



Australian Government
Department of Industry, Science,
Energy and Resources

Anti-Dumping
Commission

CUSTOMS ACT 1901 - PART XVB

Reinvestigation Report to the Anti-Dumping Review Panel

Reinvestigation of Certain Findings in Report Nos. 486 and 489

**Steel Reinforcing Bar exported from the Republic of Korea
and Taiwan (with the exception of Power Steel Co., Ltd)**

5 June 2020

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ABBREVIATIONS

the Act	<i>Customs Act 1901 (Cth)</i>
ADN	Anti-Dumping Notice
ADRP	Anti-Dumping Review Panel
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
DITH	DITH Australia Pty
EPR	electronic public record
FOB	Free on Board
the goods	steel reinforcing bar
the review period	the period from 1 July 2017 to 30 June 2018
Korea	the Republic of Korea
InfraBuild	InfraBuild (Newcastle) Pty Ltd
the Manual	<i>Dumping and Subsidy Manual</i>
the Minister	the Minister for Industry, Science and Technology
OCOT	ordinary course of trade
Power Steel	Power Steel Co. Ltd
rebar	steel reinforcing bar
REP 486 & 489	<i>Anti-Dumping Commission Report Nos. 486 & 489</i>
SEF	statement of essential facts
SG&A	selling, general and administrative
Wei Chih	Wei Chih Steel Co., Ltd

1 BACKGROUND

1.1 Reviews 486 and 489

On 1 August 2018, the Commissioner of the Anti-Dumping Commission (the Commissioner) initiated a review of anti-dumping measures with respect to steel reinforcing bar (rebar) exported to Australia from the Republic of Korea (Korea) and Taiwan following receipt of two separate applications for a review of variable factors by InfraBuild (Newcastle) Pty Ltd, previously known as Liberty OneSteel (Newcastle) Pty Ltd, (InfraBuild) and DITH Australia Pty (DITH).

In *Anti-Dumping Commission Report Nos. 486 & 489* (REP 486 & 489)¹ the Commissioner recommended to the Minister for Industry, Science and Technology (the Minister)² that different variable factors apply in respect of rebar exported to Australia from Korea and Taiwan.

The dumping margin found in REP 486 & 489 in respect of rebar exported to Australia from Wei Chih Steel Industrial Co., Ltd (Wei Chih) was negative 0.4 per cent. The form of measures imposed was a floor price duty method.

On 29 May 2019, the Minister accepted the Commissioner's recommendations and public notice of this decision was published on 31 May 2019.³

1.2 Review of the Minister's decision

The Anti-Dumping Review Panel (ADRP) accepted an application for a review of the Minister's decision from InfraBuild. The ADRP initiated its review of the decision by public notice on 22 July 2019.⁴

On 16 September 2019, the ADRP requested that the Commissioner undertake a reinvestigation⁵ under section 269ZZL(1) of the *Customs Act 1901* (Cth) (the Act)⁶ relating to InfraBuild's grounds of review in relation to the following:

1. The finding as to the normal value for Wei Chih's exports;
2. Should the normal value be modified, the new variable factors and dumping margin; and
3. To the extent that there is a change in the variable factors for Wei Chih, any change required to the finding of the variable factors for all other exporters from Taiwan and the relevant dumping margin.

Specifically, the ADRP requested the Commission examine the normal value determined for Wei Chih's exports and determine:

¹ Available on the Public Record of [Case 486](#) and [Case 489](#)

² For the purposes of the reviewable decision, the Minister is the Minister for Industry, Science and Technology.

³ [Anti-Dumping Notice No. 2019/54](#) refers.

⁴ [Anti-Dumping Review Panel Notice under section 269ZZI](#) refers.

⁵ [Anti-Dumping Review Panel Request for Reinvestigation](#) refers.

⁶ All legislative references in this report are to the *Customs Act 1901*, unless otherwise specified.

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1. whether the normal value can be ascertained under section 269TAC(1) and any relevant specification adjustment could be under section 269TAC(8); and
2. Should there be insufficient information available to ascertain normal values under section 269TAC(1), whether the normal value could be ascertained under section 269TAC(6), having regard to all relevant information.

The ADRP requested that the Commissioner report the result of the reinvestigation by 25 November 2019. The Commissioner subsequently sought, and was granted, four extensions of time totalling 193 days to provide the reinvestigation report to the ADRP.

The reinvestigation report is now due to the ADRP on 5 June 2020.⁷

1.3 Approach to the reinvestigation

This report sets out the findings of the Commissioner in response to the reinvestigation request by the ADRP. The reinvestigation by the Anti-Dumping Commission (Commission) has been conducted, and this report has been prepared, in accordance with sections 269ZZL(2) and (3).

In conducting this reinvestigation, the Commission has reassessed the normal values in relation to Wei Chih and all other Taiwanese exporters, having regard to the ADRP's reasons for requesting the reinvestigation⁸, submissions received by the ADRP in relation to this review⁹, InfraBuild's application to the ADRP¹⁰, InfraBuild's submission in response to the Preliminary Reinvestigation Report¹¹ and all relevant information available to the Commission in cases 486 & 489.

1.4 Preliminary Reinvestigation Report

On 10 March 2020, the Preliminary Reinvestigation Report¹² was published on the Commission's public record setting out the preliminary findings of the Commissioner in response to the reinvestigation request by the ADRP.

Interested parties were invited to make submissions in response to the Preliminary Reinvestigation Report.

1.5 Submissions in response to the Preliminary Report

The Commission received one submission in response to the Preliminary Reinvestigation Report from InfraBuild¹³. The submission is available on the Electronic Public Record (EPR) for case 489.

⁷ [Letter of 8 May 2020 from the ADRP to the Commissioner approving the final extension request](#)

⁸ [Anti-Dumping Review Panel Request for Reinvestigation](#)

⁹ [Available on the ADRP website for case 2019/108](#)

¹⁰ [InfraBuild's application for review of a Ministerial decision](#)

¹¹ [EPR 489 document 27](#)

¹² [EPR 489 document 26](#)

¹³ [EPR 489 document 27](#)

1.6 Summary of findings

The Commission found that Wei Chih sold like goods on the domestic market (section 2.1 refers) that were arms length transactions (section 2.2 refers), made in the ordinary course of trade (section 2.3 refers) and in sufficient volumes (section 2.4 refers) during the review period (1 July 2017 to 30 June 2018). The Commission therefore ascertained Wei Chih's normal value under section 269TAC(1) based on domestic selling prices.

In ascertaining Wei Chih's normal values, the Commission has had regard to model matching and found that the domestic sales of the model with grade SD420W is the most comparable to the export model with grade 500N (section 2.5 refers).

In using domestic sales as a basis for normal value, the Commission considers that certain adjustments, in accordance with section 269TAC(8), are necessary to ensure a fair comparison of the normal value with the export price. This includes an adjustment for the physical differences between grades SD420W and 500N based on the differences in costs (Chapter 4 refers).

As sufficient information was available to ascertain the normal value under section 269TAC(1), with appropriate adjustments made under section 269TAC(8), the Commission did not consider it was appropriate to ascertain the normal value under section 269TAC(6) (Chapter 5 refers).

Consequently, the Commission revised the variable factors as it relates to Wei Chih (section 6.1 refers). In addition, to the extent that variable factors were changed for Wei Chih, the Commission has also revised the variable factors as it relates to all other exporters from Taiwan (section 6.2 refers).

2 NORMAL VALUE METHODOLOGY

The reinvestigation request required the Commissioner to consider whether a normal value could be determined using section 269TAC(1). Section 269TAC(1) provides 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 (OCOT) for home consumption in the country of export in sales that are arms length transactions by the exporter, or, if like goods are not so sold by the exporter, by other sellers of like goods. This section of the report examines whether like goods were sold by Wei Chih, whether such sales were made in arms length transactions and whether the sales were made in the OCOT.

2.1 Like goods

In REP 486 & 489, the Commission found that there were an absence or insufficient domestic sales of the comparable export model and constructed the normal value under section 269TAC(2)(c). As highlighted by the ADRP, REP 486 & 489 did not specifically address or explicitly state whether Wei Chih sold like goods on the domestic market.

The Commission made a submission to the ADRP review process and participated in an ADRP Conference¹⁴ in which it stated to the ADRP that rebar of grades SD420W and SD280 sold by Wei Chih on the domestic market were like goods to the grade 500N rebar exported by Wei Chih during the review period. As highlighted by the ADRP request for the reinvestigation, "There appears to be an inconsistency between what is outlined Report No 486/489 and the submission to the Review Panel in relation to whether there were like goods sold on the domestic market."¹⁵

The Commission's reinvestigation has examined REP 486 & 489, submissions made to the ADRP, the conference summary and the verification report for Wei Chih and has formed the view that like goods were sold by Wei Chih on the domestic market in Taiwan. The examination of the characteristics of rebar manufactured for domestic consumption found that they are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- are not distinguished from the exported goods during production (the exported goods and goods sold on the domestic market are produced in the same way, subject to individual customer specifications and specification standards, and the costs of production for models sold domestically and for export are similar);
- are produced at the same facilities, using the same raw material inputs subject to specification standards and manufacturing processes;
- the goods compete in the same market sector and use similar distribution channels; and
- can be considered functionally alike, as they have similar end uses.

The Commission finds that the rebar produced by Wei Chih for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with section 269T(1).

¹⁴ [ADRP Conference Summary \(4 September 2019\)](#)

¹⁵ [Anti-Dumping Review Panel Request for Reinvestigation](#)

This position was expressed in the preliminary reinvestigation report and no submissions were received expressing views that contested this finding. The Commission recommends making a finding that Wei Chih sold like goods on the domestic market during the review period.

2.2 Arms length

Having established that Wei Chih sold like goods on the domestic market, the reinvestigation by the Commission sought to establish whether those sales were made in arms length transactions. As REP 486 & 489 did not specifically address or explicitly state whether there were domestic sales of like goods by Wei Chih during the review period, it also made no explicit finding that any such sales were or were not made in arms length transactions.

The Commission has reinvestigated the outcome of the Wei Chih verification visit during the review period. In that report, the verification team did not find that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.¹⁶

The verification team formed the view that it considered all domestic sales made by Wei Chih to domestic customers during the period were arms length transactions.¹⁷ No submissions were received during REP 486 & 489 contesting the arms length finding in the verification report.

This position was expressed in the preliminary reinvestigation report and no submissions were received expressing views that contested this finding. The Commission recommends making a finding that the sales of like goods by Wei Chih sold on the domestic market during the review period were made in arms length transactions.

2.3 Ordinary course of trade

Having established that Wei Chih sold like goods on the domestic market in arms length transactions, the reinvestigation by the Commission sought to establish whether those transactions were made in the OCOT.

The Commission refers to Appendix 3 of Wei Chih's dumping margin calculation, in which the OCOT calculation was conducted as part of REP 486 & 489. That calculation found domestic sales of like goods by Wei Chih during the review period made in the OCOT. Although that calculation was performed for the purpose of determining a profit in accordance with the *Customs (International Obligations) Regulation 2015*, the calculation

¹⁶ [EPR 489 document 12](#), section 7.1

¹⁷ [EPR 489 document 12](#), section 7.1

remains valid for the purpose of determining which transactions are relevant for the purpose of section 269TAC(1).

This position was expressed in the preliminary reinvestigation report and no submissions were received expressing views that contested this finding. The Commission recommends making a finding that there were sales of like goods by Wei Chih sold on the domestic market during the review period in arms length transactions in the OCOT.

2.4 Relevance of domestic sales

Section 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1) where there is an absence, or low volume, of relevant sales of like goods in the market of the country of export. Section 269TAC(14) defines a 'low volume' for the purposes of a dumping investigation. The Commission will generally apply this definition to other case types, including review of measures, as it provides a useful guide to what is considered a low volume and maintains consistency between case types. In general, the Commission will consider there is a low volume where the volume of all like goods sold for home consumption is less than five per cent of the total volume of the goods under consideration that are exported to Australia by the exporter.

In REP 486 & 489, the Commission found that there was either an absence, or not sufficient volumes, of sales of domestic models in the domestic market, that were comparable to the models Wei Chih exported to Australia.¹⁸ It was silent on whether there were sufficient domestic sales of like goods overall.

In its submission to the ADRP, the Commission clarified that domestic sales of grade SD490, the most directly comparable grade to the particular model exported to Australia¹⁹ were absent. In the submission, the Commission considered whether the normal value could be based on domestic sales of grades SD420/SD420W with a specification adjustment.²⁰ However, at that time, the Commission was of the view that there was insufficient information to quantify the price difference between grades SD420/SD420W and SD490.²¹

The Commission in this reinvestigation has reviewed whether there was an absence or low volume of sales of like goods overall by Wei Chih on the domestic market. In undertaking this review, the Commission relied on Appendix 3 of Wei Chih's dumping margin calculation in REP 486 & 489 and found that Wei Chih's domestic sales of like goods, as a percentage of the goods exported to Australia, is five per cent or greater.

This position was expressed in the preliminary reinvestigation report and no submissions were received expressing views that contested this finding. The Commission is therefore

¹⁸ [REP 486 & 489](#), section 4.5.3

¹⁹ The model exported to Australia was grade 500N

²⁰ [Submission to ADRP Review 2019/108](#)

²¹ Reinvestigation of the specification adjustment is discussed in section 4.1.

satisfied that there is not an absence or low volume of sales of like goods that would be relevant for the purposes of determining a normal value under section 269TAC(1).

2.5 Model matching

The Commission's practice is to undertake model matching when comparing normal values to export prices to allow for a proper comparison between the normal value and export price of the goods for the purposes of working out the dumping margin.²² This involves selecting the domestically sold models that are most directly comparable to the particular models exported to Australia and then comparing the normal values for those domestic models to the export prices for the export model.

Where there are no sales or insufficient sales of identical models of the goods exported to Australia that are sold in the OCOT on the domestic market, the Commission may use a surrogate model and make appropriate specification adjustments.²³

Wei Chih had domestic sales of grade 500N that are identical to the rebar exported to Australia during the review period, however, these sales were just two out of [REDACTED] transactions and represented less than [REDACTED] per cent of domestic sales by volume and value. As a percentage of export sales, these two transactions were [REDACTED] per cent of export sales. Wei Chih explained that these sales of grade 500N rebar were secondary grade goods²⁴ that were not suitable for export so they were sold on the domestic market at a discounted price.²⁵ Accordingly, due to the low volumes and nature of these sales, the Commission does not consider that the domestic selling prices of grade 500N are appropriate for comparison to the export sales.

During the review period, Wei Chih also made domestic sales of two other grades, which were grades SD420W and SD280. The Commission considers that grade SD420W is more comparable than grade SD280 to the export grade 500N. This is because yield strength is a key attribute for determining grade and SD420W has a yield strength that is closer to grade 500N than grade SD280.

InfraBuild submits that "the Commission appears to have excluded from its further consideration for normal value calculation purposes, sales of SD280 grade".²⁶ InfraBuild submitted during REP 486 & 489 that the closest model to the exported model should be used as the basis for comparison between export prices and normal values²⁷, which is the practice that the Commission has maintained in this reinvestigation.

²² *Dumping and Subsidy Manual* November 2018, page 60

²³ *Dumping and Subsidy Manual* November 2018, page 60

²⁴ Secondary grade goods were described by Wei Chih as grade 500N goods that did not meet the required standards for export and were sold on the domestic market without conformity to a standard as evidenced by the lack of standard on the invoice and explanation and notes made by Wei Chih during verification (attachment [REDACTED] to the work program). These two domestic sales of 500N had a weighted average gross margin of [REDACTED]% in the Taiwan market compared to the weighted average gross margin [REDACTED]% for 500N exported to Australia in the same quarter (Confidential Attachment 1 refers).

²⁵ [EPR 489 document 12](#), section 3.1.1.

²⁶ [EPR 489 document 27](#), page 3

²⁷ EPR 489 documents 15 & 18.

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Grade SD280 has not been excluded for the purpose of determining which sales were made by Wei Chih in the domestic market at arms length sales in the OCOT in accordance with the requirements of section 269TAC(1). In assessing whether there was an absence or low volume of sales of like goods overall by Wei Chih on the domestic market as is required by section 269TAC(2)(a)(i), sales of grade SD280 were not excluded in this assessment. The Commission has excluded the sales of grade SD280 in its calculation of normal value when comparing to export prices.

The Commission also refers to statements made in ADRP Report No. 80. In that case, Power Steel Co. Ltd (Power Steel) argued that, similar to InfraBuild's argument put forward in its submission to this reinvestigation, it was not correct or preferable to entirely exclude sales of grade SD280 from the normal value calculations.²⁸ The Senior Member in ADRP Report No. 80 summarised the submission made by the Commission as follows:

*"As the ADC noted in respect of Power Steel's first ground of review, it is practice to apply the like goods test to identify the pool of domestic sales that are 'like' the goods exported to Australia and to then apply model matching criteria to identify the most relevant sales for the purposes of fair comparison to the goods exported to Australia. It noted that notwithstanding the different production processes for the domestic and export models, as noted in the Power Steel verification report, based on the criteria of specification and grade (minimum yield strength), the ADC considered that the 420 and 420W grade rebar sold by Power Steel on the domestic market were the most comparable models to the 500N grade rebar exported to Australia. It again noted that the SD280 grade of rebar is a significantly lower grade product as compared to the exported 500N grade rebar."*²⁹

The Senior Member then found that:

*"As with the first ground of review, I consider that the ADC's assessment and analysis of model matching criteria to be reasonable, and I am not persuaded by Power Steel's arguments in this regard."*³⁰

The same methodology has been applied in this reinvestigation.

The Commission considers it remains appropriate to select the most comparable model to the export model for the purpose of establishing a surrogate model. The Commission considered grade SD490 (the most comparable model to grade 500N put forward by InfraBuild³¹), however, Wei Chih did not make any domestic sales of SD490 during the review period.

In considering the appropriateness of using SD420W as the surrogate model, the Commission has tested whether there were sufficient sales of SD420W sold in the OCOT to permit a proper comparison.³² The Commission found that, as a percentage of the

²⁸ [ADRP Report No. 80](#), paragraph 49

²⁹ [ADRP Report No. 80](#), paragraph 57

³⁰ [ADRP Report No. 80](#), paragraph 58

³¹ EPR 489 documents 15 & 18 and InfraBuild submission to the ADRP dated 21 August 19.

³² *Dumping and Subsidy Manual* November 2018, page 35.

export grade 500N exported to Australia, domestic sales of grade SD420W was five per cent or greater.

Therefore, the Commission considered it appropriate to use domestic sales of grade SD420W sold by Wei Chih on the domestic market in the OCOT during the review period as a surrogate model to ascertain the normal value under section 269TAC(1). The Commission notes that this is not inconsistent with the view of InfraBuild as outlined in its submissions to REP 486 & 489.³³

2.6 Normal value methodology finding

The Commission recommends a finding that there were sales of like goods by Wei Chih sold on the domestic market during the review period in arms length transactions in the OCOT and that those sales were relevant for the purpose of determining a normal value under section 269TAC(1).

³³ EPR 489 documents 15 & 18.

3 OBSERVATIONS OF MARKET AND PRICING OF REBAR

Having established that Wei Chih sold like goods on the domestic market in arms length transactions in the OCOT, the reinvestigation by the Commission sought to establish the relevant comparison between export prices and normal values. In order to conduct this assessment, the Commission makes the following observations of the market for the export grade of rebar in Taiwan and pricing behaviours of Wei Chih.

3.1 Observations of market and pricing in Taiwan

3.1.1 Physical characteristics of the different grades of rebar

Rebar is produced and sold with a range of different physical characteristics to meet the requirements of end users. A key physical difference between different grades of rebar is the different minimum yield strengths. Specifically, grade SD280 has a minimum yield strength of 280 MPa, SD420W has a minimum yield strength of 420 MPa and 500N has a minimum yield strength of 500 MPa.

Another key difference is that grades SD280 and SD420W are produced under the Taiwanese standard CNS 560 whereas grade 500N is produced under the Australian and New Zealand standard AS/NZS 4671. Critically, under the Taiwanese standard, rebar cannot be strengthened by water quenching; instead, different alloys are added to the steel billet (i.e. the raw material input for rebar) to obtain its strength.

As water quenching is permitted under the Australian and New Zealand standards, grade 500N is manufactured using steel billet containing the alloy niobium, hot rolled into rebar then water quenched. Meanwhile, grade SD420W is manufactured using steel billet containing the alloy vanadium, hot rolled into rebar then cooled naturally. The manufacturing process for grade SD280 is similar to grade SD420W, however, it uses a steel billet without vanadium as it does not require a higher yield strength.

It is important to note that the surrogate model grade SD420W is not identical to the exported model grade 500N, nor are they substitutable. The rebar export to Australia of grade 500N cannot be substituted with grade SD420W rebar as grade SD420W rebar does not meet the minimum yield strength required for grade 500N rebar. Conversely, the rebar sold domestically in Taiwan of grade SD420W cannot be substituted with grade 500N rebar as it is water quenched, which does not comply with the Taiwanese standards.

3.1.2 Sales of grade 500N rebar by Wei Chih in Taiwan

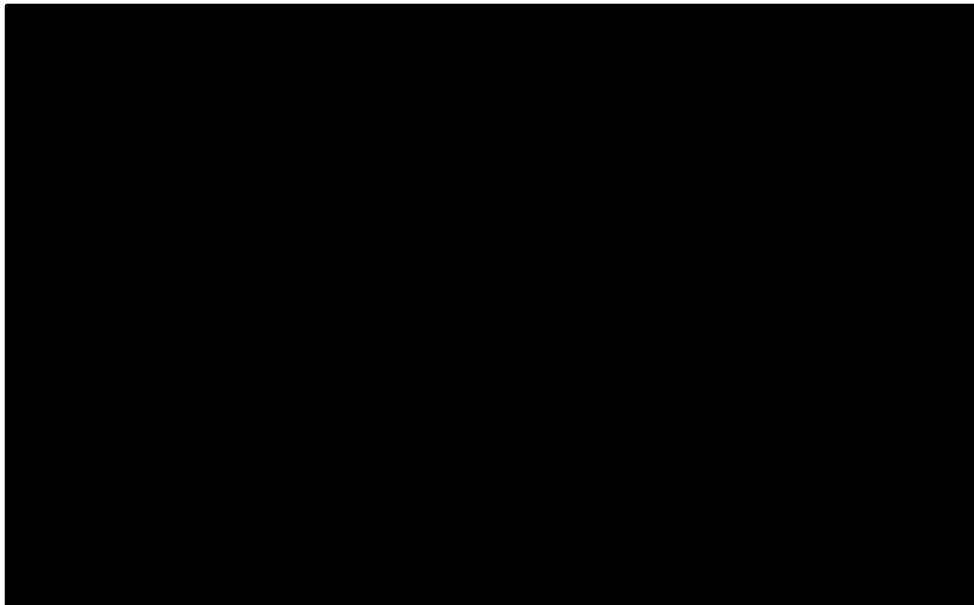
Wei Chih made domestic sales of 3 different grades of rebar during the review period. These grades were SD280, SD420W and 500N. As discussed in section 2.5 above, the small volume of domestic sales of grade 500N rebar were secondary grade goods that were not suitable for export so they were sold on the domestic market at a discounted price. The Commission does not consider that the secondary grade 500N rebar sold in Taiwan is therefore comparable to the prime goods exported to Australia.

The Commission has also reviewed domestic sales data from Wei Chi and all other Taiwanese exporters going back to the original investigation (Case 264) to determine if there is a market for grade 500N in Taiwan. The Commission has found no evidence of

prime grade 500N sold on the Taiwanese market by Wei Chih or any other exporter that has cooperated with any of the Commission's inquiries since 2013. The Commission therefore does not consider that there is a market for grade 500N rebar in Taiwan.

3.1.3 Sales of other grades of rebar sold by Wei Chih in Taiwan

The Commission examined whether there were price differences between the grades of rebar that were sold by Wei Chih in the domestic market during the review period. As shown in figure 1, using the verified domestic sales listing provided by Wei Chih, the Commission observed that grades SD280 and SD420W were priced differently.³⁴



[Confidential graph showing quarterly weighted average prices of SD280 & SD420W]

Figure 1 – Selling prices of SD280 & SD420W

Selling prices of grades SD280 and SD420W both trended up over the review period however there was an observable price difference between each grade throughout the review period. Over the review period, the selling price of grade SD420W was always higher than grade SD280, however the price difference between the two grades varied across the period.

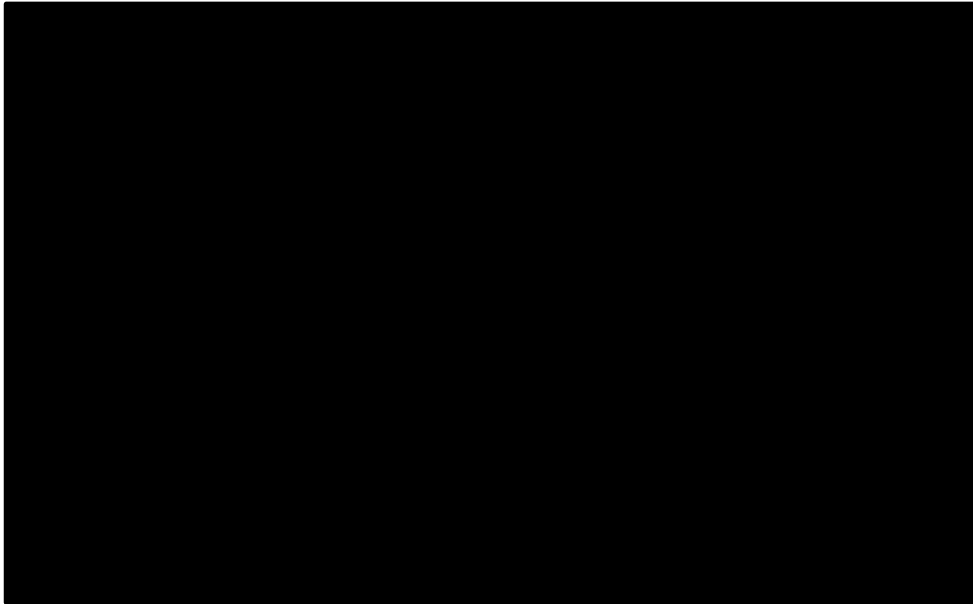
Having established that physical differences in grades that were sold in Taiwan did affect pricing, but with no ability to test where prices for grade 500N might sit in the market in Taiwan, the Commission moved to consider how prices were set in the Taiwanese market to establish what price 500N might achieve in Taiwan.

3.1.4 Cost to produce different grades of rebar

As outlined in section 3.1.1 above, the different physical characteristics in the goods produced are due to the different raw material inputs and differing production processes.. The Commission examined Wei Chih cost records and whether there were cost to make

³⁴ Domestic sales of grade 500N as not been included in this assessment as these sales were secondary grade sold at a discounted price.

differences between the grades. Wei Chih's verified cost data from the review period was presented at the grade level and shows observable quarterly cost to make differences between grades SD280, SD420W and 500N, as shown in figure 2 below.



[Confidential graph showing quarterly weighted average cost to make of SD280, SD420W & 500N]

Figure 2 - Quarterly cost to make of grades SD280, SD420W and 500N

While the cost to make the different grades increased over the review period, it appears that the Taiwanese grades SD280 and SD420W increased at a similar rate, whereas the Australian grade 500N, increased at a different rate. These observations are consistent with the production differences explained in section 3.1.1 above where the main difference between SD280 and SD420W is the addition of vanadium to the steel billet, driving the overall cost to make differences of those two grades. On the other hand, grade 500N uses niobium as the alloy, which is less expensive than vanadium, but undergoes an additional water quenching process. These two differences between Australian and Taiwanese grades appear to drive the different cost trends shown in figure 2 above.

The weighted average cost to make for each grade, shown in figure 3 below, demonstrates that there are differences in the cost to make between the grades.³⁵ While it cost more to produce grade SD420W than SD280, it cost less to produce grade 500N than SD420W.

³⁵ The Commission compared the costs of grades S280, SD420W and 500N across the period and noted that in all quarters except one, the cost of grade 500N was less than that of grade SD420W. The Commission observed that, in the one quarter that the unit cost of grade 500N was higher than grade SD420W, the production quantity was very low for grade 500N (only 1.2% of the average production quantity recorded in the three other quarters). The Commission has disregarded that quarter in the analysis as it considers it to be influenced by the minimal production quantity.

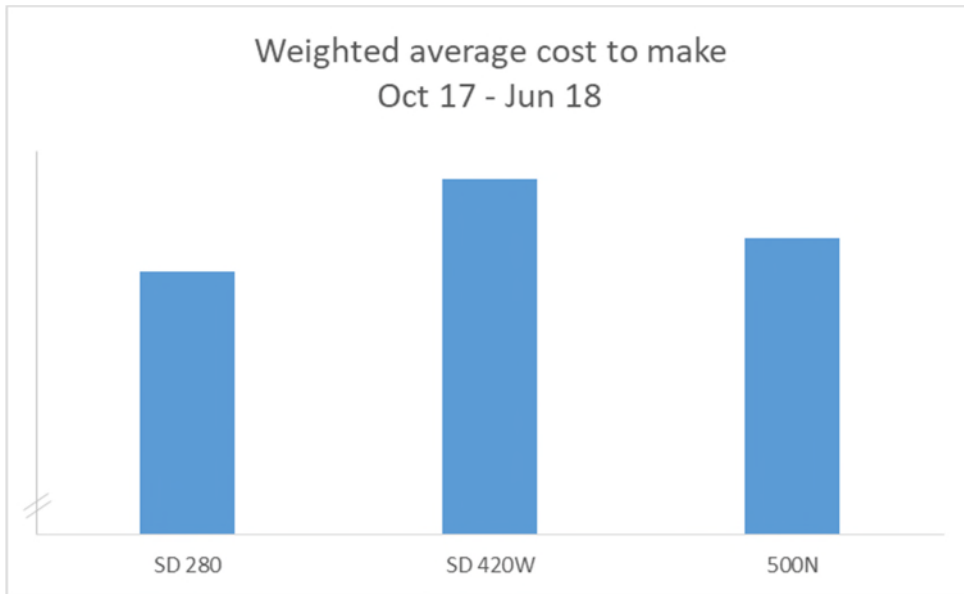
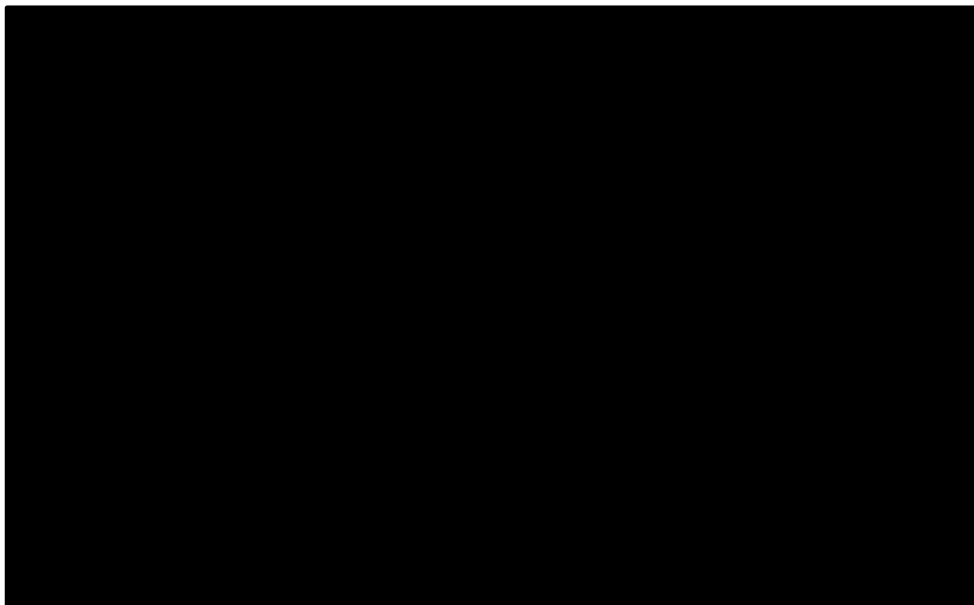


Figure 3 - Weighted Average Cost to Make by Model

The Commission considers that the physical characteristics determined by differing raw material inputs and production processes drive different cost profiles for each of the different grades of rebar produced by Wei Chih.

3.1.5 Effect of cost on prices of rebar in Taiwan

The Commission examined the relationship between unit price and unit cost trends separately for the domestic sales of SD280 and SD420W over the review period as shown in figures 4 and 5 below.



[Confidential graph showing quarterly weighted average prices and cost to make of SD280]

Figure 4 - Price and cost trend of SD280



[Confidential graph showing quarterly weighted average prices and cost to make of SD420W]

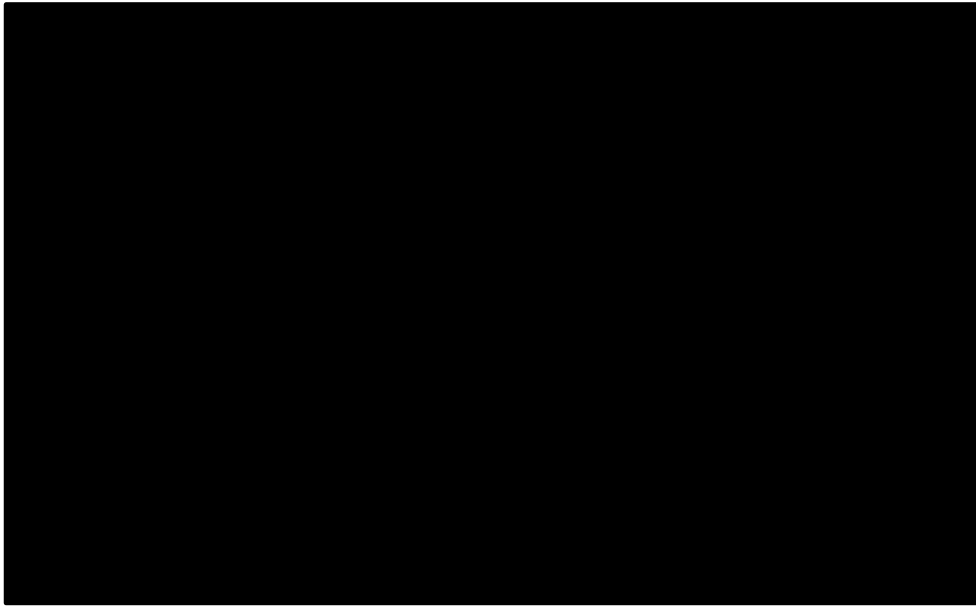
Figure 5 - Price and cost trend of SD420W

As shown in figures 4 and 5 above, the Commission considers that there is a relationship between price and costs for rebar sold by Wei Chih in the Taiwanese domestic market. It shows that, as costs increase, prices also increase. The Commission considers that the movement of prices in relation to costs, as shown in the preceding charts, supports claims made by Wei Chih at the verification that [redacted] [redacted] [redacted] [redacted] ³⁶ [confidential pricing strategy on how Wei Chih sets its prices].

For export sales of grade 500N, the relationship between Wei Chih's export prices³⁷ and costs also generally follow each other in the last three quarters of the review period, as shown in figure 6 below. The first quarter of the review period saw Wei Chih's export price being [redacted] than the costs. The Commission considers that volume may have also affected price in this quarter as the sales volume in this quarter was only 4% of the total sales volume.

³⁶ Wei Chih Verification Work Program, page 19

³⁷ Quarterly prices based on contract/purchase order date at the ex-works



[Confidential graph showing quarterly weighted average prices and cost to make of 500N]

Figure 6 - Price and cost trend of 500N

For domestic sales of grades SD280 and SD420W, the Commission also undertook a correlation analysis to assess the degree of correlation between costs and prices over the review period. This analysis was undertaken using a scatter graph, shown in figure 7 below, with Wei Chih's quarterly weighted average cost to make on the Y axis and the quarterly weighted average domestic net selling prices on the X axis for each grade sold on the domestic market over the review period.

Each point on the scatter graph represents a price/cost relationship for a particular grade in a particular quarter. The dotted line is the linear trend line of the scatter plots. The closer the scatter plots to the trend line, the stronger the correlation between the price and costs.



Figure 7 – Price comparability assessment

Figure 7 shows that the scatter plots follow the trend line very closely, confirming that there is a strong correlation between Wei Chih's domestic selling prices and the costs to make, with an R^2 value of 0.985³⁸, strongly suggesting that domestic selling prices of rebar are set by Wei Chih in relation to its costs.

To further test the relationship between costs and prices, an assessment of the weighted average gross margin of Wei Chih's domestic sales over the review period was undertaken. The Commission found that the gross margin for grades SD280 and SD420W was the same³⁹. This provides additional support that Wei Chih's prices are set according to the costs to make.

3.2 Conclusions drawn from observations

The Commission draws the following conclusions from the observations of the market for rebar in Taiwan and the pricing strategies for Wei Chih:

- There are physical differences between rebar exported and sold domestically and that difference is the grade of rebar,
- There is a strong correlation between the costs to make and the selling prices of the domestic grades SD280 and SD420W,
- The profitability of each grade sold in the domestic market (SD280 and SD420W), relative to its cost, was the same in the domestic market,
- The cost to produce rebar directly influences the selling prices for the two grades of rebar sold in Taiwan,
- It is therefore reasonable to conclude that, if there were sales of grade 500N in Taiwan, the price would also be set by reference to the cost of production.

The evidence available to the Commission suggest that Wei Chih set its prices into the market by reference to movements in the cost of production, which reflect the different physical characteristic of each grade of steel. The Commission considers it is therefore appropriate to make a specification adjustment to adjust the surrogate model for this physical difference based on costs.

The data containing the analysis in this chapter is at **Confidential Attachment 1**.

3.3 Alternative views submitted on pricing and market for grade 500N rebar in Taiwan.

InfraBuild submitted throughout the review and reinvestigation that it considered that prices are set in relation to market prices. InfraBuild submitted that “[f]rom the Australian industry’s [sic] experience, we will posit that the Commission would or ought to have found a positive correlation between yield strength and price, that is to say, that the higher the

³⁸ The R^2 value explains how much the movement in one factor can be used to explain movement in the other, and is expressed as a fraction of 1 (i.e. a perfect correlation will be 1 and no correlation at all will be zero). The result of 0.985 indicates a high degree of correlation.

³⁹ Refer to Confidential Attachment 1. The profit margin was [REDACTED] per cent

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yield strength, the higher the price.”⁴⁰ It referred to analysis undertaken by the Commission that showed a price difference between grades SD280 and SD420W.

InfraBuild suggested that the price premium of grades SD490 over SD420W could be calculated based on “the price premium observed for each 10 MPa units of minimum yield strength between grades SD280 and SD420W”.⁴¹ Underlying InfraBuild’s suggestion is an assumption that there is a linear relationship between prices and grades, where prices increase at a constant rate as the minimum yield strength of each grade increases.

To illustrate how the InfraBuild’s suggestion would operate, if the unit price difference between grades SD280 and SD420W (with a minimum yield strength difference of 140 MPa) was \$140, then the unit price difference between SD420W and SD490 (with a minimum yield strength difference of 70 MPa), following the same linear relationship, would be \$70.

The Commission considered whether such linear relationship existed based on Wei Chih’s domestic sales listing. As the Commission has only two data points to assess, there is insufficient evidence of the linear relationship, as suggested by InfraBuild, based on the minimum yield strength, between grade and price. Rather, the Commission found that costs directly influences selling prices of rebar sold in Taiwan (section 3.1.5 above refers).

In relation to the merits of the Commission finding that Wei Chih sets its prices based on cost, InfraBuild submitted that “goods, are not *per se*, sold into the market based on their costs”.⁴² The Commission considers that the prices achieved in a market are, in most cases, is a function of the conditions of competition in that market and the terms and conditions that the parties are willing to bear in negotiating the transaction. One of those conditions appears to be whether the seller of the goods has regard to the cost to make the goods when offering a price in the market.

The Commission found, as detailed in 3.1.5 above, in respect of Wei Chih’s domestic sales, that there is a strong correlation between cost and price and that Wei Chih sets the prices of its goods relative to the cost to make each good. Therefore, the Commission considers it is reasonable to accept that a higher cost to make of a model would likely result in a higher selling price of that model. Conversely, the Commission considers it is reasonable to accept that a lower cost to make for a particular model will likely result in a lower selling price of that model.

In its submission, InfraBuild also referred to evidence of a price difference between grades SD420 and SD490 (a comparable grade to 500N) in the form of a quote from a Taiwanese producer of rebar.⁴³ As the evidence provided is a single quote in relation to an export sale, the Commission does not consider that this quote reliably reflects the price difference between grades SD420 and SD490 in the Taiwanese market. These

⁴⁰ [EPR 489 document 27](#), page 3

⁴¹ [EPR 489 document 27](#), page 4

⁴² [EPR 489 document 27](#), page 3

⁴³ EPR 489 documents 06, 15 & 18 refer.

concerns were outlined in a confidential attachment to the Commission's submission to the ADRP (**Confidential Attachment 2**).⁴⁴

In addition, due to the confidentiality of the quote claimed by InfraBuild, the Commission was not able to test the reliability and reasonableness of the price difference shown on the quote with other parties. Accordingly, the Commission does not consider that it is preferable to rely on this quote to establish a price that grade 500N may have been sold in Taiwan.

3.4 Commission findings on market and prices of rebar in Taiwan

The Commission considers that, in these circumstances, the cost to make is the most relevant indicator of price comparability between different grades of rebar in the Taiwanese domestic market. The Commission therefore considers that these differences in the cost to make can reasonably be used to apply a specification adjustment to the normal value under section 269TAC(8) for the specification differences between the grade exported to Australia and the surrogate domestic model.

⁴⁴ [Submission to ADRP Review 2019/108](#).

4 ADJUSTMENTS TO THE NORMAL VALUE

The Commissioner proposes that the ADRP recommend the Minister direct that the price paid or payable for like goods, ascertained under section 269TAC(1), be adjusted as follows so that the differences would not affect its comparison with the export price

4.1 Specification adjustment

As domestic sales of a surrogate model has been used to ascertain the normal value under section 269TAC(1), the Commission considered whether a specification adjustment under section 269TAC(8) was necessary due to the specification differences.

The legislation does not prescribe how to calculate an adjustment pursuant to section 269TAC(8). The Commission thus considers the most suitable method of calculation may only be made on a case by case basis.

In the reinvestigation request, the ADRP notes that “[there] is no indication in the Act that such adjustments must be calculated based on prices”.⁴⁵ The ADRP further notes that the *Dumping and Subsidy Manual* (the Manual) indicates that adjustments can be based on costs.⁴⁶ The relevant extract from the Manual is replicated below:

“[T]here may be situations where direct evidence of price differences cannot be provided (e.g. models sold domestically and exported to Australia are different). In these situations, adjustments for differences in physical characteristics or quality, where it reasonably affects price comparability, may be based on production cost differences plus the addition of the gross margin (i.e. the administrative, selling and general costs and profit) to the production cost difference. This is a means for calculating an adjustment that reflects the market value of the production cost difference.”⁴⁷ [Emphasis added]

The Commission, in this reinvestigation, observes that the circumstances of Wei Chih’s situation in REP 486 & 489 is an example anticipated in the Manual where the models sold domestically are different to those exported to Australia.

As discussed in Chapter 3 above, there are observable cost differences between grades SD420W and 500N due to the different alloys added to the steel billet and different cooling methods applied. Further, the Commission found that Wei Chih’s prices are set according to its costs, which is supported by a strong observable correlation between Wei Chih’s costs and prices of the different grades. It then follows that the different requirements of grades SD420W and 500N, resulting in different costs, would logically result in differences in selling prices.

InfraBuild’s application also recognises that an adjustment is required when comparing domestic sales of grade SD420W to exports of grade 500N stating that:

⁴⁵ [Anti-Dumping Review Panel Request for Reinvestigation](#), page 4.

⁴⁶ [Anti-Dumping Review Panel Request for Reinvestigation](#), page 5.

⁴⁷ *Dumping and Subsidy Manual* November 2018, page 67

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“The applicant for review submitted in evidence in support of the contention that SD420W and SD420 may also be considered comparable goods to the export Grade 500N provided the necessary adjustments are made to ensure proper comparison between the models.”⁴⁸

As a result of the analysis conducted in Chapter 3, the Commission considers that the domestic selling prices of grade SD420W are not directly comparable to grade 500N, and therefore a specification adjustment under section 269TAC(8) is necessary for a fair comparison.

In this case, the Commission considers that using the difference in cost to make between the surrogate model and export model, plus the addition of the gross margin to reflect the market value of the production cost difference, is the most suitable for the following reasons:

- For models sold on the domestic market, there is a strong correlation between price and cost;
- The domestic and export cost data provided by Wei Chih was relevant and reliable; and
- The difference between price and cost is able to be meaningfully quantified and applied as an adjustment pursuant to section 269TAC(8).

The Commission therefore considers it is preferable to use the cost differences between the export model and surrogate domestic model as the basis of the specification adjustment. This allows for the Commission to determine what price those exported goods may have been sold for if they were sold on the domestic market and, allow a fair comparison between those export and domestic prices.

The Commission reviewed Wei Chih’s dumping margin appendices in REP 486 & 489 and considers that there is sufficient information to calculate the specification adjustment under section 269TAC(8) based on cost differences between the export grade 500N and domestic grade SD420W.

Specifically, the Commission compared the weighted average cost to make the domestically sold grade SD420W rebar and exported grade 500N rebar, respectively, on a quarterly basis over the review period and determined a specification adjustment amount based on the observed absolute differences. The Commission then added a weighted average gross margin of SD420W over the review period to reflect the market value of the production cost difference.

The gross margin was calculated based on the weighted average percentage difference between Wei Chih’s domestic net selling prices and cost to make of all domestic sales of SD420W over the review period.

For these reasons, the Commissioner proposes that the ADRP recommend the Minister direct that the price paid or payable for like goods, ascertained under section 269TAC(1), be adjusted on the basis of the cost differences between models so that the physical differences would not affect its comparison with the export price.

⁴⁸ [InfraBuild’s application for review of a Ministerial decision](#), Appendix B, page 1

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In its response to the preliminary reinvestigation report, InfraBuild submitted that “[t]he Commission’s proposed recommendation to the AD RP to apply a negative (downward) adjustment to the normal value based on cost of production, when the key marketing feature of the goods (i.e. minimum yield strength) indicates that a positive (upward) adjustment be made is not the correct or preferable decision, and should be revised.”⁴⁹ The Commission wishes to clarify that the specification adjustment has been applied on a quarterly basis based on the quarterly cost differences between SD420W and 500N, which was not necessarily a downwards adjustment for all quarters.

4.2 Other adjustments

Having established that the normal value can be ascertained under section 269TAC(1), the Commission considered whether any adjustments to the normal value, other than the specification adjustment outlined in section 4.1 above, were necessary under section 269TAC(8) for a fair comparison to the export price.

REP 486 & 489 determined that certain adjustments to the normal value, outlined in the table 1 below, were necessary for a fair comparison to the Free on Board (FOB) export price.⁵⁰

Adjustment type	Deduction/addition
Export inland transport	Add the cost of export inland transport
Export handling, loading and ancillary expenses	Add the cost of export handling, loading and ancillary expenses
Export sales commission	Add the cost of export sales commission

Table 1 - Adjustments to normal value

In this reinvestigation, the Commission considers that these same adjustments under section 269TAC(8) to the normal value ascertained under section 269TAC(1) are necessary for a fair comparison to the FOB export price. However, it is noted that these adjustments were in respect of export direct selling expenses only. Therefore, the Commission also considered whether further adjustments in relation to domestic direct selling expenses were necessary under section 269TAC(8). The Commission reviewed the circumstances of the domestic sales of like goods by Wei Chih and found that no further adjustments were necessary for a fair comparison to the FOB export price.

⁴⁹ [EPR 489 document 27](#), page 4

⁵⁰ Under section 269TAC(9) when the normal value was established under section 269TAC(2)(c).

5 NORMAL VALUE BASED ON ALL RELEVANT INFORMATION

In the request for reinvestigation, the ADRP noted that section 269TAC(6) may be available to the Commission to determine the normal value. The reinvestigation request noted:

“[S]hould there be insufficient information available for the Minister to be able to give directions under s.269TAC(8) of the Act to enable the domestic selling price to be adjusted, given the submission by the ADC and Wei Chih’s comments at the 4 September 2019 conference, it may mean that the normal value should be considered under s.269TAC(6) of the Act.”⁵¹

The Commission considers there is sufficient information available to ascertain the normal value under section 269TAC(1), with appropriate adjustments under section 269TAC(8). Therefore, the Commission considers that the normal value should not be ascertained under section 269TAC(6).

⁵¹ [Anti-Dumping Review Panel Request for Reinvestigation](#) page 5 refers.

6 NORMAL VALUE AND DUMPING MARGIN FINDING

6.1 Wei Chih

The Commission has reinvestigated the finding in relation to the normal value for Wei Chih and determined that the normal value can be ascertained under section 269TAC(1) with relevant adjustments made in accordance with section 269TAC(8).

Therefore, the Commissioner considers the normal value for Wei Chih be determined by the Minister pursuant to section 269TAC(1) and directions be made by the Minister, pursuant to section 269TAC(8), for appropriate adjustments.

As a result of the change in the normal value, the Commission has recalculated the dumping margin applicable for Wei Chih. The revised dumping margin applicable to Wei Chih is **negative 0.9 per cent**.

The new variable factors and dumping margin calculation are contained in **Confidential Attachment 3**.

6.2 All other exporters from Taiwan

The Commission found in REP 486 & 489 that there was only one exporter from Taiwan during the review period, which was Wei Chih. Therefore, having regard to all relevant information, the normal value was ascertained under section 269TAC(6) using the same normal value ascertained for Wei Chih.⁵²

In this reinvestigation, the Commission has adopted the same approach and ascertained the normal value for all other exporters under section 269TAC(6) using the same normal value as ascertained for Wei Chih. Therefore the revised dumping margin applicable to all other exporters from Taiwan is **negative 0.9 per cent**.

6.3 Effect on the form of measures

If the Commissioner's reinvestigation findings are accepted by the ADRP and the Minister, the effect of the change to the normal value applicable to Wei Chih and all other exporters from Taiwan is that:

- the form of measures remains a floor price duty method; and
- the floor price relevant to the amount of interim dumping duties payable reduces.

⁵² [REP 486 & 489](#), section 4.5.8 refers

7 CONCLUSION

The Commission has conducted a reinvestigation of the reviewable decision in accordance with the direction made by the ADRP as is required by sections 269ZZL(2) and (3). As a result of this reinvestigation, the Commission has revised the variable factors as they relate to Wei Chih and to all other exporters from Taiwan.

8 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Market pricing analysis
Confidential Attachment 2	Confidential analysis of quote
Confidential Attachment 3	Wei Chih dumping margin calculation appendices