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Australian Government
Anti-Dumping Commission

CUSTOMS ACT 1901 - PART XVB

CONSIDERATION REPORT NO. 300

APPLICATION FOR A DUMPING DUTY NOTICE

STEEL REINFORCING BAR

EXPORTED FROM

THE PEOPLE'S REPUBLIC OF CHINA

23 June 2015

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ABBREVIATIONS & SHORTENED FORMS

ABS	Australian Bureau of Statistics
ACBPS	Australian Customs and Border Protection Service
ACRS	Australasian Certification Authority for Reinforcing and Structural Steel
Act	<i>Customs Act 1901</i>
AUD	Australian Dollar
Commission	Anti-Dumping Commission
Commissioner	Commissioner of the Anti-Dumping Commission
CTMS	Cost to make and sell
DCS	Developing countries subject
FOB	Free on board
GAAP	Generally accepted accounting practice
GUC	Goods under consideration
Korea	Republic of Korea
MPa	Megapascals
Ministerial Direction	Ministerial Direction on Material Injury 2012
NIP	Non-injurious price
Nominated Countries	Collectively referring to Korea, Malaysia, Singapore, Spain, Taiwan, Thailand and Turkey
OneSteel	OneSteel Manufacturing Pty Ltd
Parliamentary Secretary	Parliamentary Secretary to the Minister for Industry
Rebar	Steel reinforcing bar
SG&A	Selling, general and administrative costs
Thailand	The Kingdom of Thailand
Turkey	The Republic of Turkey
USA	United States of America
USD	United States dollars
USDOC	United States Department of Commerce
USP	Unsuppressed selling price

1 SUMMARY AND RECOMMENDATION

1.1 Background

This report provides the results of the Anti-Dumping Commission's (the Commission's) consideration of an application by OneSteel Manufacturing Pty Ltd (OneSteel) for the publication of a dumping duty notice in respect of steel reinforcing bar (rebar) exported to Australia from the People's Republic of China (China).

1.2 Application of law to facts

Division 2 of Part XVB of the *Customs Act 1901* (the Act)¹ sets out procedures for considering an application for a dumping duty notice.

1.2.1 The role of the Commission

In practice, the Commission is responsible for preparing a report for the Commissioner of the Anti-Dumping Commission (the Commissioner) after examining the application for the publication of a dumping duty notice.

In this report, the following matters are considered in relation to the application:

- whether the application complies with subsection 269TB(4);
- whether there is, or is likely to be established, an Australian industry in respect of like goods; and
- whether there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

1.2.2 The role of the Commissioner

The Act empowers the Commissioner to reject or not reject the application for the publication of a dumping duty notice.

If the Commissioner decides not to reject the application, the Commissioner must give public notice of the decision and provide details of the investigation.

1.3 Findings and conclusions

The Commission has examined the application for the publication of a dumping duty notice in relation to rebar exported to Australia from China.

¹ All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

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The Commission is satisfied that:

- the application complies with the requirements of subsection 269TB(4) (as set out in Chapter 3 of this report);
- there is an Australian industry in respect of like goods (as set out in Chapter 4 of this report); and
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of rebar exported to Australia from China (as set out in Chapters 5, 6 and 7 of this report).

1.4 Recommendation

The Commission recommends that the Commissioner decide not to reject the application.

If the Commissioner accepts this recommendation, to give effect to that decision, the Commissioner must sign the instrument at **Appendix 1** indicating that the Commission will conduct an investigation into whether grounds exist to publish a dumping duty notice as sought in the application.

2 BACKGROUND

2.1 Application

On 14 May 2015, OneSteel Manufacturing Pty Ltd (OneSteel) lodged an application requesting that the Parliamentary Secretary to the Minister for Industry and Science (the Parliamentary Secretary) publish a dumping duty notice in respect of rebar exported to Australia from China.

OneSteel provided further information and data in support of its application on 3 June 2015. As a result, the Commission has restarted the 20 day period for considering the application in accordance with section 269TC(2A) of the Act.

OneSteel alleges that the Australian industry has suffered material injury caused by rebar exported to Australia from China at dumped prices. The applicant alleges that the industry has been injured through:

:

- price depression;
- price suppression;
- price undercutting;
- lost sales volume;
- lost market share;
- loss of profits;
- loss of profitability;
- less than full capacity utilisation;
- loss of employment;
- reduction of assets employed in the production of the like goods; and
- reduction of capital investment in the production of the like goods:

2.2 The goods the subject of the application

2.2.1 Description

OneSteel described the goods subject of the application (the goods) as being:

“Hot-rolled deformed steel reinforcing bar whether or not in coil form, commonly identified as rebar or debar, in various diameters up to and including 50 millimetres, containing indentations, ribs, grooves or other deformations produced during the rolling process.

The goods covered by this application include all steel reinforcing bar meeting the above description of the goods regardless of the particular grade or alloy content or coating.

Goods excluded from this application are plain round bar, stainless steel and reinforcing mesh.”

The goods are referred to as rebar in this report.

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2.2.2 Tariff classifications

The Trade Branch of the Australian Customs and Border Protection Service (ACBPS) confirmed with the Commission that the goods are classified to the following tariff sub-headings:

- 7214.20.00 (statistical code 47) for *other bars and rods of iron or non alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot extruded, but including those twisted after rolling containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling.*
- 7228.30.90 (statistical code 49; as of 1 July 2015, statistical code 40) for *other bars and rods of other alloy steel; angles, shapes and sections, of other alloy steel; hollow drill bars and rods, of alloy or non-alloy steel.*
- 7213.10.00 (statistical code 42) for *bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel containing indentations, ribs, grooves or other deformations produced during the rolling process; and*
 - *have indentations, ribs, grooves or other deformations produced during the rolling process (reinforcing bars and rods);*
 - *be twisted after rolling.*
- 7227.90.10 (statistical code 69) for *bars and rods, hot-rolled, in irregularly wound coils, of other alloy steel.*
- 7227.90.90 (statistical codes 02 and 04) for *bars and rods, hot-rolled, in irregularly wound coils, of other alloy steel.*

The ACBPS Trade Branch advised that goods imported under tariff subheading 7228.30.90 may also include products other than 'hot rolled deformed rebar'. In such cases product descriptions would be used to determine if products declared under this tariff subheading fit the description of the goods.

Table 1, below, contains tariff information for the goods.

Product	HS Code	Stat Code	Rate	DCS	DCT
Rebar Straights	72142000	47	5%	Free	Free
Rebar Straights – Alloy	72283090	49	5%	Free	Free
Rebar Coil	72131000	42	5%	Free	Free
Rebar Coil – Other Alloy	72279010	69	5%	Free	Free
Rebar Coil – Other Alloy	72279090	42*	5%	Free	Free
Rebar Coil – Other Alloy	72279090	02 and 04**	5%	Free	Free

Table 1: Tariff classification information for the goods

*Operative until 31 December 2014

**Operative currently

2.2.3 Tariff concession orders

There is currently no tariff concession order (TCO) applicable to the goods.

2.2.4 Standards and Accreditation

Australian Steel Reinforcing Standards

OneSteel stated in its application that *AS/NZS 4671:2001 Steel reinforcing materials* specifies requirements for the chemical composition and the mechanical and geometrical properties of deformed reinforcing bars and coils used for the reinforcement of concrete.

Australian Steel Reinforcing Strength Grades

OneSteel stated that AS/NZS 4671:2001 identifies yield strength levels of 250 Megapascals (MPa), 300 MPa, and 500 MPa. The numbers refer to the minimum yield strength which is measured with an extensometer in accordance with the requirements outlined in AS/NZS 4671:2001

OneSteel stated that the 500 MPa represents the standard yield strength for rebar specified in the Australian market, while the 250 MPa (commonly referred to as 'pool steel') represents a small proportion of rebar produced by OneSteel, and is used primarily in swimming pool construction.

OneSteel asserted that the mechanical properties required by AS/NZS 4671:2001 can be attained through various chemical, heat-treatment and cold-working processes.

Australian Steel Reinforcing Ductility Classes

OneSteel stated that AS/NZS 4671:2001 specifies three ductility classes for rebar which are distinguished by the letters 'L' (low), 'N' (normal), and 'E' (earthquake).

OneSteel asserted that 'N' class rebar represents the standard ductility class used the Australian market which is dictated by the low level of seismic activity in Australia.

Australian Steel Reinforcing Designation

OneSteel stated that rebar is designated by distinguishing letter or numbers in the following manner:

- a) Shape – by the letters, R, D, or I, representing plain (i.e. Round), Deformed ribbed, or Deformed Indented, surfaces respectively.
- b) Strength grade – by the numerical value of the lower characteristic yield stress expressed in megapascals.
- c) Ductility Class – by the letters L, N or E representing Low, Normal or seismic (Earthquake)ductility respectively.

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- d) Size – by the numeral value of the nominal diameter expressed in millimetres.

For example, a deformed ribbed bar of grade 500 MPa normal ductility steel with a nominal 16mm diameter would be designated as 'D500N16'.

Australian Steel Reinforcing Certification

The Australasian Certification Authority for Reinforcing and Structural Steels (ACRS) administers an independent, expert, industry-based product certification scheme, certifying manufacturers and suppliers of rebar, pre-stressing and structural steels to Australian and New Zealand Standards.

OneSteel asserted that the manufacturers nominated as exporters of the goods in its application are listed as having ACRS accreditation for the manufacture of reinforcing bar to AS/NZS 4671:2001.

OneSteel noted that rebar may be imported into Australia from Chinese mills that do not have ACRS accreditation.

2.3 Consideration of the application

Under subsection 269TC(1) of the Act, the Commissioner must consider the application and within 20 days of lodgement decide whether to reject the application. The application was lodged on 14 May 2015. OneSteel did, however, provide further information and data in support of its application on 3 June 2015. As a result, the Commission restarted the 20 day period for considering the application in accordance with section 269TC(2A) of the Act. As such, the Commissioner's decision must be made no later than 23 June 2015.

Subsection 269TC(1) specifies that the Commissioner shall reject an application if the Commissioner is not satisfied that:

- the application complies with subsection 269TB(4); or
- there is, or is likely to be established, an Australian industry in respect of like goods; or
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

These matters are examined in the following chapters of this report.

2.4 Previous investigations and current measures

On 17 October 2014, the Commissioner initiated an investigation into the alleged dumping of rebar exported to Australia from the Republic of Korea (Korea), Malaysia, Singapore, Spain, Taiwan, the Kingdom of Thailand (Thailand) and the Republic of Turkey (Turkey)(Investigation No. 264).

On 13 March 2015 the Commissioner made a preliminary affirmative determination (PAD) that there appeared to be sufficient grounds for the publication of a dumping duty notice in respect of rebar exported to Australia from all seven countries under

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investigation. The Statement of Essential Facts for the investigation is due to be issued on or by 1 July 2015.

2.5 Other administrations

The following ongoing anti-dumping investigations are being conducted in other jurisdictions in relation to rebar:

- The Canada Border Services Agency initiated an investigation into the alleged dumping of certain concrete reinforcing bar originating from China, Korea and Turkey on 13 June 2014².
- On 3 September 2014, the Malaysian Government's Ministry of International Trade and Industry announced it had decided to initiate a preliminary investigation into rebar originating from China and Korea³.
- On 9 September 2013, the US Department of Commerce (USDOC) and the US International Trade Commission (USITC) received petitions into the commencement of anti-dumping investigations relating to imports of steel concrete reinforcing bar from Turkey and Mexico and countervailing investigations relating to imports from Turkey. On 9 September 2014, the USDOC announced the following:
 - an affirmative final dumping of imports from Mexico; and
 - a final negative dumping determination with respect to Turkey and the investigation was terminated against Turkey;⁴
 - an affirmative final determination in the countervailing duty investigation of imports from Turkey.
- In October 2014 USITC announced its affirmative injury finding on the dumped imports from Mexico and the subsidized imports from Turkey.
- On 30 April 2015, the European Commission initiated an investigation into the alleged dumping of rebars (high fatigue performance steel concrete reinforcement)⁵ originating from China.

The Commission notes that the mere fact that allegations of dumping have been made in other jurisdictions does not indicate that dumping is likely to have occurred in relation to goods exported to Australia. The details of anti-dumping activities in other jurisdictions have been provided for stakeholder information purposes only.

² Canada Border Services Agency Dumping case number AD/1403. Additional information is available at <http://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1403/ad1403-i14-ni-eng.html>

³ Malaysian Government Ministry of International Trade and Industry http://www.miti.gov.my/cms/content.jsp?id=com.tms.cms.article.Article_3e771925-c0a8156f-35b220a3-46930e78

⁴ US Department of Commerce International Trade Administration <http://trade.gov/press/press-releases/>

⁵ European Commission case number AD619 http://trade.ec.europa.eu/tdi/case_details.cfm?ref=ong&id=2120&sta=1&en=20&page=1&c_order=date&c_order_dir=Down

3 DOES THE APPLICATION COMPLY WITH SUBSECTION 269TB(4)?

3.1 Findings

Based on the information provided in the application, the Commission is satisfied that the application complies with subsection 269TB(4) of the Act.

3.2 Legislative framework

Subsection 269TB(4) requires that the application must:

- be in writing;
- be in a form approved by the Commissioner for the purpose of this subsection;
- contain such information as the form requires;
- be signed in the manner indicated in the form; and
- be supported by a sufficient part of the Australian industry.

3.3 Approved form

The application is in writing, in the approved form (a B108 application form), contains such information as the form requires (as discussed in the following sections of this report) and is signed in the manner indicated in the form.

OneSteel submitted confidential and non-confidential versions of the application along with numerous appendices and attachments. The Commission considers that the non-confidential version of the application contains sufficient detail to allow a reasonable understanding of the substance of the information within the confidential version.

3.4 Supported by Australian industry

Pursuant to subsection 269TB(6) of the Act, an application is taken to be supported by a sufficient part of the Australian industry if the Commissioner is satisfied that the persons (including the applicant) who produce or manufacture like goods in Australia and who support the application:

- account for more than 50% of the total production or manufacture of like goods produced or manufactured by that portion of the Australian industry that has expressed either support for or opposition to, the application; and
- account for not less than 25% of the total production or manufacture of like goods in Australia.

OneSteel stated that it is the only Australian producer of rebar. Based on the information provided and research undertaken, the Commission is satisfied that OneSteel is the sole producer of rebar in Australia and therefore the application is supported by a sufficient part of the Australian industry.

3.5 The Commission's assessment

Based on the evidence provided, the Commission considers the application complies with subsection 269TB(4) of the Act.

4 IS THERE AN AUSTRALIAN INDUSTRY IN RESPECT OF LIKE GOODS?

4.1 Finding

Based on the information provided in the application and gathered in previous investigations, the Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application and that the data provided within the application is sufficient for the purpose of analysing the economic condition of the Australian industry.

4.2 Legislative framework

Subsection 269TC(1)(b) specifies that the Commissioner must reject an application for a dumping duty notice if, *inter alia*, he is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

4.3 Locally produced like goods

Subsection 269T(1) defines like goods as:

goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

4.3.1 Applicant’s claims

OneSteel claims that the rebar it produces are ‘like goods’ to imported rebar from China. Table 2, below, summarises the rebar manufactured and sold by OneSteel according to rebar type, size and grade.

OneSteel Mill	Rebar Type	Diameter Range (mm)	Grade
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Table 2: Standard OneSteel rebar products

OneSteel has advised that it has ACRS accreditation. ACRS certifies that the goods meet the performance requirements of AS/NZS 4671:2001 (see section 2.2.4 above for further discussion on ACRS accreditation).

OneSteel wrote in its application:

“Most of the imported goods are produced by mills that have ACRS certification (as does OneSteel’s), which certifies that the goods meet the performance requirements of AS/NZS 4671.2001.

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Imported rebar is manufactured in a similar manner to OneSteel and is directly substitutable to rebar produced domestically by OneSteel. Rebar is generally regarded as a commodity product which, when having similar grade and dimension, are interchangeable regardless of origin.

OneSteel considers that the imported rebar possesses the same essential performance characteristics as locally produced rebar.”

OneSteel provided information on the physical, commercial, functional and production likenesses between imported rebar and rebar manufactured by Australian industry. This is detailed below.

(a) Physical likeness

OneSteel's locally produced rebar, and most imported goods, are manufactured to AS/NZS 4671.2001 from ACRS certified mills, and are alike in physical appearance.

(b) Commercial likeness

The imported and locally produced goods are directly competitive and are sold to common customers in the Australian market.

(c) Functional likeness

Imported rebar is directly interchangeable with locally produced rebar. Both the imported and the locally produced rebar are either used 'as is', or are subject to post production processes such as bending, welding and cutting.

Both the goods and the like goods are predominantly used to reinforce concrete and precast structures. In other words both the goods and like goods have comparable or identical end-uses.

(d) Production likeness

The rebar manufactured by OneSteel is manufactured via similar manufacturing processes to the imported goods. For mills that have ACRS certification, this ensures that rebar produced through those facilities is subject to the same testing and verification processes prescribed to meet the requirements of AS/NZ4671.2001.

4.3.2 The Commission's assessment

The Commission has examined the evidence presented in the application and is satisfied that there is an Australian industry that produces like goods to the goods the subject of the application.

The Commission considers that the applicant has demonstrated:

- the primary physical characteristics of imported and locally produced goods are similar;
- the imported and locally produced goods are commercially alike as they are sold to common users, and directly compete in the same market;

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- the imported and locally produced goods are functionally alike as they have a similar range of end-uses; and
- the imported and locally produced goods are manufactured in a similar manner.

4.4 Manufactured in Australia

Subsection 269T(2) specifies that, for goods to be regarded as being produced in Australia, they must be wholly or partly manufactured in Australia. Subsection 269T(3) specifies that in order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

4.4.1 Applicant's manufacturing operations

OneSteel stated that rebar can be produced via a fully integrated steel production manufacturing process or, alternatively by using ferrous scrap metal as the principal raw material input to electric arc furnace steelmaking. In the OneSteel rebar production process, the steel billet used as input feed to the rod and bar mills that produce the rebar coil and straights is produced either via the integrated steelmaking route (from [REDACTED]) or, via the electric arc furnace route (from [REDACTED]).

OneSteel operates four rolling mills for the production of rebar. Rebar coil is rolled through the [REDACTED] and the [REDACTED]. Rebar straights are produced through the [REDACTED] and the [REDACTED]. OneSteel's rolling process is as follows:

For Rebar Straights:

- Steel billets are loaded into a reheat furnace and reheated to approximately 1200°C.
- The heated billet then passes through a series of rolling stands.
- As the billet passes through each stand it gradually reduces in size and changes shape from a square section to a circular section.
- The final (finishing) stand rolls have a rib profile machined into them so that when the circular bar passes through the rolls, deformations (ribs) are formed on the bar which will provide gripping power so that concrete adheres to the bar and provides reinforcing value.
- After the finishing stand, the bar passes through a special water cooling process where the surface of the bar is quenched rapidly. On exiting this part of the mill for slow cooling on the cooling bed, the temperature gradient established over the cross-section of the bar causes heat to flow from the core to the surface resulting in a (tempered) steel microstructure which gives increased strength. This special cooling process is known as the [REDACTED] process and rebar produced in this way is known as "QST" rebar as the bar has been Quenched and Self-Tempered.

For Rebar Coils:

- Steel billets are loaded into a reheat furnace and reheated to approximately 1200°C.

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- The heated billet then passes through a series of rolling stands.
- As the billet passes through each stand it gradually reduces in size and changes shape from a square section to a circular section.
- The final (finishing) stand rolls have a rib profile machined into them so that when the circular section passes through the rolls, deformations (ribs) are formed on the bar which will provide gripping power so that concrete adheres to the bar and provides reinforcing value.
- For rebar coils produced through [REDACTED]: all rebar coils [REDACTED]
[REDACTED]. [REDACTED]
[REDACTED] the rebar strength requirements are met. After the finishing stand, the deformed rod is looped into rings, laid onto a cooling conveyor and the cooled rings are then formed into a coil.
- For rebar coils produced through [REDACTED]: [REDACTED] rebar coils [REDACTED]
[REDACTED]
[REDACTED] required strength is achieved by [REDACTED]
[REDACTED] At the end of the [REDACTED] process the rebar is spooled into a coil.

4.4.2 The Commission's assessment

Based on the description of the manufacturing process provided in the application, and the Commission's ongoing investigation in relation to rebar exported from other countries, the Commission is satisfied that there is at least one substantial process of manufacture performed in Australia and, therefore, that the goods may be taken to have been produced in Australia.

4.5 Australian industry information

4.5.1 Background

OneSteel is a wholly owned subsidiary of Arrium Limited (formerly OneSteel Limited), a publically listed company. Major shareholders within the Arrium Limited group of companies are disclosed in the company's annual report. OneSteel manufactures rebar in a range of grades and diameters through its manufacturing facilities in Laverton and Newcastle.

4.5.2 General accounting/administration

OneSteel provided a copy of Arrium Limited's 2014 annual report with its application. It stated that corporate allocations are made to OneSteel by Arrium Limited in the form of corporate charges (for items such as shared services) which are included in the cost data provided.

OneSteel's financial year is July to June. OneSteel submits its accounting practices are maintained in accordance with Australia's generally accepted accounting practices (GAAP).

4.5.3 Sales information

OneSteel provided monthly sales and production information in the application, including a summary of domestic and export sales volumes and revenues, as required in the relevant confidential appendices A2, A3, A5 and A6 for the financial years 2010/11 to 2013/14, and for the first three quarters of financial year 2014/15. Confidential appendices A1 and A4 provided data for the period 1 April 2014 to 31 March 2015.

4.5.4 Cost information

OneSteel completed confidential appendix A6 cost to make and sell (CTMS) spreadsheet for domestic and export sales. The information provided in this appendix included quarterly production and sales volumes, manufacturing costs, selling (including distribution), general and administrative expenses for the financial years between 2010/11 and 2013/14, and for the first three quarters of financial year 2014/15.

4.5.5 Other economic factors

OneSteel completed confidential appendix A7 for the financial years between 2010/11 and 2013/14, and for the first three quarters of financial year 2014/15, showing movements in assets, capital investment, R&D expenses, revenue, return on investment, capacity, capacity utilisation, employment, closing stocks, cash flow measures and wages.

4.5.6 The Commission's assessment – Australian industry

Based on the information in the application, the Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application. It examined the detail in, and link between, relevant appendices and found no material discrepancies. For the purposes of this report, the Commission considers that OneSteel's appendices are reliable for the purposes of a preliminary analysis of the economic condition of the Australian industry in respect of rebar for the financial years between 2010/11 and 2013/14, and for the first three quarters of financial year 2014/15.

4.6 Australian market

4.6.1 Market size

OneSteel estimated the size of the Australian market using Australian Bureau of Statistics (ABS) import data, data from an independent recognised international supplier of trade statistics and sales to external customers. OneSteel completed **Confidential Attachment A2** to the application, using data obtained to estimate the size of the Australian market.

4.6.2 Product application and end uses

OneSteel stated that rebar is primarily purchased by fabricators and steel service centres who typically process it before supply into the residential, commercial and

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engineering construction sectors. Rebar is typically cut, bent, and/or welded into various shapes before use in concrete reinforcement as a tension device.

OneSteel submitted that:

- rebar fabricators quote jobs to the construction sector, cut and bend locally manufactured or imported rebar to order and deliver to job sites. Final end use applications for rebar include (but are not limited to) concrete slabs and prefabricated concrete beams, columns, cages and precast products;
- steel service centres also purchase locally or imported rebar to stock for re-sale, primarily to smaller rebar fabricators for use as concrete reinforcement; and
- whilst the vast majority of rebar is fabricated in some way there are instances where no cutting, bending or welding is required by a fabricator or service centre prior to end use.

4.6.3 Market segmentation and demand variability

OneSteel advised that the Australian rebar market comprises a single Australian producer, exporters, importers, and distributors/fabricators who process and sell rebar into the construction sector.

OneSteel provided the diagram, below, to illustrate the distribution channels for rebar in the Australian rebar market.

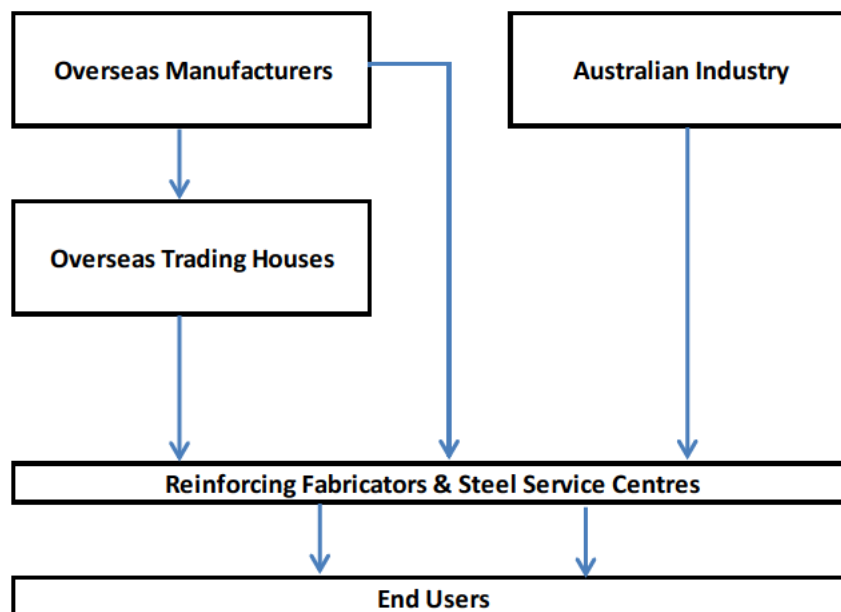


Diagram 1: Distribution Chart for rebar in Australia

4.6.4 Alternative products

In its application OneSteel specified that there are no commercially significant market substitutes for locally produced or imported rebar.

4.6.5 The Commission’s assessment

The Commission compared the estimated import volumes in the application to the data in the ACBPS’s import database. Figure 1, below, illustrates the Commission’s estimates of the size of the Australian market for rebar from years 2010/11 to 2013/14. These estimates are based on data provided from the ACBPS import database and OneSteel’s sales data.

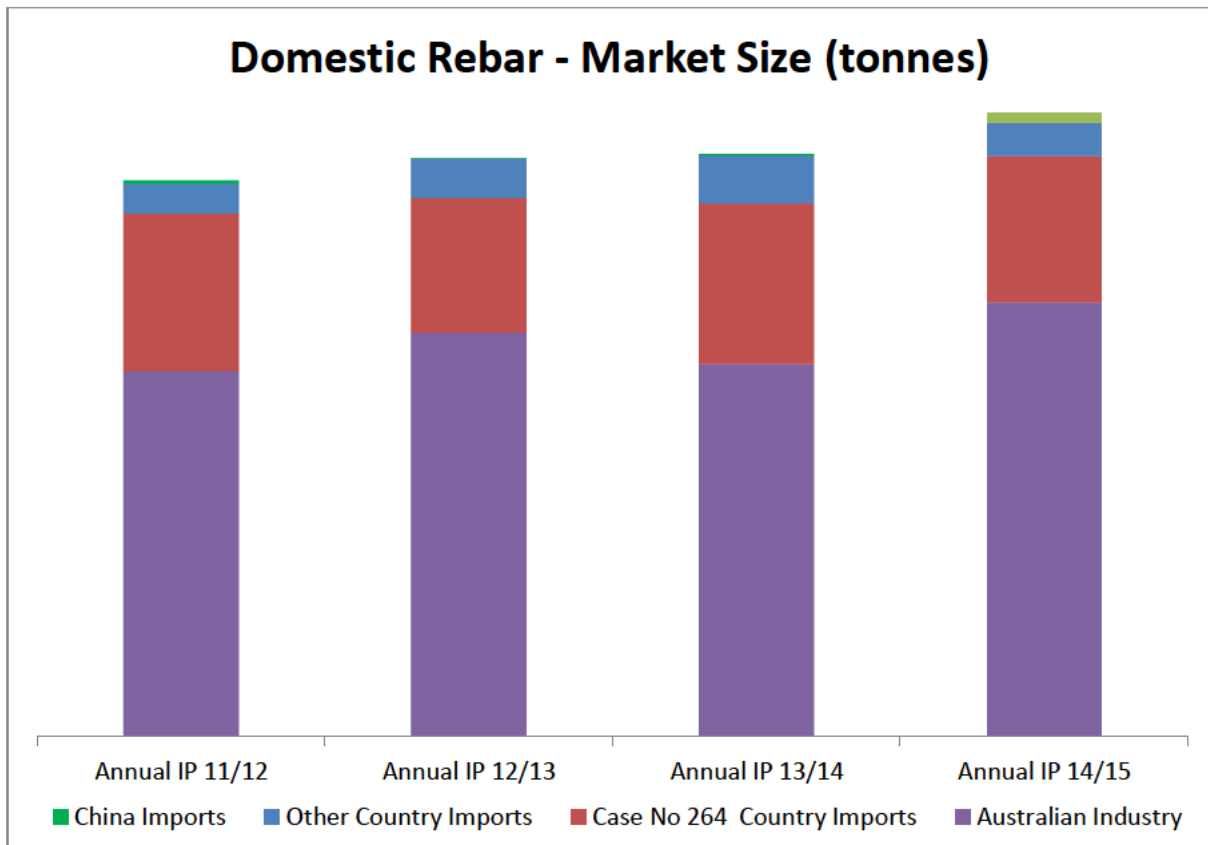


Figure 1 : Australian market for rebar (tonnes)

When comparing OneSteel’s application data to the ACBPS import database, the Commission observed slight variances in OneSteel’s estimates of the volumes of imported goods, however, the Commission considered these variances to be immaterial.

The Commission considers that the information submitted by OneSteel is reliable, relevant and suitable for estimating the size of the Australian market for rebar. The Commission’s assessment of the Australian market for rebar is attached at **Confidential Appendix 2**.

5 REASONABLE GROUNDS – DUMPING

5.1 Findings

Having regard to the matters contained in the application and to other information considered relevant, there appear to be reasonable grounds to support the claims that:

- rebar has been exported to Australia from China at dumped prices;
- the volume of rebar that appears to have been dumped is greater than 3% of the total Australian import volume of the goods, and therefore is not negligible; and
- the estimated dumping margin is greater than 2% and is therefore not negligible.

5.2 Legislative framework

Article 5.2 of the World Trade Organisation Anti-Dumping Agreement states that an application shall include evidence of dumping. It states that simple assertion, unsubstantiated by relevant evidence, cannot be considered sufficient to meet this requirement, but such information must be reasonably available to the applicant.

Subsection 269TC(1)(c) requires that the Commissioner must reject an application for a dumping duty notice if, inter alia, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of a dumping duty notice.

Under section 269TG, one of the matters of which the Parliamentary Secretary must be satisfied of in order to publish a dumping duty notice is that the export price of goods that have been exported to Australia is less than the normal value of those goods. This issue is considered in the following sections.

5.3 Export prices

5.3.1 OneSteel's claims

Onesteel stated that it did not consider the ABS import data for rebar suitable for the estimation of the export price of the imported goods because the goods classified to 7228.30.90 (49) cover a broader classification category of goods than alloyed rebar straights, and as such would, if included, not allow the Australian industry to confidently represent the volume and value of the dumped imported goods.

As such, OneSteel calculated a quarterly deductive export price based on Australian market prices disclosed by customers, less amounts for overseas freight and insurance, import clearance and handling fees, delivery to the buyer and a gross profit margin.

5.3.2 The Commission's assessment – export prices

To verify the reliability of the deductive export price calculated by OneSteel, the Commission compared the export data to information from the ACBPS import database. In undertaking the comparison, the Commission applied the following methodology:

- extracted data from the ACBPS import database based on tariff classification;
- refined the data based on the goods description; and
- applied a price per tonne range of \$350 to \$1200 AUD on an FOB basis in order to filter out outlying data.

The Commission identified a minor variance between OneSteel's import quantities. The Commission recognises that a certain amount of variance will result from timing differences in terms of inputting or collecting relevant data. Additionally, the Commission is of the view that some variance should normally be expected due to variations in the identification of the goods in the ACBPS import database due to the broad tariff classification of the goods (see section 2.2.2 above).

The Commission noted some variation in the deductive export price determined by OneSteel and the export price determined from the ACBPS database. The Commission is, however, satisfied that the export prices of rebar are reasonable estimates for the purpose of this application. The Commission is satisfied that the market prices OneSteel relied upon as the basis for its deductive export price, and the amounts deducted to arrive at an FOB point, are reasonable.

5.4 Normal value

5.4.1 OneSteel's claims

OneSteel claims that domestic prices of rebar in China are not suitable for the determination of normal values because the continued intervention by the Government of China (GOC) in the iron and steel industry has distorted the prices of rebar during the investigation period.

OneSteel cited subsection 269TAC(1) of the Act which establishes that "the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arm's length transactions by the exporter or, if like goods are not so sold by the exporter, by other sellers of like goods".

OneSteel noted that subsection 269TAC(2)(a) of the Act sets out an exception and states that where "...because the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under subsection (1); the normal value of goods exported to Australia cannot be ascertained under subsection (1);...", the normal value may be determined on the basis of construction of cost (paragraph 269TAC(2)(c)), or third country sales (paragraph 269TAC(2)(d)).

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OneSteel contended that a determination as to whether there is a “particular market situation” in China has consequences for the assessment of normal value and dumping margins, and presented evidence supporting its assertion that there is a “particular market situation” in China. OneSteel’s assertions can be summarized as follows:

The GOC’s influence in the iron and steel industry

OneSteel noted that in the recent investigations undertaken by the Commission involving steel products the Commission found that the price of the main raw materials for those goods was distorted by the GOC’s intervention in the Chinese iron and steel industry. The Commission found that a ‘particular market situation’ existed in relation to hollow structural, galvanised steel, aluminium zinc coated steel and plate steel. In these cases the Commission determined that prices in the domestic market for the respective goods were unsuitable for the determination of normal value under section 269TAC(1) of the Act.

Summary of forms of intervention in the Chinese iron and steel industry

OneSteel asserted that the GOC plays a significant role in influencing the domestic iron and steel industry through its numerous broad overarching macroeconomic policies as well as implementation measures aimed at executing the aims and objectives of those policies. OneSteel highlighted the following examples:

- a. National Steel Policy (NSP);
- b. Blueprint for the Steel Industry Adjustment and Revitalization;
- c. Directory Catalogue on Readjustment of Industrial Structure; and
- d. National and regional five year plans and guidelines.

OneSteel provided a detailed analysis of each policy and the underlying implementation measures.

Analysis of Domestic Prices in China

OneSteel submitted that as a result of the GOC’s intervention in the Chinese iron and steel industry, the domestic prices of rebar in China were consistently lower when compared to pricing in other markets. OneSteel provided a comparison of domestic transaction prices for rebar in China compared to Japan, Korea, Taiwan and Turkey. OneSteel asserted that rebar is a commodity product freely traded on the world market and as such the price discrepancy between China and the other four countries indicated that domestic prices of rebar in China are not the same as they would be if they were determined under competitive market conditions.

5.4.2 Sources of data and general methodology

As detailed above, OneSteel considers that the domestic selling prices for rebar sold in China are artificially low and/or there are conditions in the Chinese rebar market which render sales in that market not suitable for use in determining prices under subsection 269TAC(1) of the Act.

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As such, OneSteel has determined normal values for rebar exported from China on the basis of a constructed selling price methodology.

OneSteel obtains on a subscription basis production cost economics for steel producers in certain countries, including China. The cost economics data is sourced from [REDACTED] which analyses and reports on steel prices, steelmakers' costs, steel supply/demand and steel finances.

OneSteel examined the [REDACTED] rebar cost-economics modelling for two Chinese wire rod manufacturers as at 31 December 2014. OneSteel noted that that rebar in coil is made on the same type of rolling mill as wire rod, and therefore believed a comparison of the costs of wire rod production to rebar to be reasonable.

OneSteel submitted that as the cost and price of billet in China is directly affected by the GOC's interventions the domestic selling prices for billet in China are not appropriate for the purposes of determining the fair market value of these goods, and further, that as China is the world's largest producer of iron and steel products, any Asian based benchmark of billet prices would be heavily influenced by Chinese pricing and supply behaviour. As such OneSteel submitted that Turkish export billet prices provided a suitable benchmark price for of billet in China.

In terms of selling and general administration (SG&A) expenses, OneSteel applied the actual costs of one of the exporters identified in the application based on information contained in its 2014 Annual Report.

OneSteel noted that in the interests of conservatism in constructing the normal value no profit was applied.

5.4.3 Normal values in application

Normal values, at an FOB level and in \$USD/tonne, calculated by OneSteel and provided in its application are shown in Table 5 below.

Country	June Quarter 2014	September Quarter 2014	December Quarter 2014	March Quarter 2015
China	684	681	616	566

Table 5: Domestic selling prices (USD\$/MT)

5.4.4 Adjustments

OneSteel noted that it had not sought to apply any adjustments, however noted that the Commission should fully consider adjustments relating to physical differences between the goods sold domestically and those exported to Australia in terms of mass per metre tolerances.

OneSteel also asserted that the GOC does not provide any value added tax (VAT) export rebate for non-alloy rebar, while, alloy rebar receives a VAT export rebate of nine per cent. OneSteel further asserted that Chinese domestic sales of rebar are entitled to a full rebate of input VAT regardless of whether it is alloy or non-alloyed.

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OneSteel noted that as it was not clear to it whether or not the commercial offers into the Australian market on which the deductive export price is determined is alloy or non-alloy rebar, and the constructed normal value assumes the use of non-alloy billet, the Commission would need to have regard to the composition of the billet used in the production of the rebar (alloy or non-alloy), and make the appropriate physical adjustments.

5.4.5 The Commission's assessment – normal values

The Commission reviewed the documentation supplied by OneSteel and considers that its estimates of normal values for rebar sold in China appear to be reasonable. The Commission is of the view that OneSteel's sources of information are reliable and contemporaneous. The Commission notes, however, that OneSteel's claims in regard the intervention of the GOC in the iron and steel industry will need to be investigated during the course of an investigation if initiated.

5.5 Import volumes

Based on the information in the application and the ACBPS import database, the Commission determined that imports of rebar from China represent more than three per cent of the total import volume of rebar for the period 1 April 2014 to 31 March 2015, and are, therefore, not in negligible volumes as defined in subsection 269TDA(4).

5.6 Dumping margins

5.6.1 Dumping margin calculations

Dumping margins for rebar calculated by OneSteel and provided in its application are summarised in the following table:

Product	Applicant's dumping margin % Quarter 2 FY 2015	Applicant's dumping margin % Quarter 3 FY 2015
Straights	18.9%	23.3%
Coils	34.0%	25.7%

Table 6: Dumping margins assessed by the Applicant

5.6.2 The Commission's assessment

The Commission compared OneSteel's dumping margin calculations for quarters two and three of the 2015 financial year using the ACBPS data for export prices. Notwithstanding differences between the Commission's calculations and OneSteel's, the Commission found dumping margins that were above two percent and therefore not negligible as defined in subsection 269TDA(1)(b)(ii) of the Act. The Commission's dumping margin calculations are attached at **Confidential Appendix 3**.

The Commission is satisfied that, based on the information submitted in the application and the Commission's own analysis, there appears to be reasonable

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grounds for concluding that rebar has been exported to Australia from China at dumped prices and that the dumping margins are not negligible.

6 REASONABLE GROUNDS – ECONOMIC CONDITION OF THE AUSTRALIAN INDUSTRY

6.1 Findings

Having regard to the information contained in the application and to other information considered relevant, the Commission is satisfied that the Australian industry appears to have experienced injury in terms of:

- price depression;
- price suppression;
- price undercutting;
- lost sales volume;
- lost market share;
- loss of profits; and
- loss of profitability.

6.2 Legislative framework

Subsection 269TC(1)(c) requires that the Commissioner must reject an application for a dumping duty notice if, inter alia, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of dumping duty notice in respect of goods the subject of the application.

Under section 269TG, one of the matters that the Parliamentary Secretary must be satisfied of in order to publish a dumping duty notice is that the alleged dumping of the goods has caused, is causing or threatens to cause material injury to the Australian industry producing like goods.

6.3 Approach to injury analysis

The injury analysis detailed in this chapter is based on information submitted by OneSteel in its application and data from the ACBPS import database.

As outlined above, OneSteel provided production, cost and sales data for rebar on a quarterly basis for the financial years between 2010/11 and 2013/14, and the first three quarters of financial year 2014/15. OneSteel also provided evidence of market pricing for April and May 2015.

OneSteel stated that during this period, it made sales of rebar to both third party customers (external) and to OneSteel's own trading division (internal). OneSteel's internal sales accounted for a significant proportion of total sales.

For the purposes of analysing and assessing injury experienced by the Australian industry (at the consideration stage), the Commission has used data related to OneSteel's external and internal sales of rebar.

During the investigation, if initiated, the Commission will examine OneSteel's internal sales, including verifying that these are arms-length transactions, and any effect they might have on OneSteel's injury claims.

6.4 Commencement of injury

OneSteel's claims that material injury from the dumped rebar exports from China commenced in or about October 2014.

For the purposes of analysis, the Commission has analysed the applicant's injury claims from 1 July 2011 ('the injury analysis period').

In the following figures:

- P1 refers to the period 1 April 2011 to 31 March 2012;
- P2 refers to the period 1 April 2012 to 31 March 2013;
- P3 refers to the period 1 April 2013 to 31 March 2014;
- P4 refers to the period 1 April 2014 to 31 March 2015; and
- Q1 to Q4 refer to the four quarters of P4.

6.5 The applicant's injury claims

OneSteel contended that material injury from dumped rebar exports from China began in fiscal quarter two of financial year 2015, with [REDACTED] [Details of Chinese import offer for rebar into the Australian market]. In its application, OneSteel claims that Chinese exporters did not enter the Australian market in any significant volumes until after the initiation of Investigation No. 264. OneSteel submitted that importation patterns began to change in late 2014 in line with the first Chinese exporter obtaining ACRS certification.

Prior to the initiation of Investigation No. 264, OneSteel claims that no Chinese mills had ACRS accreditation and therefore, they were unable to sell rebar in significant volumes into the Australian market. As a result, for the purposes of this Consideration Report, the Commission has analysed OneSteel's injury claims during the period 1 April 2014 to 31 March 2015.

OneSteel alleges the Australian industry has suffered material injury caused by rebar exported to Australia from China at dumped prices. It claimed the industry has been injured through:

- price depression;
- price suppression;
- price undercutting;
- lost sales volume;
- lost market share;
- loss of profits;
- loss of profitability;
- less than full capacity utilisation;
- loss of employment;
- reduction of assets employed in the production of the like goods; and
- reduction in capital investment in the production of the like goods.

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In concluding whether or not the above injury factors caused by dumping and suffered by the Australian industry are considered to be 'material', OneSteel referred to Ministerial Direction on Material Injury⁶ (Ministerial Direction), in relevant part:

"I note that anti-dumping or countervailing action is possible in cases where an industry has been expanding its market rapidly, and dumping or subsidisation has merely slowed the rate of the industry's growth, without causing it to contract. In cases where it is asserted that an Australian industry would have been more prosperous if not for the presence of dumped or subsidised imports, I direct that you be mindful that a decline in the industry's rate of growth may be just as relevant as the movement of an industry from growth to decline. I direct that it is possible to find material injury where an industry suffers a loss of market share in a growing market without a decline in profits. As in all cases, a loss of market share cannot alone be decisive. I direct that a loss of market share should be considered with a range of relevant injury indicators before material injury may be established." [at pp. 3-4]

OneSteel contended that, on the evidence tendered, it had lost a material volume of sales and value, which if not for the dumped imports would have resulted in higher prices, greater sales volume and revenue, market share and profitability.

6.6 Volume and market share effects

6.6.1 Sales volume

OneSteel submitted that it has experienced a loss of sales volume across the proposed investigation period due to the growth in the volume of dumped imports from China.

Figure 2, below, shows the volume of OneSteel's sales for rebar straights and coils over the four quarters commencing 1 April 2014.

⁶ Ministerial Direction on Material Injury (Minister for Home Affairs, 27 April 2012)

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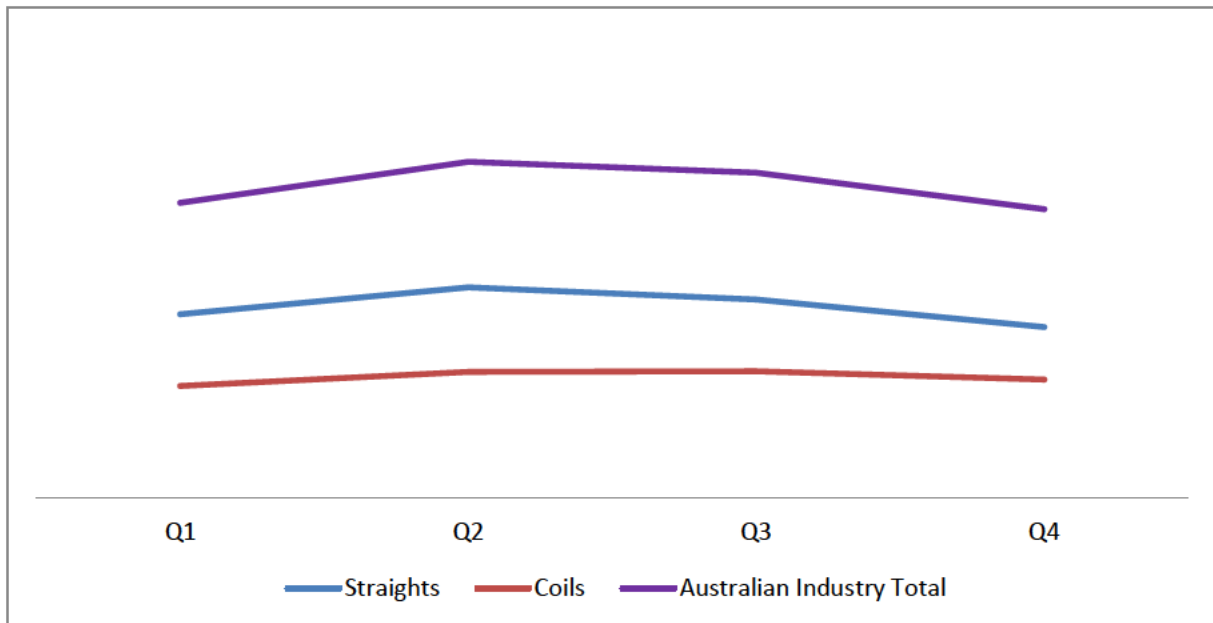


Figure 2 – Australian industry sales of rebar straights and coils by quarter

Figure 3, below, shows the volume of rebar imported from China, and the FOB import price per tonne for the four quarters commencing 1 April 2014.

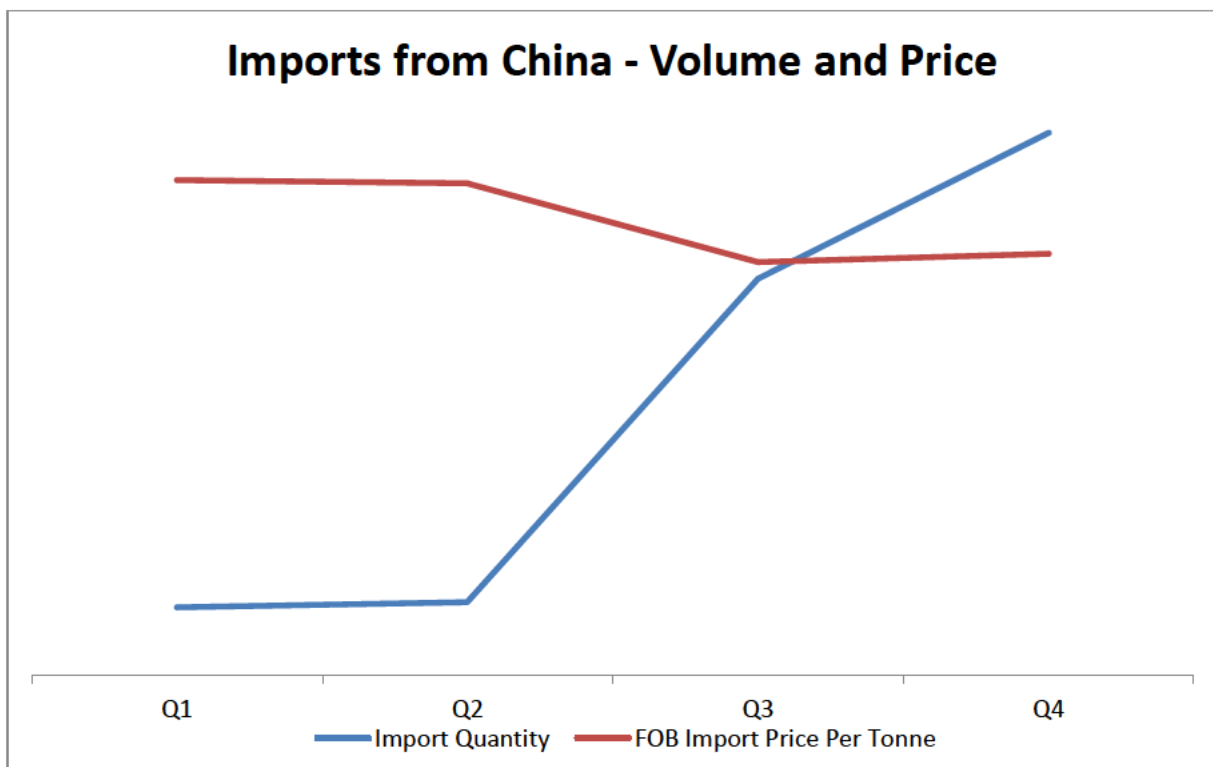


Figure 3 – Imports from China by volume and price

Figure 4, below, shows the volumes of rebar exported from countries subject to Investigation No. 264 for the four quarters commencing 1 April 2014.

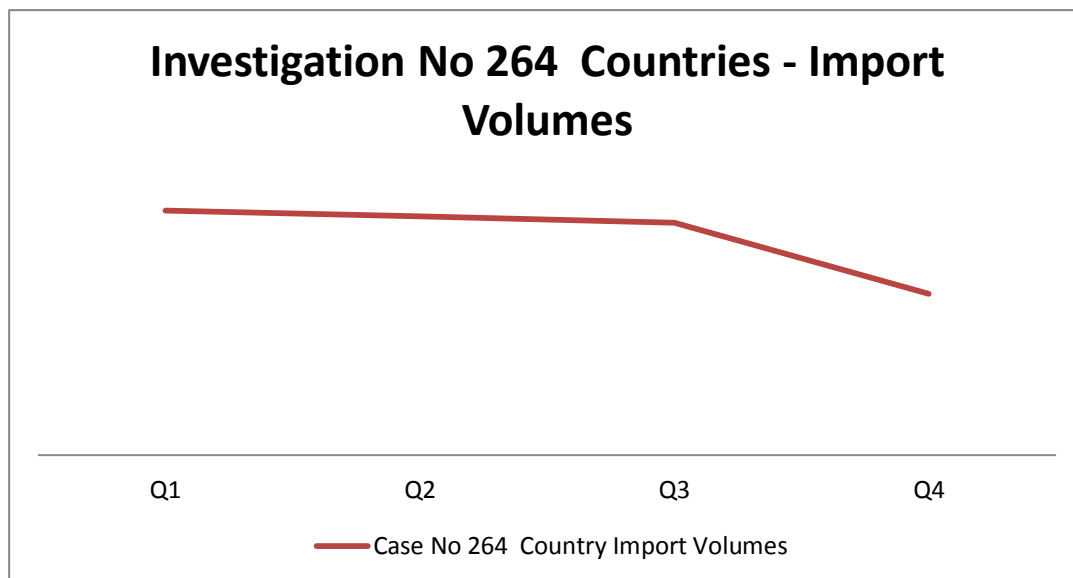


Figure 4 – Investigation No. 264 import volumes

OneSteel submitted that between 1 October and 31 December 2014, dumped imports from China grew dramatically, with the majority of imports being rebar straights. OneSteel submitted that over this period its sales volumes of rebar straights dropped by six per cent. This occurred, notwithstanding the drop in imports from countries subject to Investigation No. 264.

Similarly, for the period 1 January to 31 March 2015, OneSteel submitted that allegedly dumped imports from China grew by a further 158 per cent while its sales of rebar straights dropped by a further 14 per cent, and sales of rebar in coils suffered a drop of seven per cent. This occurred, notwithstanding the drop in imports by a further 21 per cent from countries subject to Investigation No. 264.

OneSteel provided the Commission with a monthly analysis for the period January to May 2015 of sales lost to imports from China. In aggregate, OneSteel contended that for the period January to March 2015 it had lost [REDACTED] tonnes of sales, and for April and May 2015 a further [REDACTED] tonnes.

OneSteel further aggregated the total loss of sales value based on these lost volumes. OneSteel applied the weighted average monthly sales value of the specific customer who had purchased Chinese rebar to calculate the value of revenue lost to it. Based on the tonnages detailed above, OneSteel calculated that it has lost revenue of [REDACTED] due to dumped Chinese imports.

6.6.2 Market Share

OneSteel submitted that it has lost the opportunity to increase its market share across the proposed investigation period due to the growth in the volume of dumped imports from China.

Figure 5, below, depicts the quarterly market shares (measured by reference to volume in tonnes) for the period 1 April 2014 to 31 March 2015 for sales of rebar on the Australian market by OneSteel and by importers, based on the data in OneSteel's application and that obtained from the ACBPS' import database.

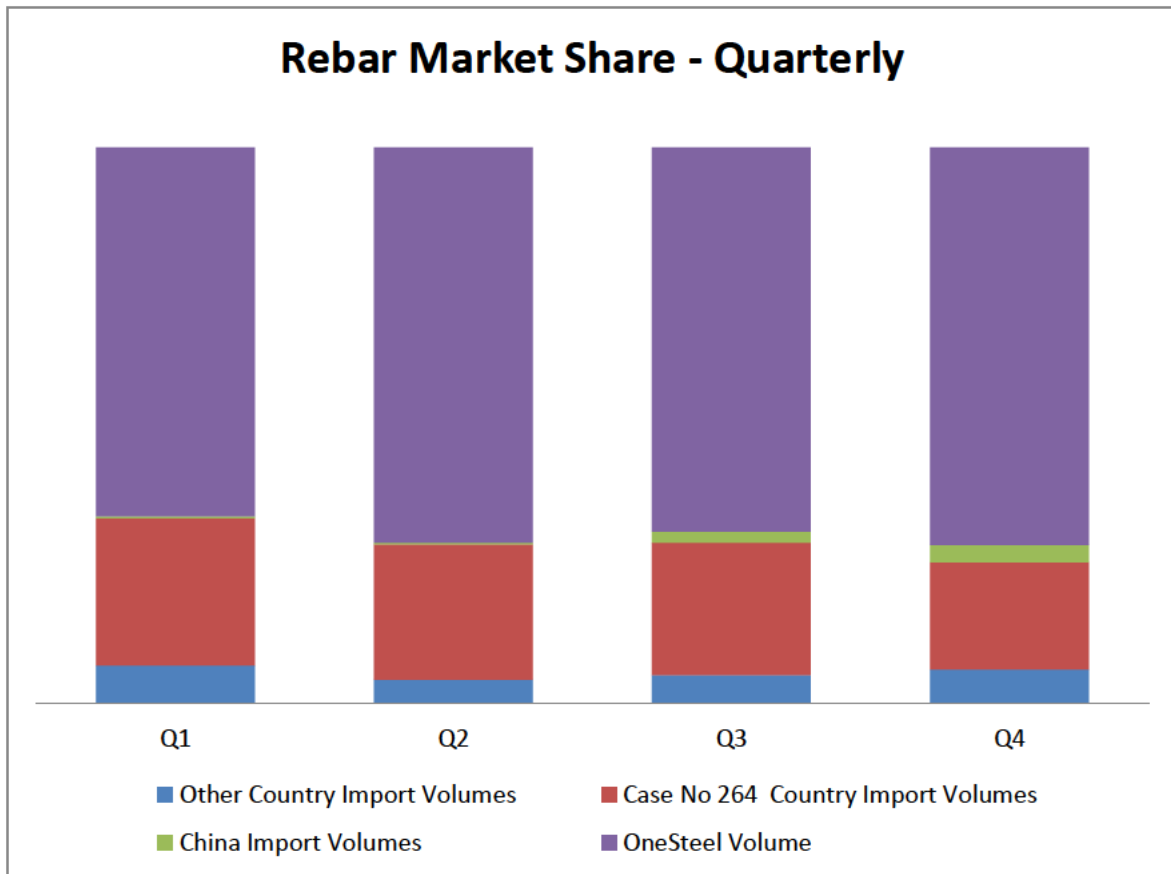


Figure 5 – Quarterly market shares for rebar (%)

Figure 5 shows that from quarter two to quarter four, the market share for the countries subject to Investigation No. 264 fell by approximately five per cent. Imports from China captured a disproportionate amount of that lost market share, claiming 52 per cent, with other countries not subject to Investigation No. 264 capturing 38 percent and OneSteel claiming only ten per cent.

The opportunity for OneSteel to increase its market share appears to have been curtailed by the escalation in Chinese import volumes that commenced following the initiation of Investigation No. 264. While Chinese exporters currently only have about 52 per cent of the Australian market, the Commission notes that there is no minimum market share of alleged dumped imports required to establish material injury.

OneSteel submitted that had the volume of alleged dumped imports from China not occurred, it would have gained greater market share. Following the initiation of Investigation No. 264, OneSteel had expected to gain additional market share, instead its market share remained relatively flat while Chinese imports established a strengthening foothold in the Australian market.

6.6.3 The Commission’s assessment

The Commission considers that there appear to be reasonable grounds to support the claims that the Australian industry has lost sales volume and the opportunity to gain additional market share. Figures 2 to 4, above, indicate that the volume of rebar

imported from China following the initiation of Investigation No. 264 began to increase while the volume of sales for both OneSteel and the countries subject to Investigation No. 264 declined. The Commission’s assessment of the Australian industry’s claims of lost sales volume and market share are contained in **Confidential Appendix 4**.

6.7 Price effects

6.7.1 Price undercutting

As indicated above, OneSteel contended that following the initiation of Investigation No. 264, Chinese mills began seeking ACRS accreditation and to make offers via importers to sell rebar at prices that undercut the Australian market by significant margins. To support price undercutting claims, OneSteel provided a detailed analysis of competitive price offers [REDACTED] for both rebar straights and coils imported from China.

The Commission has evaluated the evidence of price undercutting submitted by OneSteel. The Commission compared the [REDACTED] made to OneSteel customers against OneSteel’s average monthly price offer for that customer.

The Commission has established that OneSteel experienced price undercutting of up to [REDACTED] per cent, with the level of undercutting predominantly of the order of [REDACTED] to [REDACTED] per cent.

Figure 6, below, depicts an undercutting analysis of OneSteel’s average selling price to import targeted customers of rebar straights.

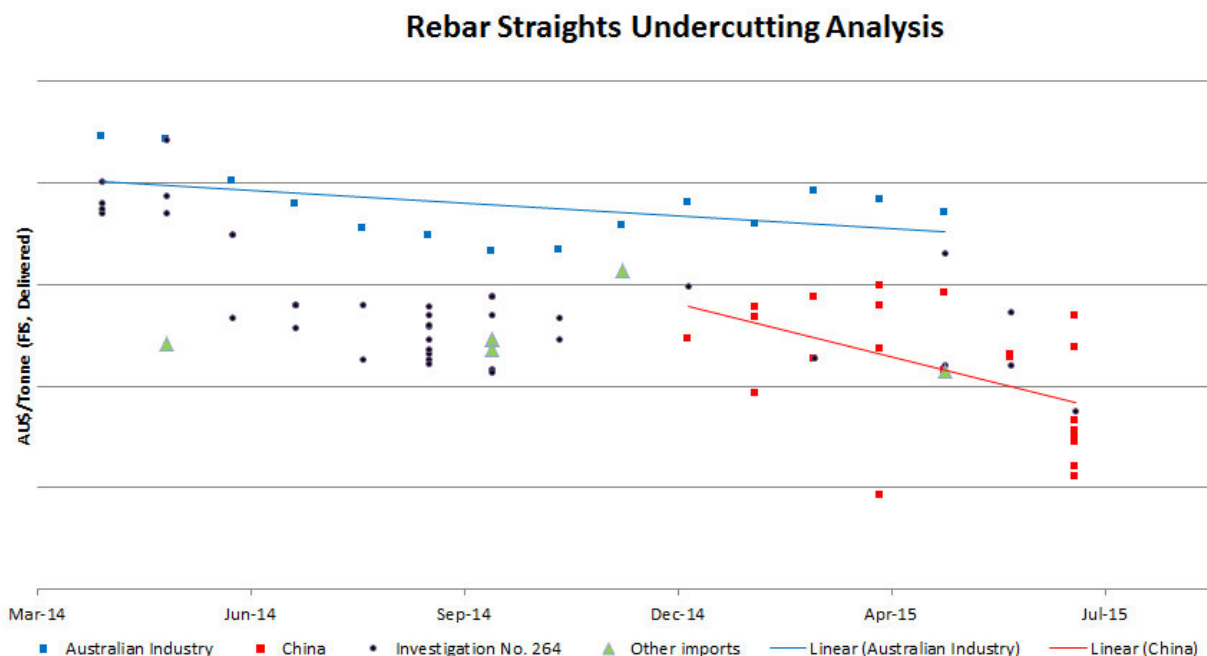


Figure 6 – Rebar straights undercutting analysis

Figure 6 demonstrates that following the initiation of Investigation No. 264 in October 2014, OneSteel attempted to raise prices of rebar straights, however the emergence

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of Chinese imports in increasing volumes at significantly undercut prices curtailed that opportunity, and OneSteel commenced reducing pricing from March. OneSteel submitted that it had reduced sales prices for all goods (straights and coils combined) in the period 1 April 2014 to 31 December 2014 by [REDACTED] per cent and by a [REDACTED] per cent for the period 1 April 2014 to 31 March 2015.

Based on pricing information available for April and May 2015, OneSteel submitted that to remain competitive with dumped imports from China it would need to reduce pricing for rebar straights by between [REDACTED] per cent and [REDACTED] per cent, and rebar coils by between [REDACTED] per cent and [REDACTED] per cent.

Figure 7, below, illustrates the quarterly FOB pricing over the period 1 April 2014 to 31 March 2015 for imports from China, imports from countries subject to Investigation No. 264 and countries not subject to Investigation No. 264.

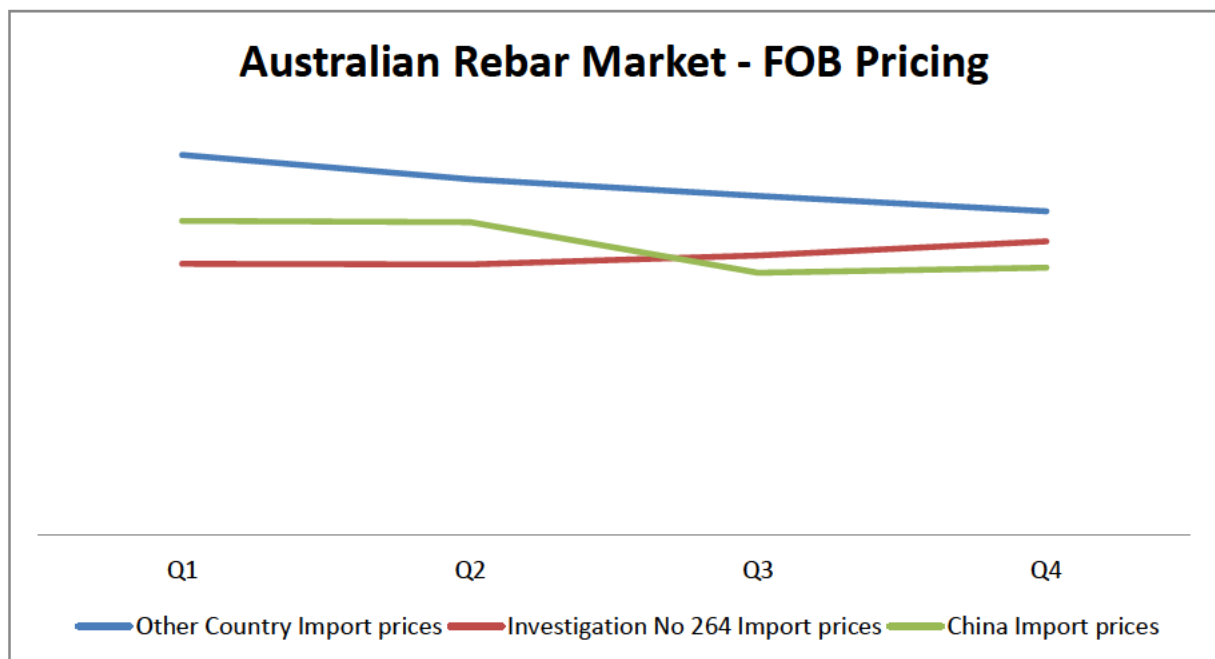


Figure 7 – Investigation period quarterly and FOB pricing

Figure 7 demonstrates that following the initiation of Investigation No. 264 in the third quarter of the investigation period, FOB pricing from the countries under investigation began to increase. At the same time, FOB pricing of rebar exported from China underwent noticeable price cutting. The chart further shows that from the third quarter of the investigation period Chinese imports were undercutting imports from all other suppliers. OneSteel notes in its application that alleged Chinese imports were undercutting not only OneSteel prices, but also the prices of rebar products from countries subject to Investigation No. 264.

6.7.2 Price depression and price suppression

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented.

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OneSteel contended that it has responded to the price undercutting detailed in section 6.7.1 above by reducing its pricing to customers, resulting in price depression and suppression.

Figure 7, above, demonstrates that OneSteel's prices for rebar straights steadily declined until quarter four of the 2014 calendar year. Investigation No. 264 was initiated in this quarter, and Figure 7 demonstrates that OneSteel responded to the initiation by attempting to raise prices. Figure 7 further demonstrates that coinciding with this pricing decision, the volume of imported rebar from China began to increase and at pricing up to ■ per cent lower than OneSteel. Figure 6 demonstrates that OneSteel responded to this price undercutting by lowering its prices.

The Commission undertook an analysis of the information submitted by OneSteel in relation to rebar in coils and found a similar trend.

6.7.3 The Commission's conclusion – price effects

Based on this analysis, there appears to be reasonable grounds to support the claim that the Australian industry has suffered injury in the form of price undercutting.

OneSteel has not been able to increase prices of rebar and maintain them at those levels following the initiation of Investigation No. 264. OneSteel has therefore suffered injury in the form of price suppression.

Further, as the volume of imports from China has increased, OneSteel has been forced to reduce its prices, and has therefore suffered injury in the form of price depression.

6.8 Profit and profitability effects

OneSteel contended that it had experienced an improvement in profit and profitability, however sales of rebar remain unprofitable.

Figure 8, below, charts the relationship between OneSteel's per unit sales revenue, per unit CTMS and per unit profit over the injury analysis period.

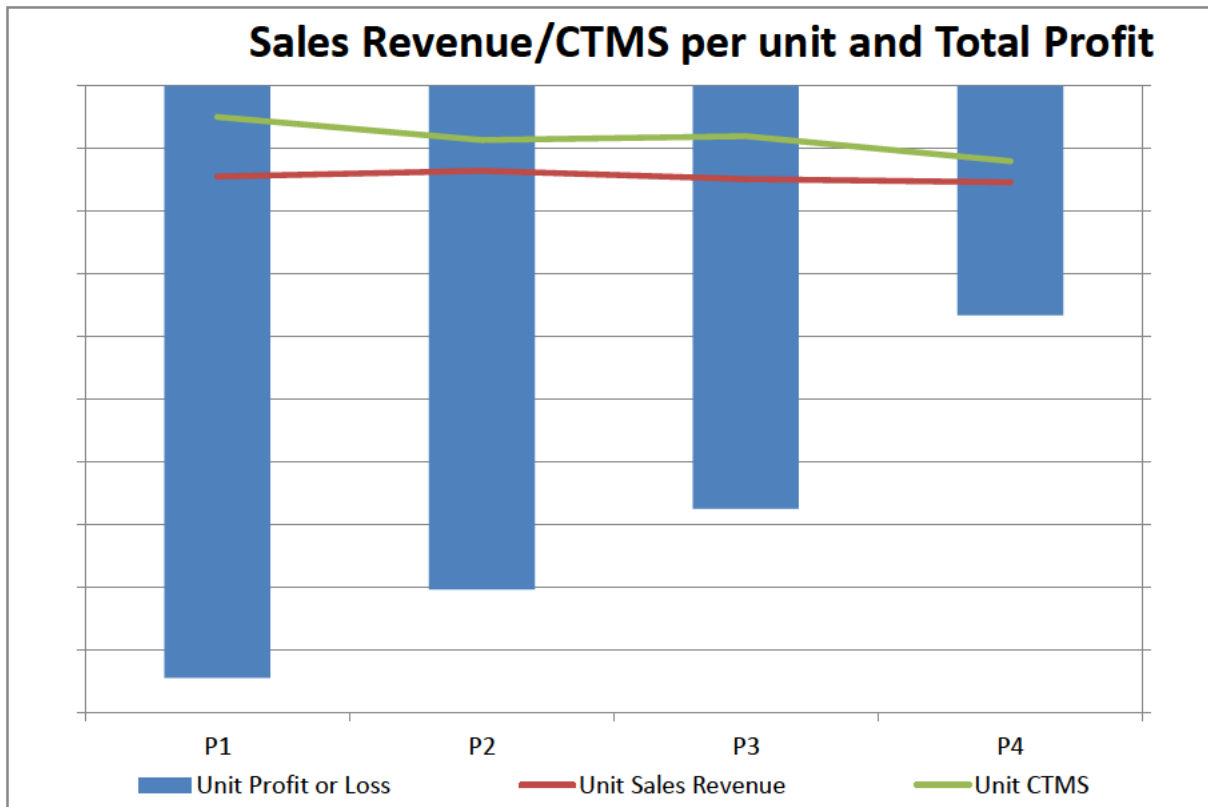


Figure 8 – One Steel Sales revenue and CTMS per unit, and total profit

Figure 8 shows that OneSteel has experienced improving profits, despite remaining unprofitable over the duration of the injury analysis period.

OneSteel submitted that the improvement in its profit and profitability has been driven by reductions in per unit CTMS rather than improvements in per unit sales revenue, in particular due to lowering scrap prices. To support this submission OneSteel provided [REDACTED] scrap price data.

Figure 9, below, charts the change in scrap price over the period 4 April 2014 to 4 June 2015.

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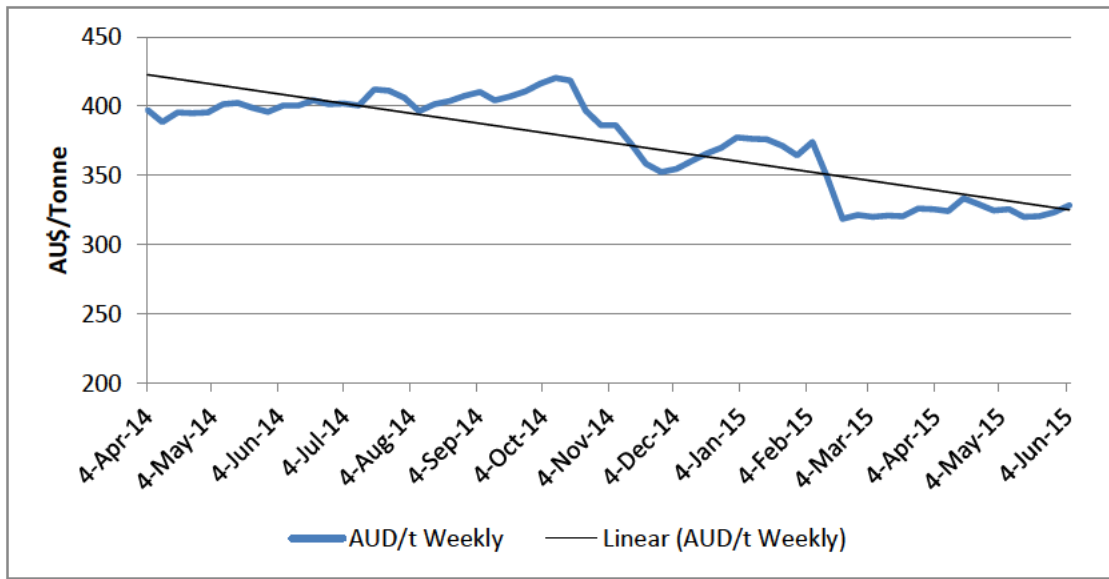


Figure 9 [REDACTED] Scrap Price (AUD/tonne)

Figure 9 demonstrates the fall in scrap prices over the last 14 months. As scrap is the largest portion of OneSteel's manufacturing costs, this downward trend in scrap prices has translated into an improved per unit CTMS for OneSteel.

As detailed in the section 6.7 above, OneSteel has experienced price undercutting, price suppression and price depression, and this is reflected in a falling per unit sales values over the period since Chinese imports began entering the market in significant volumes.

OneSteel further submitted that it had experienced profitability injury due to the impact of lost volume on its fixed costs. OneSteel calculated that had it not lost the tonnages detailed in section 6.6 above, its profitability for the period 1 January to 31 March 2015 could have been improved by [REDACTED] per tonne in terms of the reduction in its fixed manufacturing and SG&A costs across greater sales quantities. This figure rises to [REDACTED] for the period 1 April to 31 May 2015.

6.8.1 Conclusion – profit and profitability effects

Based on this analysis, there appears to be reasonable grounds to support the claim that the Australian industry suffered injury in the form of reduced profits and reduced profitability. The Commission is satisfied that OneSteel has experienced price undercutting in relation to rebar exported from China, which has in turn caused price depression and suppression. Further, lost volume has impacted on the per unit value of OneSteel's fixed costs, curtailing improvements in OneSteel's profitability.

The Commission accepts that OneSteel has experienced an improving profit and profitability position, however is of the view that this improvement has been facilitated by reducing CTMS, and that had OneSteel not experienced price depression and suppression as a result of rebar exported from China it may have had the opportunity to further improve its overall profit and profitability position.

6.9 Other injury factors

OneSteel completed Confidential Appendix A7 (other injury factors) for each of the financial years from 2010/11 to 2013/14 as well as the 12 months ended 31 March 2015. OneSteel identified the following other injury factors:

Less than full capacity utilisation

OneSteel submitted that its capacity utilisation improved over the course of the twelve months ending 31 March 2015, however has not risen above ■ per cent.

Loss of employment

OneSteel submitted that it had reduced its workforce in an effort to reduce costs and maintain competitiveness with dumped imports. Employee numbers were reduced by ■ per cent over the twelve months ending 31 March 2015.

Reduction in assets employed in the production of the like goods

OneSteel measured its assets employed in rebar production in terms of total investment in plant, equipment, land, buildings and intangible assets associated with the production of like goods. OneSteel submitted that across the entire injury analysis period assets invested in rebar production had declined by ■ per cent.

Reduction in capital investment in the production of the like goods

OneSteel measured its capital investment in rebar in terms of its current capital expenditure associated with the production of like goods. OneSteel submitted that across the entire injury analysis capital investment in rebar had declined by ■ per cent.

OneSteel's performance in relation to the other economic factors will be further examined during the course of the investigation.

OneSteel noted that whilst ABS import statistics are only showing relatively low volumes of imports to date, Chinese exporters have the capacity to very rapidly increase their volumes, and cited the English experience where Chinese exports of rebar to the United Kingdom went from zero in 2012 to 254,000 tonnes in 2014.

OneSteel contended that had the volume of dumped imports from China not occurred, it would have gained market share rather than maintaining market share, whereas since quarter two of financial year 2015, the market share of dumped imports from China had increased from negligible levels to approximately [REDACTED] per cent of the market.

7.3 Other possible causes of injury

In its application, OneSteel considered the possibility of material injury continuing to be caused by price undercutting by the other sources of allegedly dumped imports identified in Investigation No. 264. In response to this possibility OneSteel compared price offers by importers of the allegedly dumped goods the subject of this application, allegedly dumped goods the subject of Investigation No. 264, and non-dumped goods from 'other exporters'. OneSteel contended that where importers of rebar from China have made price offers into the Australian market, those price offers have consistently undercut offers from allegedly dumped imports the subject of Investigation No.264, and as such, in OneSteel's view, the dumped imports from China have been the relevant source of injury to the Australian industry at all relevant times within the proposed investigation period.

7.4 The Commission's assessment

Chinese rebar products

The Commission accepts OneSteel's representation that several Chinese manufacturers of rebar have achieved ACRS accreditation following the initiation of Investigation No. 264 in October 2014.

The Commission's analysis of the ACBPS import data supports OneSteel's assertion that exports of rebar straights from China began to increase at an accelerating rate in the period following the initiation of Investigation No. 264. The ACBPS import data also supports a conclusion that the increase in export volumes has coincided with an aggressive price undercutting strategy. At the time of application Chinese imports were undercutting not only OneSteel prices, but also the prices of rebar products from all other suppliers.

While the volume of Chinese imports currently accounts for only [REDACTED] per cent of the Australian rebar market, the Commission accepts that Chinese manufacturers have the capacity to rapidly increase export volumes. The Commission considers that it is reasonable to infer from the increase in ACRS accreditations for Chinese mills that Chinese exporters intend to have a significant role in the Australian rebar market, especially in light of trade remedy actions in other jurisdictions.

Australian industry

The Commission has examined the Australian rebar market pricing information provided by OneSteel in support of its application. The Commission considers this information provides reasonable evidence of quoted import prices undercutting those of OneSteel by up to ■ per cent, and OneSteel either lowering its offer price or not winning the volume.

The Commission is of the view that following the initiation of Investigation No. 264 OneSteel had an expectation that the price depression and suppression it was experiencing would be alleviated, allowing it to both adjust its pricing upward and to recapture volume and market share from those countries subject to investigation. The analysis undertaken by the Commission, however, supports a conclusion that emerging exporters of rebar from China established a price advantage due to allegedly dumped prices. The Commission is satisfied that OneSteel abandoned planned pricing increases and in fact lowered prices in an attempt to maintain sales volume and market share. Notwithstanding the growth in the Australian rebar market over the period from 1 April 2014 to 31 March 2015, and the preliminary dumping measures imposed against certain rebar exporters in Investigation No. 264, OneSteel's market share has remained stable while Chinese exporters have gained volume and market share.

The Commission further accepts that OneSteel has experienced profit and profitability injury. The sales volume lost to Chinese imports has directly reduced OneSteel's revenue while the price depression and suppression experienced has reduced revenues from retained customers. In addition, due to the cost structure of OneSteel's manufacturing operation, lost sales volumes impact per unit profitability due its fixed costs being spread across smaller sales quantities.

The Commission notes that despite these injuries OneSteel has shown improving profits and profitability, however accept that these improvement are the result of CTMS improvements.

The Commission has undertaken its analysis within the context of the Ministerial Direction requiring the Commission to have regard to certain general principles in the determination of material injury to an Australian industry. In particular the Commission notes the direction that:

you be mindful that a decline in the industry's rate of growth may be just as relevant as the movement of an industry from growth to decline...[and]... that it is possible to find material injury where an industry suffers a loss of market share in a growing market without a decline in profits.⁷

The Commission considers that in spite of an expanding rebar market, declining market share for countries subject to Investigation No. 264 and with an improving profit and profitability position for the Australian industry, Chinese imports have

⁷ Ministerial Direction on Material Injury (Minister for Home Affairs, 27 April 2012)

captured a disproportionate share of the new volume available in the market at the expense of OneSteel and therefore a finding of material injury is appropriate in these circumstances. The Commission considers that based on the factual circumstances set out in this report, OneSteel's injury due to the allegedly dumped Chinese rebar is greater than that likely to occur in the normal ebb and flow of business. The Commission is of the view that this finding is consistent with the Ministerial Direction which outlines that "identifying material injury will depend on the circumstances of each case and will differ from industry to industry and from time to time."⁸

The Commission's conclusion

The Commission considers that there appear to be reasonable grounds to conclude that exports of the goods from China have caused OneSteel to experience lower sales volumes, market share and prices than would have been the case in a market absent the effects of dumping.

The Commission considers the combined volume, price and profit injury caused by the dumped goods is material.

The impact of factors other than dumping that may have caused material injury to the Australian industry will be assessed throughout the investigation.

7.5 Comparison of export price and non-injurious price

As an additional test to establish whether there is a casual link between the alleged dumping and material injury, the Commission sought to compare export prices from China with estimates of a non-injurious price (NIP) for the 12 months ending 31 March 2015. To calculate the estimated NIP, the Commission estimated the unsuppressed selling price (USP) for rebar for the 12 months ending 31 March 2015 using the weighted average CTMS of OneSteel. At this stage, the Commission has not applied a profit to this CTMS.

The Commission then deducted amounts from that USP for importer SG&A and profit, including into-store costs, Customs duty and overseas freight. These calculations provided for a NIP at the FOB level.

The weighted average export price for the investigation period was below the NIP. The Commission considers this finding is consistent with OneSteel's claim that the allegedly dumped goods have caused material injury.

The Commission's calculations of the NIP and the comparison with export price are at **Confidential Appendix 5**.

⁸ ibid

8 CONCLUSION

The Commission has examined the application and is satisfied that:

- the application complies with subsection 269TB(4); and
- there is an Australian industry in respect of like goods; and
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

Accordingly, the Commission recommends that the Commissioner decide not to reject the application for the publication of a dumping duty notice lodged under subsection 269TB(1).

For the purposes of the investigation, the Commission recommends that:

- the investigation period to determine whether dumping has occurred be in the period commencing **1 July 2014 to 30 June 2015**; and
- the Commission examine the Australian market and the economic condition of the industry from **1 July 2011** for the purposes of injury analysis.

9 APPENDICES AND ATTACHMENTS

Appendix 1	Commissioner's Instrument
Confidential Appendix 2	The Commission's estimate of the Australian market for rebar
Confidential Appendix 3	The Commission's assessment of the dumping margin calculations
Confidential Appendix 4	The Commission's assessment of the economic condition of the Australian industry
Confidential Appendix 5	Calculation of NIP