or is being caused or is threatened or whether or not the establishment of an industry has been or is being materially retarded by means of the dumping or subsidisation of goods imported or intended to be imported into New Zealand from another country, the Chief Executive shall examine—

- (a) The volume of imports of the dumped or subsidised goods; and
- (b) The effect of the dumped or subsidised goods on prices in New Zealand for like goods; and
- (c) The consequent impact of the dumped or subsidised goods on the relevant New Zealand industry.

117. Tasman has presented its financial data separated out by Auckland region and national market. The national financial data includes the performance of the Auckland region. Tasman has based material injury predominantly on the effect on like goods' prices and the impact of the dumped goods in the Auckland region.

118. In accordance with Article 4.1 of the Anti-Dumping Agreement:

4.1 ... the term "domestic industry" shall be interpreted as referring to the domestic producers as a whole of the like products or to those of them whose collective output of the products constitutes a major proportion of the total domestic production of those products, except that:

(i)...

(ii) in exceptional circumstances the territory of a Member may, for the production in question, be divided into two or more competitive markets and the producers within each market may be regarded as a separate industry if (a) the producers within such market sell all or almost all of their production of the product in question in that market, and (b) the demand in that market is not to any substantial degree supplied by producers of the product in question located elsewhere in the territory. In such circumstances, injury may be found to exist even where a major portion of the total domestic industry is not injured, provided there is a concentration of dumped imports into such an isolated market and provided further that the dumped imports are causing injury to the producers of all or almost all of the production within such market.

119. The Anti-Dumping Agreement provides the international framework of rules and obligations, however, the provisions of 4.1(ii) are not reflected in the Act.

120. The Ministry therefore assesses material injury, caused by dumped imports, on the total New Zealand market. The Ministry has used the national financial data, which is applicable to the production and sale of the like goods, that is, R1.6 to R2.2 glass wool insulation, for which data was provided in the application.

4.2 Import Volumes

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

122. Tasman advised that due to imported product displacing sales of Tasman's like products it is being materially injured.

123. Tasman provided information compiled by Statistics New Zealand on overseas trade statistics on a monthly basis from 1 July 1999 to 31 May 2002.

124. Tasman determined, given the volume of material known to be in the New Zealand market, that in excess of 90 percent of material imported is comprised of the subject goods. Tasman advised that the volume of imports from Australia might include products other than the subject goods.

125. To determine a trend in the volume of imports the Ministry has estimated the imports up to December 2002 based on the 5 months of volume imported up to month ended May 2002.

126. Given that sales of glass wool insulation has a seasonal component it was considered reasonable to estimate the volume imported based on imports for the year ended December 2001. The imports from Chinese Taipei from January to month ended May 2001 were [REDACTED] percent of the yearly total. For the same time period imports from Australia were [REDACTED] percent and imports from other countries were [REDACTED] percent. The imports up to May 2002 have been divided by the percentages established from imports in the year ended December 2001 to estimate the import volume for the remaining 7 months of the year. The result can be seen in table 4.1 below under the heading estimate for the year ended December 2002.

127. Tasman provided the New Zealand industry sales estimate for December 2002.

128. The following table shows the volume of imports in absolute terms and relative to production or consumption based on Statistics New Zealand and national financial data provided by Tasman.

Table 4.1: Volume of Imports for Year Ended December (Kilograms)

	2000	2001	Estimate Dec 2002
Chinese Taipei	188,497	404,412	279,076
Australia	2,749,289	2,862,275	3,016,368
Other Imports	6,866	31,235	35,875
Total Imports	2,944,652	3,297,922	3,331,319
NZ Industry Sales			
NZ Market			
Change on previous year:			
- Chinese Taipei		215,915	-125,336
- Australia		112,986	154,093
- Other Imports		24,369	4,640
- Total Imports		353,270	33,397
- NZ Industry Sales			
- NZ Market			
% change:			
- Chinese Taipei		115	-31
- Australia		4	5
- Other Imports		355	15
- Total Imports		12	1
- NZ Industry Sales			
- NZ Market			
Chinese Taipei Imports as a % of:			
- NZ Industry Sales			
- NZ Market			

129. Table 4.1 above shows that the volume of imports from Chinese Taipei increased by 215,915 kilograms for year ended December 2001 and is estimated to decline by 125,336 kilograms for year ended December 2002. The import volume of the subject goods from Chinese Taipei in absolute terms has significantly increased for the year ended December 2001 and is estimated to decrease from 2001 level for year ended December 2002. This will still be greater than the base imports of the year ended December 2000.

130. The import volume of the subject goods relative to production and consumption in New Zealand peaked in year ended December 2001 and is estimated to decrease by year ended December 2002. This is higher than the base figure for the year ended December 2000.

131. If an investigation is initiated, consideration should be given to investigating the import volume of like goods from Australia and other countries to ensure that those goods are in fact the like goods.

Conclusion on Import Volumes


132. There is sufficient evidence that the volume of imports from Chinese Taipei significantly increased in absolute terms and relative to production and consumption in the year ended December 2001. The volume of imports from Chinese Taipei is estimated to decline by the year ended December 2002 but the volume of imports will still be greater than the base year ended December 2000.

4.3 Price Effects

Price Undercutting

133. *Section 8(2)(b) of the Act provides that the Chief Executive shall have regard to the extent to which the prices of the dumped or subsidised goods represent significant price undercutting in relation to prices in New Zealand (at the relevant level of trade) for like goods of New Zealand producers.*

134. In considering price undercutting the Ministry will normally seek to compare prices at the ex-factory and ex-importer's store levels, to ensure that differences in distributions costs and margins do not confuse the impact of dumping. To assess the extent of price undercutting the Ministry must consider the level of trade at which the subject goods first compete with the like goods of the New Zealand producer.

135. Tasman claims that in the Auckland region the dumped goods are undercutting the local price, requiring an average margin reduction of  percent in like products.

136. Tasman submitted that Premier is an importer, wholesaler and installer of glass wool insulation and its products and services are also supplied directly to the end user in the Auckland region.





137. Tasman advised that it supplies only distributors with glass wool insulation that on sell to end-users. A related company to Tasman, Pink Fit™ provides an installation service if requested by the end user.

138. Based on the applicant's information it appears that the point at which the price of the subject goods first compete with the ex-factory price of the New Zealand producer is at the ex-store level.

139. The Ministry is of the view that Tasman's average ex-factory net price (revenue per kilogram) for year to date June 2002 should be compared to the importer's ex-store price (determined by Tasman in the construction of the export price) to avoid distortions created by installation costs. The importer's ex-store price (material charge) constructed by Tasman is compared with Tasman's net ex-factory price per kilogram which has been converted to square metres using the conversion factor suggested by Tasman of 0.75.

140. The following table gives details of price undercutting as at year to date June 2002.

Table 4.2: Price Undercutting per (NZD per m²)

	YTD June 2002
Tasman's average ex-factory price	
Premier's ex-store price	
Price undercutting	
% undercutting	 %

141. Table 4.2 shows imported product from Chinese Taipei undercutting the New Zealand industry's like product.

Conclusion

142. There is sufficient evidence that the prices of the allegedly dumped imports are undercutting the prices of the New Zealand industry.

Price Depression

143. *Section 8(2)(c) of the Act provides that the Chief Executive shall have regard to the extent to which the effect of the dumped or subsidised goods is or is likely significantly to depress prices for like goods of New Zealand producers.*

144. Price depression occurs when prices are lower than those in a market unaffected by dumping, usually in a previous period.

145. Tasman claims the dumped goods are causing price depression in its Auckland market. Tasman states the sales revenue has increased but not in proportion to the increased costs. Tasman claims that in order for it to compete with the imported product, the price undercutting will cause price depression in the remaining sales of like product.

146. The Ministry is of the view that price depression must be demonstrated taking into account national sales of like product. The following table shows the revenue per kilogram taken from the national financial data provided in the application.

Table 4.3: Price Depression: Average Selling Price for Year Ended December (NZD per Kilogram)

	2000 (base)	2001	YTD June 2002
R1.8 Glass Wool Insulation	██████████	██████████	██████████
Difference from previous year		██████████	██████████
% difference from YE 2000		██████████	██████████

147. As demonstrated in the Table above for the year ended December 2001 the net price per kilogram has increased from the previous financial year by NZD ██████████. For the year to date June 2002 the net price per kilogram has increased from previous financial year by a further NZD ██████████.

Conclusion

148. Based on the above data the New Zealand industry does not demonstrate it has suffered any price depression.

Price Suppression

149. *Section 8(2)(c) of the Act also provides that the Chief Executive shall have regard to the extent to which the effect of the dumped or subsidised goods is or is likely significantly to prevent price increases for those goods that otherwise would have been likely to have occurred.*

150. The Ministry has generally based its assessment of price suppression on positive evidence, in particular the extent to which cost increases have not been recovered in prices. Cost increases not recovered in prices will be reflected in declines in gross profit and EBIT expressed as a percentage of sales. Where cost savings have been made, the lack of any price increase will not normally be regarded as price suppression. While the inability to recover cost increases in prices is the main indicator of price suppression, the Ministry will consider any other factors raised as positive evidence of price suppression.

151. Tasman claims cost increases are unable to be recovered due to price suppression. Tasman advised that in the Auckland region the cost of production has increased by [REDACTED] percent for the year ended December 2001 however "the price increase has not been able to take all the increase of cost into the sales price". Tasman advises its gross margin for the Auckland region has decreased from [REDACTED] percent to [REDACTED] percent.

152. The Ministry is of the view that price suppression must be demonstrated taking into account national sales of like product. In ascertaining the adequacy and accuracy of the information provided by Tasman the Ministry has used the national financial data which is represented in the Table below.

Table 4.4: Price Suppression per Kilogram for Year Ended 31 December

	2000 (base)	2001	YTD June 2002
Average ex-factory sales price	[REDACTED]	[REDACTED]	[REDACTED]
Cost of production	[REDACTED]	[REDACTED]	[REDACTED]
Gross profit	[REDACTED]	[REDACTED]	[REDACTED]
Selling and administration	[REDACTED]	[REDACTED]	[REDACTED]
EBIT	[REDACTED]	[REDACTED]	[REDACTED]
Total costs	[REDACTED]	[REDACTED]	[REDACTED]
Difference from previous year:			
Average ex-factory sale price		[REDACTED]	[REDACTED]
Cost of production		[REDACTED]	[REDACTED]
Gross profit		[REDACTED]	[REDACTED]
Selling and administration		[REDACTED]	[REDACTED]
EBIT		[REDACTED]	[REDACTED]
Total costs		[REDACTED]	[REDACTED]
As a % of sales:			
Cost of production	[REDACTED]	[REDACTED]	[REDACTED]
Gross profit	[REDACTED]	[REDACTED]	[REDACTED]
Selling and admin	[REDACTED]	[REDACTED]	[REDACTED]

EBIT



153. As demonstrated above in Table 4.4 the cost of production for the year ended December 2001 increased by NZD [REDACTED] a kilogram. For the year to date June 2002 the cost of production when compared with previous year decreased by NZD [REDACTED] a kilogram.

154. Cost increases not recovered in prices can be reflected in declines in profit as a percentage of sales and EBIT as a percentage of sales.

155. For the year ended December 2000 the gross profit as a percentage of sales was [REDACTED] percent and for the year ended December 2001 it was [REDACTED] percent which equates to an increase of [REDACTED] percent. The gross profit as a percentage of sales for the year to date June 2002 was [REDACTED] percent which equates to an increase of [REDACTED] percent.

156. For year ended December 2000 the EBIT as a percentage of sales was [REDACTED] percent and for the year ended December 2001 it was [REDACTED] percent which equates to an increase of [REDACTED] percent. The EBIT as a percentage of sales for year to date June 2002 was [REDACTED] percent which equates to an increase of [REDACTED] percent, therefore, based on the national financial data Tasman has been able to recover cost increases.

Conclusion

157. Based on the above data Tasman does not demonstrate it has suffered any price suppression.

Conclusion on Price Effects

158. In its application Tasman has provided information on price effects in the Auckland region and aggregated national sales. The Ministry is of the view that price effects must be demonstrated taking into account national sales of like product. Based on the national financial data there is sufficient evidence of price undercutting but there is no evidence of price depression or price suppression.

4.4 Economic Impact

159. *Section 8(2)(d) of the Act provides that the Chief Executive shall have regard to the economic impact of the dumped or subsidised goods on the industry, including—*

- (i) Actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilisation of production capacity; and*
- (ii) Factors affecting domestic prices; and*
- (iii) The magnitude of the margin of dumping; and*

- (iv) *Actual and potential effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investments.*

Output and Sales

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

Sales Output

161. Tasman advised that its output for the Auckland region has declined by [REDACTED] kilograms between 2000 and 2001 while the market for its product significantly increased in 2001. Tasman claims the number of building permits increased over the previous year and consumer confidence and spending had increased. Tasman advised that other comparable companies in the building industry have reported significant improvements in sales into housing and in its own market segment. Tasman has seen good growth in other regions but not in Auckland. Based on the information Tasman considers it should have seen an increase in output of [REDACTED] kilograms instead of a decline.

162. In assessing actual and potential decline in sales output the Ministry has based its findings on the national financial data which is shown in the table below.

Table 4.5: Industry Output for Year Ended December (Kilograms)

	2000 (base)	2001	2002 (estimate)
NZ industry sales volume	[REDACTED]	[REDACTED]	[REDACTED]
Difference from previous year		[REDACTED]	[REDACTED]
% difference from 2000		[REDACTED]	[REDACTED]

163. As demonstrated in Table 4.5 above the sales output has declined for the year ended December 2001 by [REDACTED] kilograms and is estimated to increase by [REDACTED] kilograms for the year ended December 2002 when compared with the year ended December 2001. However, it is estimated that the sales output for December 2002 will be less than sales output for the base year ended December 2000.

164. There is sufficient evidence that actual national sales output has declined.

Sales Revenue

165. Tasman advised that its national sales have declined by NZD [REDACTED] between 2000 and 2001 with estimated lost sales of NZD [REDACTED] resulting

from direct competition of the dumped goods. Tasman claims the market for like goods significantly increased in 2001 therefore it considers that industry sales should have remained static instead of declining.

166. Tasman states that the reason for the market increase was due in part to promotion of higher insulation levels in all types of buildings. Tasman notes that Premier insulation has not advertised or promoted its product therefore Tasman claims that the dumped goods took up sales in the increased market instead of Tasman gaining those sales.

167. In assessing the actual and potential decline in sales revenue the Ministry has based its findings on the national financial data which is shown in the Table below.

Table 4.6: Industry Sales Revenue for Year Ended December (NZD)

	2000 (base)	2001	2002 (estimate)
NZ industry sales revenue	██████████	██████████	██████████
Difference from previous year		██████████	██████████
% difference from 2000		██████████	██████████

168. As demonstrated in Table 4.6 sales revenue has declined by NZD ██████████ for the year ended December 2001 and is estimated to increase by NZD ██████████ for the year ended December 2002. However, the sales revenue amount for the year ended December 2002 is estimated to decline below the level of revenue for the year ended December 2000.

169. The overall level of building activity in the economy drives demand for insulation. To confirm that the level of building activity has increased the Ministry obtained data from Statistics New Zealand that reveals that the number of building consents issued increased for the six months ended December 2001 when compared with the same time period in 2000. For six months ended June 2002 the number of consents issued has also increased when compared with the same time period in 2001.

Conclusion

170. The national financial data shows sufficient evidence that the New Zealand industry's sales output and revenue have declined significantly in the year ended December 2001 and is estimated for year ended December 2002 to be below the base level for the year ended December 2000.

Market Share

171. The analysis of market share must take account of changes in the growth of the market as a whole. A decline in the share of the market held by the domestic industry in a situation where the market as a whole is growing will not necessarily indicate that injury is being caused to the domestic industry, particularly if the domestic industry's sales are also growing.

172. Tasman estimated in its application that its national share of like products is:

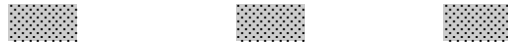
Market share	1999	2000	2001	2002 (6 mths)
Tasman	█%	█%	█%	█%
Imported (Premier)			█%	█%
Other imports	█%	█%	█%	█%

173. In the following Table the Ministry has combined the data supplied by Tasman for imports and financial data. For the purposes of market share Statistics New Zealand import data is considered to be representative of sales volume. This is shown in the table below:

Table 4.7: New Zealand Market for Year Ended December (Kilograms)

	2000	2001	Estimated to December 2002
NZ Industry Sales	█	█	█
Imports from Chinese Taipei	188,497	404,412	279,076
Imports from Australia	2,749,289	2,862,275	3,016,368
Other Imports	6,866	31,235	35,875
Total Market	█	█	█
<i>As a % of Total Market:</i>			
- NZ Industry Sales	█	█	█
- Imports from Chinese Taipei	█	█	█
- Imports from Australia	█	█	█

- Other Imports



174. Table 4.7 above shows that the New Zealand industry's market share differs from the estimate of market share provided in the application (see paragraph 172). In 2000 Tasman held 10.5 percent market share. Tasman's market share declined in the year ended December 2001 by 1.5 percent and remains static for the estimated year ended December 2002.

175. The market share for imports from Australia has increased for the year ended December 2001 by 3.1 percentage points and is estimated to increase for the year ended December 2002 by 2.5 percentage points.

176. The market share for imports from Chinese Taipei significantly increased for the year ended December 2001 by 4.3 percentage points and is estimated to decrease by the year ended December 2002 by 2.5 percentage points but Chinese Taipei's market share is greater than that established for the year ended December 2000.

177. There does not appear to be a substantial change in the total market size, which may indicate that the decline in market share for Tasman is as a consequence of increased imports from Australia, Chinese Taipei and other countries.

178. There is sufficient evidence that the New Zealand industry has experienced a significant decline in market share for year ended December 2001 as a result of increased imports from Australia, Chinese Taipei and other countries. However, the New Zealand industry's market share is estimated to remain constant for the year ended December 2002. For the year ended December 2002 it is estimated that market share for imports from Australia and other countries is likely to continue to increase. The market share for imports from Chinese Taipei, however, is estimated to decline but it is higher than the base figure for year ended December 2000. Based on the figures over the three year period the New Zealand industry's market share has declined.

Profits

179. Changes in net profit reflect changes in prices, sales volumes or costs. Dumped imports can impact on any or all of these. Normally, the extent of any decline in profit will be measured against the level achieved in the period immediately preceding the commencement of dumping.

180. In an investigation, the Ministry's assessment of the impact of dumped imports is based on an examination of trends in actual profits in order to establish whether or not there is an actual or potential decline in profits. In some circumstances, it may be possible to determine that injury is being caused where profits are not declining, but that would depend on the circumstances of the case and would need to be based on positive evidence. Such an impact would also need to be attributable to the dumping of imports.

181. Tasman advised its gross profit for the Auckland region has decreased as a result of the additional sales the importer has received from the dumped goods.

Tasman advised its gross margin decreased by NZD [REDACTED] per kilogram and the net profit decreased by NZD [REDACTED] per kilogram for year ended December 2001.

182. The Ministry has used the national financial data to indicate actual decline in profit, which is shown in the Table below:

Table 4.8: Earnings Before Interest and Tax for Year Ended December (NZD)

	2000	2001	YTD June 2002
Revenue	[REDACTED]	[REDACTED]	[REDACTED]
EBIT	[REDACTED]	[REDACTED]	[REDACTED]
Change from 2000		[REDACTED]	-
% change from 2000		[REDACTED]	-
EBIT as % of Revenue	[REDACTED]	[REDACTED]	[REDACTED]
EBIT (kilogram)	[REDACTED]	[REDACTED]	[REDACTED]
Change from 2000		[REDACTED]	[REDACTED]

183. As demonstrated in the Table above, for 2001 the revenue has declined and the EBIT has significantly declined which reflects the decline in output and sales.

184. The EBIT as a percentage of revenue has increased for the year ended December 2001 and YTD June 2002. However, this trend is consistent with the lack of price depression and price suppression.

185. The national financial data shows sufficient evidence of actual decline in profit for the year ended December 2001.

Productivity

186. Productivity is the relationship between the output of goods and the inputs of resources used to produce them. Changes in productivity are affected by output levels and by the level of capacity utilisation.

187. Tasman advised that productivity decreased from 2000 to 2001 which has increased the manufacturing overhead costs due to the lower volumes through the plant. Tasman has advised that it has [REDACTED]. Tasman estimated the productivity for 2001 would have been greater if the goods had not been dumped.

188. Tasman did not provide the number of staff specifically employed to produce the like goods therefore any investigation will need to give consideration to the input and output of resources used to produce like goods.

189. There is, however, some evidence of actual decline in productivity.

Return on Investments

190. A decline in return on investments will result from a decline in returns with or without a relative increase in the investment factor being used. Movements in the return on investments affect the ability of the industry to retain and attract investment.

191. Tasman advised that the return on shareholders funds decreased from [REDACTED] percent in 2000 to [REDACTED] percent in 2001. Tasman advised that this information could be sighted in the company's statement of financial position, which was not provided in the application.

192. Any investigation whereby a verification visit to the New Zealand industry is undertaken will verify this information.

Utilisation of Production Capacity

193. The utilisation of production capacity reflects changes in the level of production, although in some cases it will arise from an increase or decrease in production capacity. In either case, a decline in the utilisation of production capacity will lead to an increase in the unit cost of production, and a consequent loss of profit.

194. Tasman has two manufacturing plants, one in Christchurch and the other in Auckland. Tasman advised the company's total capacity is [REDACTED] tonnes that was under utilised in both 2000 and 2001 by [REDACTED] and [REDACTED] tonnes respectively. Tasman claims the utilisation rate is [REDACTED] percent for the year ended 2000 and [REDACTED] percent for the year ended 2001.

195. Tasman has not provided financial information for the most recent three years for the Ministry to sight the normal level of production that is unaffected by alleged dumped imports therefore a comparison of utilisation of production capacity affected by dumped imports is unable to be completed.

196. There is, however, some evidence to support the claim that there is actual decline in the utilisation of production capacity.

Factors Affecting Domestic Prices

197. Tasman knows of no factors other than the dumped goods that will affect its domestic prices.

The Magnitude of the Margin of Dumping

There is a significant dumping margin as established earlier in this report. This margin is impacting on some of the economic indices, which must be considered when establishing the materiality of any injury.

Other Adverse Effects

198. In considering other adverse effects, the Ministry considers actual and potential effects on cash flow, inventory, employment, wages, growth, ability to raise capital, and investments.

Cash Flow

199. In its application Tasman estimates that the cash flow for the year ended December 2001 reduced by NZD [REDACTED] and there is a potential reduction in cash flow of NZD [REDACTED] for the year ended December 2002.

Inventories

200. In 1998 Tasman advised that they introduced just-in-time manufacturing consequently nominal stock is held. The standard operation is to run [REDACTED] shifts for [REDACTED] days a week. However, as a result of reduced volumes over the past 2 years Tasman on a number of occasions has [REDACTED] days to minimise any significant stock build up.

Employment and Wages

201. Tasman claims that wages are increasing in line with union agreements, cost of living increases and market rates. Tasman advised that due to the effect of the dumped product in Auckland (its biggest market) it has been unable to increase prices to the affected lines, which in turn affects its ability to recover costs. [REDACTED]. Tasman advises that if it were earning more money there would be the potential for new jobs.

Growth

202. Tasman advises the dumped product has affected the growth of its business, particularly in the Auckland region.

Ability to Raise Capital

203. Tasman advised its ability to raise capital has not yet been affected.

Investments

204. Tasman has not provided any information on the impact of the dumped goods on investments.

4.5 Other Causes Of Injury

205. Sections 8(2)(e) and (f) of the Act provide that the Chief Executive shall have regard to factors other than the dumped goods which have injured, or are injuring, the industry, including—

- i. The volume and prices of goods that are not sold at dumped prices; and

- ii. Contraction in demand or changes in the patterns of consumption; and
- iii. Restrictive trade practices of, and competition between, overseas and New Zealand producers; and
- iv. Developments in technology; and
- v. Export performance and productivity of the New Zealand producers; and
- vi. the nature and extent of importations of dumped or subsidised goods by New Zealand producers of like goods, including the value, quantity, frequency and purpose of any such importations.

Factors Other than Dumping

Non-dumped Imports

206. Tasman advised that the volume and prices of other like goods that are not sold at dumped prices have been stable for the last 18 months.

207. According to the data from Statistics New Zealand provided in the application the volume of goods imported from Australia is increasing. The imported goods from Australia are, by virtue of the Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) considered to be undumped and therefore provide guidance as to an unsuppressed selling price that Tasman can achieve in the market place.

208. Any investigation will need to give consideration to the volume and price of imported goods from Australia.

Demand or Consumption Change

209. Tasman submitted that the demand for insulation has increased nationally but the Auckland region has not provided an increased return. Tasman advised that in the Auckland region the dumped goods are gaining the extra volume at its expense.

Restrictive Trade Practices

210. Tasman is not aware of any restrictive trade practices or competition between overseas and New Zealand producers.



Developments in Technology

211. Tasman considers that there has been no major development in technology over the last two and a half years.

Export Performance

212. Tasman advised their total export sales as follows:

	2000	2001
Kg's sold		
Sales (NZD 000's)		

213. Included in these figures is a major one-off project for the year ended 2001 of  kilograms sold which generated NZD .

214. Tasman advised that the export financial data is excluded from its national financial data.

Imports by the Industry

215. In their application, Tasman advised that it did not import any like goods in 2000 and 2001. It is not known whether Tasman imported any like goods in 2002.

4.6 Conclusions Relating To Injury

216. There is sufficient evidence that there has been a significant increase in the volume of imports in absolute terms and in relation to production or consumption in New Zealand for year ended December 2001. It is estimated that there will continue to be an increase in the volume of imports for the year ended December 2002.

217. There is sufficient evidence that the prices of the subject goods significantly undercut the prices of the New Zealand industry. Based on national market figures there is no evidence of price suppression and price depression.

218. Based on national market figures there is sufficient evidence that there has been a consequent economic impact in the form of significant decline in profit, and a decline in output, sales and market share. There is some evidence of actual decline in productivity, return on investments and utilisation of production capacity.

219. There is some evidence of effects on return on investments, cash flow, inventories, employment, wages and growth. There is no evidence on the effect on ability to raise capital and investments.

220. There is no evidence of factors other than the dumped goods that have caused material injury to the New Zealand industry.

5. Conclusions

221. On the basis of the information available, it is concluded that for the purposes of initiation, there is sufficient evidence that

- a. Glass wool insulation, with a resistance to heat flow rating in the range of R1.5 to R2.2 (inclusive) from Chinese Taipei is being dumped; and
- b. by reason thereof material injury to an industry has been caused.

6. Recommendations

222. It is recommended on the basis of the conclusions reached and in accordance with section 10 of the Dumping and Countervailing Duties Act 1988:

1. that the Chief Executive of the Ministry of Economic Development formally initiate an investigation to establish whether imports of glass wool insulation from Chinese Taipei are being dumped and are causing material injury to the New Zealand industry producing like goods; and
2. that the Chief Executive of the Ministry of Economic Development sign the attached *Gazette* Notice, and give notice to interested parties in accordance with section 9 of the Act.

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Investigating Team
Trade Remedies Group