

CUSTOMS ACT 1901 - PART XVB

CONSIDERATION REPORT NOS. 367 AND 372

CONSIDERATION OF TWO APPLICATIONS FOR REVIEWS OF ANTI-DUMPING MEASURES

ALUMINIUM ZINC COATED STEEL EXPORTED TO AUSTRALIA FROM THE PEOPLE'S REPUBLIC OF CHINA BY

JIANGYIN ZONGCHENG STEEL CO. LTD AND ANGANG STEEL COMPANY LIMITED

AUGUST 2016

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ABBREVIATIONS

Abbreviation	Full title
ADN	Anti-Dumping Notice
ACBPS	Australian Customs and Border Protection Service
the Act	the Customs Act 1901
Angang	Angang Steel Company Limited
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CTMS	cost to make and sell
the goods	aluminium zinc coated steel
HRC	hot rolled coil
ICD	interim countervailing duty
IDD	interim dumping duty
Korea	the Republic of Korea
NIP	non-injurious price
the Parliamentary	the Assistant Minister for Industry, Innovation and
Secretary	Science and the Parliamentary Secretary to the
	Minister for Industry, Innovation and Science ¹
REP 190	International Trade Remedies Branch Report No. 190
REP 193	International Trade Remedies Branch Report No. 193
REP 272 and 273	Anti-Dumping Commission Report No. 272 and 273
Zongcheng	Jiangyin Zongcheng Steel Co., Ltd

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¹ The Minister for Industry, Innovation and Science has delegated responsibility with respect to anti-dumping matters to the Parliamentary Secretary, and accordingly, the Parliamentary Secretary is the relevant decision maker. On 19 July 2016, the Prime Minister appointed the Parliamentary Secretary to the Minister for Industry, Innovation and Science as the Assistant Minister for Industry, Innovation and Science.

1 SUMMARY AND RECOMMENDATION

1.1 Background

This report provides the results of the Anti-Dumping Commission's (the Commission's) consideration of two separate applications lodged by Jiangyin Zongcheng Steel Co. Ltd (Zongcheng) and Angang Steel Company Limited (Angang) for reviews in respect of the anti-dumping measures relevant to their respective exports of aluminium zinc coated steel from the People's Republic of China (China) to Australia.

The applicants consider it appropriate to review the anti-dumping measures because one or more of the variable factors relevant to the taking of the anti-dumping measures have changed. The alleged change in variable factors claimed is the normal value relevant to the dumping duty notice.²

The Commission has examined the two applications separately, however for administrative convenience has published this combined consideration report.

1.2 Recommendation

The Commission recommends that the Commissioner of the Anti-Dumping Commission (the Commissioner) <u>not reject</u> the two applications for the reasons outlined in section 1.4 and chapter 3 of this report and initiate two reviews into the anti-dumping measures in so far as they relate to each applicant.

1.3 Legislative background

Division 5 of Part XVB of the *Customs Act 1901* (the Act)³ sets out, among other things, the procedures to be followed by the Commissioner in dealing with an application for a review of measures.

Division 5 empowers the Commissioner to reject or not reject an application for review of anti-dumping measures. If the Commissioner does not reject an application, he is required to publish a notice indicating that he is proposing to review the anti-dumping measures covered by the application.

1.4 Findings and conclusions

Based on the findings outlined in this report the Commission is satisfied that, in relation to both applications:

- the applications comply with subsections 269ZB(1) and (2); and
- there appear to be reasonable grounds for asserting that the variable factors relevant to the taking of anti-dumping measures have changed.

² As outlined in section 2.1.1, there is a countervailing duty notice in relation to aluminium zinc coated steel exported from China, however neither Zongcheng or Angang are subject to this countervailing notice.

³ All legislative references in this report are to the *Customs Act 1901*, unless otherwise specified.

Accordingly, the Commission recommends that the Commissioner <u>not reject</u> each of the applications.

2 BACKGROUND

2.1 History of the existing anti-dumping measures

2.1.1 Original investigations

On 5 September 2012, a dumping investigation into aluminium zinc coated steel exported from China, the Republic of Korea (Korea) and Taiwan was initiated following an application by BlueScope Steel Limited (BlueScope).

On 26 November 2012, a countervailing investigation into aluminium zinc coated steel exported to Australia from China was initiated following a further application by BlueScope.

On 26 April 2013, the CEO of the Australian Customs and Border Protection Service (ACBPS) terminated its investigation into aluminium zinc coated steel exported from Korea by Union Steel Co., Ltd (Union Steel); and exported from Taiwan by Sheng Yu Co., Ltd (Sheng Yu).⁴

On 2 May 2013, the dumping investigation into aluminium zinc coated steel exported from Taiwan was also terminated.⁵

On 5 August 2013, the findings of the dumping investigation into aluminium zinc coated steel were published in *International Trade Remedies Branch Report 190* (REP 190), which found that:⁶

- aluminium zinc coated steel exported to Australia was dumped. For China the dumping margins were between 5.5 per cent to 19.3 per cent and for Korea the dumping margins were between a negligible rate and 7.7 per cent;
- the volume of dumped goods from each country was not negligible;
- the dumped exports caused material injury to the Australian industry producing like goods; and
- continued dumping may cause further material injury to the Australian industry.

On 5 August 2013, the findings of the countervailing investigation into aluminium zinc coated steel were published in *International Trade Remedies Branch Report 193* (REP 193)⁷, which found that:

⁴TER 190A sets out the reasons for these terminations and is available on the Commission's EPR.

⁵ TER 190B sets out the reasons for this termination and is available on the Commission's EPR.

⁶ REP 190 investigated galvanised steel and aluminium zinc coated steel exported from China, Korea and Taiwan. Due to the close nature of these products and common interested parties, findings from both dumping investigations were detailed in one report.

⁷ REP 193 investigated galvanised steel and aluminium zinc coated steel exported from China, Korea and Taiwan. Due to the close nature of these products and common interested parties, findings from both countervailing investigations were detailed in one report.

- with the exception of Angang,⁸ aluminium zinc coated steel exported from China to Australia was subsidised with subsidy margins ranging from 7.9 to 21.7 per cent;
- the volume of subsidised goods was not negligible;
- the subsidised exports from China caused material injury to the Australian industry producing like goods; and
- continued subsidisation may cause further material injury to the Australian industry.

On 5 August 2013, the then Attorney-General, following consideration of REP 190 and 193, published a:

- dumping duty notice applying to aluminium zinc coated steel exported to Australia from China and Korea (with the exception of Union Steel). The form of measures applying to the dumping duty notice was the combination of fixed and variable duty method;⁹ and
- countervailing duty notice applying to aluminium zinc coated steel exported to Australia from China (with the exception of Angang).

The anti-dumping measures were outlined in Anti-Dumping Notice (ADN) No. 2013/66.¹⁰

As outlined in ADN No. 2014/12, following a review by the Anti-Dumping Review Panel (ADRP) of certain findings, the then Parliamentary Secretary to the Minister of Industry decided to vary the countervailing duty notice so that it no longer applied to certain exporters (including Zongcheng) and to reduce the amount of countervailable subsidies by the amounts referrable to programs 1 to 3 described in REP 193. The then Parliamentary Secretary's decision to vary the countervailing duty notice required an amendment to the interim dumping duty (IDD) payable on imports of aluminium zinc coated steel. This is because the original dumping margins were reduced by the amount of subsidy attributable to subsidy programs 1 to 3 in determining the IDD payable.

Notice of the then Parliamentary Secretary's decision was published on 20 February 2014. The notice had retrospective effect from 5 August 2013. As a result, a subsidy margin of 10.3 per cent only applies to the category of exporters that did not cooperate with the original countervailing investigation ('All Other Exporters').

⁸ On 17 June 2013, the CEO of the Australian Customs and Border Protection Service terminated the countervailing investigation into aluminium zinc coated steel exported by Angang. TER 193(i) sets out the reasons for this termination. This report is available on the Commission's electronic public record. This decision was revoked by the ADRP. Following the Commission's resumed investigation in relation to the receipt of countervailable subsidies by Angang, the Commissioner terminated the investigation in relation to Angang. Notice of this decision was published in *the Australian* on 1 June 2015.

⁹ As outlined previously, the anti-dumping measures for aluminium zinc coated steel do not apply to Taiwan. 10 ADN 2013/66 outlines the details of the IDD applicable to galvanised steel and aluminium zinc coated steel exported to Australia from China, Korea and Taiwan, as well as the details of the ICD applicable to galvanised steel and aluminium zinc coated steel exported to Australia from China.

2.1.2 Review of measures

On 1 October 2014, Dongbu Steel Co., Ltd (Dongbu) lodged an application requesting a review of the anti-dumping measures applying to its exports of aluminium zinc coated steel to Australia from Korea. *Anti-Dumping Commission Report No. 272 and 273* (REP 272 and 273) recommended that the dumping duty notice have effect in relation to Dongbu as if different variable factors had been ascertained.

The then Parliamentary Secretary's decision to alter the notice as it applied to Dongbu was published in the *Commonwealth of Australia Gazette* on 3 August 2015 and *The Australian* newspaper on 4 August 2015.

2.2 The current applications

The Commission received the following two applications for a review of the antidumping measures applying to aluminium zinc coated steel from China:

- On 5 August 2016, an application was lodged by Zongcheng requesting a review of the anti-dumping measures as they apply to its exports of the goods; and
- On 17 August 2016, an application was lodged by Angang requesting a review of the anti-dumping measures as they apply to its exports of the goods.

Both applicants claim that their normal value, relevant to the taking of the anti-dumping measures, has changed on the basis of a fall in the price of hot rolled coil (HRC), which is the major raw material used to produce aluminium zinc coated steel. This is claimed, in turn, to have resulted in a reduction in domestic selling prices for aluminium zinc coated steel in China.

The applications are not prevented by subsection 269ZA(2), which requires that an application for review of anti-dumping measures must not be made earlier than 12 months after the publication of a dumping duty notice or a notice declaring the outcome of the last review of the dumping duty notice.¹¹

Pursuant to subsection 269ZC(1), the Commissioner must examine the application and, within 20 days after receiving the application, decide whether to reject an application.

As such, the decision to reject the applications must be made for:

- Zongcheng, no later than 25 August 2016; and
- Angang, no later than 6 September 2016.¹²

¹¹ The last time this occurred was the 3 August 2015.

 $^{^{12}}$ It is noted that if a due date for the purposes of this report falls on a weekend or a public holiday in Melbourne, the effective due date is taken to be the next working day.

If the Commissioner is not satisfied, having regard to the application and to any other information that he considers relevant, of one or more of the matters referred to in subsection 269ZC(2), the Commissioner must reject the application.

2.3 The goods subject to the anti-dumping measures

The goods the subject of the aluminium zinc coated steel anti-dumping measures are:

"flat rolled products of iron and non-alloy steel of a width equal to or greater than 600mm, plated or coated with aluminium-zinc alloys, not painted whether or not including resin coating."

As noted above, neither applicant is subject to the countervailing duty notice in relation to China. As such, these reviews will not examine matters relating to the countervailing duty notice.

2.3.1 Additional information in relation to the goods

The amount of aluminium zinc coating on the steel is described as its coating mass and is nominated in grams per square metre with the prefix being AZ (Aluminium Zinc). Common coating masses used are: AZ200, AZ150, AZ100, and AZ70.

Additional information in relation to the goods is available in Australian Customs Dumping Notice No. 2012/62 which is available at the Commission's website at www.adcommission.gov.au.

2.3.2 Product treatment

The goods description covers aluminium zinc coated steel whether or not including any (combination of) surface treatment, for instance; whether passivated or not passivated, (often referred to as chromated or unchromated), resin coated or not resin coated (often referred to as Anti Finger Print (AFP) or not AFP), oiled or not oiled, skin passed or not skin passed.

2.3.3 Excluded goods

Painted aluminium zinc coated steel and pre-painted aluminium zinc coated steel are not covered by the dumping duty notice.

2.4 Tariff classification

The goods are classified to tariff subheading 7210.61.00 (statistical codes 60, 61, and 62) in Schedule 3 to the *Customs Tariff Act 1995*.

The goods exported to Australia from China under this tariff subheading are subject to a 3 per cent rate of customs duty. As a result of the Australia and China Free Trade Agreement the customs duty is progressively reducing by 1 percentage point at the beginning of each calendar year, and will be duty free from 1 January 2019.

2.5 Australian industry producing like goods

During the original investigation, the ACBPS¹³ found that:

- there was an Australian industry producing like goods;
- a substantial process of the manufacture was carried out in Australia in producing the like goods; and
- the like goods were wholly manufactured in Australia.

During the review of measures for Dongbu (REP 272 and 273) the Commission was satisfied that there remains an Australian industry. A review of BlueScope's product information on its website confirms that aluminium zinc coated steel continues to be offered for sale publically by an Australian industry. As such, the Commission remains satisfied that there is an Australian industry producing like goods.

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¹³ On 1 July 2013, the International Trade Remedies Branch of the Australian Customs and Border Protection Service became the Anti-Dumping Commission

3 CONSIDERATION OF THE APPLICATIONS

3.1 Legislative background

Subsection 269ZB(1) requires that the application be in writing, be in a form approved by the Commissioner for the purposes of this section, contain such information as the form requires, be signed in the manner indicated by the form and be lodged in a manner approved under section 269SMS.

Without otherwise limiting the matters that can be required by the form, subsection 269ZB(2) provides that the application must include:

- a description of the kind of goods to which the anti-dumping measures the subject of the application relate; and
- a description of the anti-dumping measures the subject of the application; and
- if the application is based on a change in variable factors, a statement of the opinion of the applicant concerning:
 - the variable factors relevant to the taking of the anti-dumping measures that have changed; and
 - o the amount by which each such factor has changed; and
 - o the information that establishes that amount:
- if the application is based on circumstances that in the applicant's view indicate that anti-dumping measures are no longer warranted, evidence (in accordance with the form) of the circumstances.

Subsection 269ZC(2) specifies the matters which must be considered in making a decision whether to reject the application. These matters are:

- that the application complies with section 269ZB; and
- that there appear to be reasonable grounds for asserting either, or both, of the following:
 - that the variable factors relevant to the taking of anti-dumping measures have changed;
 - o that the anti-dumping measures are no longer warranted.

3.2 Assessment of the applications – compliance with section 269ZB

When considering the requirements of subsections 269ZB(1) and (2), the Commission notes that both applications submitted:

- are in writing;
- are in the approved form (Form B602 Application for a review of measures) and contain such information as the form requires (including evidence in support of the amount by which the normal value has changed since antidumping measures were last imposed and information on the causes of the change to normal value and whether these causes are likely to persist);
- are signed in the manner required by the form;

- were lodged in a manner approved under section 269SMS, being by email to the Commission's nominated email address (as nominated in the Commissioner's instrument made under section 269SMS);
- provide a description of the kind of goods to which the anti-dumping measures the subject of the applications relate;
- provide a description of the anti-dumping measures the subject of the applications; and
- include a statement of the opinion of the applicant concerning the normal value relevant to the taking of the measures have changed; the amount by which the normal value has changed; and the information that establishes that amount.

For the reasons discussed above and below, the Commission is satisfied that both applicants have satisfied the requirements of subsections 269ZB(1) and (2).

3.3 Variable factors

The Commission considers that to comply with section 269ZB, the applicants must provide information to establish that, in the applicants' opinion, one or more of the variable factors have changed. The applicants do not have to provide information to establish that all the variable factors have changed.

The following sections will address each applicants' claims that there has been a change in variable factors.

If the application is based on a change in variable factors, subsection 269ZB(2)(c) requires that the applicant provide a statement of its opinion regarding:

- the variable factors relevant to the taking of the anti-dumping measures that have changed;
- the amount by which each such factor has changed; and
- the information that establishes that amount.

3.3.1 Zongcheng

Ascertained export price

In the original investigation, export prices for aluminium zinc coated steel exported by Zongcheng were established in accordance with subsection 269TAB(1)(a), using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

In its application, Zongcheng did not provide a statement that its ascertained export price had changed. As part of the Commission's consideration, the Commission reviewed import data from Australian Border Force import database and found that there were no exports of the goods from Zongcheng in the review period. In these circumstances, the Commission may look to whether it is appropriate to recommend setting Zongcheng's ascertained export price equal to its revised ascertained normal value, or having regard to other relevant information, pursuant to subsection 269TAB(3).

Ascertained normal value

Zongcheng claims that the ascertained normal value of the goods in relation to its exports has changed and provided evidence to support its assertion that this variable factor has changed.

In the original investigation, it was established that, in accordance with subsection 269TAC(2)(a)(ii), a situation exists in the domestic Chinese aluminium zinc coated steel market that renders domestic selling prices in that market unsuitable for the purpose of determining the normal value for aluminium zinc coated steel under subsection 269TAC(1).

As such the ACBPS ascertained normal values for domestic sales by Zongcheng in accordance with subsection 269TAC(2)(c) using Zongcheng's weighted average cost to make and sell data (CTMS) (revised for raw material cost uplift), by product model and an amount of profit based on domestic sales of like goods made in the ordinary course of trade. Zongcheng's hot rolled coil (HRC) costs were replaced with a benchmark¹⁴ for HRC in Zongcheng's constructed normal value of aluminium zinc coated steel. Adjustments were made to normal values to ensure comparability with export prices pursuant to subsection 269TAC(9).

In its application, Zongcheng applied this methodology and made adjustments consistent with the original investigation to construct its normal value for a contemporaneous period being the period August 2015 to February 2016.

The Commission compared the normal value from the original investigation relevant to Zongcheng with the information provided in the application, which supports the claim that Zongcheng's normal value has changed since the original investigation.

Zongcheng has claimed that the average price of HRC, which accounts for 78-82 per cent of total cost of manufacture of zinc coated steel, is 49 per cent lower than for the period August 2015-February 2016 than during the original investigation period (July 2011-June 2012).

In its application, Zongcheng provided information regarding published iron ore prices from an independent third party source which substantiated its claims.¹⁵

The Commission also notes that iron ore is a core input to the production of HRC, which in turn is a material input into the production of aluminium zinc coated steel. The Commission compared the pricing of iron ore and East Asian HRC over the original investigation period and the proposed review period as demonstrated below at Figure 1 below.¹⁶

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¹⁴ Established by reference to the weighted average domestic HRC price paid by cooperating exporters of galvanised steel and aluminium zinc coated steel from Korea and Taiwan at comparable terms of trade and conditions of purchase to those observed in China. See page 61 of REP 190.

¹⁵ As the iron ore pricing data is from an independent third party source, the Commission considers the data to be reliable. The HRC prices were derived from the Commission's paid subscription source.

¹⁶ The Commission's own sources of independent third party pricing data.

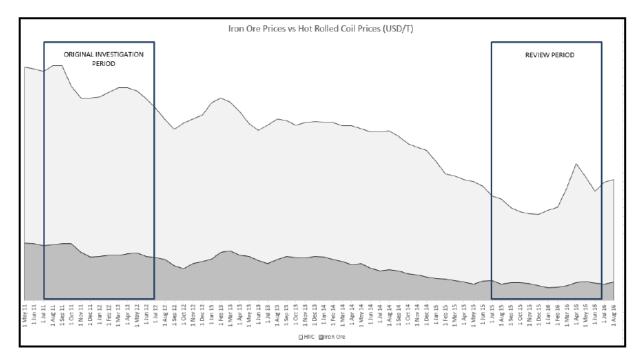


Figure 1 - Iron Ore Prices vs HRC Prices

Figure 1 shows that HRC costs have decreased. Overall, the Commission found that there are reasonable grounds for Zongcheng to assert that its ascertained normal value has changed.

Commission's assessment

The Commission considers that Zongcheng has provided sufficient information to establish the statement of its opinion concerning the amount by which the variable factors have changed as required by subsection 269ZB(2)(c).

Therefore, the Commission is satisfied that, in respect of the variable factors, Zongcheng's application complies with section 269ZB.

3.3.2 Angang

Ascertained export price

In the original investigation, export prices for aluminium zinc coated steel for Angang were established pursuant to subsection 269TAB(1)(c) having regard to the circumstances of the exportation.

In its application, Angang did not provide a statement that the ascertained export price had changed. As part of the Commission's consideration, the Commission reviewed import data from Australian Border Force import database and found that there were no exports of the goods from Angang in the review period. In these circumstances, the Commission may look to whether it is appropriate to recommend setting Angang's ascertained export price equal to its revised ascertained normal value, or having regard to other relevant information, pursuant to subsection 269TAB(3).

Ascertained normal value

As outlined above, in the original investigation, it was established that, in accordance with subsection 269TAC(2)(a)(ii), a situation exists in the domestic Chinese aluminium zinc coated steel market that renders domestic selling prices in that market unsuitable for the purpose of determining the normal value for aluminium zinc coated steel under subsection 269TAC(1).

As such the ACBPS ascertained normal values for domestic sales by Angang in accordance with subsection 269TAC(2)(c) using Angang's weighted average CTMS data (revised for raw material cost uplift), by product model and an amount of profit based on domestic sales of like goods made in the ordinary course of trade. Angang's HRC costs were replaced with a benchmark¹⁷ for HRC in Angang's constructed normal value of aluminium zinc coated steel. Adjustments were made to normal values to ensure comparability with export prices pursuant to subsection 269TAC(9).

Given that Angang's normal values were constructed in the original investigation, and on the basis that has no current information to warrant a departure from the market situation finding, the information provided by Angang in its application regarding domestic selling prices is not a reasonable ground for asserting that Angang's ascertained normal value has changed.

However, the Commission considers that the methodology applied to determine normal value in the original investigation remains a relevant aspect in determining any changes to the ascertained normal value.

In respect to this, the Commission considers that the cost of HRC (a major raw material input in aluminium zinc coated steel) is a relevant consideration in determining Angang's normal value. In its application, Angang provided information regarding published HRC prices from an independent third party source paid for by subscription and the Commission considers the data to be reliable. Further, the Commission's own sources of independent third party pricing data further validated the decline in HRC pricing since the original investigation period. The decline in HRC costs is demonstrated above in Figure 1.

On the basis of the information provided, the Commission is satisfied that there are reasonable grounds for Angang to assert that there has been a change in its ascertained normal value.

Commission's assessment - Angang

The Commission considers that Angang has provided sufficient information to establish its statement of opinion concerning the amount by which the variable factors have changed as required by subsection 269ZB(2)(c).

¹⁷ Established by reference to the weighted average domestic HRC price paid by cooperating exporters of galvanised steel and aluminium zinc coated steel from Korea and Taiwan at comparable terms of trade and conditions of purchase to those observed in China. See page 61 of REP 190.

Therefore, the Commission is satisfied that, in respect of the variable factors, Angang's application complies with section 269ZB.

3.3.3 Non-injurious price

Neither Zongcheng nor Angang have claimed a change in this variable factor.

In the original investigation, the ACBPS considered the most appropriate basis for estimating the non-injurious price (NIP) and found that it was reasonable to expect that the Australian industry would be able to achieve as a minimum, selling prices that reflected un-dumped import parity pricing. Accordingly, the ACBPS considered that the NIP for each exporter should equal the respective normal value.

The Commission considers that it is appropriate to review the NIP in respect of any review that follows the applications.

3.4 Assessment of applications – compliance with section 269ZC

In determining whether to reject an application under section 269ZC, a further matter that is required to be considered by the Commissioner is whether there appear to be reasonable grounds for asserting that the variable factors relevant to the taking of anti-dumping measures have changed.

The Explanatory Memorandum to the *Customs Legislation (Anti-Dumping Amendments) Bill 1998* that introduced section 269ZC, states that:

'[f]or a review to commence, there must be "reasonable grounds" for the relevant anti-dumping measure to be amended or revoked. That is, there are sufficient grounds to allow the [Commissioner] to determine that, if on the basis of information available to him or her, the [Commissioner] would be induced to recommend to the Minister a change in the relevant factors...'.

The Commission considers that on the basis of information available to him the Commissioner has sufficient grounds to determine whether or not he would be induced to recommend to the Parliamentary Secretary a change in the relevant variable factors.

Based on the Commission's analysis in section 3.3, there appear to be reasonable grounds for asserting, under subsection 269ZC(2)(b)(i) that the variable factors relevant to the taking of anti-dumping measures have changed.

Based on this assessment, the Commission recommends that the Commissioner <u>not reject</u> both applications pursuant to subsection 269ZC(1) as it is satisfied of the matters referred to in subsection 269ZC(2) in respect of each application.

3.5 Conclusions and recommendations

The Commission has considered the applications made by the applicants in accordance with sections 269ZB and 269ZC. The Commission is satisfied, on the

basis of the information provided in the application and other relevant information, that for each of the applications:

- the applications comply with section 269ZB; and
- there appear to be reasonable grounds for asserting that the variable factors relevant to the taking of the anti-dumping measures have changed.

The Commission recommends that the Commissioner:

- not reject the applications and initiate two reviews into the current antidumping measures applying to Zongcheng and Angang; and
- the review period for each review be set as 1 July 2015 to 30 June 2016.