



Trade (Anti-dumping and Countervailing Duties) Act 1988

DUMPING INVESTIGATION

Aluminium-Zinc Coated Steel from Korea and Taiwan

Step 1 Essential Facts and Conclusions Report

MBIE/AD/I/2021/001

November 2021

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Abbreviations and Acronyms

This report contains the following abbreviations and acronyms:

Acronym	Meaning
Act, the	The Trade (Anti-dumping and Countervailing Duties) Act 1988
AD Agreement, the	The WTO Agreement on Implementation of Article VI of the GATT 1994
AM	Aluminium-magnesium (coated steel)
ASX	Australian Stock Exchange
AZ	Aluminium-zinc (coated steel)
CIF	Cost, Insurance, Freight
CFR	Cost and freight
Customs	New Zealand Customs Service
DSB	(WTO) Dispute Settlement Body
EBIT	Earnings Before Interest and Taxes
EXW	Ex-works
FCA	Free carrier
FIS	Free into store
FY	Financial year
GATT 1994	General Agreement on Tariffs and Trade 1994
HRC or HRB	Hot-rolled coil/band
IPP	International price parity
MBIE	Ministry of Business, Innovation and Employment
mm	Millimetre
MT	Metric ton (tonne)
NZ	New Zealand
NZD	New Zealand dollar
NZ Steel	New Zealand Steel Limited
POI(D)	Period of investigation (dumping)
POI(I)	Period of investigation (injury)
PPP	Purchasing-power-parity
ROI	Return on investment
SGA	Selling, general and administration (expenses)
Stats NZ	Statistics New Zealand
USD	United States dollar

VAT	Value added tax
VFD	Value for duty
WTO	World Trade Organisation
ZA	Zinc-aluminium (coated steel)
ZM	Zinc-magnesium (coated steel)

1. SUMMARY

1.1 Purpose

1. In accordance with section 10C(2) of the Trade (Anti-dumping and Countervailing Duties) Act 1988 (the Act), this report provides written advice to notified parties of the essential facts and conclusions that are likely to form the basis for a determination to be made by the Minister of Commerce and Consumer Affairs (the Minister) under section 10D(1). The purpose of this report is to allow interested parties an opportunity to make submissions on the matters set out in this report before the step 1 determination is made.
2. The step 1 determination to be made under section 10D(1) is whether, in relation to the imported goods, the goods are being dumped and material injury to an industry has been or is being caused or threatened as a consequence. This determination is to be made within 180 days of the start of the investigation, but not less than 30 days after this written advice provided under section 10C(2).
3. The essential facts and conclusions reached to this point in the investigation are that:
 - Imports of the subject goods from Korea are dumped, but imports from Taiwan are not dumped
 - The dumping of imports of the subject goods from Korea has had volume and price effects which have had a consequent impact on the New Zealand industry such that material injury to the industry can be attributed to the dumping
 - Any injury to the New Zealand industry arising from other factors has not been attributed to the dumping.
4. Interested parties are invited to provide comments on any of the matters covered in the Step 1 EFC Report. The deadline for comments is 15 November 2021. The comments received will be taken into account in finalising the recommendations to be made to the Minister on Step 1 of the investigation.

1.2 Proceedings

5. On 23 March 2021, the Ministry of Business, Innovation and Employment (MBIE) accepted a properly documented application from New Zealand Steel Limited (NZ Steel), alleging that aluminium-zinc coated steel from Korea¹ and Taiwan² is being dumped and by reason thereof causing material injury to the New Zealand industry.
6. The grounds for the application were that imports of aluminium-zinc coated steel from Korea and Taiwan are being dumped and injuring the New Zealand industry. NZ Steel requested that provisional anti-dumping duties should be imposed.
7. On 8 June 2020, the chief executive initiated an investigation pursuant to section 10A of the Act, being satisfied that for the purpose of initiation the industry had provided sufficient evidence to support its application. This included evidence which suggested that:

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

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

- Imports of aluminium-zinc coated steel from Korea and Taiwan are being dumped, and
 - Material injury to the New Zealand industry is being caused by dumped goods imported from Korea and Taiwan.
8. The investigation is being carried out according to the requirements of the Act and the World Trade Organization (WTO) Agreement on the Implementation of Article VI of GATT 1994 (AD Agreement), bearing in mind that section 1A of the Act describes its purpose as “to enable New Zealand to apply anti-dumping and countervailing duties in accordance with its obligations as a party to the WTO Agreement.” Where the Act is silent, or its interpretation and that of the AD Agreement requires context, WTO dispute settlement reports adopted by the Dispute Settlement Body (DSB) provide guidance.
 9. The 180-day investigation period for the completion of a Step 1 investigation will conclude on 5 December 2021, by which time the Minister must make determinations under section 10D of the Act.
 10. If the Minister makes an affirmative determination that the goods are being dumped and material injury to an industry is being caused because of the dumping, the Minister must determine the rate or amount of anti-dumping duty that will form the basis for investigation Step 2, and direct the chief executive of MBIE to immediately start investigation Step 2 into whether imposing an anti-dumping duty at the rate or amount determined is in the public interest. The Step 2 investigation must be completed within 90 days. The full investigation covering both Step 1 and Step 2 has a target completion date of 25 March 2022.
 11. If the Minister makes a negative determination at the end of investigation Step 1, then the investigation must be terminated under section 11 of the Act.
 12. Determinations may be made in respect to some or all of the goods under investigation.

1.3 Treatment of Information

Information Considered

13. Section 10C(3) of the Act requires that the chief executive should give interested parties a reasonable opportunity to present, in writing, all evidence relevant to the investigation and, on justification being shown, to present that evidence orally.
14. Article 6.1 of the AD Agreement provides that all interested parties in an investigation shall be given notice of the information which the authorities require and ample opportunity to present in writing all evidence which they consider relevant in respect of the investigation in question. Articles 6.1.1 to 6.1.3 set out matters relating to the use of questionnaires, while Article 6.2 provides that throughout the investigation all interested parties shall have full opportunity for the defence of their interests.
15. Article 6.6 provides that except in circumstances provided for in paragraph 8 (refusal to cooperate), the authorities shall during the course of an investigation satisfy themselves as to the accuracy of the information supplied by interested parties upon which their findings are based.
16. Article 6.14 provides that the procedures set out in Article 6 are not intended to prevent the authorities from proceeding expeditiously with regard to initiating an investigation,

reaching preliminary or final determinations, whether affirmative or negative, or from applying provisional or final measures.

17. In an investigation MBIE seeks and obtains information directly relevant to the proceeding, and satisfies itself as to the accuracy of the information provided. Such information includes questionnaire responses and other information from interested parties; the application and submissions from the New Zealand industry; import entry data from the New Zealand Customs Service (Customs), and statistical data from Statistics New Zealand (Stats NZ) and other sources; and other relevant data such as exchange rates, interest rates and prices. MBIE can use verification visits, remote verification and desktop verification to review the information available and to assess its reliability. Interested parties can make submissions at any time during the investigation, including in response to interim reports or to information provided by other parties.

Information Available

18. Section 6 of the Act provides as follows:

(1) Where the chief executive is satisfied that sufficient information has not been furnished or is not available to enable the export price of goods to be ascertained under section 4, or the normal value of the goods to be ascertained under section 5, the normal value or export price, as the case may be, shall be such amount as is determined by the chief executive having regard to all available information.

(2) For the purposes of subsection (1) the chief executive may disregard any information that the chief executive considers to be unreliable.

19. Article 6.8 of the AD Agreement provides as follows:

In cases in which any interested party refuses access to, or otherwise does not provide necessary information within a reasonable period or significantly impedes the investigation, preliminary and final determinations, affirmative or negative, may be made on the basis of the facts available. The Provisions of Annex II shall be observed in the application of this paragraph.

20. Annex II to the AD Agreement sets out procedures to be followed regarding the request for and provision of information from interested parties. Paragraph 7 of Annex II provides:

If the authorities have to base their findings, including those with respect to normal value, on information from a secondary source, including the information supplied in the application for the initiation of the investigation, they should do so with special circumspection. In such cases, the authorities should, where practicable, check the information from other independent sources at their disposal, such as published price lists, official import statistics and customs returns, and from the information obtained from other interested parties during the investigation. It is clear, however, that if an interested party does not cooperate and thus relevant information is being withheld from the authorities, this situation could lead to a result which is less favourable to the party than if the party did cooperate.

21. Information relating to those parties who have not provided information is based on the available information. MBIE notes that only one of the three foreign manufacturers provided information for this investigation. Information available has been used where reasonable and appropriate as detailed below in this report.

Protection of Information

22. Section 3F(1) of the Act provides that an interested party may ask the chief executive to provide copies of information relevant to trade remedy proceedings, but under section 3F(2) this provision does not apply to confidential information, or information that would be likely to be withheld if it was requested under the Official Information Act 1982. MBIE has made available all non-confidential information through the public file for this investigation. Any interested party has been able to request both a list of the documents on this file and copies of the documents on it.
23. Confidential information is defined in section 3F(5) of the Act:
- In this section, confidential information means information about which the submitter of the information has shown a good reason for the chief executive to believe 1 or more of the following:*
- (a) that making the information available would give a significant competitive advantage to a competitor of the submitter of confidential information:*
- (b) that making the information available would have a significantly adverse effect on—*
- (i) the submitter of confidential information; or*
- (ii) the person from whom the information was acquired by the submitter of the information; or*
- (iii) any person to whom the information relates:*
- (c) that the information should be treated as confidential for reasons other than the reasons described in paragraphs (a) and (b).*
24. In seeking information from interested parties, MBIE points out that where a party requests that information be treated as confidential it should provide a non-confidential version, or a non-confidential summary of the information, or if the information is not susceptible to summarisation, an explanation of the reasons why not, and provide justification for the information being treated as confidential. MBIE points out to parties that section 3F of the Act allows the chief executive to disregard any information for which a satisfactory non-confidential version (or summary or satisfactory statement of why such a summary cannot be given) is not provided.
25. In this Step 1 EFC Report, detailed information relating to the calculation of the dumping margins has not been included but has been summarised, because it is considered to be confidential for the reasons set out in section 3F(5) of the Act, or because it is other information that would be likely to be withheld if it were requested under the Official Information Act 1982. In particular, MBIE has reviewed requests for information to be treated as confidential, and is satisfied that documentation relating to transactions, such as invoices; information relating to costs and prices; information relating to commercial relationships; and non-public financial information; will generally come within the meaning of confidential information. Much of this information is not susceptible of summarisation except in broad descriptive terms, but to the extent possible MBIE has required parties submitting confidential information to provide non-confidential summaries.
26. Information relating to the domestic industry and the analysis of injury is considered to be confidential, and in this Step 1 EFC Report the analysis is presented as a summary of information, with tables and charts used to assist in the summarisation of the material. The domestic industry's application and the verification report reflecting the remote

verification process conducted with the applicant include non-confidential summaries of the information provided.

Verification of information

27. Article 6.6. of the AD Agreement provides “Except in the circumstances provided for in paragraph 8, the authorities shall during the course of an investigation satisfy themselves as to the accuracy of the information supplied by interested parties upon which their findings are based.”
28. On-site verifications are neither the only nor the prescribed method of verifying information under the Act or the Agreement. Article 6.7 of the AD Agreement provides for on-site visits as an option for the investigating authority to fulfil its obligation under Article 6.6 to “satisfy itself as to the accuracy of the information supplied by interested parties on which findings are based,”³ but there are a number of ways of proceeding with verification.⁴
29. Due to the COVID-19 pandemic, MBIE was unable to visit NZ Steel to verify the information it provided, so a remote verification session was held. In addition to remote verification, MBIE also used desktop verification as a method of verifying the information provided by NZ Steel. A non-confidential version of the verification report is available on the public file.
30. The COVID-19 public health crisis also meant that MBIE officials were unable to travel to the premises of the Korean and Taiwanese producers. MBIE has therefore carried out desktop verifications of information. A desktop verification involves considering the information provided for consistency and accuracy, checking the information against other available information, and requesting further information or explanation where necessary.
31. A verification report was prepared on the desktop verification carried out for the cooperating foreign producer, and a non-confidential version of this report is available on the public file.

1.4 Report Details

32. In this report, unless otherwise stated, years are calendar years ending 31 December and dollar values are New Zealand dollars (NZD). Information provided by NZ Steel in its application and in the verification process also included data relating to years ending in September (SY) and to financial years ending June (FY). In tables, column totals may differ from individual figures because of rounding.
33. The period of investigation for dumping (POI(D)) is the year ended 31 December 2020, while the investigation of injury (POI(I)) involves evaluation of data for the period from January 2016 to December 2020. The POI(D) and the POI(I) are different time periods because of the nature of the information collected and conclusions which need to be reached in respect of this information over each period.
34. All volumes are expressed on a metric ton (MT, t or tonne) basis unless otherwise stated. Exports to New Zealand were mainly invoiced in United States dollars (USD), although a variety of currencies were used. The exchange rates used are those relating to specific

³ WT/DS189/R, Panel Report, *Argentina – Ceramic Tiles*, Footnote 65.

⁴ WT/DS99/R, Panel Report, *US – DRAMS*, paragraph 6.78.

transactions, where available, or the Customs exchange rates or the rate that MBIE considers most appropriate in the circumstances, as indicated in the text.

1.5 Submissions on the EFC Report

35. Interested parties are invited to make written submissions to MBIE on this Step 1 EFC Report. The submissions received will be taken into account in the Step 1 Final Report. The deadline for submissions is **15 November 2021**.

2. Subject Goods, Like Goods and Interested Parties

2.1 Subject Goods

36. The subject goods are described as:

Flat rolled iron and steel products (whether or not containing alloys), plated or coated with principally aluminium-zinc alloys (but the plating or coating may contain other alloys), not painted, and whether or not including resin coating or other surface treatment.

37. MBIE has satisfied itself that, on the basis of its understanding of the coverage of the subject goods as set out above, this existing description is sufficient for the purposes of this investigation. In particular, MBIE considers that the description EXCLUDES:

- Goods for which there is no aluminium in the coating
- Goods for which there is no zinc in the coating (e.g. aluminised steel)
- Goods with coatings where zinc is the predominant or only element, whether or not aluminium is included, and whether electrolytically coated or hot dipped
- Goods for which there is no coating at all
- Goods of a thickness of 2mm or more.

38. MBIE reached this conclusion on the basis of its analysis of the application and other relevant information. An Issues Paper was provided to interested parties seeking comments on the proper description of the subject goods. Following consideration of responses to the Issues Paper, MBIE issued a *Note for File: Subject Goods and Like Goods*, which outlined the basis for reaching the conclusion on the description of the subject goods noted above. The Australian Anti-Dumping Commission (AADC) has reached a similar conclusion in its current investigation involving aluminium-zinc coated steel.

39. NZ Steel lodged a submission challenging MBIE's conclusions on the description of the subject goods, and requesting that MBIE reconsider its position. In particular, NZ Steel considered that the exclusion of goods containing magnesium was not reasonable, that the excluded goods compete with goods produced by NZ Steel, that MBIE did not take account of relevant information, and that the decision on subject goods will lead to a perverse outcome and is therefore not reasonable.

40. MBIE is satisfied that the considerations outlined in the *Note for File* addressed the matters raised by NZ Steel and that, particularly in light of the AADC decision, the description of the subject goods as goods not including goods containing magnesium was reasonable. MBIE carefully considered the matters that were relevant to the description of the subject goods and the determination of whether the New Zealand industry produces like goods to the subject goods.

41. On the basis that the subject goods refer only to aluminium-zinc (AZ) coated steel, the issue of likeness of NZ Steel's AZ coated steel to other coatings, such as zinc-aluminium (ZA) or aluminium-magnesium (AM) or zinc-magnesium (ZM), is not relevant. MBIE is satisfied that NZ Steel's AZ coated steel is like the subject goods in all respects, in terms of part (a) of the definition of "like goods" in section 3(1) of the Act. In the Australian case, since there is no domestic production of AZ coated steel, the AADC went on to consider whether Australian-produced AM steel was like the AZ subject goods and concluded that it

was. However, this is not a decision that MBIE was required to make, nor was it a decision open to MBIE, since AM coated steel is not produced in New Zealand.⁵

42. MBIE notes that in the *Statement of Essential Facts Report* released on 22 September,⁶ the AADC discussed in some detail the submissions it had received on the description of the subject goods (which, along with supporting information, was very similar to that included in the NZ Steel application). The AADC noted that the goods description proposed by the applicant in that case referred to aluminium-zinc alloys, that the practice in the relevant Australian Standard was to refer to the metallic element having the highest proportion in an alloy appearing first (thus AZ), and was of the view that the good description was in reference to coating type AZ and not any other alloy. The AADC found that any coating type not prefixed with AZ is not the goods subject to investigation. This is the same conclusion as MBIE reached in the current investigation, and for the same reasons.

Tariff Classification

43. As indicated in the Gazette notice initiating the investigation, the tariff classification is provided for convenience and Customs' purposes only, the written description being dispositive.
44. Customs has advised that the subject goods are currently subject to the classifications in the New Zealand Customs Tariff set out in Figure 1 (greyed lines are not covered by the subject goods description). Note that some statistical keys include goods that are outside the subject goods description.
45. MBIE notes that the relevant tariff headings are 7210.61, which covers flat-rolled products of non-alloy steel plated or coated with aluminium-zinc alloys, and 7225.90 and 7226.90 which cover flat-rolled products of other alloy steel, and potentially of coatings of aluminium-zinc alloys.
46. The duty rates applicable to Korea are Free under the NZ-Korea Free Trade Agreement, and to Taiwan are Free under ANZTEC (Agreement between NZ and Taiwan on Economic Cooperation).

Figure 1: Tariff Classification⁷

Tariff item	Stat Key	Unit	Description	Duty %	Pref.
			II IRON AND NON-ALLOY STEEL		
72.10			Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated:		
			– Plated or coated with tin		
			– Plated or coated with lead, including terne-plate		
			– Electrolytically plated or coated with zinc		
			– Otherwise plated or coated with zinc		
			– – Corrugated		

⁵ MBIE notes that NZ Steel made submissions that its New Zealand production facility has the demonstrated ability to produce AM coated steel, but it does not currently do so.

⁶ The AADC is currently carrying out an investigation (investigation 558) into alleged dumping of aluminium-zinc coated steel in Australia on application from NZ Steel's parent company Blue Scope Steel Limited.

⁷ Extract from the NZ Customs Working Tariff Document, Section XV: Base metals and articles of base metals <https://www.customs.govt.nz/globalassets/documents/tariff-documents/working-tariff-document-2018/section-xv-1-july-2019.pdf>

			– Plated or coated with chromium oxides or with chromium and chromium oxides		
7210.61			– Plated or coated with aluminium:		
7210.61.10			-- Containing, in the plating or coating, not less than 95 % aluminium by weight	Free	Free
			. . . . Worked		
			. . . . . Exceeding 4.75 mm in thickness		
	09E	kg	. . . . . Other		
			. . . . . Other		
			. . . . . Coiled		
			. . . . . 3 mm or more in thickness		
	19B	kg	. . . . . Other		
			. . . . . Other		
			. . . . . Exceeding 4.75 mm in thickness		
			. . . . . Exceeding 3 mm but not exceeding 4.75 mm in thickness		
	39G	kg	. . . . . Other		
			---- Other		
			---- Worked		
			---- Other		
7210.61.20			---- Worked	Free	Free
			. . . . . Exceeding 4.75 mm in thickness		
	09L	kg	. . . . . Other		
7210.61.30			----- Coiled	Free	Free
			. . . . . 1.9 mm or more in thickness:		Free
	09F	kg	. . . . . Other:		*See Below
			----- Other		CPT 2
			. . . . . Exceeding 4.75 mm in thickness		1/2021 1
			. . . . . Exceeding 3 mm but not exceeding 4.75 mm in thickness		1/2022 Free
7210.61.90			----- Other	Free	Free
			. . . . . Exceeding 4.75 mm in thickness		*See Below
			. . . . . Exceeding 3 mm but not exceeding 4.75 mm in thickness		CPT 2
	19F	kg	. . . . . Other		1/2021 1
					1/2022 Free
7212			Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, plated or coated		
			– Plated or coated with tin		
			– Electrolytically plated or coated with zinc		
			– Painted, varnished or coated with plastics		
7212.50			– Otherwise plated or coated		
			-- Not exceeding 500 mm in width		
7212.50.01	00L	kg	--- Worked	5	Free
					*See Below
					CA Free
7212.50.09			--- Other		
			. . . . Coiled	Free	Free
	10J	kg	. . . . . Of a thickness not exceeding 0.4 mm		
	13C	kg	. . . . . Of a thickness of 0.4 mm or more but less than 0.5 mm		
	15K	kg	. . . . . Of a thickness of 0.5 mm or more but less than 0.7 mm		

	17F	kg	. . . . . Of a thickness of 0.7 mm or more but less than 1.0 mm		
	19B	kg	. . . . . Of a thickness of 1.0 mm or more but less than 1.6 mm		
	21D	kg	. . . . . Of a thickness of 1.6 mm or more but less than 1.9 mm		
	23L	kg	. . . . . Of a thickness of 1.9 mm or more but less than 3.0 mm		
	25G	kg	. . . . . Of a thickness of 3.0 mm or more but less than 4.75 mm		
	29K	kg	. . . . . Of a thickness of 4.75 mm or more		
	39G	kg	. . . . Other		
7212.50.18			-- Other	Free	Free
	01J	kg	. . . Coiled		
			. . . Other		
			. . . . . Exceeding 4.75 mm in thickness		
	19A	kg	. . . . . Other		
			- Clad		
			III STAINLESS STEEL		
			IV OTHER ALLOY STEEL; HOLLOW DRILL BARS AND RODS, OF ALLOY OR NON-ALLOY STEEL		
7225			Flat-rolled products of other alloy steel, of a width of 600 mm or more		
			- Of silicon-electric steel		
7225.30			- Other, not further worked than hot-rolled, in coils		
			-- Of high speed steel		
7225.30.19	00A	kg	-- Other	Free	Free
7225.40			- Other, not further worked than hot-rolled, not in coils		
			-- Of high speed steel		
7225.40.19			-- Other	Free	Free
			. . . Exceeding 4.75 mm in thickness		
	19F	kg	. . . Other		
7225.50			- Other, not further worked than cold-rolled (cold-reduced)		
			-- Of high speed steel		
7225.50.19			-- Other	Free	Free
	10F	kg	. . . Coiled		
	19K	kg	. . . Other		
			- Other		
			-- Electrolytically plated or coated with zinc		
			-- Otherwise coated or plated with zinc		
7225.99			-- Other		
			--- Galvanised		
7225.99.90			--- Other	Free	Free
			. . . . . Of high speed steel		
			. . . . . Other		
			. . . . . Worked		
			. . . . . Exceeding 4.75 mm in thickness		
	25F	kg	. . . . . Other		
			. . . . . Other		
	27B	kg	. . . . . Coiled		
			. . . . . Exceeding 4.75 mm in thickness		
	39F	kg	. . . . . Other		
7226			Flat-rolled products of other alloy steel, of a width of less than 600 mm		
			- Of silicon-electric steel		

			– Of high-speed steel		
			– Other		
			-- Not further worked than hot-rolled		
			-- Not further worked than cold-rolled (cold-reduced)		
7226.99			-- Other		
7226.99.01			--- Galvanised or worked	5	Free *See below CA Free LDC 4
			. . . . Electrolytically plated or coated with zinc		
			. . . . Otherwise coated or plated with zinc		
			. . . . Other		
			. . . . . Over 500 mm in width, of a thickness exceeding 4.75 mm		
	29D	kg	. . . . . Other		
7226.99.18			--- Other	Free	Free
			. . . . Electrolytically plated or coated with zinc		
			. . . . Otherwise coated or plated with zinc		
			. . . . Other		
	31F	kg	. . . . . Coiled		
			. . . . . Other		
			. . . . . Over 500 mm in width, of a thickness exceeding 4.75 mm		
	39A	kg	. . . . . Other		
*Unless otherwise indicated, AAN, AU, CN, CPT, HK, KR, LLDC, MY, Pac, SG, TH, TPA and TW rates in the Preferential Tariff are Free					

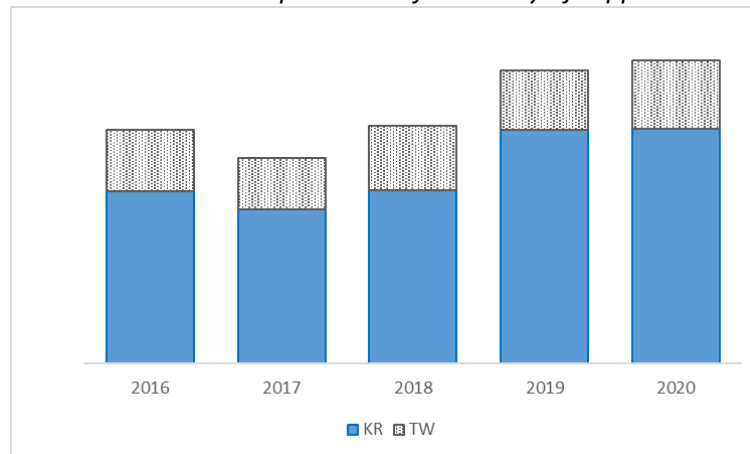
Imports of Subject Goods

47. In its application, NZ Steel used trade data from ISSB⁸ because data from Statistics New Zealand (Stats NZ) was affected by confidentiality requirements for some tariff items and statistical keys.
48. Stats NZ operates the International Merchandise Trade Statistics confidentiality policy, which sets out the policy for preventing disclosure of confidential information in published international trade statistics. Detailed international trade statistics are normally published without prior checking for disclosure. If an exporter and/or importer requests suppression, aggregated data that identifies individual trade transactions can, at the discretion of the Government Statistician, be suppressed in future publicly available tables. When such a request is received, Stats NZ will verify the alleged identification risk. If Stats NZ concludes that a risk of identification exists, either directly or by deduction, then it will amalgamate the relevant items with other trade transactions to prevent disclosure. MBIE has established that for imports of the subject goods in 2020, only one tariff item and statistical key was subject to suppression.
49. MBIE obtained data from Customs for 2016-2020, including details of the goods subject to suppression orders, for the tariff items and statistical keys for the subject goods, goods covered by tariff items and statistical keys identified in NZ Steel's application as potentially covering the subject goods, and tariff items and statistical keys for a wider range of flat-rolled steel products. The extended data analysis addressed NZ Steel's concerns regarding potential tariff misclassification, which in the event was justified to some extent.

⁸ ISSB (International Steel Statistics Bureau) is a supplier of global trade data for steel and raw materials.

50. MBIE has clarified the Customs data with importers and for 2020 has been able to correct misclassifications and has excluded goods which are outside the subject goods description. This is the data used as “Customs data” in this report, unless otherwise noted. On the basis of this data for 2020 and data relating to imports of the items listed in Figure 1, MBIE has estimated the levels of imports for 2016-2019, with the outcome summarised in Figure 2. The total levels of imports are less than those identified by NZ Steel in its application because the application data included a much wider range of goods than the subject goods.

Figure 2: Imports of Subject Goods, tonnes
 [Axis values redacted to protect confidentiality of suppressed data]



2.2 Like Goods

51. In order to establish the existence and extent of the New Zealand industry for the purposes of an investigation into injury, and having identified the subject goods, it is necessary to determine whether there are New Zealand producers of goods which are like those goods in all respects or have characteristics which closely resemble the subject goods.
52. Section 3(1) of the Act defines like goods, in relation to any goods, as:
- Other goods that are like those goods in all respects; or
 - In the absence of goods referred to in paragraph (a), goods which have characteristics closely resembling those goods.
53. The scope of the subject goods is defined in section 2.1 above.
54. NZ Steel considers that the aluminium-zinc coated steel goods that it produces are “like goods” to the subject goods, as required under section 3(1) of the Act, and provided information in support of its claim in respect to method of manufacture, physical characteristics, commercial competition, functional end use, and marketing and distribution channels.
55. In addition to the identification of the New Zealand industry, the definition of like goods is also relevant to the identification of like goods to the subject goods in domestic sales in the country of export for the purposes of comparing export prices and normal values.

MBIE Consideration

56. To determine whether the goods produced in New Zealand are like goods to the subject goods, MBIE normally considers physical characteristics, production methods and technology, function and usage, marketing and distribution, substitutability and

commercial interchangeability, and any other relevant considerations, with no one of these factors being necessarily determinative.

57. MBIE is satisfied that the aluminium-zinc coated steel produced by NZ Steel is like the subject goods in all relevant respects. That being the case, MBIE is not required to consider whether the New Zealand industry produces other goods that closely resemble the subject goods.

2.3 Interested Parties

Legal Requirements

58. Section 3(1) of the Act identifies the parties who are to be given notice under section 3E of the Act, including:

- the Government of the country of export
- exporters and importers known by the chief executive to have an interest in the goods
- the applicant in relation to the goods

59. Article 6.11 of the AD Agreement provides:

For the purposes of this Agreement, "interested parties" shall include:

- (i) an exporter or foreign producer or the importer of a product subject to investigation, or a trade or business association a majority of the members of which are producers, exporters or importers of such product;*
- (ii) the government of the exporting Member; and*
- (iii) a producer of the like product in the importing Member or a trade and business association a majority of the members of which produce the like product in the territory of the importing Member.*

This list shall not preclude Members from allowing domestic or foreign parties other than those mentioned above to be included as interested parties.

60. Notice of initiation of the investigation was provided to the parties listed in section 3(1) of the Act.

New Zealand Industry

61. Section 3A of the Act sets out the 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.*

62. MBIE is satisfied that NZ Steel is the only New Zealand producer of aluminium-zinc coated steel, and is the New Zealand industry for the purposes of the investigation.

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

64. NZ Steel lodged the application for the initiation of the investigation, responded to MBIE's Request for Information (RFI) seeking additional information, and participated in a virtual

verification exercise on 16 September 2021 which sought to confirm and clarify the information provided. NZ Steel also made a number of submissions in relation to matters arising during the investigation. This Step 1 EFC Report has taken account of those submissions as relevant and appropriate.

65. NZ Steel's submissions were as follows:

- 11 June 2021, regarding administrative matters for the investigation and the availability of information, to which MBIE responded on 29 June 2021
- 5 July 2021, responding to MBIE's 29 June 2020 response, to which MBIE responded on 14 July 2020
- 8 July 2021 regarding the availability of information, to which MBIE responded on 14 July 2021
- 21 July 2021, providing NZ Steel's response to MBIE's Issues Paper on subject goods and like goods
- 30 July 2021, covering matters raised in Public File documents and on Subject and Like Goods
- 1 September 2021, responding to certain matters in particular Public File documents
- 20 September 2021, responding to MBIE's "Note for File: Subject Goods and Like Goods."
- 15 October 2021, addressing matters relating to the Provisional Measures Memo, the Dongkuk Verification Report, and other matters.

Foreign Producers

66. Korean and Taiwanese manufacturers supplying aluminium-zinc coated steel to New Zealand were identified from Customs data and questionnaire responses provided by importers. In addition to the foreign producers identified below, there was one shipment from another Korean producer representing less than 1% of imports of the subject goods which has not been investigated further.

67. The foreign producers investigated were:

- **Korea:** Dongkuk Steel Mill Co, Seoul, Korea (Dongkuk)
- **Korea:** KG Dongbu Steel Co Ltd (Dongbu)
- **Taiwan:** Yieh Corporation, Kaohsiung, Taiwan (Yieh Corp)

68. Foreign Manufacturer Questionnaires were sent to the companies listed above. A full and detailed response was received from Dongkuk, which also provided full and detailed responses to MBIE's requests for clarification and additional information. KG Dongbu and Yieh Corporation did not provide responses to the Foreign Manufacturer Questionnaire, and are considered to be non-cooperative.

Importers

69. New Zealand-based importers were identified from Customs data, and invited to supply information which would identify suppliers in Korea and Taiwan and information which would assist in identifying imports of subject goods.

70. Questionnaires were sent to importers of goods from the identified producers in order to obtain and confirm information relating to import shipments, and information on the operation of the New Zealand market for the subject goods. The importers concerned were:

- Conqueror New Zealand Ltd (Conqueror NZ), construction material wholesaler.
 - Dan Cosgrove (2014) Ltd (Dan Cosgrove), silo manufacturer.
 - Fletcher Steel Ltd (Fletcher Steel), steel distributor (Easysteel) and manufacturer of roofing and cladding (Pacific Coilcoaters).
 - Kiwi Steel NZ Ltd (Kiwi Steel), steel distributor.
 - R C Macdonald Ltd (RC Macdonald), steel distributor
 - Riverlea Group Ltd (Riverlea Group), manufacturer and importer of garden sheds and outdoor products.
 - Rooftg Pacific Ltd (Rooftg), roofing manufacturer.
 - Ross Roof Group (Ross Roof), roofing manufacturer.
 - Storetech Industries Ltd (Storetech), manufacturer of garden sheds and fencing.
 - Tiger Steel NZ Ltd (Tiger Steel), steel distributor.
71. Importer Questionnaire responses were not provided (Dan Cosgrove) or were not required (Conqueror NZ – imports found to be not subject goods), while Ross Roof provided only limited information. Questionnaire responses were received from the other importers.

Intermediary Traders

72. Most of the transactions involving the export of the subject goods from Korea to New Zealand involved intermediary traders, located in Korea, Australia and New Zealand. Intermediary traders were asked to complete Exporter Questionnaires, and responses were received from Moriah Co Ltd (Moriah), Gilseng Trading Co Ltd (Gilseng), and Seyang International (Seyang). Completed questionnaires were not received from Marubeni Itoshu Steel Oceania Pty Ltd or ST International.

Other Interested Parties

73. The relevant authorities of Korea and Taiwan are interested parties.
74. No other interested parties have come forward or have been identified.

3. Dumping Investigation

3.1 Dumping

75. Section 3(1) of the Act includes the following definitions:

***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.*

76. The dumping investigation determines export prices and normal values in accordance with the provisions of the Act and the AD Agreement, and makes a proper comparison between them in order to establish whether and to what extent any dumping is occurring.

77. Export prices are determined in accordance with section 4 of the Act and normal values in accordance with section 5. Where sufficient information is not available or is not provided, export prices and normal values can be determined under section 6 of the Act.

3.2 Basis for Investigation of Dumping

78. The objective of the investigation is to establish if there is dumping, i.e. whether the export price of the goods is less than the normal value when a fair comparison is made.

Information available

79. The information available to MBIE in investigating the dumping of aluminium-zinc from Korea and Taiwan includes:

- information contained in NZ Steel's application
- information from importers and intermediary traders
- information from foreign manufacturers
- information from NZ Customs
- information arising from MBIE's independent research.

80. MBIE sent Foreign Manufacturer Questionnaires to all of the identified manufacturers. A detailed response was received only from the Korean manufacturer, Dongkuk, permitting the establishment of export prices and normal values on the basis of information relating to sales by Dongkuk. KG Dongbu, the other Korean manufacturer, and Yieh Corp, the supplier from Taiwan, did not cooperate, so export prices and normal values have been established on the basis of the information available.

81. Importer Questionnaires were sent to the importers of aluminium-zinc coated steel from the identified manufacturers. Responses, including questionnaire responses and copies of invoices, were received from most importers. Similarly, Exporter Questionnaires were sent to intermediary traders with responses received from 3 of 5. This information was used to confirm information from Dongkuk regarding its export sales, and as information available for establishing export prices for KG Dongbu and Yieh Corp.

Basis for comparison of export price and normal value

82. The Act does not specify the approach to be taken in determining the type of comparison between export prices and normal values, but Article 2.4.2 of the AD Agreement provides that the existence of margin of dumping shall normally be established during the

investigation phase on the basis of a comparison of a weighted average normal value with a weighted average of prices of all comparable export transactions or by comparison of normal value and export prices on a transaction-to-transaction basis.

83. For the investigation of dumping of imports from both Korea and Taiwan, MBIE has determined that, in view of the number of transactions involved and the availability of information, the comparison between export prices and normal values should be undertaken on the basis of weighted average export prices and weighted average normal values.

3.3 Export Price

Legal Basis

84. Export prices are normally determined in accordance with section 4(1) of the Act, which deals with transactions where the goods imported into New Zealand have been purchased by the importer from the exporter. However, where the goods produced by the foreign manufacturer are sold through an unrelated intermediary trader so are not purchased by the importer from the foreign producer exporting them from Korea, nor are they sold on consignment, then in these circumstances, the export price is established under section 4(2) of the Act.
85. Section 4(2) of the Act provides that where there is no exporter's sale price or no price at which the importer, or a person not related to the importer, has purchased or agreed to purchase the goods, then the export price shall be determined in such manner as the chief executive considers appropriate, having regard to all the circumstances of the exportation.
86. MBIE has established that where sales of the subject goods to New Zealand importers have been made via unrelated intermediary traders, the export price should be determined under section 4(2) of the Act, having regard to all the circumstances of the exportation. In the case of subject goods sold to unrelated intermediaries (who are the suppliers to importers) this means that export prices should be determined on the basis of the information relating to the sale by the foreign manufacturer to the intermediary.
87. Section 6 of the Act provides that if sufficient information has not been furnished or is not available to enable the export price of goods to be ascertained under section 4, then the export price shall be such amount as is determined by the chief executive having regard to all available information. The chief executive may disregard any information considered to be unreliable.

Determination of Export Price

88. The export price is usually the price paid for the goods by the importer, less costs, charges and expenses incurred in preparing the goods for shipment that are additional to such costs incurred for sales for home consumption, and any other costs, charges and expenses resulting from the exportation of goods or arising after their shipment.
89. The starting point for MBIE is the documentation (usually invoices) for each shipment, which shows the price paid or payable for the goods by the purchaser. MBIE requested this information from foreign manufacturers, intermediary traders and importers in its questionnaires. It also requested documentation of other costs incurred in exportation of the goods. The base price, which is the starting point for the calculation of the export price, is the transaction price paid, whether by the importer or an intermediary.

90. Adjustments are then made to take the base price back to the ex-factory level and to ensure a fair comparison with the normal value. Adjustments to calculate an ex-factory price generally cover costs such as inland freight between the factory and the port, port charges and bank charges, overseas freight and insurance (depending on the terms of sale). Most fair comparison adjustments are made to the normal value, but those relating to differences in the cost of items such as credit and packaging are usually made to the full extent of the costs involved to both the export price and normal value.
91. In some cases where there is an intermediary company involved which acts as a facilitator of the sales and may ship the goods, adjustments are made for the intermediary's commission or margin, and any other costs associated with the trade to ensure an ex-factory equivalent is achieved.
92. MBIE normally seeks to compare the export price with the normal value at the ex-factory level, after appropriate allowances to ensure a fair comparison. The information available in this investigation has been reviewed to establish the basis for and extent of any adjustments that may be required.
93. In establishing export prices MBIE has considered adjustments for the following:
- Costs to bring values back to the ex-factory level
 - Additional costs of preparation for export (section 4(1)(a)(i) of the Act)
 - Other costs resulting from exportation (section 4(1)(a)(ii) of the Act)
94. Fair comparison adjustments are also dealt with in the discussion below on normal values (section 5(3) of the Act), but where it is sensible to do so, adjustments have been made to export prices.

3.3.1 Export Price – Dongkuk, Korea

95. MBIE has used information provided in the questionnaire responses from Dongkuk, importers and intermediary traders, including invoice information. As noted above, the prices are determined in accordance with section 4(2) of the Act because sales were not made directly from Dongkuk to New Zealand importers (but were shipped to them from Dongkuk).
96. Section 4(1) of the Act requires that the export price be based on the price paid by the importer, where it is an arm's length transaction. Section 3(2) of the Act sets out the basis for when a purchase or sale of goods shall not be treated as an arm's length transaction.
97. The base prices and adjustments were verified from information provided by Dongkuk which supported the relevant figures.

Base prices

98. Details of export shipments to New Zealand from Dongkuk were provided by the company in its questionnaire responses and in its replies to MBIE's requests for clarification and supplementary information, and confirmed from invoice information provided by importers and by intermediary traders, and from Customs data. From this information MBIE was able to identify sales of subject goods and the related pricing information.
99. MBIE has accepted that the prices set out in export invoices to the intermediary traders over the POI(D) are the base prices for the calculation of ex-factory prices for exports to New Zealand. The transaction details are for sales to the distributor level of trade for prime quality goods. Sales were arm's length transactions. Sales terms for exports to New

Zealand were made on the basis of cost and freight (CFR), ex-works (EXW) and free carrier (FCA) (with Busan as place of delivery).

Adjustments to base prices

Freight and insurance

100. Ocean freight was relevant in the case of sales made through one intermediary trader. The relevant costs have been deducted from the base price for these sales.

Inland transport

101. Inland transport was relevant in the case of sales made through two intermediary traders. The relevant costs have been deducted from the base price for these sales.

Handling, packing, loading and ancillary expenses

102. Handling and other expenses were relevant in the case of sales made through two of the intermediary traders. Adjustments covering handling charges, wharfage, port security fees and Customs broker fees, were deducted from the base price for these sales.

Other costs resulting from exportation

Bank charges

103. Dongkuk provided evidence of bank charges for foreign currency transactions, and the amounts have been deducted from the base price.

Other costs and charges

104. MBIE has reviewed the information provided by Dongkuk, intermediary traders and importers, and is satisfied that no adjustment needs to be made for any other costs or charges resulting from exportation.

Other adjustments

105. In addition to the adjustments provided for in section 4(1)(a) of the Act, a number of other adjustments can be made to export prices under section 5(3) of the Act in order to ensure a comparison at the ex-factory level.

Cost of credit

106. Generally, provision for credit costs will reflect the extent to which credit costs for export sales will be different from credit costs for domestic sales, often reflecting differing payment terms or payment periods. Provision can be made either by adjusting for the difference between credit costs for export versus domestic sales at the transaction level, or by adjusting for total credit costs for both forms of sale. In the current case, because of the way the information was presented by Dongkuk, the latter is the most appropriate way to address the differences. Accordingly, MBIE is satisfied that credit costs should be deducted from export transaction values to arrive at ex-factory prices.
107. Credit costs arise from the particular terms and conditions of sale relating to each transaction. Dongkuk and intermediary traders provided details of the payment terms applicable to each transaction, and this has been confirmed from MBIE's examination of invoices. Information on relevant interest rates was provided and has been used to establish amounts for credit costs for each transaction.

Taxation

108. There is no value-added-tax (VAT) on export sales and domestic sales have been assessed on the basis of VAT-exclusive prices, so no adjustment is required.

Packaging Costs

109. Generally, provision for export packing costs will reflect the extent to which any special packaging for export sales will be greater than packing costs for domestic sales. Provision can be made either by adjusting for the difference between packing costs for export versus domestic sales, or by adjusting for total packaging costs for both forms of sale. In the current case, and given the wide variety in sales volumes and product specifications, it is impractical to seek to identify the differences other than over the totality of sales, so MBIE accepts that the approach of deducting packing costs for all export sales and all domestic sales is the most appropriate way to address the differences.
110. Dongkuk provided evidence of packaging cost for export sales, and the amounts have been deducted from the base price.

Indirect Selling Expenses

111. Dongkuk claimed that an adjustment should be made in respect of the differences in indirect marketing costs, in order to take account of the fact that Dongkuk is not required to undertake the same level of selling activities for exports compared with domestic sales, and proposed a basis for making such adjustments.
112. MBIE generally considers that costs or expenses, such as indirect selling expenses, that relate more to the general cost of business and not to the prices of the transactions being examined, are not grounds for making an adjustment. However, if the connection to the sale is established and evidence is suitable, an adjustment may be allowed in certain circumstances. As discussed further below in this report in relation to normal value, MBIE does not consider that Dongkuk has provided information which would suggest that there is a relationship between the selling and marketing activity and the price paid which would justify any adjustment being made.

Calculation of export prices – Dongkuk, Korea

113. Taking the base prices, adjusted as described above, MBIE has established export prices for each of the product-level transactions of subject goods exported to New Zealand by Dongkuk during 2020. On the basis of these prices MBIE established a weighted average price for the subject goods exported in 2020.

3.3.2 Export Price – KG Dongbu, Korea

114. In the absence of information from KG Dongbu, in order to establish export prices MBIE has used information available from its investigation of Dongkuk, as well as information from importers and intermediary traders, including invoice information, and Customs data.

Base prices

115. MBIE obtained Customs data for 2020 for imports of the subject goods for the importers and intermediary traders identified as covering goods produced by KG Dongbu. In addition, MBIE has used invoice data from cooperating importers and intermediary traders to confirm product descriptions, quantities, terms of sale unit prices and costs of overseas freight and insurance. On the basis of this information, MBIE has been able to identify base prices at an FOB level for KG Dongbu.

Adjustments to base prices

116. The adjustments to the base price are aimed at achieving an equivalent to an EXW price for comparison with the normal value.

Commissions or margins

117. The Customs data and invoice information does not provide a basis for establishing the level of any margin, charge or commission for sales by unrelated intermediaries to the New Zealand importers. No information is available from KG Dongbu which would assist in assessing this amount.
118. MBIE has reviewed the information available, and considers that it would be appropriate to apply the margin found in relation to sales for which supporting information was available namely invoices from both the foreign manufacturer and the intermediary trader for reasonable volumes of trade. Such information was available in respect to sales by Dongkuk to an intermediary trader that was also involved in sales from KG Dongbu. The margin for those transactions has been applied in the case of sales by KG Dongbu.

Packaging Costs

119. As established from the investigation of Dongkuk, there are additional packaging costs associated with exports. The adjustment applies the additional export packaging costs identified for Dongkuk (but not to make any deduction for packaging costs in establishing normal value).

Inland transport

120. As established from the investigation of Dongkuk, there are inland transport costs associated with exports. The adjustment applies the actual costs identified from information provided by Dongkuk for inland transport between the area where KG Dongbu's factory is located and Busan port.

Handling, packing, loading and ancillary expenses

121. As established from the investigation of Dongkuk, there are handling and ancillary costs associated with exports. The adjustment applies the actual costs identified for Dongkuk.

Other costs resulting from exportation

122. MBIE is satisfied that no adjustment needs to be made for any other costs or charges resulting from exportation.

Other adjustments

123. In addition to the adjustments provided for in section 4(1)(a) of the Act, a number of other adjustments can be made to export prices under section 5(3) of the Act in order to ensure a comparison at the ex-factory level.

Cost of credit

124. Credit costs arise from the particular terms and conditions of sale relating to each transaction. MBIE has established from information provided by importers and intermediary traders which sales of KG Dongbu's goods are subject to credit terms, and the payment period involved. The interest rate used is that identified by Dongkuk in relation to foreign currency transactions. The resulting cost has provided the basis for the calculation of the deduction for credit costs.

Value Added Tax

125. There is no value-added-tax (VAT) on export sales and domestic sales have been assessed on the basis of VAT-exclusive prices, so no adjustment is required.

Calculation of export prices – KG Dongbu, Korea

126. Taking the base prices, adjusted as described above, MBIE has established export prices for each of the product-level transactions of subject goods exported to New Zealand by KG Dongbu during 2020. On the basis of these prices MBIE has established a weighted average price for the subject goods exported in 2020.

3.3.3 Export Price – Yieh Corp, Taiwan

127. In the absence of information from Yieh Corp, in order to establish export prices, as indicated below MBIE has used information available from Customs data, invoice information from the importer, as well as information from its investigation of Dongkuk and other information obtained from MBIE's research. This information relating to actual sales is considered to be more reliable than the estimates included in the application.
128. MBIE notes that in the absence of information from Yieh Corp, or from the associated company Yieh Phui Enterprise Co Ltd (Yieh Phui), and based on information from the Yieh Corp and Yieh Phui websites, including financial statements, MBIE is working on the assumption that Yieh Corporation has exported goods produced by Yieh Phui, and has therefore operated as a related intermediary trader.

Base prices

129. MBIE obtained Customs data for 2020 for imports of the subject goods imported from Yieh Corp. On the basis of this information, and invoice information from the importer, MBIE has been able to identify base prices at an FOB level for Yieh Corp.

Adjustments to base prices

130. The adjustments to the base price are aimed at achieving an equivalent to an EXW price for comparison with the normal value.
131. In the absence of information from Yieh Corp, the levels of the adjustments required to achieve an EXW equivalent are based on information available, which in this case is the information obtained from the investigation of Dongkuk. This information is considered to be more reliable than the information in the application relating to New Zealand, China and Indonesia as that information was from an investigation of a different product.
132. However, in recognition of the fact that Korea and Taiwan are different countries and are likely to have different cost structures, MBIE considered the extent to which the costs identified as applying to Korea need to be further adjusted to account for any relevant differences between Korea and Taiwan. One ratio to use to reflect such differences is that of per capita GDP based on purchasing-power-parity (PPP). Based on information from Knoema⁹ the 2020 per capita GDP based on PPP was USD44,621 for Korea and USD55,724 for Taiwan. This indicates a comparative ratio of 125% as the basis for an adjustment of Korean figures to provide Taiwanese figures. MBIE has applied this ratio, where relevant, in establishing the level of adjustments to be made.

Commission or margin

133. In considering whether any adjustment is appropriate, MBIE has noted that Yieh Phui and Yieh Corp, while related, appear to be different financial entities, and that Yieh Phui's

⁹ Knoema – a comprehensive source of global decision-making data, <https://knoema.com/>.

financial statement refers to sales made to Yieh Corp. In light of this, MBIE considers that it is reasonable to conclude there is a transaction involved, rather than the performance of a sales function within a single financial entity or group, and it would be appropriate to make provision for a margin between the value of the transaction between Yieh Phui and Yieh Corp and the transaction between Yieh Corporation and the New Zealand importer.

134. In the absence of information to the contrary, and without clarification of the role of Yieh Corp, MBIE considers that the information available for the appropriate reseller margin to use in the export price calculation is the level used in the KG Dongbu analysis for an unrelated intermediary in the sale of the subject goods from Korea via a trading intermediary.

Packaging costs

135. Invoice information confirms that standard export packing should apply. This suggests that the additional cost of export packaging should be provided for. MBIE considers it is reasonable to apply the Korean additional export packaging cost, adjusted as indicated above.

Inland freight

136. The freight distance for Yieh Corp/Yieh Phui appears to be reasonably similar to that of Dongkuk, so an adjustment level based on the Korean figure, adjusted as indicated above, is considered to be reasonable.

Handling, packing, loading and ancillary expenses

137. The charges incurred in Korea are actual costs and are likely to be similar to costs in Taiwan, so an adjustment level based on the Korean figure, adjusted as indicated above, is considered to be reasonable.

Other costs resulting from exportation

138. MBIE has reviewed the information available, and is satisfied that no adjustment needs to be made for any other costs or charges.

Other adjustments

139. In addition to the adjustments provided for in section 4(1)(a) of the Act, a number of other adjustments can be made to export prices under section 5(3) of the Act in order to ensure a comparison at the ex-factory level.

Cost of credit

140. MBIE has established that there are no credit terms applicable to imports of the subject goods from Taiwan.

Value Added Tax

141. There is no value-added-tax (VAT) on export sales and the normal value assessment is not based on domestic sales prices, so no adjustment is required.

Calculation of export prices – Yieh Corp, Taiwan

142. Taking the base prices, adjusted as described above, MBIE has established export prices for each of the product-level transactions of subject goods exported to New Zealand by Yieh Corp during 2020. On the basis of these prices MBIE has established a weighted average price for the subject goods exported in 2020.

3.4 Normal Value

143. Normal values are determined in accordance with section 5 of the Act. The normal value is usually the price at which the aluminium-zinc coated steel producers sell like goods in their domestic markets. The types of sales that can be used to determine normal values can generally be described as arm's length sales of like goods in the ordinary course of trade for home consumption in the country of export.
144. Footnote 2 to Article 2.2 of the AD Agreement provides that sales of the like product destined for consumption in the domestic market of the exporting country shall normally be considered a sufficient quantity for the determination of the normal value if such sales constitute 5 per cent or more of the sales of the product under consideration to the importing Member, provided that a lower ratio should be acceptable where the evidence demonstrates that domestic sales at such lower ratio are nonetheless of sufficient magnitude to provide for a proper comparison.
145. Section 5(6) of the Act provides that where sales of the like product in the domestic market of the exporting country or sales to a third country have been made for an extended period of time and in respect of a substantial quantity of like goods at prices below the cost of production plus administrative, selling and general costs they shall be deemed to be not in the ordinary course of trade. Article 2.2.1 of the AD Agreement provides that such sales may be disregarded in determining normal value only if the authorities determine that such sales are made within an extended period of time¹⁰ in substantial quantities¹¹ and are at prices which do not provide for the recovery of all costs within a reasonable period of time. If prices which are below per unit costs at the time of sale are above weighted average per unit costs for the period of investigation, such prices shall be considered to provide for recovery of costs within a reasonable period of time.
146. As provided in section 5(3) of the Act and Article 2.4 of the AD Agreement, export prices and normal values are to be compared at the same level of trade, normally at the ex-factory level, and in respect of sales made at as nearly as possible the same time. In making the comparison, due allowance is to be made, as appropriate, for differences which affect price comparability, including differences in conditions and terms of sale, taxation, levels of trade, quantities, physical characteristics, and any other differences which are also demonstrated to affect price comparability.

3.4.1 Normal Value – Dongkuk, Korea

Basis for Normal Values

147. For the purposes of this Step 1 EFC Report, MBIE has used information provided in the questionnaire response from Dongkuk and from importers and intermediary traders, including invoice information.

¹⁰ Normally one year but in no case less than six months.

¹¹ Not less than 20 per cent of the volume sold in transactions under consideration for the determination of the normal value.

Base Prices**Like goods**

148. Dongkuk provided details of all domestic sales of the subject goods during 2020. The information indicated that there are some variations in some attributes of the goods sold domestically compared with the subject goods exported to New Zealand, but in aggregate they provide a basis for a valid comparison between the weighted average export price and the weighted average normal value. The sales of comparable goods used in establishing the normal value are for prime quality goods, to match the export sales to New Zealand.

Sufficiency of volumes

149. On the basis of the information provided by Dongkuk, relevant domestic sales exceed export sales to New Zealand, so the volume of sales does not provide a basis for using alternative approaches to the comparison of export prices and normal values.

Ordinary course of trade*Arm's length transactions*

150. Section 3(2) of the Act sets out the basis for considering whether or not a purchase or sale of goods shall not be treated as an arm's length transaction, including whether the price is influenced by a relationship between the buyer and seller. Sections 3(4) and 3(5) of the Act set out the basis for deeming whether or not a person is related to another person.
151. MBIE has reviewed the information provided by Dongkuk regarding affiliated companies, and is satisfied that domestic sales by Dongkuk are not influenced by a relationship between the buyer and seller.

Sales at a loss

152. MBIE notes that a number of domestic sales were made at a loss. MBIE has analysed the sales data on the basis of information provided by Dongkuk regarding the cost to make and sell, and has established that with regard to the sales under consideration, the proportion by volume made at a loss was 5%, which is less than the proportion which would constitute substantial quantities under the AD Agreement and therefore provides that domestic market sales can be used to establish normal value.¹²

Sales Prices

153. Dongkuk provided detailed information on domestic sales transactions. MBIE has used this information to establish the base prices for calculating normal values on the basis of a weighted average of all transactions, and also as the basis for establishing normal values to be applied to non-cooperating producers.

Adjustments

154. Section 5(3) of the Act and Article 2.4 of the AD Agreement set out the areas where adjustments may be required to ensure a fair comparison between export prices and normal values, with due allowance being made in each case, on its merits, for differences which affect price comparability.

¹² See Footnote 2 to Article 2.2 of the AD Agreement.

Level of Trade

155. The information provided by Dongkuk covered domestic sales to both wholesalers and to end-users. MBIE has used domestic sales to wholesalers for the comparison with export prices, because export sales are to traders/distributors who on sell to end-users and for further distribution.

Sales at the same time

156. The comparison between export price and normal value is to cover sales made at as nearly as possible the same time.
157. The transaction data provided by Dongkuk identified the invoice dates for both export and domestic sales. MBIE has used the data to establish the month of exports for transactions for Dongkuk's sales. MBIE has reviewed the monthly pattern of both export and import sales demonstrated by the data, and is satisfied that, while recognising the significantly lower number of individual export transactions, the patterns of monthly sales for export and domestic sales are broadly similar.
158. MBIE's is satisfied that there is no need to make any particular adjustments or arrangements to ensure that prices are compared for sales at as nearly as possible the same time.

Terms and conditions of sale

159. Dongkuk provided information on its order processing procedure, general terms of sale, information on payment and credit terms, and delivery charges. Dongkuk advised that it did not provide any direct or indirect reimbursement to customers, or any consideration other than price. Dongkuk noted that it did not incur any additional sales expenses or after sales cost on the domestic market that it did not incur on export sales to New Zealand customers, and does not provide any direct or indirect reimbursement to customers.
160. MBIE is satisfied that no adjustments will be required for differences in terms and conditions of sale other than those it has identified in relation to credit terms and freight costs.

Cost of credit

161. MBIE has allowed an adjustment for credit costs for each transaction, based on the payment terms reported by Dongkuk, and the applicable interest rate confirmed by Dongkuk. The resulting amount is deducted from the base price.

Delivery terms

162. A deduction of inland transport costs is appropriate in calculating an ex-factory price for domestic sales.
163. Dongkuk noted that generally the domestic selling price covers delivery charges, and in most cases Dongkuk delivers the goods by truck to locations designated by domestic customers. MBIE has confirmed that for the comparable sales virtually all were made on a Delivered (FIS) basis, and an adjustment based on actual amounts paid for each transaction can be made.

Warranty expenses

164. Dongkuk described the process for dealing with warranty claims, and included the costs in the transaction-level information provided. MBIE has allowed an adjustment for warranty expenses.

Discounts and rebates

165. Dongkuk advised that there is no explicit on-invoice discounts for domestic market sales, but noted that there was an early payment discount, to promote early payment of invoices. The transaction level information provided by Dongkuk identified the early payment discount amounts for only those transactions where such discounts were granted. MBIE has made an adjustment for the amounts concerned.

Taxation

166. The transaction prices included provided by Dongkuk are exclusive of any VAT, so there is no requirement to make any adjustment for differences in taxation.

Quantities of sales

167. Dongkuk claimed that there should be an adjustment to reflect the apparent and substantial differences in the quantities involved in export shipments and domestic shipments. Dongkuk undertook an analysis of domestic sales data, which it claimed provided positive evidence to show that differences in quantities affect selling prices in a consistent manner and provided the basis for the level of the adjustment sought by Dongkuk.
168. MBIE agrees that generally it can be expected that prices for larger transaction volumes are likely to be lower, on a per unit basis, than for smaller volumes. The significance for the fair comparison of export prices and normal values is whether this factor is demonstrated to affect price comparability such that due allowance should be made for the difference.
169. MBIE undertook a similar analysis to Dongkuk's, but based it on the net invoice value of domestic and export sales transactions, by transaction, and matching the criteria of the export sales (i.e. sales to wholesalers, at the prime quality level price, for sales of the subject goods). MBIE also used smaller volume intervals for the analysis since otherwise there were too few intervals to establish a clear trend. The outcome shows no clear trend of continuing decreases in prices as volumes increased. For export sales there was no trend showing decreasing prices for larger transaction volumes, and in fact sales volumes above the average size were at a higher average price than those below the average.
170. MBIE's analysis suggests that there is no objective basis on which to make adjustments for differences in the volume of transactions, and no adjustment should be made for imputed quantity discounts. It is noted that the use of weighted averages effectively provides for any differences that might arise in respect to differences in volumes of specific sales.
171. Adjustments may also be called for to take into account the overall purchase levels by individual customers. However, in this investigation this is not considered to be necessary or feasible. MBIE has reviewed the annual sales levels to domestic customers, and the range of annual sales totals is not dissimilar to that of export customers; sales to both domestic and export customers can include goods other than the subject goods, which would need to be taken into account in establishing the total size of customer purchases; and the nature of the export sales examined is that they are made through traders, and not on the basis of any long-term agreements or relationships with importers.

Physical characteristics

172. Physical difference adjustments are required when differences in the physical characteristics of the goods affect price comparability. The goods compared for domestic and export sales transactions are the aluminium-zinc coated steel with 55% aluminium, 43% zinc, and 2% silicon subject goods produced by Dongkuk. Sales in both export and

domestic markets covered a range of thicknesses and widths, grades and coating thicknesses. MBIE is satisfied that overall the domestic sales are sales of like goods to the goods exported.

Other differences affecting price comparability

Packaging Costs

173. As noted in relation to export price adjustments, MBIE accepts that the approach of deducting packing costs for all export sales and all domestic sales is the most appropriate way to address differences in such costs.
174. An adjustment has been made to reflect actual packaging costs by transaction.

Indirect selling expenses

175. Dongkuk has claimed that an adjustment should be made in respect of the differences in indirect marketing costs between export and domestic sales, given the higher costs of servicing the domestic market. Dongkuk provided very detailed information setting out the basis for its calculation of indirect selling expenses to be allocated to each domestic transaction. This included the calculation of total indirect selling expenses by deducting direct selling expenses and general and administration expenses from its company-wide selling, general and administration (SGA) expenses, then further allocating this to the domestic transactions on the basis of sales values. This value was then split between markets on the basis of the number of employees allocated to each, with the ratio of indirect expenses then calculated from the relevant total sales values. This process identified that indirect selling expenses for the domestic market were much higher than the level of expenses for the export market.
176. MBIE generally considers that costs or expenses, such as indirect selling expenses, that relate more to the general cost of business and not to the prices of the transactions being examined, are not grounds for making an adjustment. However, if the connection to the sale is established and evidence is suitable, adjustment may be allowed in certain circumstances. Dongkuk has not provided any information which would suggest that there is a relationship between the price paid or the ex-factory value of the transaction that would justify any adjustment being made.
177. The information provided by Dongkuk identified selling activities (including the provision of sales support, training services, technical support and logistical services) and the performance of sales-related administrative activities. A comparison was made between the frequency with which such activities were undertaken in relation to the domestic market and the export market, and examples were provided of the nature of the activities concerned.
178. MBIE has reviewed the information provided by Dongkuk, which relates to overhead expenses involved in selling and marketing and cannot be related to particular transactions. Accordingly, MBIE does not consider that any adjustments should be made to cover selling and marketing overheads. This is consistent with the approach taken in other dumping investigations.

Normal Value calculations

179. In calculating ex-factory normal values for domestic sales, MBIE made the adjustments outlined above to the transaction-level price information provided by Dongkuk. The weighted average of the resulting normal values has been used as the basis for comparison with the weighted average export price.

3.4.2 Normal Value – KG Dongbu, Korea

Basis for Normal Values

180. In the absence of information from KG Dongbu, MBIE has used information available, including information from the investigation of Dongkuk, and from MBIE's research, including findings by the AADC in its investigation 558 of aluminium-zinc coated steel.

Base Prices

Like goods

181. MBIE has reviewed the information available to it from Customs data and from importers, and is satisfied that it has identified the imports of the subject goods produced by KG Dongbu and exported to New Zealand in 2020.

Sufficiency of volumes

182. MBIE does not have details of KG Dongbu's total sales of the subject goods, whether domestic sales or exports to other markets, but notes from the AADC *Exporter Verification Report* for KG Dongbu that the verification team was satisfied the volume of domestic sales was 5% or greater than the level of exports to Australia and therefore was not a low volume.

Ordinary course of trade

Arm's length transactions

183. MBIE does not have details of KG Dongbu's domestic customers. However, MBIE notes from the AADC *Exporter Verification Report* for KG Dongbu that the verification team was satisfied all domestic sales made to a related customer were arm's length transactions, while all domestic sales made to unrelated domestic customers were arm's length transactions.

Sales at a loss

184. MBIE does not have details of KG Dongbu's domestic customers. MBIE notes from the AADC *Exporter Verification Report* for KG Dongbu that the verification team tested cost recoverability and appears to have concluded that prices were in the ordinary course of trade.

Sales Prices

185. In the absence of information from KG Dongbu, and in order to arrive at an EXW price at an equivalent level to the export price described above, MBIE has used the best available information, which is the normal value established for the cooperating foreign manufacturer. The normal value has been adjusted to work back to an equivalent to the EXW price.

186. The additions to the normal value for the cooperating manufacturer included the amounts provided for credit, warranty and discounts for domestic sales.

Adjustments

187. Given that the normal value is being established on the basis of information available regarding the normal value established for Dongkuk, and that the base price arrived at already incorporates relevant adjustments, there is no need to make any additional adjustments for KG Dongbu.

Normal Value calculations

188. As described above, in calculating ex-factory normal values for KG Dongbu's domestic sales, MBIE derived the EXW equivalent on the basis of information relating to the cooperating foreign producer.

3.4.3 Normal Value – Yieh Corp, Taiwan**Basis for Normal Values**

189. In the absence of information from Yieh Corp, MBIE has used information available, including information from the investigation of Dongkuk, and from MBIE's research, including findings by the AADC in its investigation 558 of aluminium-zinc coated steel.

Base Prices**Like goods**

190. MBIE has reviewed the information available to it from Customs data and from importers, and is satisfied that it has identified the imports of the subject goods exported to New Zealand in 2020 by Yieh Corp.

Sufficiency of volumes

191. MBIE does not have details of Yieh Corp's total sales of the subject goods, whether domestic sales or exports to other markets, but MBIE notes from the AADC *Exporter Verification Report* for Yieh Phui that the verification team was satisfied the volume of domestic sales was 5% or greater than the level of exports to Australia and therefore was not a low volume.

Ordinary course of trade*Arm's length transactions*

192. MBIE does not have details of domestic customers for Yieh Corp or Yieh Phui. However, MBIE notes from the AADC *Exporter Verification Report* for Yieh Phui that the verification team was satisfied all domestic sales made to a related customer were arm's length transactions, while all domestic sales made to unrelated domestic customers were arm's length transactions.

Sales at a loss

193. MBIE does not have details of KG Dongbu's domestic customers. MBIE notes from the AADC *Exporter Verification Report* for Yieh Phui that the verification team tested cost recoverability and appears to have concluded that prices were in the ordinary course of trade.

Constructed value

194. In the absence of sufficient information on which to ascertain normal values under section 5(1) or 5(2) of the Act, MBIE has decided to determine the normal value having regard to all available information as provided for under section 6 of the Act. Accordingly, MBIE has constructed a normal value, based on the elements set out in section 5(2), but using the best information available. MBIE considers that the best information available is a combination of the normal values established for the cooperating Korean exporter and the actual selling, general and administration expenses (SGA) and profit values from the foreign manufacturers' financial statements. MBIE has taken the normal value established for Dongkuk, adjusted back to an EXW equivalent, with the SGA and profit elements from

Dongkuk's financial statements deducted to derive a cost of production. This estimated constructed cost is added to the SGA and profit levels reported in Yieh Phui's financial statements to establish an estimated normal value for Yieh Corp.

Adjustments

195. Given that the normal value is being established on the basis of information available, as outlined above, there is no need to make any additional adjustments for Yieh Corp.

Normal Value calculations

196. In calculating normal values for domestic sales by Yieh Corp or Yieh Phui, MBIE derived the EXW equivalent on the basis of information relating to the cooperating foreign producer from Korea. In the absence of information from the Yieh companies, MBIE has constructed an EXW equivalent, because there is insufficient information to allow a conclusion that the adjustments between the EXW and ex-factory value ascertained for Dongkuk are relevant or appropriate for the Yieh companies.

3.5 Conclusions Relating to Dumping

197. MBIE has provisionally established dumping margins for the POI(D) by comparing the export prices established in section 3.3 and the normal values established in section 3.4. The dumping margins so established are shown in Figure 3.

Figure 3: Dumping Margins

	Dumping Margin %
Korea:	
Dongkuk	2.5%
KG Dongbu	12.6%
Weighted average	3.4%
Taiwan:	
Yieh Corp	No dumping

198. In light of the provisional findings regarding dumping, the analysis of the relevant injury factors and the extent to which dumping has caused injury, will proceed on the basis that the subject goods from Taiwan are not dumped.

4. Injury Investigation

4.1 Legal Requirements

Basis for determinations

199. Section 8(1) of the Act provides that in determining whether or not material injury to an industry has been or is being caused or threatened by means of the dumping of goods imported or intended to be imported into New Zealand from another country, the chief executive shall examine:

- The volume of imports of the dumped goods, and
- The effect of the dumped goods on prices in New Zealand for like goods, and
- The consequent impact of the dumped goods on the relevant New Zealand industry.

200. MBIE interprets this to mean that injury is to be considered in the context of the impact on the industry arising from the volume of the allegedly dumped goods, their effect on prices, and the consequent impact on the industry. This is consistent with Article 3 of the AD Agreement.

Matters the chief executive shall have regard to

201. Section 8(2) of the Act provides that without limiting the generality of section 8(1), and without limiting the matters that the chief executive may consider, the chief executive shall have regard to the matters set out in section 8(2) when determining whether or not any material injury to an industry has been or is being caused, or is being threatened. These matters are discussed in the relevant sections of the analysis below in this report.

Cumulation

202. Article 3.3 of the AD Agreement provides:

Where imports of a product from more than one country are simultaneously subject to anti-dumping investigations, the investigating authorities may cumulatively assess the effects of such imports only if they determine that (a) the margin of dumping established in relation to the imports from each country is more than de minimis as defined in paragraph 8 of Article 5 and the volume of imports from each country is not negligible and (b) a cumulative assessment of the effects of the imports is appropriate in light of the conditions of competition between the imported products and the conditions of competition between the imported products and the like domestic product.

203. In its application, NZ Steel considered the effects of imports from Korea and Taiwan on a cumulated basis.

204. MBIE notes that the provisional findings regarding dumping are that goods from Taiwan are not dumped, so the condition (a) in Article 3.3 for cumulation relating to dumping is not met.

Information Available

205. NZ Steel's application provided evidence to support its claims that imports from Korea and Taiwan were materially injuring NZ Steel in SY2020 and earlier. MBIE provided NZ Steel with a Request for Information on 30 July 2021, to which NZ Steel responded on 13 August

2021. MBIE verified the information provided by NZ Steel during a virtual verification session on 16 September 2021. A non-confidential version of the report on the verification visit is available on the Public File for this investigation.

206. MBIE has used information relating to the POI(I) in its analysis of injury. This relates to the calendar years 2016-2020, and takes into account the POI(D) which is calendar 2020.

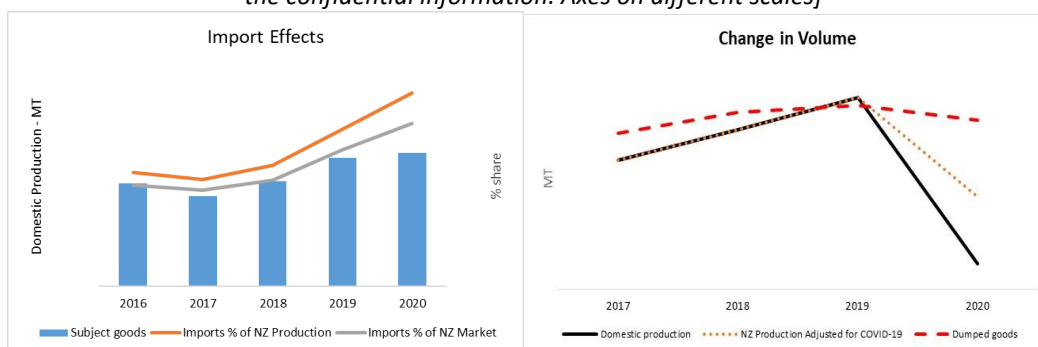
4.2 Examination of Injury

4.2.1 Import Volume Effects

207. In the examination of the volume of imports of dumped goods under section 8(1)(a) of the Act, section 8(2)(a) requires that the chief executive should have regard to the extent to which there has been or is likely to be a significant increase in the volume of imports of dumped goods either in absolute terms or in relation to production or consumption in New Zealand.
208. NZ Steel's application stated that it could not indicate the exact point of the onset of injury, but it observed significant growth in the dumped imports which it says has had injurious effect due to dumping pricing that undercut the domestic industry. It claimed that imports from Korea and Taiwan grew in absolute terms between 2017 and 2018 and that over the same period the domestic industry sales volume declined significantly. Despite the growth in the market share of dumped imports coupled with slow growth experienced by the domestic industry, NZ Steel claimed that it still had the capacity to meet the demand of the domestic market.
209. Because of the suppression orders in place on some statistical keys covering the subject goods, and because domestic production information is classified as commercial-in-confidence, MBIE cannot provide details of the actual volumes of imports and domestic production. Also, while the dumping analysis has covered goods imported in 2020, the non-subject goods extraction analysis has not covered imports in preceding years so has not been able to confirm the extent of imports of the subject goods in previous years. For the purposes of assessing trends, MBIE has assumed that imports of the subject goods from Korea and Taiwan prior to 2020 were proportionately similar in relation to total imports of coated steel goods.
210. The import data used by MBIE is for sales of the subject goods, as set out in section 2.1 of this Step 1 EFC Report. The data used by NZ Steel included a much wider range of goods which explains the difference in the import levels and proportions from those identified by MBIE.
211. MBIE has analysed imports of the subject goods from Korea and Taiwan in Figure 4, in absolute terms and in relation to consumption in New Zealand, and bearing in mind the provisional finding that goods from Taiwan are not dumped.

Figure 4: Import Volume Effects

[Axis values deleted, gridlines deleted in order to protect confidentiality of information where making the information available would have a significantly adverse effect on the submitter of the confidential information. Axes on different scales]



212. On the basis of this analysis, there is evidence to indicate that over the whole of the period from 2016 to 2020 (the POI(I)), and following a decline in 2017, there has been an overall increase in the volume of imports of subject goods from Korea and Taiwan, both in absolute terms and in relation to production and consumption in New Zealand. However, excluding non-dumped imports from Taiwan, and comparing the change in volume of annual sales, it appears that from 2017 to 2019 both domestic sales and imports were increasing, while the significantly greater decline in sales of NZ-produced like goods in 2020 (as compared to imports) suggests the decline was attributable to more than the effect of dumped imports of the subject goods.
213. Other potential contributors to these volume effects include the impact of COVID-19 and the shut-down of NZ Steel's plant for five weeks in March-April 2020, and the effect of the national lock-down on NZ Steel's customers. MBIE also notes the direction of aluminium-zinc coated steel to further processing (i.e. to NZ Steel's painting line) and to export. While these volumes did increase over the POI(I), this could, to some extent, also be attributed to the need by NZ Steel to respond to increased imports of dumped goods from Korea. MBIE has addressed the effect of the NZ Steel plant shut-down by adjusting the production volume by the likely volume that would have been produced in order to better assess the volume effects that could be attributable to dumping. The outcome of MBIE's assessment of volume effects is that the increase in the volume of dumped imports is still significant.
214. MBIE's provisional conclusion in regard to volume effects is that there has been a significant increase in the volume of dumped goods in absolute terms and relative to production or consumption in New Zealand.

4.2.2 Price Effects

215. In examining price effects under section 8(1)(b) of the Act, section 8(2)(b) of the Act requires that the chief executive should have regard to the extent to which prices of the dumped goods represent significant price undercutting in relation to prices in New Zealand (at the relevant level of trade) for like goods of New Zealand producers, and section 8(2)(c) requires that the chief executive should have regard to the extent to which the effect of the dumped goods is or is likely significantly to depress prices for like goods of New Zealand producers or significantly to prevent price increases for those goods that otherwise would have been likely to have occurred (i.e. price suppression).
216. In its application NZ Steel noted that the import parity price (IPP) model it uses to price its goods for domestic sale takes into account feedback on prices of imports and international prices in establishing prices for its customers. MBIE agrees that, to the extent that these

prices are affected by dumping, they will have an impact on the prices of goods sold by the domestic industry. NZ Steel has noted that it also considers movements in prices of internationally traded steel, world scrap prices, and import offers that are used by independent customers in pricing discussions and in those customers' regular interactions with NZ Steel. On the basis of these price indications, NZ Steel develops an equivalent value to a free-into-store (FIS) value in New Zealand, and applies a premium to reflect the benefits of local supply. The resulting value provides the basis for developing a market price in New Zealand.

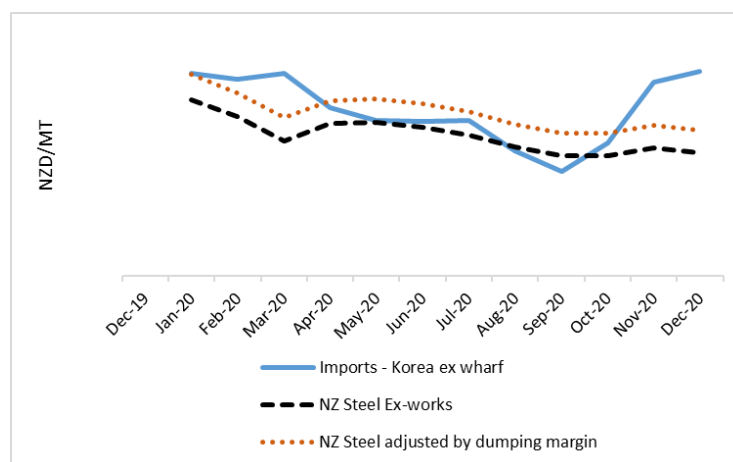
- 217. MBIE notes that NZ Steel has stated that in the period after the POI(I) it has taken up new price information and revised its prices upwards in a manner similar to its IPP pricing model. This has resulted in it setting higher prices from July 2021. Information from importers has confirmed that international prices have increased significantly from late 2020 and into 2021.
- 218. NZ Steel claims that an economic impact can occur even if there is no price undercutting or negative price undercutting. NZ Steel suggests that this requires an analysis of the counterfactual situation, i.e. what would happen in the absence of dumping.

Price Undercutting

- 219. Price undercutting refers to the extent to which the prices of the subject goods are lower than prices in New Zealand for like goods of New Zealand producers. Prices are compared at the point that the imported goods first compete with the goods made in New Zealand, generally at the ex-wharf level. Price undercutting is not in itself a determinant of the existence or extent of injury, i.e. the margin or frequency of price undercutting is not a measure of the extent of the economic impact on the industry. That impact is to be measured, *inter alia*, in terms of the factors set out in section 8(2)(d) of the Act.
- 220. MBIE has analysed price undercutting on the basis of weighted average import prices of the aluminium-zinc coated steel from Korea and Taiwan and comparing them to the weighted average selling price by NZ Steel to its domestic customers for the like goods. The comparison was done at the ex-wharf level for imports and the ex-works level for domestic sales.

**Figure 5: Price Undercutting
(NZD/MT weighted averages)**

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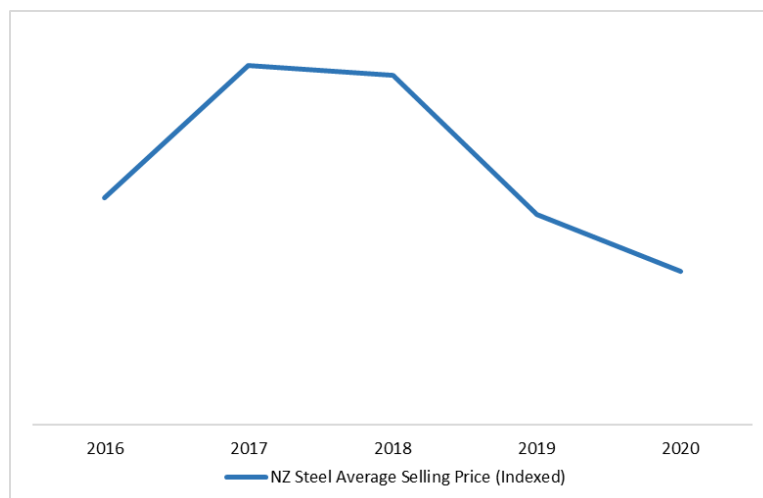
221. Figure 5 shows that in 2020 NZ Steel's prices generally followed a downward trend similar to that of the imported subject goods from Korea. The price of dumped imports from Korea was found to be above the NZ Steel prices for 10 of the 12 months covered. Imports from Taiwan have not been included in the chart because of confidentiality requirements arising from the limited number of sales involved, but the weighted average of prices of non-dumped imports from Taiwan was below the weighted average of NZ Steel prices in 2020.
222. On the basis of the weighted average prices for 2020 as a whole, MBIE found that NZ Steel did not experience price undercutting from dumped imports from Korea but it was undercut by the non-dumped goods imported from Taiwan.
223. MBIE has also analysed the extent of price undercutting by dumped goods from Korea that would have occurred, but for the dumping. The analysis indicates that if the goods had not been dumped, then NZ Steel could have set its prices higher by the extent of the margin of dumping. The result of this analysis shows that the weighted average margin of price undercutting for 2020 overall would have been a very small negative margin, with actual undercutting occurring for six months from April 2020 to September 2020.
224. MBIE concludes that despite dumping there was no significant price undercutting for 2020 as a whole by imports from Korea, and while there was price undercutting by imports from Taiwan this cannot be attributed to dumping. However, when monthly averages during 2020 are considered there was some price undercutting during the year that could be attributed to the dumping of imports from Korea.

Price Depression

225. Price depression occurs where prices achieved by the New Zealand manufacturers are lower than those achieved in a period unaffected by allegedly dumped goods. Price depression is not in itself a determinant of the existence or extent of injury. There must be a consequent impact on the industry, measured primarily in terms of the factors set out in section 8(2)(d) of the Act.
226. NZ Steel claimed that its prices have been depressed because of the dumped imports whose market share grew significantly between 2017 and 2020. It explained that due to IPP pricing the pricing of dumped imports has had a depressive effect on NZ Steel's pricing.
227. Using 2016 as the base year, Figure 6 shows the indexed values of NZ Steel's average selling price indicated a declining trend in NZ Steel's average selling prices between 2017 and 2020.

**Figure 6: Price Depression
(NZD/tonne, indexed)**

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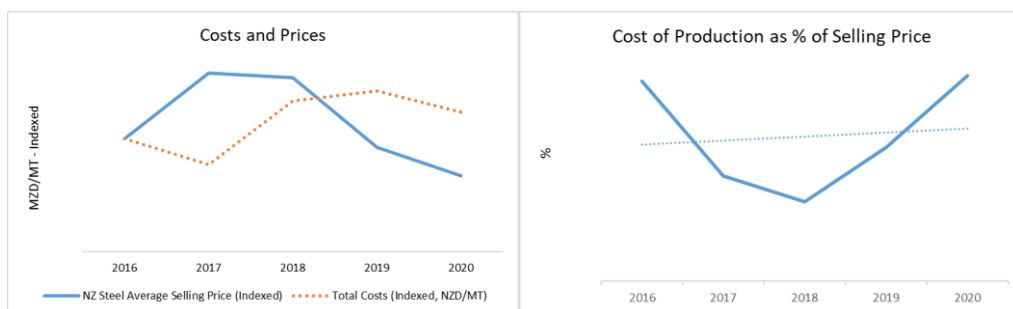
228. Compared to 2016, NZ Steel experienced an increase in its average selling prices in 2017 and a slight decline in 2018. It then experienced a significant decline in prices between 2018 and 2020. By the end of the injury period NZ Steel had overall experienced significant price depression as compared to the beginning of the POI(I).
229. MBIE notes that over the POI(I) there has been an increase in the volume of dumped imports which coincided with the significant decline in NZ Steel's prices from 2018 to 2020. MBIE also notes that prices of dumped imports from Korea have not significantly undercut prices achieved by the New Zealand industry as the prices of dumped imports were less than NZ Steel's prices for 2 months over the POI(I). Adjusted prices for NZ Steel in Figure 5 shows that it would have experienced price depression to a greater extent if its price had been adjusted by the dumping margin over the POI(I) and if the prices of dumped imports had not experienced significant upward growth towards the end of this period.
230. MBIE concludes that NZ Steel experienced price depression over the POI(I) which can be partly attributed to dumped imports.

Price Suppression

231. Price suppression occurs when New Zealand producers are unable to increase prices, for example, to recover cost increases. Price suppression is not in itself a determinant of the existence or extent of injury. There must be a consequent impact on the industry, measured in terms of the factors set out in section 8(2)(d) of the Act.
232. MBIE has compared NZ Steel's total costs as a percentage of sales revenue from 2016 to 2020. The results in Figure 7 indicate that NZ Steel's cost of production as a percentage of the average selling price per unit declined at the start of the POI(I) and has increased between 2018 and 2020. NZ Steel experienced an overall increase in its cost of production as a percentage of the average selling price per unit over the POI(I).

Figure 7: Price Suppression

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233. Figure 7 also shows that between 2016 and 2018 NZ Steel's average selling prices generally increased as its total fluctuated, however the overall effect was that it was able to recover its costs of production on the like goods produced. Between 2018 and 2020, NZ Steel experienced movements in total costs of production that were higher than those of its average selling prices. Figure 7 further shows that over this same period NZ Steel was experiencing a significant increase in its cost of production.
234. MBIE notes that between 2018 and 2020 the volume of dumped imports grew at the same time that NZ Steel experienced upward movement of total costs and production costs. In the absence of dumping, Figure 5 has shown that NZ Steel would have been able to increase its prices by the margin of dumping to the extent that it would have been able to recover some of the costs of production. MBIE considers that over the POI(I) NZ Steel experienced price suppression as a result of dumped imports.
235. MBIE considers that there were other factors in addition to the dumped imports that were contributing to NZ Steel's inability to increase its price to the level it normally would. These include the increase in the cost of raw materials and energy costs, which according to NZ Steel have been major drivers of the cost of production thus affecting NZ Steel's ability to recover its costs. These other factors also include NZ Steel's IPP pricing model, which takes some time to fully adjust to the changes in international prices.
236. MBIE concludes that NZ Steel experienced price suppression over the POI(I) but considers that this effect cannot be wholly attributed to the dumped imports.

Conclusion on Price Effects

237. MBIE concludes that the evidence shows that during 2020 there was some price undercutting that could be attributed to dumped imports from Korea, and there was price undercutting from non-dumped imports from Taiwan. MBIE further concludes that NZ Steel experienced price depression and price suppression which can be partially attributed to dumped imports.
238. MBIE considers there were other factors at play including price undercutting by non-dumped imports (Taiwan), the slow adjustment to international prices under NZ Steel's IPP pricing model and increases in the cost of raw materials and energy.
239. The price effects examined above are not in themselves a determinant of injury. There must be a consequent impact on the industry, in particular when measured, *inter alia*, in terms of the factors and indices set out in section 8(2)(d) of the Act. Injury caused to the New Zealand industry is assessed in terms of the economic impact in the following section of the report.

4.2.3 Economic Impact

240. Section 8(2)(d) of the Act sets out a number of factors the chief executive shall have regard to in relation to considering the economic impact of the dumped goods on the relevant New Zealand industry, including whether there are actual or potential declines experienced in relation to the identified factors.

Output and Sales Revenue

241. Changes in output by domestic producers reflects production decisions in response to changes in the market situation, which could arise from a combination of changes in demand, competition, or from movements in prices and costs. A decline in output can be reflected in declines in sales revenue

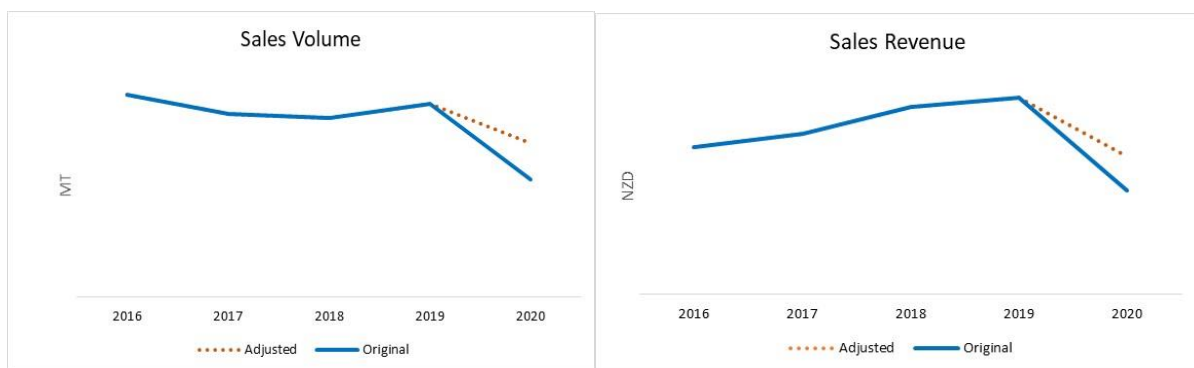
242. Movements in sales revenue can reflect changes in volume and prices of goods sold. Dumped imports can affect both of these factors through increased supply of goods to the market and through price competition.

243. NZ Steel claimed that the decline in output and sales experience over the POI(I) was as a result of a steep increase in the volumes of dumped aluminium-zinc coated steel from Korea and Taiwan. It explained that as the dumped imports gained volume within the domestic market, NZ Steel's output declined due to the pricing pressure resulting from the dumping and the displacement of sales by the New Zealand industry. It also claimed that despite the decline in output it still had the capability to supply the domestic market demand for aluminium-zinc coated steel.

244. The following chart illustrates the sales volume and sales revenue information for the POI(I), based on information provided by NZ Steel.

Figure 8: Sales Volume and Revenue

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245. Figure 8 shows that over the POI(I), NZ Steel experienced significant decline in its sales volume. Between 2016 and 2019 NZ Steel's sales volume was stable even though it showed a slight decline in its overall trend. In 2020, it experienced a significant drop in sales volume. This in part was due to the effects of the COVID-19 lockdown in the second quarter, however even with adjusting for the effects of this event, there was still a significant decline in the sales volume.

246. Figure 8 also shows that between 2016 and 2019 NZ Steel experienced positive growth in sales revenue which declined significantly in 2020. The possible causes of this decline could

include the increased imports of dumped goods from Korea, but other factors include the effect of the 5-week COVID-19 shutdown on NZ Steel and its customers. In addition, changes in the destination of goods produced may have had an impact on revenue in various ways, including goods directed to the NZ Steel painting line and exports. To the extent that sales of aluminium-zinc coated steel were not made on the domestic market as a result of dumped imports, diversion of production to export sales affected the level of revenue achieved.

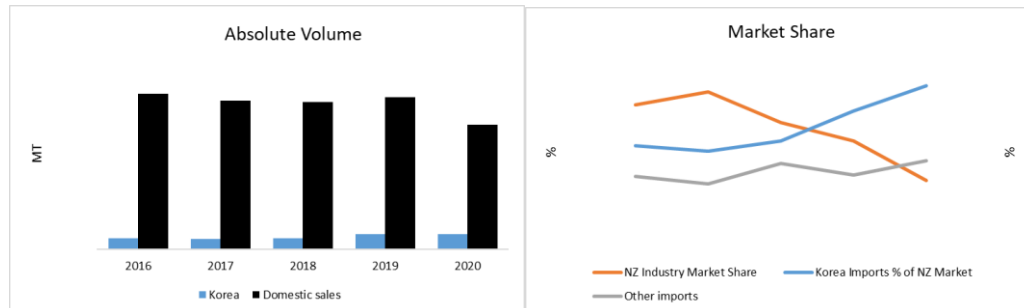
247. MBIE considers that the decline in aluminium-zinc coated steel output can be attributed to a range of factors including displacement by dumped imports as well as diversion of the like goods to other markets and internal consumption (as aluminium-zinc coated steel is used as an input for the production of painted products). MBIE considers that the declines in output and revenue experienced by NZ Steel in relation to the like goods can in part be directly attributed to the volume and price effects of dumped imports of the subject goods from Korea, but may also be affected by other factors. These include the effect of NZ Steel's MCL product mix as it responds to increased demand for its steel products, due to the effects of COVID-19 on the importation of steel products from overseas.
248. MBIE concludes that there is evidence that NZ Steel experienced a decline in output and sales revenue over the POI(I) attributable to dumping. MBIE also notes that there are other factors contributing to the decline in output and revenue, but notes that its conclusion has taken into account the shutdown by NZ Steel in March-April 2020.

Market Share

249. Analysis of market share must consider changes in the size of the total market. A decline in the domestic industry's market share when the total market is expanding will not necessarily indicate that material injury is being caused, particularly if the domestic industry's sales are also growing, because the New Zealand industry is not entitled to a particular market share.
250. NZ Steel provided information about market shares of aluminium-zinc coated steel imports based on a product description significantly wider than that of the subject goods. Based on this data, NZ Steel claimed that the volume of dumped goods increased in absolute terms over the POI(I) and that over this period the domestic industry experienced a decline in sales volume in absolute terms due to the injurious nature of the dumped imports. It claimed that the market share of dumped imports showed a significant upward trend at the expense of imports from the rest of the world, which remained negligible, and the domestic industry.
251. The following charts illustrate market share information for aluminium-zinc coated steel from 2016 to 2020 using Customs data and NZ Steel production figures. The import data has been adjusted to reflect imports that are subject to this investigation only.

**Figure 9: Market Share
(Customs data, MT)**

[Y axis values deleted, X axis does not always cross at 0, gridlines deleted, in order to protect the confidentiality of information where making the information available would have a significantly adverse effect on the submitter of confidential information. The primary and secondary axes have been altered where making the information available would have a significantly adverse effect on the submitter of confidential information. Axes on different scales]



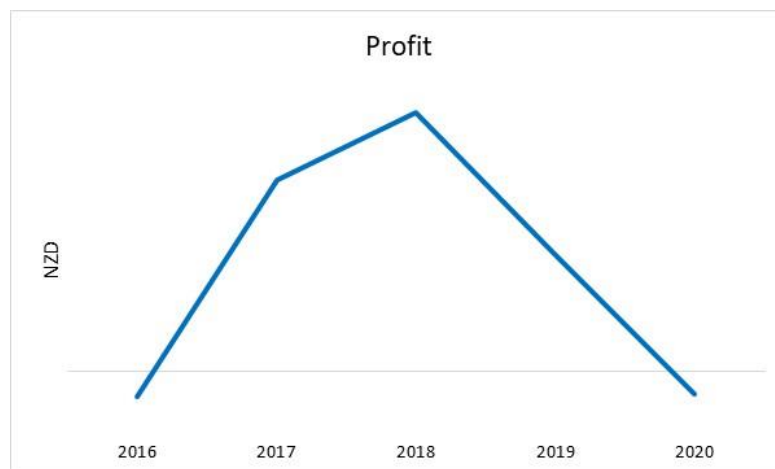
252. There is evidence that in absolute terms, Figure 9 shows that the domestic industry's share of the market declined steadily over the POI(I) whilst the imports of dumped subject goods from Korea gained market share. Figure 9 also shows that the domestic industry has maintained its position as the main supplier of like goods on the domestic market. In relation to the New Zealand market, the share of dumped imports grew over the POI(I), while at the same time the domestic industry experienced a decline in its market share. Imports from other countries showed an upward trend.
253. MBIE notes that as NZ Steel lost market share in aluminium-zinc coated steel, other products which are part the product mix produced in NZ Steel's MCL plant, and other MCL products produced for the export market, experienced stable positive growth. These included products that use aluminium-zinc coated steel as an input for further processing.
254. MBIE concludes that there is evidence NZ Steel experienced a decline in market share over the POI(I) which resulted in an adverse economic impact as the dumped imports gained market share. MBIE reaches this conclusion on the basis of the volume effects findings, which indicated a significant increase in the volume of dumped imports, and the output and sales revenue findings, which indicated that even after adjusting for the COVID-19 shutdown the domestic industry was still experiencing declines in output and revenue in 2020. MBIE further concludes that there are other factors which have also contributed to the decline in market share and the subsequent economic impact, which are detailed below under "Other causes of injury".

Profits

255. Dumped imports can affect gross profit and net profit via their impact on sales prices and volumes.
256. NZ Steel has claimed that dumped imports have had an adverse impact on its profits. At the start of the POI(I) NZ Steel had a significant upward growth in profits which it claimed later declined due to a margin squeeze resulting from an elevated level of dumped subject goods imported from Korea and Taiwan. NZ Steel explained that its profits would have been higher if it were not for the dumping. Due to the growth in the market share of dumped imports, NZ Steel had to redirect a share of its sales to other markets at lower than expected returns.

**Figure 10: Profit
(Customs data, %)**

[Y axis values deleted, X axis does not cross at 0, gridlines deleted, in order to protect the confidentiality of information where making the information available would have a significantly adverse effect on the submitter of confidential information.]



257. The information provided indicated that at the start of the POI(I) NZ Steel had made a recovery from negative profit levels reaching a peak in 2018, but from this point NZ Steel experienced declining profit levels. To the extent that dumped imports have increased, and have contributed to the decline of other economic factors assessed, they have also contributed to a decline in profit through price depression and suppression, loss of market share and decline in volume and value of sales. However, other factors have been noted as contributing to volume and price effects and the consequent impact on injury factors which affect profits.
258. MBIE concludes that there is evidence that NZ Steel experienced a decline in profits which can be attributed, in part, to the dumping of imports of subject goods from Korea.

Productivity

259. Productivity is the relationship between goods produced and the inputs required to manufacture those goods. Productivity is affected by output/sales and capacity utilisation levels.
260. NZ Steel claimed an adverse impact by the dumped products on productivity over the POI(I). It provided information on productivity levels on the basis of output per employee.
261. Within the MCL plant NZ Steel employees are engaged in the production of aluminium-zinc coated steel as well as other products and the facility has been set up to ensure that it runs for as many operating hours as possible. These employees are not dedicated to the production of any specific product. NZ Steel provided information on the productivity rates in terms of output per employee indicating a decline in the productivity rate per employee over the POI(I) with the lowest productivity rates over this period being recorded in 2020.
262. MBIE notes that from the data provided NZ Steel's productivity levels are correlated with the output levels and sales revenue levels of aluminium-zinc coated steel which also showed a declining trend over the POI(I), and a particularly significant drop in 2020. However, MBIE considers that it is difficult to separate the decline in productivity from the impact of other factors, particularly since there is no decline in the productivity of the MCL line as a whole. The effect on aluminium-zinc coated steel production of the 5-week

lockdown period as a result of COVID-19 has been accounted for, but other factors include the allocation of staff to the production of other products.

263. MBIE is unable to conclude that there has been a negative economic impact on productivity that is attributable to dumping.

Return on investment (ROI)

264. An analysis of return on investment (ROI) measures profit against the value of the investment in a business. Changes in return on investment may impact the ability to retain current investment or attract new investment. Declines in return on investment can result from a decline in profit or an increase in the level of investment within the business.
265. NZ Steel claimed an adverse impact on ROI, expressed as EBIT as a percentage of assets employed in the production of aluminium-zinc coated steel. It showed that it experienced a decline in ROI over the POI(I). The data provided took into account an MCL asset write-down which was underway at the time of the application. Although this asset write-down was attributed to energy costs, carbon costs, raw material supply and trade, it was equally attributed to dumping hence allocated a proportion of the write down to the production of aluminium coated steel production. MBIE noted that this led to higher depreciation and amortisation over the second half of FY2020.
266. NZ Steel explained that trade which in this case implies trade remedies relief, is linked to negative effects through a write-down or impairment because the impression of operating in an unfair trading environment detracts investors from investing further into NZ Steel's operations. NZ Steel drew on the ASX announcement by BlueScope Steel Limited of 17 July 2020 which highlighted trade as one of the factors leading to the NZD 205 million write-down which led to a sharp decrease in investment in NZ Steel during the POI(I). NZ Steel noted that as a result a portion of this write-down has been attributed to this dumping investigation as it led to a negative economic impact.
267. The information provided by NZ Steel indicated that at the start of the POI(I) it experienced strong positive growth in its ROI which peaked in 2018 and declined to negative values by the end of 2020.
268. MBIE considers that the negative economic impact on ROI experienced by NZ Steel cannot be attributed to dumping which has not been fully investigated or demonstrated, since there are other factors which may have had a greater impact on its ROI. MBIE also notes that in recent years' trade remedy actions have investigated the existence and extent of dumping or subsidisation in relation to steel products, including galvanised wire, galvanised steel coil, steel reinforcing bar, hollow steel sections, and now coated steel. Those investigations were undertaken in accordance with the Act and remedies have been applied where and to the extent justified.
269. MBIE does not consider that there is evidence to support a conclusion that unremedied dumping of aluminium-zinc coated steel, or of any other steel products, has contributed to a decline in the return on investments for the New Zealand industry producing like goods.

Utilisation of production capacity

270. The utilisation of production capacity reflects changes in production volumes or changes in capacity. A decline in production volumes will normally lead to a higher cost per unit due to increased fixed overheads per unit. This will lead to a decrease in profit level, unless offsetting savings are found elsewhere. NZ Steel calculated on this basis of actual

- production volumes of aluminium-zinc coated steel in relation to its total capacity to produce.
271. NZ Steel claimed that it experienced an adverse economic impact relating to capacity utilisation as its MCL plant was used less for the production of aluminium-zinc coated steel over the POI(I) due to a loss of market share to dumped imports. For NZ Steel, its level of capacity utilisation is affected by the mix of products produced in the MCL plant and on the run speed as a function of the product specifications. As it produces to order, a decline in the sales of aluminium-zinc coated steel leads to the reallocation of the excess production capacity which will be allocated to other products that are in demand at the time.
272. The information provided by NZ Steel on capacity utilisation of the MCL plant over the POI(I) indicated that as the production capacity of aluminium-zinc coated steel declined, the production capacity of other products remained stable with a moderate upward trend. While the dumped imports may have contributed to a decline in production of aluminium-zinc coated steel, there does not appear to have been an overall decline in the capacity utilisation of the MCL, which makes it difficult to attribute any adverse economic impact to dumped imports of the subject goods.
273. MBIE is unable to come to a conclusion that NZ Steel has experienced a decline in overall MCL capacity utilisation which has led to a negative economic impact during the POI(I) that is attributable to dumped imports.

Factors affecting domestic prices

274. Section 8(2)(d)(ii) of the Act lists this matter as one of the matters which the chief executive must have regard to when assessing the economic impact of dumped goods on the industry. MBIE examines this factor in the context of the economic impact of dumped goods on the industry.
275. Importers noted that over the POI(I) the price of imports of aluminium-zinc coated steel was driven up by the impact of the COVID-19 pandemic on trade, but the prices from NZ Steel remained lower. This situation was related to increases in the international price of steel, increased shipping costs, delivery delays, energy costs, costs of raw materials and longer lead times. NZ Steel uses an IPP based pricing model and is the sole producer in New Zealand. Over the POI(I) NZ Steel's prices rose at a slower rate because it requires feedback from international prices and its prices with domestic customers are negotiated at intervals, that is, there is delay in its prices responding to international pricing. MBIE notes that after the POI(I) NZ Steel has adjusted its prices in line with its IPP pricing model for a 12 month period commencing from 1 July 2021. In this process it has taken account of changes in international prices.
276. Other factors considered to have had an impact on domestic prices over the POI(I) include: the impact of the COVID-19 pandemic which, in as much as it has had negative impact, has also had the positive effect of uplifted demand in the building and construction sector; and the price effects of non-dumped imports. These have been examined below under "Other Causes of Injury".

Magnitude of the margin of dumping

277. Section 8(2)(d)(iii) of the Act refers to the magnitude of the margin of dumping as a factor the chief executive is to have regard to when assessing the economic impact of dumped goods on the industry. The main effect of large margins of dumping is that they can

potentially enable significant price undercutting, which has flow-on effects on prices achieved and volumes sold by the New Zealand industry.

278. In its application NZ Steel estimated dumping margins of 38.4% for Korea and 35.4% for Taiwan. It acknowledged that actual dumping margins may vary from these estimates as they were based on information that had limited clarity as to goods that accurately fall within the subject goods description.
279. During the investigation MBIE further refined the subject goods description and examined the available data on this basis. MBIE found dumping margins for the Korean exporters ranging from 2.5% to 12.6%, with a weighted average of 3.4%. MBIE did not find any dumping in respect of exports from Taiwan.
280. MBIE does not consider that an average dumping margin of 3.4%, with on average no overall price undercutting, indicates that the magnitude of the margin of dumping contributes to a significant adverse impact on the New Zealand industry that can be attributed to dumping.

Negative Effects

281. Section 8(2)(d)(iv) of the Act sets out a number of factors the chief executive shall have regard to in relation to considering the economic impact of dumped goods on the industry.

Cash flow

282. Cash flow is the total amount of money being transferred into and out of a business, especially as it affects liquidity, and provides an indication of the ability of producers to self-finance their activities.
283. NZ Steel claimed that there was an adverse economic impact on cash flow. It noted that it is unable to fully assess the cash flow effect on aluminium-zinc coated steel caused by the dumped subject goods from Korea and Taiwan as it is unable to separately measure the cash flow for the aluminium-zinc coated steel aspect of the MCL plant.
284. MBIE considers that even though NZ Steel has claimed negative effects on cash flow it has not been able to separately measure the cash flow emanating from the sale of aluminium-zinc coated steel. As a result the extent to which the claimed negative effect to cash flow relating to sales of aluminium-zinc coated steel is attributable to dumping cannot be clearly established. In the same manner the extent to which cash flow has been impacted by other injury factors is unclear.

Inventories

285. Increasing inventories at the end of a financial period can be a sign of injury, bearing in mind the context of the normal conditions and practices of the industry concerned.
286. NZ Steel did not claim any material injury affecting inventories as a result of the dumped aluminium-zinc coated steel from Korea and Taiwan. The information it provided indicated a build-up in inventories from the start of the POI(I), these peaked in 2018 and declined to a moderate level at the end of this period. NZ Steel explained that it produces to order hence any inventories it may have at hand would be goods waiting for delivery. MBIE notes that with the exclusion of 2018, NZ Steel's inventory levels are within the range reflected in its data for the previous years.
287. MBIE considers that there are no actual or potential negative effects on inventories that can be attributed to imports of the dumped goods.

Employment

288. NZ Steel provided information on its employment levels. To the extent possible it provided information relating to the production of aluminium-zinc coated steel at its MCL plant.
289. NZ Steel did not claim any material injury affecting employment as a result of the dumped aluminium-zinc coated steel from Korea and Taiwan.
290. MBIE considers that there are no actual or potential negative effects on employment that can be attributed to imports of the dumped goods.

Wages

291. NZ Steel provided information on its wages. To the extent possible it provided information relating to the production of aluminium-zinc coated steel at its MCL plant.
292. NZ Steel did not claim any material injury affecting wages as a result of the dumped aluminium-zinc coated steel from Korea and Taiwan.
293. MBIE considers that there are no actual or potential negative effects on wages that can be attributed to imports of the dumped goods.

Growth

294. NZ Steel claimed that its growth was adversely negatively impacted by the price undercutting of the dumped subject goods. It also considered that its ability to access trade remedies affects growth as it negatively affects investors' assessment of the trading environment and influences their choice of New Zealand as an investment destination. This lack of investment is what NZ Steel attributes to having a negative effect on its growth.
295. MBIE considers that the evidence established in this investigation on the adverse economic effect of dumping on profits and related earning leads to the conclusion that dumped imports have had a negative effect on NZ Steel's growth. However it does not agree with NZ Steel's reasoning which links trade remedies to growth as the outcomes of any trade remedies action are based on the facts of each case and nothing else.
296. MBIE is not able to conclude that the negative growth effect experienced by NZ Steel is attributable to the dumped goods.

Ability to Raise Capital and Investments

297. NZ Steel claimed that the current dumping and injury caused by the aluminium-zinc coated steel from Korean and Taiwan challenges the availability of investment capital for its business. This was due to the association with the risk posed by dumped subject goods from Korea and Taiwan to a fairly traded environment posed by dumping and material injury. NZ Steel explained that this reduces investors' confidence in operating in a fairly traded environment thus impacting their commercial decisions.
298. As evidence, NZ Steel has referred to the closure of the Hollow Steel Sections part of its business, which it has attributed to an unsuccessful attempt in 2017 to seek anti-dumping duties against allegedly unfairly traded imports.
299. Even though NZ Steel has provided this explanation, MBIE does not agree with this line of reasoning as the purpose of a dumping investigation is to establish the existence and extent of dumping and resultant injury, in accordance with the Act and to recommend remedies where and to the extent justified.

300. MBIE is not able to conclude that any inability to raise capital and investments experienced by NZ Steel is attributable to the dumped goods.

Conclusions on Economic Impact

301. MBIE is satisfied that, bearing in mind the conclusions reached regarding the volume and price effects of dumped imports, there is a reasonable basis to reach conclusions that:
- the decline in aluminium-zinc coated steel output and revenue can be attributed to the effects of a range of factors including displacement by dumped imports which have increased in volume over the POI(I).
 - there is no significant price undercutting for 2020 as a whole, but there was some price undercutting during the year that could be attributed to the dumped imports.
 - to the extent that dumped imports have increased in volume, and have contributed to price depression and suppression, they have contributed to a decline in output and sales revenue, market share and profits.
 - it is unlikely that any impact on productivity or capacity utilisation relating to aluminium-zinc coated steel translates to a negative economic impact experienced by NZ Steel that can be attributed to the dumping of the subject goods.
 - there is insufficient evidence to support a conclusion that unremedied dumping of aluminium-zinc coated steel, or of any other steel products, has contributed to a decline in the return on investments for the New Zealand industry producing like goods.
 - there are factors affecting domestic prices other than the dumped imports of the subject goods from Korea.
 - the magnitude of the margin of dumping does not contribute to a significant adverse impact on the New Zealand industry.
 - the dumped imports have not contributed to actual or potential negative effects on cash flow, inventories, employment or wages.
 - there is no basis for MBIE to conclude that the dumped imports have had a negative effect on growth or the ability to raise capital and make investments.
302. Overall, MBIE is satisfied that the dumped imports of aluminium-zinc coated steel from Korea have had an adverse economic impact on NZ Steel in relation to its production and sales of aluminium-zinc coated steel, but considers there are other factors that have contributed to this effect on the domestic industry as detailed below.

4.2.4 Other Causes of Injury

303. In the examination of whether material injury is being caused or threatened by means of the dumping of goods imported into New Zealand, section 8(2)(e) of the Act sets out factors other than the dumped goods that may have injured the industry, and which the chief executive shall have regard to. This reflects Article 3.5 of the AD Agreement, which provides:

It must be demonstrated that the dumped imports are, through the effects of dumping, as set forth in paragraphs 2 and 4, causing injury within the meaning of this Agreement. The demonstration of a causal relationship between the dumped imports and the injury to the domestic industry shall be based on an examination of all relevant evidence before the authorities. The authorities shall also examine

any known factors other than the dumped imports which at the same time are injuring the domestic industry, and the injuries caused by these other factors must not be attributed to the dumped imports. Factors which may be relevant in this respect include, inter alia, the volume and prices of imports not sold at dumping prices, contraction in demand or changes in the patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry.

304. MBIE has assessed the causal link between the dumped imports and any material injury on the basis of the requirement of the Act and the AD Agreement.

Other Imports

305. Section 8(2)(e)(i) of the Act refers to the volume and prices of goods that are not dumped as factors other than the dumped goods that may have injured or are injuring the industry.
306. MBIE has reviewed Customs data on the levels of imports from the main supplying countries and other sources for the subject goods. Data showed that at the beginning of the POI(I) Japan exported significant volumes of aluminium-zinc coated steel to New Zealand but this trend in export volume declined significantly between 2018 and the end of the investigation period. Exports from China were low at the beginning of the POI(I) and exhibited a slight upward trend in 2019 which stabilised over 2020. All the other exporting countries showed trends of low and stable volumes over the POI(I).
307. Customs data for 2020 for the subject goods, adjusted to an estimated ex-wharf level, indicates that in relation to the main supplying countries other than Korea, while there was undercutting from Taiwan, there was no price undercutting from China or Vietnam. Imports from Taiwan may have contributed to a decline in sales by the domestic industry, and did undercut NZ Steel's prices. However, in its injury assessment MBIE has separately addressed the effects that are attributable to dumped imports from Korea.
308. MBIE is satisfied that it has reviewed information on the prices and volumes of imports other than the dumped goods and any injury attributable to those imports has not been attributed to the dumped imports.

Demand and Consumption

309. Section 8(2)(e)(ii) of the Act refers to contraction in demand or changes in the patterns of consumption as factors other than the dumped goods that may have injured or are injuring the industry.
310. Levels of demand for aluminium-zinc coated steel generally reflect economic activity, in particular in construction. While the impact of the COVID-19 pandemic on the economy generally and on trade has also been a factor, the overall level of demand is also relevant.
311. Demand for building materials, including the aluminium-zinc coated steel under investigation, increased significantly in the second half of 2020. This is reflected in improved domestic sales of Zinalume by NZ Steel and increased volumes of imported subject product over the second half of 2020 (during the POI) and the first half of 2021 (outside the POI). NZ Steel noted that this increase in demand is attributable to the active building and construction sector in New Zealand but that it is unclear how long this trend will continue.
312. NZ Steel's parent company BlueScope reported in its H1 FY2021 financial report that the New Zealand side of the company was experiencing strong demand for both coated and

painted products from the domestic sector due to an active construction sector, improvement of pricing and normalisation of operations post shutdown. As noted elsewhere in this report, NZ Steel ceased production for a 5-week period in the second quarter of 2020 due to a COVID-19 outbreak at that time which curtailed its production and sales of coated steel. Since then, however, NZ Steel's output has rebounded which is reflected in its performance in the second half of 2020 but mostly in its year-to-date 2021 performance.

313. As a measure of demand, MBIE has analysed data from Stats NZ¹³ relating to construction activity as an indicator of trends in demand. The effects of COVID-19 on this indicator are discussed later in this report, but in relation to demand up to 2019 and before the COVID-19 effects, construction activity by value increased by 11% on an annual basis between March 2017 and December 2019. Over this period, NZ Steel's aluminium-zinc coated steel sales revenue rose by around 9%, indicating that while it lagged the figure for building activity, the difference may not be significant.
314. MBIE considers that while demand for construction material has increased, and it would be expected that sales of aluminium-zinc coated steel would also increase, there is evidence to suggest that dumping influenced the subsequent trends in sales volume and revenue which NZ Steel has experienced.

Trade Practices

315. Section 8(2)(e)(iii) of the Act refers to restrictive trade practices of, and competition between, overseas and New Zealand producers as factors other than the dumped goods that may have injured or are injuring the industry.
316. MBIE notes that in New Zealand competition is regulated by the Commerce Commission. MBIE is nevertheless required under section 8(2)(e)(iii) of the Act to assess restrictive trade practices of, and competition between, overseas and New Zealand producers as factors other than the dumped goods that may have injured or are injuring the industry.
317. In recent investigations, interested parties have raised concerns about competition in the New Zealand market, noting that New Zealand Steel and its subsidiary, Pacific Steel Limited, are monopoly producers, and that the market structure and distribution channels in New Zealand can affect the ability of other manufacturers to participate in the market. In this respect, MBIE notes that, in 2014, the New Zealand Commerce Commission gave clearance to the proposed acquisition of Pacific Steel by NZ Steel as it was satisfied that it would not have, or would not be likely to have, the effect of substantially lessening competition in a market in New Zealand. MBIE is aware that the main issue facing the Commerce Commission was the effect on competition as a result of the acquisition of a long products manufacturer by a flat products manufacturer, and recalls that in its considerations, the Commerce Commission discussed the New Zealand markets for various steel products and the availability of imports from a range of sources, and was satisfied that competition could be maintained through access to imports.
318. MBIE is satisfied that any adverse effects to the New Zealand industry arising from trade practices or competition in the New Zealand market have not been attributed to dumped imports.

¹³ Stats NZ, Seasonally adjusted volume of building work put in place (\$), June 2016–2021 quarters, at <https://www.stats.govt.nz/news/building-activity-rises-again-in-june-quarter>.

Developments in Technology

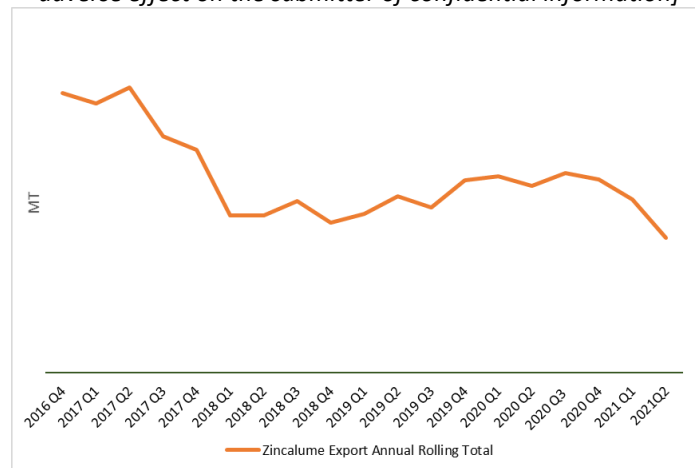
- 319. Section 8(2)(e)(iv) of the Act refers to developments in technology as factors other than the dumped goods that may have injured or are injuring the industry.
- 320. Relevant developments in technology could relate to advances in products in relation to customers’ requirements, including coatings and coating technology, and any developments in manufacturing processes. The subject goods in this investigation cover coated steel irrespective of the technologies involved in the product or the production process and MBIE is satisfied that any effects of technological differences that are not related to dumping have not been attributed to the effects of dumped imports.

Exports of New Zealand Producers

- 321. Section 8(2)(e)(v) of the Act refers to the export performance and productivity of the New Zealand producers as factors other than the dumped goods that may have injured or are injuring the industry.
- 322. NZ Steel provided information on its exports of aluminium-zinc coated steel from 2016 until Q2 2021 (the POI is 2020). NZ Steel does not consider that its export market performance in the aluminium-zinc coated steel product group has impacted on the domestic New Zealand market for aluminium-zinc coated steel or NZ Steel’s performance in that market. It commented that the general impact of COVID-19 on international trade through high shipping costs and delays, in addition to rising prices, has seen a decline in NZ Steel’s exports but this has been compensated by an unusually strong demand by the domestic market, a point noted previously in this report.

Figure 11: Exports – MT, Rolling Annual Totals

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- 323. Figure 11 clearly shows that following a decline in 2016-18, there was a gradual increase in NZ Steel’s exports of aluminium-zinc coated steel through to 2020, and a decline since then. This information confirms NZ Steel’s comments on the relative performance of the domestic and export markets. The figures also confirm NZ Steel’s claim that it has seen a decline in exports which the company acknowledged has been countered by an unusually strong demand by the domestic market.
- 324. MBIE is satisfied that movements in export volumes have not contributed to the decline in sales of the subject goods on the New Zealand market.

Imports by the New Zealand Industry

325. Section 8(2)(f) of the Act requires the chief executive to have regard to 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 importation.
326. NZ Steel provided information on its imports, which MBIE confirmed in the verification process. MBIE is satisfied that imports by NZ Steel have not contributed to any material injury attributable to dumped imports.

Other Factors

327. There may be other factors, other than imports of the subject goods, which could be affecting the performance of the domestic industry in relation to the subject goods include the impact of the COVID-19 pandemic.

COVID-19

NZ Steel shutdown

328. The impact of COVID-19 on demand for coated steel has been noted previously in this report. Specifically, NZ Steel commented on how the effect that the disruption caused by COVID-19 has impacted its operation in the form of stronger than normal demand (post the March/April 2020 lockdown). The company explained that because COVID-19 was addressed by lockdowns, this then provided stimulus for quantitative easing in most economies (including New Zealand), which was then over-shot (the need for that easing), which led to enhanced demand. However, other COVID-19-related issues occurred including commodity price rises, elevated global steel pricing, increased steel costs and shipping cost increases and delays affecting imports of building materials.
329. According to NZ Steel, this “blip” has resulted in unexpected demand (and returns) for NZ Steel aluminium-zinc coated products post lock-down but the overall product group remains negatively affected by the subject goods including beyond the period of injury. NZ Steel claim that while world steel prices have been rising, its own prices have been rising at a slower rate and later, as they follow international prices.
330. MBIE has been able to assess the likely effect of the shutdown on NZ Steel’s output and revenue by quantifying the annual production that would have occurred but for the 5-week shutdown. The volume of output lost was less than the total decline of output in 2020 (see Figures 4 and 8).

Customer demand

331. In addition to the shutdown by NZ Steel, COVID-19 also contributed to closedowns of NZ Steel’s customers, which had an effect on demand. In order to gauge the effect of any decline in market demand, MBIE has analysed Stats NZ data for construction activity, as an indicator of market demand.¹⁴ The data suggests that construction activity declined by 8.5% in 2020 compared with 2019. However, the revenue decline related to NZ Steel’s sales of aluminium-zinc coated steel in 2020 was significantly greater than this level, even taking account of the NZ Steel shutdown, indicating that there were other factors, such as dumping, contributing to the decline in revenue.

¹⁴ StatsNZ, Seasonally adjusted volume of building work put in place (\$), June 2016–2021 quarters, at <https://www.stats.govt.nz/news/building-activity-rises-again-in-june-quarter>.

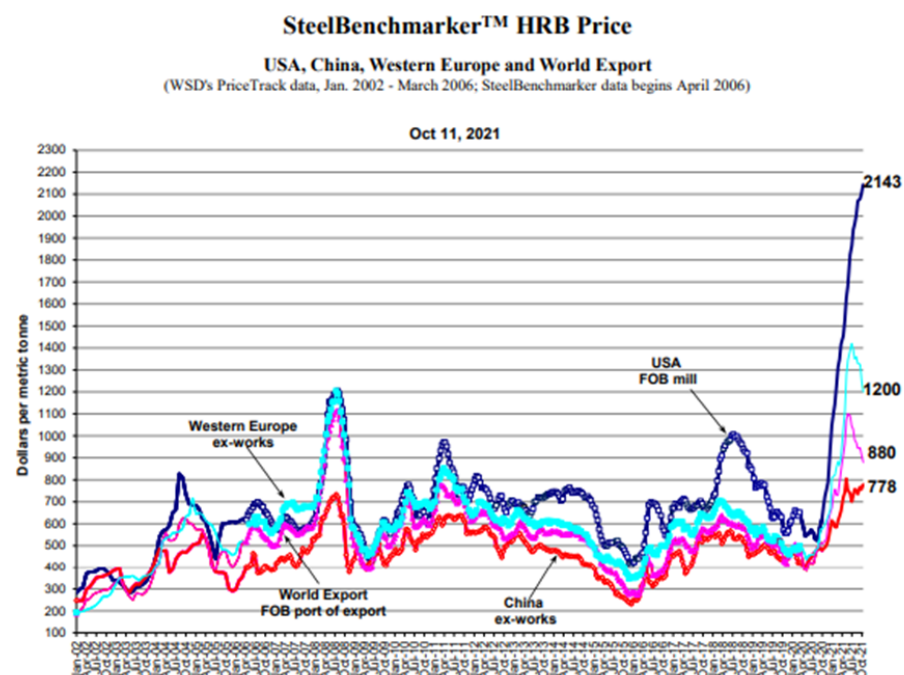
International price and cost influences

332. In addition to effects on New Zealand production and demand, the international steel trade and price situation has an impact. The direct COVID-19 impact has been through increased costs of raw materials, related to supply and demand, and increased transportation costs.

Costs and prices

333. Outside the COVID-19 effects, international steel price movements can affect prices paid by importers, irrespective of dumping, and the operation of NZ Steel's IPP model, as well as prices of the main raw materials, such as HRC, with flow-on effects on prices.
334. MBIE has reviewed the evolution of international hot-rolled coil (HRC) prices through information provided by SteelBenchmarker™.¹⁵

Figure 12: International Prices for HRC – USD/MT



335. The information in Figure 12 relates to the period since 2002, but the key information relates to the period 2016-2020. This indicates that in 2016 prices for HRC were at their lowest level since 2002, then rose to a peak around mid-2018 before dropping again to the first half of 2020. Since then there has been a sharp rise to historically high levels. This price evolution is reflected in the price information shown in Figure 5. This tends to confirm that prices of the subject goods and NZ Steel's prices have a relationship with international steel prices, but does not mean that price effects have been misattributed to dumping, since those effects can still apply along with international price movements. It should also be noted that increased prices and costs at the global level does not necessarily

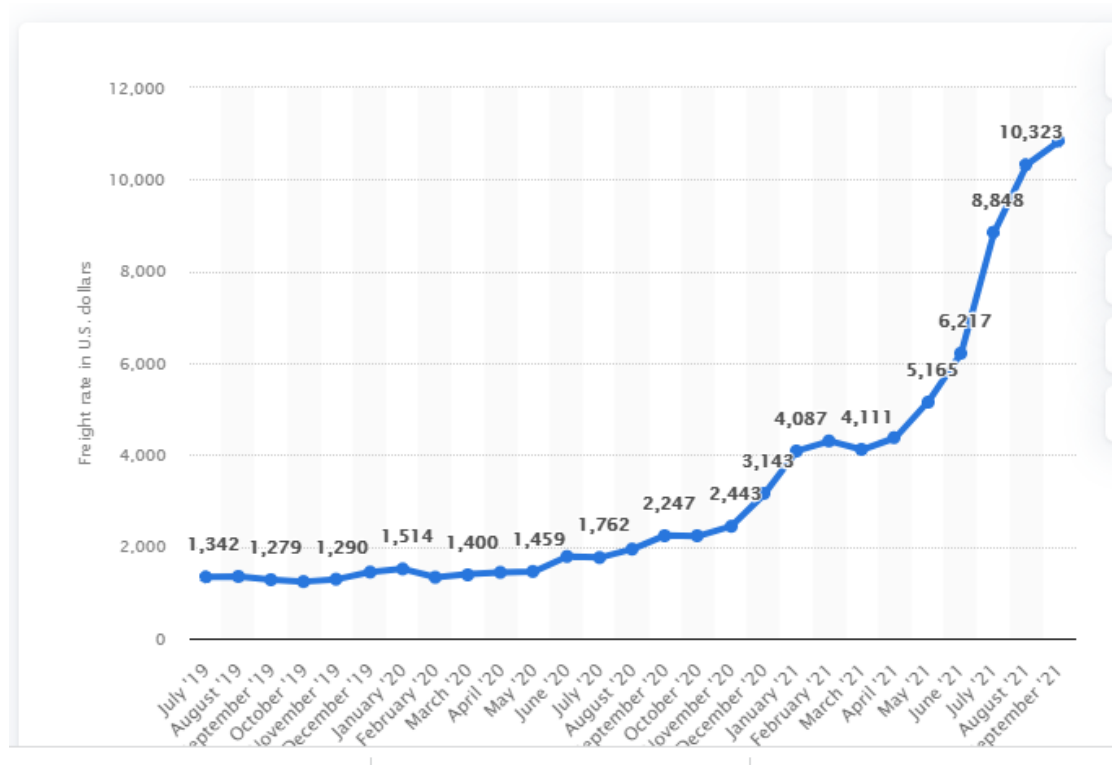
¹⁵ SteelBenchmarker, at <http://steelbenchmarker.com/history.pdf>.

mean that goods will no longer be dumped, since such increases will apply to both domestic and export sales.

Overseas freight costs

336. Primarily as a result of responses to the potential impact of COVID-19 on production and trade, there is a global crisis in the supply of shipping, and in particular container shipping. The outcome has been a rapid and significant increase in the cost of overseas freight since mid-2020. The chart below, from Statista.com,¹⁶ provides an index of costs, which has been confirmed by the information from importers, intermediary traders and foreign manufacturers regarding actual costs of the subject goods shipped to New Zealand.

Figure 13: Ocean Freight Costs - Index



337. The information supports the price evolution shown in Figure 5, but does not mean that price effects of increased freight costs have been misattributed to dumping. However, it does indicate that it is likely that while there is a global shipping crisis, importers will be faced with higher prices, meaning that there is likely to be increased demand for NZ Steel's products.

International Price Parity Model

338. As noted in the discussion on price effects, NZ Steel operates an international price parity model for setting prices for its goods. This model takes account of feedback on international prices and market intelligence, exchange rates, import costs and a premium for domestic supply. The prices resulting from the model can incorporate prices of dumped goods, so there is a relationship between dumping and domestic prices based on IPP. However, to the extent that IPP prices do not respond quickly enough to developments in

¹⁶ Global container freight rate index from July 2019 to September 2021(in U.S. dollars), at <https://www.statista.com/statistics/1250636/global-container-freight-index/>

international prices they may contribute to price effects which are not directly attributable to dumping.

339. MBIE has assessed the evolution of prices during the POI(D) and concludes that while NZ Steel's prices may not have responded quickly to international price movements, there is no evidence to indicate that this has resulted in injury that has been misattributed to dumping. Increased international prices do not necessarily remove dumping (since domestic prices in the country of export are just as likely to increase along with export prices, while increased freight costs are likely to lead to lower ex-factory export prices), and there may be contractual obligations affecting the frequency and size of price movements.

MCL Production

340. As noted previously in this report, NZ Steel's production capacity is affected by the mix of products produced in the MCL plant. In effect, the company needs to choose between producing aluminium-zinc coated steel and galvanised steel coil (the other product manufactured in the MCL line). An added factor is that coated steel is exported as well as used as a production input for the painted line (which produces Colorsteel), meaning that the company must also choose between producing coated steel for domestic consumption (the like goods), exporting it, or using it as an input into the painted line. Such allocation decisions are made in response to fluctuations in both domestic and global demand for its different steel products, which itself has been impacted by COVID-19, as well as the volume of imports of steel products.
341. MBIE has examined the MCL product mix over the POI(I) and found that the production of coated steel for sale on the domestic market (like goods) remained reasonably stable, as a percentage of total MCL output, except for the first half of 2020 when production was curtailed due to the 5-week COVID-19 shut down. The MCL shutdown appears to have affected output of the like goods to a greater extent than galvanised steel coil output or exports of coated steel, with both increasing as a percentage of total MCL output. This tends to confirm NZ Steel's claim that its production of aluminium-zinc coated steel for sale in the domestic market has been affected by dumping, and that the MCL production mix reflects that position.

4.3 Conclusion on Material Injury

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

Dumped Imports

343. As described in the preceding sections of this report, MBIE has examined the information available concerning the volume and price effects of allegedly dumped imports and the consequent impact on the domestic industry, including the extent and nature of any such effects and the causal relationship with the dumped imports of aluminium-zinc coated steel from Korea.
344. MBIE has concluded that there has been an increase in imports of the subject goods along with price effects and a consequential effect on the domestic industry which can be attributed to dumping.

Other causes of Injury

345. Section 8(1) of the Act requires that a determination that material injury to an industry is being caused or threatened by dumped imports. MBIE is satisfied that in relation to the matters the chief executive is required to have regard to under section 8(2), it has not attributed to dumped imports any injury caused by other factors. MBIE is also satisfied that there are no other relevant matters that need to be considered under section 8(1).

Conclusion

346. MBIE has examined the information available, and on the basis of its consideration of the factors set out in section 8 of the Act, MBIE's provisional conclusion is that the dumping of the subject goods from Korea has contributed to material injury to the New Zealand industry producing like goods.
347. MBIE is satisfied that the effects of other factors which may be having an economic impact on the New Zealand industry have not been attributed to the dumping of the goods from Korea.

5. Conclusions

348. MBIE notes that the essential facts outlined in this report, and the conclusions drawn from them, are likely to form the basis for the determinations to be made under section 10D of the Act. Those determinations include whether goods are dumped and causing material injury to an industry, and subject to that determination the rate or amount of anti-dumping duty that will form the basis for a step 2 investigation. Recommendations on these determinations will take into account any submissions made in response to this Report.

Conclusions on dumping

349. MBIE has provisionally established dumping margins for the POI(D) of between 2.5% and 12.6% for Korea, with a weighted average of 3.4%, but no dumping in respect of Taiwan.

Conclusions on injury

350. MBIE provisionally concludes from its examination of the current situation of the New Zealand industry that the dumping of the subject goods from Korea has contributed to material injury to the New Zealand industry producing like goods. MBIE is satisfied that the effects of other factors which may be having an economic impact of the New Zealand industry have not been attributed to the dumping of the goods.

Trade and International
Ministry of Business, Innovation and Employment
1 November 2021