Galvanised Wire from South Africa

Non-Confidential Initiation Report

Dumping and Countervailing Duties Act 1988

Dumping Application

June 2002

Trade Remedies Group
Ministry of Economic Development

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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
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
NZCS	New Zealand Customs Service
Pac	Forum Island Members of the South Pacific Regional Trade and Economic Cooperation Agreement
PW	Pacific Wire, a wholly owned division of Fletcher Steel Limited.
VFD	Value for Duty
WTO	World Trade Organisation

1. Proceedings

1.1 Proceedings

1. On 10 April 2002, the Ministry of Economic Development accepted a properly documented application from Pacific Wire (PW), a division of Fletcher Steel Limited, alleging that galvanised wire from South Africa 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. PW 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;

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

5. PW has stated in its application that the material injury resulting from the importation of allegedly dumped galvanised wire commenced in 2001, but also later stated that material injury had occurred as early as 1999.

6. PW 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.

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. The application was lodged by PW, a wholly owned division of Fletcher Steel Limited. PW is the only producer of galvanised wire in New Zealand.

Importers and Exporters

Exporter

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

Cape Gate Wire & Fenceworks (Pty) Ltd

10. The Ministry notes that this exporter's name on its internet website is "Cape Gate Fence and Wire Works (Pty) Ltd"

11. Customs data for the year ended 31 May 2002 shows that there are some other South African exporters to New Zealand. These are

Cape Gate Export Dvn (Pty) Ltd;

Consolidated Wire Industries Ltd;

Independent Galvanising (Pty) Ltd; and

Finmesa Investment Corporation.

Importer

12. PW believes that the importer is Euro Corporation Limited (Euro). [redacted].

13. Customs data for the year ended 31 May 2002 indicates that the importers are:

Anchor Wire Limited;

Euro Corporation Limited;

Hurricane Wire Products;

MacCafferi NZ Limited;

Paul Industries; and

Ullrich Machinery Corporation Limited.

14. Any investigation will need to establish the extent to which the parties listed are importing the goods subject to this application. 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 galvanised wire, or "subject goods", are:

> *Galvanised steel wire of high, medium and low tensile strength between 2 mm and 4.5 mm in diameter.*

16. The New Zealand Customs Service (NZCS) has advised that the subject goods are classified under the following tariff items and statistical keys.

7217		Wire of iron or non-alloy steel
7217.20		-Plated or coated with Zinc:
7217.20.10		--Containing by weight less than 0.6% carbon
		. . . Containing by weight less than 0.25 % carbon:
		. . . . Fencing Wire:
		. . . . . 1.6 mm or more, but less than 2.5 mm in diameter:
05L	kg	. . . . . Coils, not exceeding 50 kg
07G	kg	. . . . . Other

		. . . . . 2.5 mm or more, but less than 4 mm in diameter:
08E	kg	. . . . . Coils, not exceeding 50 kg
09C		. . . . . Other
		. . . . . 4 mm or more in diameter:
11E	kg	. . . . . Coils, not exceeding 50 kg
13A	kg	. . . . . Other
		. . . . . Other:
15H	kg	. . . . . 1.6 mm or more, but less than 2.5 mm in diameter
16F	kg	. . . . . 2.5 mm or more, but less than 3.55 mm in diameter
17D	kg	. . . . . 3.55 mm or more, but less than 4.5 mm in diameter
18B	kg	. . . . . 4.5 mm or more, but less than 5.5 mm in diameter
		. . . Other:
		. . . . Fencing Wire:
		. . . . . 1.6 mm or more, but less than 2.5 mm in diameter:
25E	kg	. . . . . Coils, not exceeding 50 kg
27A	kg	. . . . . Other
		. . . . . 2.5 mm or more, but less than 4 mm in diameter:
28K	kg	. . . . . Coils not exceeding 50 kg
29H	kg	. . . . . Other
		. . . . . 4 mm or more in diameter:
31K	kg	. . . . . Coils, not exceeding 50 kg
33F	kg	. . . . . Other
35B	kg	. . . . . 1.6 mm or more, but less than 2.5 mm in diameter
36L	kg	. . . . . 2.5 mm or more, but less than 3.55 mm in diameter
37J	kg	. . . . . 3.55 mm or more, but less than 4.5 mm in diameter
39E	kg	. . . . . 4.5 mm or more in diameter
7217.20.90		--Other

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

17. Applicable duty rates are:

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

18. The Ministry has used the tariff references provided in the application by PW to calculate the amount of subject goods imported from South Africa. In PW's view, the tariff classifications provided in the application were the most likely tariff classifications under which the alleged dumped goods are entering New Zealand.

19. The data requested from NZCS from 1998 to March 2002 indicates that imports of galvanised wire have also entered New Zealand under tariff classifications and statistical keys, which are additional to those provided by PW. Any investigation that

is initiated will need to incorporate import data under these additional tariff classifications and statistical keys.

20. Customs data shows that the subject goods are being exported direct to New Zealand from South Africa.

21. In this report, unless otherwise stated, years are 30 June years and dollar values are NZ$. Year to date (YTD) figures refer to the period 1 July 2001 to 31 October 2001, unless specified otherwise. In tables, column totals may differ from individual figures because of rounding.

22. In this report, the period used for assessing whether dumping is occurring is 1 January 2001 to 31 March 2002, and for injury the period is from 1998 to YTD October 2001. These periods relate to reasonably available information provided by the applicant.

23. Should an investigation be initiated, the period of investigation for dumping will be the year to 31 May 2002.

24. PW claims that it has suffered injury caused by dumped South African imports since 1999. Any investigation of injury will involve evaluation of data for the period 1998 to at least 31 May 2002, which includes one year before material injury is alleged to have first occurred.

25. In this report, when dealing with Customs data, including average monthly VFD values in NZ$, the amounts have been converted to foreign VFD values using average monthly Customs exchange rates applicable for the relevant month. The rates are published each fortnight in the Customs edition of the *New Zealand Gazette*.

26. 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

27. 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

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

The Imported Goods

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

> *Galvanised steel wire of high, medium and low tensile strength between 2mm and 4.5mm diameter*

New Zealand Production

30. PW manufactures “bright” wire from steel billet and galvanises a proportion of this production to produce galvanised “smooth” wire in high, medium and low tensile strengths and in diameters ranging from 1.6 mm to 5.0 mm in diameter. PW considers that the galvanised smooth wire it manufactures is a like good to the imported subject goods.

Like Goods Considerations

31. 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.

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

33. Other goods that could also be like goods to the subject goods include galvanised iron wire, barbed wire, bright steel wire, and plastic-coated wire. Galvanised iron wire is not available in the New Zealand market and does not need to be considered further.

Physical Characteristics

Appearance

34. The subject goods are described as strand or smooth galvanised wire. The galvanising gives the wire a dull grey coloration. The subject goods are predominantly round (in cross section) but there is some oval wire on the market. PW's galvanised wire is round in cross section. The galvanised wire made in New Zealand by PW and the galvanised wire imported from South Africa have the same basic appearance.

35. Barbed wire differs from galvanised wire in appearance, as it usually takes the form of two galvanised strands of wire twisted together along their length with a "barb" or short piece of galvanised wire fixed within the twists. Bright steel wire and plastic-coated wire are not galvanised and differ in that respect from the appearance of galvanised wire.

Product Specifications

36. The subject goods and the domestically-produced galvanised wire appear to be similar in terms of their physical characteristics although the exact composition of the subject goods is not known.

37. Galvanised wire is made from steel wire called "bright" wire, that is, wire drawn out from steel billet. The composition of the steel billet, in the main, determines the tensile strength of the wire. The main character that contributes to the tensile strength of the wire is the percentage of carbon contained in the steel. PW has indicated that a low tensile strength of the steel wire is typically less than or equal to 0.2 percent carbon content in the steel, medium tensile strength is greater than 0.2 percent and less than or equal to 0.55 percent carbon content, and high tensile

strength is greater than 0.55 percent. Certain additives to the steel billet, if present, may also contribute to tensile strength, for example, the vanadium that PW incorporates in its galvanised wire.

38. Another factor which affects the strength of the wire is its diameter. The difference in wire diameters does not influence the tensile strength *per se*, however, because different wire diameters can have the same tensile strength due to different carbon composition.

39. Galvanised wire is bright steel wire that has been given a coating of zinc. The amount of coating, in general terms, is indicated on packaging by stating whether the wire is lightly galvanised or heavily galvanised. The packaging is likely to be marked with a minimum galvanised coat weight, which indicates the amount of zinc in the coating. The amount of zinc coating determines whether it will withstand outdoor conditions or should only be used indoors. The galvanising process protects the wire from environmental degradation, but the other characteristics of galvanised wire depend almost entirely on the attributes of the wire from which it is made.

40. Galvanised wire is available in a wide range of wire specifications. The size and dimensions are usually specified in diameter, the minimum length of the coil, and nominal weight of the wire pack. The “steel grade” may be recorded on packaging, as well as whether the tensile strength is high, medium or low and information relating to this may be recorded as “minimum break load” and “recommended straining tension”.

41. The imported subject goods are galvanised steel wire of 2.0mm to 4.5mm in diameter and are believed to consist mostly of heavily galvanised and of high tensile strength. The import pack size is likely to be (but not necessarily) 25 kgs, which is approximately 648 metres of wire.

42. PW’s galvanised steel wire ranges from 1.6 mm to 5.0 mm in diameter and consists of high, medium and low tensile strengths. Heavily galvanised wire is made for fencing. The domestic pack sizes range from smaller sizes of 25 to 39 kg coils to 700 to 800 kg coils.

43. New Zealand has “Standards” relating to galvanised wire. Wire packaging may be marked as meeting a New Zealand Standard. Both New Zealand and the imported product adhere to predetermined Standards, namely, New Zealand Standard 3471 1974, which was withdrawn but reinstated in February 2000, New Zealand Standard NZS 4534, and an Australian/New Zealand Standard ANZS 4534.

44. Bright steel wire has similar diameters and tensile strengths to galvanised wire, but differs in being not galvanised. No product specification material was provided on barbed wire and plastic-coated wire.

Production Methods

45. Both the subject goods and the domestic galvanised wire are understood to be made by similar processes.

46. The manufacturing process required to galvanise wire involves dipping bright wire into a vat of liquid zinc at about 400^{o}C, resulting in the zinc being chemically bonded to the steel. After emerging from the zinc bath the wire is cooled by spraying with water. The galvanised wire is then rolled up and cut into predetermined lengths of similar weight. PW wraps and labels those destined for distribution to the retail market, the majority of which is distributed to merchants. The larger coils which may be 500 kg to 800 kg in size are sold to down-stream manufacturers for further processing.

47. Production of bright steel wire involves only part of the production process of galvanised wire. Barbed wire and plastic-coated wire are produced using additional or different finishing processes to galvanised wire.

Technology

48. On current information, technological developments in the industry are not marked. The area of steel technology has provided some improvements over time although there are no specific recent advancements. Additives to the steel from which the wire is drawn, such as vanadium, improves the wire's tensile strength and reduces the amount of carbon required in the wire to achieve the same or better performance.

49. PW noted that there was another substitutable type of coated wire being imported from Australia which was thought to be coated with approximately 95 percent zinc and approximately 5 percent aluminum.

Function and Usage

50. Galvanised steel wire is used in the agricultural and horticultural industries, mainly for fencing, and also in down-stream manufacturing processes. PW advises that high tensile material tends to be used for line wire and as a component in fabricated fencing, whereas medium and low tensile material tends to be used for fabricated fencing.

51. The imported galvanised wire and the domestically produced galvanised wire have the same function and can be used in the same circumstances. The domestic industry manufactures galvanised wire in the range of 1.6mm to 5.0mm and states that different galvanised wire types within this range are to some extent substitutable for each other.

52. Heavily galvanised wire is used for outdoor applications. Lightly galvanised wire is used for indoor applications. There may be some substitution of the heavily galvanised product for indoor use but the lightly galvanised wire is not used outdoors because of New Zealand's weather conditions. The outdoor uses include fences and in vineyards and other agricultural and horticultural applications. Galvanised wire can also be used for garden stands, fence droppers and earth stakes. Uses for lightly galvanised wire include bucket handles, coat hangers, racks and hanging baskets.

53. The larger size coils produced by PW are used by other companies to produce fabricated products such as woven fence material. PW has advised that fabricated fences may be made from combinations of low, medium and high tensile galvanised wires.

54. PW states that bright steel wire is used principally for nails and other manufacturing purposes, or as feed for reinforcing mesh. PW considers that bright wire is not substitutable for galvanised wire "because galvanising provides a high degree of corrosion resistance which is essential in outdoor applications such as farm fencing and on vineyards. Bright wire has no resistance to corrosion and so cannot be used for those purposes."

55. Barbed wire is sometimes used in fences where galvanised wire could be used. Barbed wire is usually used as a deterrent in particular circumstances, and is not considered by PW to be a competitive product.

56. Currently there do not appear to be any products in the New Zealand market that are readily substituted for galvanised wire. There are categories of wire products available that could potentially be used in place of galvanised wire, for example, plastic coated wire, but presumably for reasons of cost or practicality these do not appear to be used.

Pricing

57. PW has two brands, High Span V and Standard. High Span V is its premium brand and is only heavily galvanised, high tensile, and produced in 2.5mm diameter. The Standard brand is available in both lightly and heavily galvanised and in a range of tensile strengths and diameters and is less expensive than the High Span V. [redacted]. Each has a premium brand and a standard brand. PW competes with these brands in the New Zealand market.

58. PW has noted that the input cost of bright wire is usually higher for the smaller wire diameters. This is mainly because the wire takes longer to produce, which is then reflected in the cost of a major input material. When the wire is drawn out from the wire rod, thinner wire must have its diameter reduced and therefore it takes a longer production time. The thicker the finished wire, the faster it is to produce.

59. Barbed wire is more expensive to make than galvanised wire because of the additional wire input, labour and manufacturing costs, and it is assumed that barbed wire is more highly-priced than galvanised wire. No pricing information was provided for plastic-coated wire.

Marketing Issues

60. The New Zealand galvanised wire market is made up [redacted] percent of heavily galvanised, high tensile wire of approximately 2.5mm in diameter. This is generally referred to as "fencing" wire and includes wire used in vineyards.

61. PW has two distinct types of customers in New Zealand for galvanised wire - distributors (or merchants) which sell their products to retail customers and manufacturers which further process the wire. Some of the distributors are also manufacturers.

62. In New Zealand's environmental conditions, heavily galvanised wire is used for outdoor applications, and lightly galvanised wire is used for indoor applications.

63. Information from PW indicates that the imports from South Africa are competing against PW in selling to distributors which supply the end-use customers in the fencing market with the 25 kg packs of galvanised wire. It is understood that the importers may either on-sell to distributors or they may be distributors or manufacturers importing on their own behalf. It is understood that the imports from South Africa may be delivered directly to the distributors' customers if a full container load was ordered.

64. Large coils (for example 500 to 800kgs) are not thought to be being currently imported from South Africa in any great quantity. These are generally used by manufacturers and there are only a few downstream manufacturers in the New Zealand domestic market which use this size of coil and they are too large for retail customers. It is understood that some manufacturers (which may also be distributors) are supplied by PW and by imports, mainly from Australia.

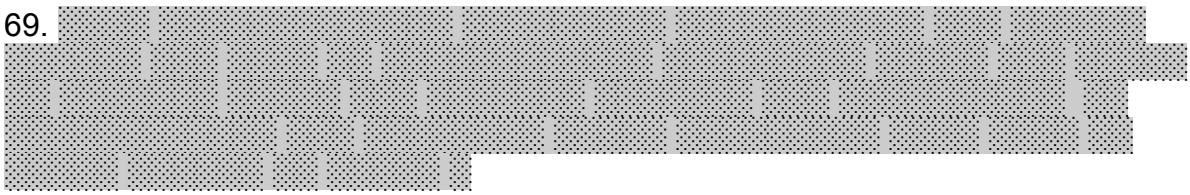
65. PW sells its products to both the manufacturers and distributors. It competes with the imports from South Africa at the point of sale to the distributors and/or manufacturers. The distributors on-sell into the retail market.

66. PW considers that its main competition with the imports from South Africa is in the smaller retail size coils of 25 and 39 kgs. Although the imports are thought to be mainly in the 25 kg pack size, [redacted], PW has been producing the 39 kgs packs of 1000m, which are 30 percent greater in length without becoming too large or heavy to handle. These are often sold by distributors into the vineyard market.

67. PW has noted that the retail market has been changing over time. There has been some movement in [redacted]. PW states that this has contributed to the decline in sales of High Span V, and the price pressure from the South African imports is alleged to be a major contributor to this decline. Price is said to be a major factor causing these shifts in the market and although brand

loyalty tends to be quite strong, it is still able to be eroded by cheaper substitutable products, namely, products with the same specifications.

68. The distributors (or merchants) stock the retail packs of wire (25 and 39 kg) in their stores. PW may also deliver product directly to the distributors' customers if the orders are large enough (for example 10,000 kgs).

69. 

70. The sales of heavily galvanised, high tensile wire are seasonal. PW notes that there are usually two peaks in sales during a calendar year. Most sales to the farming industry occur between March and August peaking in about July, and for the vineyards there is a longer season with most of the sales occurring between May and November and peaking between August and September.

71. No information was provided on marketing issues relating to bright steel wire, barbed wire, and plastic-coated wire.

Other

72. It is likely that the galvanised wire produced by PW would be classified under the same tariff items as the subject goods.

Conclusions Relating to Like Goods

73. Bright steel wire is similar to the subject goods in terms of tensile strength and diameters. Bright steel wire differs from the subject goods in terms of appearance, lack of a galvanised coating, production methods and function and usage. From the information available, bright steel wire does not have characteristics closely resembling the subject goods and is not considered to be like goods.

74. Barbed wire is similar to the subject goods in terms of its galvanised coating and possibly technical specifications. Barbed wire differs from the subject goods in terms of appearance, production methods, function and usage and pricing structure. From the information available, barbed wire does not have characteristics closely resembling the subject goods and is not considered to be like goods.

75. Plastic-coated wire differs from the subject goods in terms of appearance, lack of a galvanised coating, production methods and function and usage. From the information available, plastic coated wire does not have characteristics closely resembling the subject goods and is not considered to be like goods.

76. Galvanised wire produced by PW is similar to the subject goods in terms of appearance, some specifications and tensile strengths, a range of diameters, degree of galvanising, some pack sizes, production methods, function and usage, and tariff classification. Galvanised wire produced by PW differs from the subject goods in

terms of some specifications and tensile strengths, and some diameters and pack sizes.

77. While PW manufactures a wider diameter range of galvanised wire than the imports, this range includes the diameters of the imported wire, and PW states that all the wire within the range is substitutable to some extent.

78. The markets for the domestically produced galvanised wire are potentially the same as those of the subject imported goods from South Africa [redacted]. PW's products are sold to the manufacturing and the distributor markets.

79. On the basis of the information available, and for purposes of initiation, the Ministry considers that the galvanised wire produced by PW, while not like those goods in all respects, has characteristics closely resembling the subject goods.

80. The definition of the like goods, for purposes of initiation, is therefore, the range of galvanised wire that the domestic industry manufactures, which is

> Galvanised steel wire of high, medium and low tensile strength between 1.6mm and 5.0mm in diameter.

2.2 New Zealand Industry

81. 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.

82. The application was submitted by PW, a division of Fletcher Steel. PW is the sole New Zealand producer of galvanised wire. PW has stated that it is the only producer of galvanised steel wire in New Zealand and the Ministry's research has found no evidence of any other company in New Zealand that galvanises steel wire.

2.3 Imports of Galvanised Wire

83. 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.

84. PW has provided Statistics New Zealand import volume figures for the June years 1999 to 2001, and the 4 months to October 2001. The following table has been compiled using NZCS data for the same period based on the eight tariff classifications provided by PW.

Table 2.1: Import Volumes of Subject Goods (tonnes) (June Years)

	1998	1999	2000	2001	Jul -Oct 01
Imports from South Africa	686	901	714	505	537
Other Imports	159	1	85	434	458
Total imports	845	902	799	939	996

85. The import volume figures in the above table show that imports from South Africa represented 54 percent of all imports in the year ended June 2001 and the same for all imports in the 4 months to October 2001.

86. There is a possibility that the subject goods may be imported into New Zealand under an additional 22 tariff classifications and statistical keys. In order to ensure that imports are not negligible, the Ministry calculated the import volumes of the subject goods under all tariff classifications and statistical keys (30 in total). The import volume figures for the 30 tariff classifications and statistical keys showed that imports from South Africa represent 11 percent of all imports in the year ended June 2001 and 12 percent of all imports in the 4 months to October 2001.

87. On the basis of this information, regardless of the number of tariff items chosen, imports of the subject goods from South Africa are not negligible.

2.4 New Zealand Market

88. The import volume figures in the following table were compiled on the same basis as those in Table 2.1 above. The New Zealand industry's sale figures are those supplied by PW.

Table 2.2: New Zealand Market (tonnes) (June Years)

	1998	1999	2000	2001	Jul-Oct 01
Subject Goods	686	901	714	505	537
Other Imports	181	1	85	434	458
Total Imports	867	902	799	939	996
NZ Industry Sales	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
NZ Market	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

3. Dumping Investigation

89. 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:

3.1 Export Prices

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

Base Prices

91. PW did not have access to actual export prices. In the absence of actual export prices, PW considered estimating export prices by deduction from the prices at which the goods are first resold in arm's length transactions in New Zealand. PW decided not to use the deductive method because of problems relating to availability and reliability of data. PW advised that information on arm's length prices when galvanised wire is first resold in New Zealand is only available intermittently, is often verbal and quantities, level of trade, discounts and rebates affecting the prices are not known to PW.

Trade Statistics

92. The best information reasonably available to PW is in the form of monthly official trade statistics. PW has estimated a range of base export prices from value per tonne figures calculated both from South African export statistics and New Zealand import statistics. The South African data is at the free-on-board (FOB) level and the New Zealand data is at the New Zealand Customs value for duty (VFD) level. PW has made adjustments to these values, as explained below, to arrive at estimated ex-factory export prices.

93. PW provided South African export figures obtained on its behalf from the South African Revenue Service. The figures were provided for tariff heading 7217.20, which covers a range of tariff items for wire of iron or non-alloy steel, plated or coated with zinc, including the allegedly dumped goods. PW noted that South African statistics were not available down to the ten-digit level. The South African data contains, therefore, volume and value information that includes not only the allegedly dumped goods (steel fencing wire between 2.0mm and 4.5mm) but also wire of lesser diameters.

94. PW provided New Zealand import figures down to the ten-digit level that it sourced from Statistics New Zealand. The New Zealand statistical information contains volume and value information relating specifically to the tariff items under which PW considers the allegedly dumped goods are likely to be entered for home consumption.

95. Average monthly values per tonne calculated by PW from the South African data may be distorted due to the inclusion of information on wire of diameters that are not subject to the application. The Ministry notes that the average monthly FOB values derived from the South African export data are in all cases lower than, and in most cases significantly lower than, the average monthly VFDs derived from New Zealand import statistics. While the Ministry notes PW's concerns that imports of allegedly dumped goods may be occurring under other tariff items, for purposes of assessing sufficiency of evidence for initiation, the Ministry considers that the most reliable export price information is that shown in the more detailed New Zealand statistics.

Customs Values for Duty

96. PW provided average monthly VFDs in New Zealand dollars for the subject goods in total for the tariff items and statistical keys 7217.20.10.28K, 7271.20.10.29H, 7217.20.10.31K, 7217.20.10.33F, 7217.20.90.08J, 7217.20.90.09G, 7217.20.90.11J, 7217.90.13E, being the main tariff items under which PW considered the allegedly dumped goods are being entered into New Zealand. The period selected by PW to show evidence of dumping was the ten months to 31 October 2001, although the company also provided earlier export price data.

97. The Ministry also noted that, since October 2001, there has been a weakening of the value of the South African rand relative to the New Zealand dollar. The Ministry therefore extended the calculation of export prices to 31 March 2002 to assess any impact on the evidence relating to export prices.

98. Bell Gully, on behalf of PW, stated that "the usual trend when higher export yields are achieved, because of exchange rate movements, is to lower the foreign currency price (in this case NZ$) making the products more competitive while still returning the same or increased yields in the home currency".

Exchange Rates

99. Average monthly New Zealand Customs exchange rates were used to convert values for duty in New Zealand dollars to South African rand. In the period January 2001 to October 2001, the South African Rand ranged from 3.26 to 3.65 in value relative to the New Zealand dollar. In the period November 2001 to March 2002, the South African Rand ranged from 3.84 to 4.92 in value relative to the New Zealand dollar.

100. On the basis of 29 May 2002 exchange rate forecasts for the rand and the New Zealand dollar, the Ministry considered that the rand would continue to depreciate against the New Zealand dollar. Bell Gully, on behalf of PW, pointed out that exchange rate forecasts used by the Ministry for the rand had already been shown to be incorrect by 6 June 2002 and that the rand was expected in fact to increase in value against the New Zealand dollar in the current quarter and had increased already. The Ministry notes that forecasts inherently involve some uncertainty and that exchange rate forecasts at 6 June 2002 indicate that the rand would remain relatively steady against the New Zealand dollar in the third quarter, but that it was expected to decline in value against the New Zealand dollar in the final quarter 2002 and further decline in the first quarter 2003.

Adjustments

101. To allow export prices at the ex-factory level to be calculated, PW identified and estimated cost elements between factory and wharf and deducted these from the average monthly VFDs.

Port Service and Customs Charges

102. PW provided figures for costs for Customs charges, terminal handling charge, and lift off at port. PW stated that these costs are what it would expect on exports of steel wire. These costs in total are about [redacted] percent of average values for duty and are considered by the Ministry to be not unreasonable estimates.

Loading Costs

103. PW also provided figures for costs for lift on at works and equipment hire to move the goods from dispatch yard into the container. It is unclear whether such costs are before or after ex-factory and such costs may also be not additional to similar costs incurred on sales for home consumption. Taking a conservative approach, the Ministry has not accepted these costs as deductions from export prices for purposes of initiation.

Freight from Factory to Wharf

104. Transport cost information was provided by [redacted] company which obtained costs from users of transport services and subsequently confirmed these costs with [redacted]. A deduction was made for the cost of transport from the [redacted], the port of export.

Cost of Export Packaging

105. A deduction was made by PW for the estimated additional cost of export packaging. Additional export packaging costs are due to the need for a moisture barrier, additional plastic shrink wrap and the fact that steel wire exported to New Zealand is in 25kg coils, whereas steel wire sold in South Africa is in 50kg coils.

Cost of Credit

106. PW made adjustments for cost of credit from both export prices and normal value. [redacted] the number of days credit, which was estimated to be extended on domestic and export sales and the Ministry has, therefore, made [redacted] adjustment to [redacted] export price or normal value.

Export Prices

107. The table below shows the range of export prices and adjustment calculations for the period March 2001 to October 2001(there were no imports under the relevant tariff items in January and February 2001).

Table 3.1: Export Price Calculations

March to October 2001
(rand per tonne)

Range of VFD's (Rand)	3,219 to 3,452
Less Customs costs	
Less THC	
Less Lift Off Port	
Less Freight to Port	
Less Export Packaging	
Ex-Factory Export Prices	3,019 to 3,248

108. The table below shows the range of export prices and adjustment calculations for the period November 2001 to March 2002.

Table 3.2: Export Price Calculations

November 2001 to March 2002
|(rand per tonne)

Range of VFD's (Rand)	3,840 to 4,637
Less Customs costs	
Less THC	
Less Lift Off Port	
Less Freight to Port	
Less Export Packaging	
Ex-Factory Export Prices	3,633 to 4,417

109. Export prices for the allegedly dumped goods have been calculated by deduction from VFDs per tonne on imports into New Zealand, being the information reasonably available to the applicant. The Ministry has updated the calculations to 31 March 2002. The Ministry considers that the information on export prices provided by PW is sufficient for the purposes of considering initiation of an investigation.

3.2 Normal Values

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

Base Prices

Free-Into-Store Purchase Prices

111. PW obtained information on domestic free-into-store (FIS) prices from [redacted] in South Africa in March 2001. [redacted] were provided by PW. Prices from a number of companies who purchase wire in South Africa were provided. As the base price for its normal value calculations, PW selected the price paid in March 2001 by [redacted] who purchases similar volumes to those purchased by the New Zealand importer. This price was the second-lowest of those provided, the lowest price being for significantly higher volumes.

112. The Ministry had no information on normal values for the period 1 November 2001 to 31 March 2002 and considered adjusting the normal value by movements in the Consumer Price Index (CPI). Bell Gully, on behalf of PW, stated that the CPI was not the appropriate index to use to make any adjustments, because domestic steel prices are driven by global steel prices. Bell Gully stated that "most global steel prices are quoted in US dollar and therefore in a period when the domestic currency is depreciating against the US dollar it is normal for domestic prices to follow the trend and rise accordingly". Bell Gully used movements between the rand and the New Zealand dollar to adjust normal values. The Ministry considered it more appropriate to examine movements between the rand and the US dollar, since domestic prices are in rand. The Ministry, using Customs exchange rates, calculated that between March 2001 and March 2002 the US dollar increased in value against the rand by 43 percent.

113. Bell Gully also obtained updated retail prices from two distributors of fencing wire, which showed that prices had increased since March 2001 by 9 percent in one case and 82 percent in another case. The average price increase of 43 percent matched the increase in the US dollar value against the rand. Because of the large differences between the rates of the two price increases, the Ministry considered that the fact that the average percentage price increase matches the average increase in value of the US dollar could be largely coincidental.

114. The Ministry located pricing information on the internet for Cape Gate Fence and Wire Works for July 2001 which it was able to compare with February 2001 prices of two different types of galvanised wire provided by PW. This comparison showed that prices increased between February and July 2001 by 14 to 15 percent. During the same period, the US dollar increased in value against the rand by only three percent. If prices continued to increase at the same rate as in the five months to July 2001, the increase over 12 months would be 35 percent, which is approaching the percentage increase in value of the US dollar against the rand over the same period.

115. The Ministry considers that the available evidence shows that domestic prices for galvanised wire increased significantly in the year to March 2002. The available information that would allow March 2001 normal values to be updated on a monthly basis, to test whether evidence of dumping still exists, is exchange rate information. While Bell Gully admits that this means of updating is a "relatively crude method",

actual increases in prices fall around and in one case close to the 43 percent rate of depreciation of the US dollar over the 12 months to March 2002. In the absence of other monthly information, and for purposes of assessing the adequacy of information provided in the application, the selected FIS price for March 2001 was updated for each subsequent month in proportion to the percentage changes of the US dollar against the rand.

Adjustments

Taxation

116. The FIS price provided as the basis for estimating normal values does not include value-added tax (VAT). No adjustment was made for VAT.

Physical Difference

117. The FIS price is for light galvanised (LG) product whereas the export price estimates are for heavy galvanised product (HG). PW advised that it had not seen South African LG product on the New Zealand market and PW provided a label used in New Zealand for the South African product which stated that the product was "heavily galvanized". A [redacted] percent premium has been calculated from the [redacted] differences between LG and HG wire and the FIS price has been increased by this premium.

Freight from Factory to Customer

118. Transport cost information was obtained in the same way as described above for exported product. A deduction was made for the cost of transport from the [redacted] to environs of Johannesburg, including [redacted] where the selected domestic customer is based. PW deducted less than the cost of containerised transport to Johannesburg, on the basis that flat deck transport costs are "a little less" than for container delivery. Since [redacted] is further away from the factory than Johannesburg, the Ministry took a conservative approach and deducted, from the FIS price, the full cost of containerised transport to Johannesburg as a surrogate for flat deck transport to [redacted].

Normal Values

119. The table below shows the range of normal values and adjustment calculations for the period March 2001 to October 2001.

Table 3.3: Normal Value

March to October 2001
(rand per tonne)

Range of FIS Prices	[redacted]
Freight to Customer	[redacted]
HG premium	[redacted]
Ex-Factory Normal Values	3,500 to 4,148

120. The table below shows the range of normal values and adjustment calculations for the period November 2001 to March 2002.

Table 3.4: Normal Value

November 2001 to March 2002
(rand per tonne)

Range of FIS Prices	[redacted]
Freight to Customer	[redacted]
HG premium	[redacted]
Ex-Factory Normal Values	4,365 to 5,331

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

3.3 Comparison of Export Price and Normal Value

Margins of Dumping

122. The table below shows the ranges of export prices, normal values and margins of dumping calculations for the period March 2001 to October 2001.

Table 3.5: Dumping Margins

March to October 2001
(rand per tonne)

Normal Value	3,500 to 4,148
Export Prices	3,019 to 3,248
Dumping Margin	499 to 974
DM as % of EP	16% to 31%

123. The evidence provided shows that the alleged margins of dumping for the period 1 January 2001 to 31 October 2001 are not *de minimis* in terms of Article 5.8 of the Agreement as set out above.

124. The table below shows the ranges of export prices, normal values and margins of dumping calculations for the period November 2001 to March 2002.

Table 3.6: Dumping Margins

November 2001 to March 2002
(rand per tonne)

Normal Value	4,365 to 5,331
Export Prices	3,633 to 4,417
Dumping Margin	732 to 1,516
DM as % of EP	19% to 40%

125. This table shows that dumping margins are not *de minimis* in terms of Article 5.8 set out above.

3.4 Conclusions Relating to Dumping

126. The Ministry is satisfied on the basis of the information and evidence provided by PW that the comparison of export prices and normal value provides sufficient evidence that dumping was occurring during the March to October 2001 period. The Ministry is satisfied, on the basis of calculations extending the analysis to cover the period from 1 November 2001 to 31 March 2002, that the comparison of export prices and normal values provide sufficient evidence that dumping is still occurring.

127. 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 (ii) and section 5(3).

4. Injury Investigation

128. 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.

4.1 Import Volumes

129. 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.

130. PW has provided Statistics New Zealand import volume figures for YE June 1999 to 2001, and for the 4 months to October 2001. This information was also provided in calendar years 1998 to 2000 and for the 10 months to October 2001.

131. PW considers that the Statistics New Zealand import statistics understate volumes of imports because of errors due to misclassification of galvanized wires into "fencing wire" and "not fencing wire" statistical keys. PW bases this view [redacted]

132. PW states that the key impact of this is that market share information, which is based on the Overseas Trade Statistics, is understated regarding shares held by imported galvanized wire.

133. PW has not stated in its application whether or not it imports galvanised wire from South Africa. The NZCS data from January 1998 to March 2002 does not show PW as an importer of galvanised wire from South Africa or any other country.

134. As noted in paragraph 84 above, PW has taken a conservative approach to calculate import volumes by only using tariff item and statistical keys under which

imports from South Africa are most likely to be entered. The following table shows the volume of imports of the subject goods into New Zealand over the period 1999 to 2001 June financial year and for the 4 months to October 2001 using the NZCS data for the tariff item and statistical keys selected by PW. The import volumes are then compared with the New Zealand industry's production and consumption in the New Zealand market.

Table 4.1: Import Volumes (tonnes) (YE June)

	1998	1999	2000	2001	Jul –Oct 01
South Africa	686	901	714	505	537
Other Imports	181	1	85	434	458
Total Imports	867	902	799	939	996
NZ Industry Sales	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
NZ Market	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Change on Previous Year:					
- South Africa		215	-187	-209	
- Other Imports		-180	83	350	
- Total Imports		35	-104	140	
- NZ Industry Sales		[redacted]	[redacted]	[redacted]	
- NZ Market		[redacted]	[redacted]	[redacted]	
% change:					
- South Africa		31	-21	-29	
- Other Imports		-99	7389	413	
- Total Imports		4	-12	18	
- NZ Industry Sales		[redacted]	[redacted]	[redacted]	
- NZ Market		[redacted]	[redacted]	[redacted]	
South African imports as a % of:					
- NZ Industry Sales	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
- NZ Market	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

135. The figures show that the imports of South African galvanised wire increased significantly in 1999, but decreased in 2000 and again in 2001 to below the level of import volumes in 1998. Figures for the October 2001 period show that imports have already exceeded import volumes from South Africa for the full year to June 2001 in 4 months alone.

136. There is evidence that in the 4 months to October 2001, import volumes of the subject goods have increased significantly in absolute terms and relative to production and consumption in New Zealand since June 2001.

4.2 Price Effects

Price Undercutting

137. *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.*

138. 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.

139. PW claims that prices of its product have been undercut in the market place by the South African wire since 1995/96. PW provided meeting note excerpts to support its argument. PW also gave a chronology of the price effects from 1995 through to 2001. PW stated that in 1997 South African wire was being offered at a lower price, which [redacted].

140. [redacted], PW launched "jumbo" coils of 1,000 and 1,100 metres in 10 tonne quantities, which it delivered directly to the vineyard markets. [redacted].

141. To illustrate price undercutting, PW calculated a weighted average price for its high tensile galvanised wire by combining the prices of its High Span V and standard high tensile galvanised fencing wire and weighting it on their respective domestic volume sales for 1999 to 2001 and for YTD 30 October 2001. PW also provided

individual ex-factory delivered prices for its High Span V and Standard high tensile galvanised wire. These were compared against the importer's average delivered price. The Ministry is of the view that PW's ex-factory prices should be compared to the importer's ex-store prices to avoid distortions created by delivery costs. As this information was not provided in the application, the Ministry has compared PW's and importers "delivered to customer" prices for the purposes of initiation. Any investigation would have to consider the deduction of distribution costs and margins to arrive at the true ex-factory and ex-store prices for PW and the importers respectively. The following table shows the comparison for purposes of price undercutting.

Table: 4.2: Price Undercutting ($/per tonne) (YE June)

	1999	2000	2001	YTD 30 Oct 2001
PW Avg. Ex-factory delivered (High Span V)	[redacted]	[redacted]	[redacted]	[redacted]
PW Avg. Ex-factory price (Std high tensile)	[redacted]	[redacted]	[redacted]	[redacted]
PW's Wtd. Avg. Delivered-high tensile	[redacted]	[redacted]	[redacted]	[redacted]
Importers Avg. Delivered price	[redacted]	[redacted]	[redacted]	[redacted]
Price Undercutting (High Span V)	[redacted]	[redacted]	[redacted]	[redacted]
% of PW Avg. Ex-factory delivered (High Span V)	[redacted]	[redacted]	[redacted]	[redacted]
Price Undercutting (Std high tensile)	Nil	Nil	Nil	Nil
Price Undercutting (high tensile)	Nil	Nil	Nil	Nil

142. The table shows that there has been price undercutting for PW's High Span V high tensile galvanised wire since 1999 by imported galvanised wire. The price undercutting as a percentage of the High Span V price ranged from about [redacted] to [redacted] percent from 1999 to YTD 30 October 2001. There is no evidence of price undercutting of its standard high tensile galvanised wire. The Ministry also compared PW's weighted average delivered price of its high tensile galvanised wire (a combination of high tensile High Span V and standard wire prices and volumes) to the importer's average delivered price and found that there was no price undercutting occurring from 1999 to YTD 30 October 2001.

143. The Ministry concludes that based on the information provided by PW in its application, there is evidence of some price undercutting of PW's High Span V product, but no evidence of price undercutting of its standard high tensile product.

Price Depression

144. *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*.

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

146. PW stated that the presence of dumped South African imports constrained its ability to obtain higher prices for its galvanised wire. PW has provided average domestic ex-factory sale prices for its galvanised High Span V and standard fence wires for the years ending June 1999 to 2001 and YTD October 2001 as follows:

Table 4.3:Price Depression: Average Selling Prices ($/per tonne) (YE June)

	1998	1999	2000	2001	YTD Oct 2001
High Span V	NA				
Standard	NA				
Overall Avg. Selling Price (Galvanised Wire)					
% Difference-Overall Selling Price					

147. The table shows that average unit prices for both the High Span V and standard galvanised fencing wire decreased in the financial year 2000, however the average prices increased in the following year for both the products to a level higher than that in 1999. PW has stated in its chronology of events that in 2000, it launched "jumbo" coils of 1,000 and 1,100 metres in 10 tonne quantities. In order [redacted]. PW has provided no information on the price of the standard 25kg coils or the price at which it sold its "jumbo" coils in 2000. It is the Ministry's view that this reduction in prices may have led to prices for galvanised wire being depressed in 2000.

148. The Ministry is of the view that price depression must be demonstrated taking into account all sales of like goods. It is not sufficient to show that the price of only certain galvanised wire has been depressed, if that price depression is more than offset by increases in prices of another brand of galvanised wire. The investigation team has looked at prices for the two brands separately and has calculated a unit overall selling price for galvanised wire for each year. This was calculated by dividing the revenue amount by the volume of domestic sales for that particular year.

149. The overall average selling price for galvanised wire decreased by [redacted] percent in YE June 1999 when compared to 1998. The overall average selling price further

decreased by [redacted] percent in 2000 but improved in 2001 by [redacted] percent. The prices decreased again by [redacted] percent in the 4 months to October 2001.

150. The investigating team concludes that there has been some price depression in the financial year ending June 2000, but when compared to the prices in 1999, the prices for YTD October 2001 shows an increase in prices for both the High Span V and Standard galvanised wire. The YTD October 2001 price shows that the overall average selling price for galvanised wire has increased since 1999 by [redacted] percent, however, the overall average selling price when compared to 1998, the period unaffected by dumping, shows a significant price depression.

Price Suppression

151. *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.*

152. 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.

153. PW states that injury has occurred through its inability to increase prices for its finished goods as a result of increases in the cost of raw materials. PW stated that this was caused by the presence in the New Zealand market of dumped South African imports.

154. According to PW, there are two key raw materials for galvanised wire: wire rod and zinc. PW sources its wire rod [redacted]. PW sources its zinc from [redacted] through [redacted]. PW, in its application, provided graphs of zinc and wire rod costs from January 2000 to October 2001 and PW's price and cost history of High Span and galvanised fence wire from July 1999 to October 2001.

155. The graph representing zinc costs showed that the cost of zinc in October 2001 was [redacted] per kg, an increase of approximately [redacted] percent since January 2000. The graph also showed that the cost of wire rod had increased in October 2001 by [redacted] percent since January 2000.

156. PW stated that it estimates that PW's injury from being unable to pass on the wire rod and zinc cost increases is of the magnitude of [redacted] percent for High Span V and galvanised fence wire, and [redacted] percent for other galvanised wires. PW stated that the reason price injury has occurred to Pacific Wire's other galvanised fence wire is because the products are somewhat substitutable for each other.

157. The following table shows PW's cost of sales and total costs relative to sales. The 1998 figures in the table are estimates only, which are based on the actual 1999 and 2000 figures.

Table 4.4: Price Suppression :Domestic Galvanised Wires ($/tonne) (YE June)

	1998	1999	2000	2001	YTD Oct 2001
Avg. Selling Price	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Cost of Production	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Gross Margin	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
S&A Expenses	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total costs	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
As a % of Sales:					
- Cost of Production	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
- S&A Expenses	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
- Total Costs	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

158. The above table shows that the cost of production and cost of sales have [redacted] relative to sales for the financial period 1998 to YTD October 2001. The sales revenue since 1998 to YTD October 2001 does not reflect the increases in cost of production and total cost of sales, indicating that prices have been suppressed over these years.

Conclusion on Price Effects

159. There is sufficient evidence of price undercutting, price depression and price suppression for the purposes of initiation.

4.3 Economic Impact

160. *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

161. 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.

Output

162. PW, in its application provided quantities of galvanised wire output from YE June 1998 to 2001 as shown in the following table:

Table 4.5: Output (tonnes) (YE June)

	1998	1999	2000	2001	YTD Oct 2001
High Span V High Tensile	NA				
Standard High Tensile	NA				
Other Galvanised Wire	NA				
Total Galvanised Wire					

163. The above table shows that the output for galvanised wire (High Span V, standard and other) increased in YE June 2000 but has dropped in 2001. The YE June 2001 figure shows that the overall output for galvanised wire has increased since YE June 1999 by about percent.

164. There is some evidence of negative effects on output in year ending June 2001.

Sales Volume and Revenue

165. The following table shows the actual domestic sales volume and revenue of galvanised wire from YE June 1998 to YTD October 2001. PW stated that its production of galvanised wire closely follows sales. This total includes High Span V, standard and other galvanised wire. The sales volume decreased by about percent in YE June 1999 but increased by percent in YE June 2000. There was also a decrease in YE June 2001 of sales of galvanised wire. The YE June 2001 sales figure shows that there has been an increase in sales of galvanised wire since YE June 1998 by about percent.

Table 4.6: Domestic Sales Volume and Revenue ($000) (YE June)

	1998	1999	2000	2001	YTD Oct 2001
Galvanised Wire Sales (tonnes)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
% Difference From Previous Year		[redacted]	[redacted]	[redacted]	
Galvanised Wire Revenue($000)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
% difference from previous year		[redacted]	[redacted]	[redacted]	
Revenue per kg	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
% Change of Revenue per kg		[redacted]	[redacted]	[redacted]	[redacted]

166. As noted previously, the Ministry considers that injury must be assessed in relation to financial data covering all like goods. The table shows that sales revenue declined in YE June 1999 by [redacted] percent but increased by [redacted] and [redacted] percent in the YE June 2000 and 2001 respectively. Sales revenue per kg declined in 1999 and 2000 but increased [redacted] in 2001 and decreased [redacted] in YTD October 2001.

167. PW stated that the presence in the New Zealand market of dumped South African galvanised wire has constrained its ability to increase its prices. With the imports forcing PW's prices down there was a corresponding impact on PW's overall revenue in YE June 1999, 2000 and 2001.

168. The latest full financial year data (YE June 2001) shows evidence of actual decline in sales volume from the previous financial year. There is not sufficient evidence of an actual decline in the sales revenue when the same periods are compared.

169. When the period unaffected by dumping (1998) is compared to 2001, there is evidence of actual decline in sales revenue but no evidence of actual decline in sales volume.

170. There is sufficient evidence of a decline in sales revenue for the purposes of initiation but there is insufficient evidence of a decline in sales volume when compared to the period unaffected by dumping (1998).

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. There is no "entitlement" to a particular market share.

172. PW stated that it has lost market share due to dumped South African imports and imports from other sources. Under price suppression, PW has also stated that it has been constrained in its ability to increase prices due to the South African dumped imports.

173. The following table shows actual market share and changes in market share from YE June 1999 to 2001 and 4 months to October 2001. PW stated [redacted].

Table 4.7: Market Share (tonnes) (YE June)

	1998	1999	2000	2001	YTD 30 Oct 01
NZ Industry Sales	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
ZA Imports	686	901	714	505	537
Total Other Imports	181	1	85	434	458
Australia		0	0	317	439
China		1	5	0	0
France		0	80	118	19
Total market	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
As a percentage of Total Market:					
- NZ Industry Sales	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
- ZA Imports	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
- Other Imports	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

174. As noted variously above, the Ministry considers that injury must be assessed in relation to data covering all like goods. The above table shows a [redacted] increase in the total market for galvanised wire in 2000. PW's market share in YE June 2000 increased [redacted] in 1999, decreased [redacted] in 2001 and decreased [redacted] in the YTD October 2001. The South African galvanised wire market share increased in 1999, but decreased in the subsequent two years. The YTD October 2001 figure shows a [redacted] increase in imports of galvanised wire from South Africa. There has been a [redacted] increase in the market share for other imports since 1999.

175. The New Zealand industry's market share from 1998 to 2001 was fairly stable at [redacted] to [redacted] percent but has dropped [redacted] in YTD October 2001. The

industry has lost market share to imports from both South Africa and other sources, with South African imports taking more market share than other imports.

176. There is sufficient evidence that an actual decline in the New Zealand industry's market share has occurred in the year 2001 and the 4 months to October 2001 for purposes of initiation.

Profits

177. 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.

178. 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.

179. PW stated that its gross profit and net profit (EBIT) declined [redacted]. PW submitted profit and loss breakdowns for the whole of its business and also for just the galvanised wire part of the business.

180. The following table shows the analysis of earnings before interest and tax.

Table 4.8: Earnings before Interest and Tax ($000) (YE June)

	1998	1999	2000	2001	YTD 30 Oct 2001
Revenue	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
EBIT	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
As a % of Revenue:	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Per Unit EBIT	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Change from 1998		[redacted]	[redacted]	[redacted]	[redacted]

181. The above table shows that EBIT from 1999 to 2001 declined [redacted] for the galvanised wire part of the business. [redacted] 2000. As previously stated, PW is of the view that the South African dumped imports have contributed to this [redacted] decline in EBIT.

182. There is sufficient evidence of a [redacted] decline in profits for purposes of initiation.

Productivity

183. 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.

184. PW has not made any substantive submission on this issue, however it has provided some data on productivity relating to galvanised wire based on employee numbers and revenue as follows:

Table 4.9: Productivity ($000/Employee)

	1998	1999	2000	2001	YTD 30 Oct 2001
Revenue	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Galvanised Employees	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Galvanised Revenue/Employee	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

185. The above table shows that the total revenue for galvanized wire per employee decreased [redacted] in 1999. This has resulted from a decrease in revenue by about [redacted] percent and a [redacted] increase in number of employees. The table shows that productivity per employee in 2000 and 2001 improved by [redacted] and [redacted] percent respectively.

186. There is sufficient evidence, for the purposes of initiation, of a decline in productivity per employee when the full 2001 financial year is compared to the 1998 year which was unaffected by dumping for the purpose of initiation.

Return on Investments

187. 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.

188. [redacted].

189. PW provided information on its return on assets and shareholders funds as follows:

Table 4.10: Return on Assets (Total Pacific Wire) ($000) (YE June)

	1998	1999	2000	2001	YTD 30 Oct 2001
Average Assets (Total Pacific)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Average Assets (Galvanised Wire)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
EBIT (Total Pacific Wire)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
EBIT (Galvanised Wire)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
EBIT as a % of Avg. Assets:					
Total Pacific Wire	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Galvanised Wire	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

190. The above tables show that the total Pacific Wire EBIT and EBIT for the galvanised wire part of the business has decreased [redacted] since 1998. The total Pacific Wire EBIT and EBIT for the galvanised wire part of the business as a percentage of average fixed assets and shareholders funds have also decreased [redacted] since 1998. This [redacted] reduction in EBIT has resulted in return on investments being [redacted] less although the average assets and shareholders funds have been increasing.

191. PW also provided the Ministry with information on returns on shareholders funds. The returns on shareholders funds is depicted in the following table.

Table 4.11: Return on Shareholders Funds (Total Pacific Wire) ($000) (YE June)

	1998	1999	2000	2001	YTD 30 Oct 2001
Average Shareholders Funds	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
EBIT (Total Pacific Wire)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
EBIT as a % of Shareholders funds	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

192. The above table shows that the returns on shareholders funds have decreased [redacted] since 1998, showing [redacted] returns on the shareholders funds since 1999. As stated previously by PW, the 1998 period was unaffected by the allegedly dumped South African imports.

193. There is sufficient evidence of material injury in the form of a decline in return on assets and shareholders funds for the purposes of initiation of an investigation.

Utilisation of Production Capacity

194. 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.

195. PW has submitted figures showing its full capacity to manufacture galvanised wire capacity and percentage of utilisation of these capacities as follows:

Table 4.12: Utilisation of Production Capacity (tonnes) (YE June)

	1998	1999	2000	2001
Galvanised Wire Capacity	[redacted]	[redacted]	[redacted]	[redacted]
Galvanised Wire Production	[redacted]	[redacted]	[redacted]	[redacted]
Galvanised Wire Utilisation	[redacted]	[redacted]	[redacted]	[redacted]

196. The table shows that the production capacity of galvanised wire was at its [redacted] in 1999 ([redacted] percent), but it decreased by [redacted] percent the following year (YE June 2000) and by a further [redacted] percentage points in YE June 2001.

197. The figures show that utilisation of production capacity has declined since 1999.

198. There is evidence of a decline in the utilisation of PW's production capacity since 1999 to warrant the initiation of an investigation.

Other Adverse Effects

199. 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

200. PW provided the Ministry with cash flow information for its entire operational branch as well as for the galvanised wire business. The following table shows details of PW's operational net cash flow for galvanised wire.

Table 4.13: Net Cash Flow (YE June) ($000)

	1998	1999	2000	2001	YTD 30 Oct 2001
Galvanised Operating Cash					
Domestic Revenue	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Cost of Sales	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Overheads	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Depreciation	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Operating Cash	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

201. The net cashflow information for the galvanized wire business showed a [redacted] decline in the period 1999 to YTD 30 October 2001 when compared to the 1998 period, which was unaffected by dumping.

202. There is sufficient evidence of a decline in operating cash flow for PW's galvanised wire business for purposes of initiation.

Inventories

203. PW provided its galvanised wire inventory data at balance date for YE June 1998 to 2001 and YTD 30 October 2001 as follows:

Table 4.14: Inventories (All Galvanised Wire) ($000) (YE June)

	1998	1999	2000	2001	YTD 30 Oct 2001
Finished Goods at bal. date	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Change		[redacted]	[redacted]	[redacted]	[redacted]
% change from previous year		[redacted]	[redacted]	[redacted]	

204. The above table shows that inventory at the end of the financial year 1999 had increased by [redacted] percent and it further increased in YE June 2000 and 2001 by [redacted] and [redacted] percent respectively.

205. Any investigation initiated would have to determine the extent to which increased inventory levels are due to dumped imports from South Africa.

206. There is sufficient evidence of an increase in the volume of unsold inventory over the last three financial years for purposes of initiation.

Employment and Wages

207. [redacted]

208. The following table shows the total number of employees at PW, which includes employees from its galvanised wire part of the business.

Table 4.15: Employment (Total Pacific Wire) (YE June)

	1998	1999	2000	2001	YTD 30 Oct 2001
Total number of employees	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
% change from previous year	NA	[redacted]	[redacted]	[redacted]	
Number of shifts worked	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Number of hours worked	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
% change in hours worked	NA	[redacted]	[redacted]	[redacted]	
Hours per employee	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

209. The total number of employees increased in YE June 1999 and 2000 by [redacted] and [redacted] respectively. The number of hours worked also increased. The number of staff employed by PW decreased by [redacted] in YE June 2001 with a corresponding decrease in the total number of hours worked.

210. [redacted]

Growth

211. PW made no substantive submission on the effects of the allegedly dumped South African galvanised wire, however, PW has submitted financial details on its profits, which have declined [redacted] (see paragraph 182). It is

reasonable to assume that, with the decline of PW's profits, its ability to grow would be constrained.

Ability to Raise Capital

212. PW, in its application, did not make any specific comments on its ability to raise capital as a result of the allegedly dumped South African imports. However, it did make a submission on its profitability and cashflow. PW's galvanised business is [redacted]. It is reasonable to assume that this would constrain its ability to raise capital.

Investments

213. PW did not make any specific statements on the possible impact of the allegedly dumped imports on its investments. PW's ability to make future investments would depend on its ability to make profit on its galvanised wire. PW has submitted that its profits have [redacted] declined over the years due to the allegedly dumped imports. It is reasonable to assume that the reduction in profits would limit PW's ability to make future investments in the galvanised wire business.

4.4 Other Causes of Injury

214. 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

215. PW did not state in its application what the effects are on its galvanised wire business from normal competition, in particular exports from Australia.

216. The market share table shows that imports from other countries increased significantly from 1999 to 2000 and from 2000 to 2001. Imports of galvanised wire from countries other than South Africa increased by 433 tonnes between the period

YE June 1999 and 2001. During the same period, imports from South Africa declined by 44 percent or 397 tonnes.

217. When YE June 2001 is compared to the 9 months ending March 2002, imports from other countries increased by approximately 500 tonnes and imports from South Africa increased by 270 tonnes.

218. PW claims that it has been suffering injury since 1999 but the injury only recently became material. The evidence indicates that imports from South Africa may have caused some of this material injury but any investigation would have to consider the extent to which significant increases in imports from countries other than South Africa may have contributed to the material injury claimed by PW.

Demand or Consumption Change

219. PW has made no specific comments on demand or consumption changes, however, in its chronology of events PW has noted that the vineyard market has grown, which the importers are targeting directly with full 20 tonne container loads of galvanised wire.

Restrictive Trade Practices

220. PW made no comments on restrictive trade practices in its application and the Ministry is not aware of any restrictive trade practices relating to galvanised wire in New Zealand.

Developments in Technology

221. PW has made no comment on developments of new technology in the production of galvanised wire. The Ministry is not aware of any new developments in technology that have had an adverse impact on the New Zealand industry.

Export Performance

222. PW has stated that the material injury analysis has excluded PW's export business and therefore there is no evidence of PW's export business impacting on the domestic business.

Imports by the Industry

223. PW has made no comments on whether it imports galvanised wire from South Africa or any other country. The NZCS data does not indicate that PW imports galvanised wire from other countries.

4.5 Conclusions Relating to Injury

224. There is sufficient evidence that import volumes of the subject goods have increased in absolute terms and relative to production and consumption in New Zealand.

225. There is sufficient evidence that prices are being undercut, and that prices are being depressed. There is also sufficient evidence of price suppression.

226. There is sufficient evidence that there has been a consequent economic impact in the form of significant declines in profits, sales revenue, market share, productivity, return on assets, shareholders funds, operating cashflow and utilisation of production capacity.

227. There is no evidence of actual decline in the industry sales volume.

228. Due to lack of sufficient information, the Ministry is unable to form any firm conclusions on growth, ability to raise capital, investments, restrictive trade practices, developments in technology, and export performance of the industry.

229. Imports from other sources may have contributed to the injury suffered by PW.

5. Conclusions

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

a. galvanised wire from South Africa is being dumped; and

b. by reason thereof material injury to an industry is being caused.

6. Recommendations

231. 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 galvanised wire from South Africa 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