



**Australian Government**  
**Department of Industry,  
Innovation and Science**

**Anti-Dumping  
Commission**

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***CUSTOMS ACT 1901 - PART XVB***

**CONSIDERATION REPORT  
NO. 420**

**CONSIDERATION OF APPLICATION FOR A  
REVIEW OF ANTI-DUMPING MEASURES**

**STEEL ROD IN COILS EXPORTED TO AUSTRALIA FROM  
THE PEOPLE'S REPUBLIC OF CHINA BY:**

**ZENITH STEEL GROUP CO., LTD**

**JUNE 2017**

**TABLE OF CONTENTS**

**TABLE OF CONTENTS.....2**

**ABBREVIATIONS.....3**

**1 SUMMARY AND RECOMMENDATION .....4**

    1.1 Background .....4

    1.2 Legislative background .....4

    1.3 Findings and conclusions .....4

    1.4 Recommendation .....4

**2 BACKGROUND .....5**

    2.1 History of the existing anti-dumping measures .....5

    2.2 The current measures .....5

    2.3 The current application .....5

    2.4 The goods subject to the anti-dumping measures .....6

    2.5 Tariff classification.....6

**3 CONSIDERATION OF THE APPLICATION.....7**

    3.1 Legislative background .....7

    3.2 Assessment of the application for a review of variable factors .....7

        3.2.1 Compliance with subsections 269ZB(1) and (2) ..... 7

        3.2.2 Evidence of change to variable factors..... 8

        3.2.3 Reasonable grounds for review ..... 10

        3.2.4 Scope of the review of variable factors..... 10

    3.3 Conclusions and recommendations.....10

        3.3.1 Review of the variable factors ..... 10

**ABBREVIATIONS**

ADN	Anti-Dumping Notice
ACBPS	Australian Customs and Border Protection Service
the Act	the <i>Customs Act 1901</i>
China	The People's Republic of China
the applicant	Zenith Steel Group Co., Ltd
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
the goods	Rod in coil
NIP	non-injurious price
the Parliamentary Secretary	the Assistant Minister for Industry, Innovation and Science and the Parliamentary Secretary to the Minister for Industry, Innovation and Science <sup>1</sup>
review period	1 April 2016 to 31 March 2017
SG&A	selling, general and administrative

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<sup>1</sup> 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. For the purposes of these reviews, the Minister is the Parliamentary Secretary to the 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 an application lodged by Zenith Steel Group Co., Ltd (the applicant) for a review in respect of the anti-dumping measures (in the form of a dumping duty notice) applying to rod in coil (the goods) exported to Australia from the People's Republic of China (China) in so far as the anti-dumping measures affect the applicant.

The applicant considers 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 variable factor that the applicant claims has changed is the normal value.

### 1.2 Legislative background

Division 5 of Part XVB of the *Customs Act 1901* (the Act)<sup>2</sup> sets out, among other things, the procedures to be followed by the Commissioner of the Anti-Dumping Commission (the Commissioner) in dealing with an application for a review of anti-dumping 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.

### 1.3 Findings and conclusions

For the reasons outlined in this report, the Commission is satisfied that, in relation to the application for a review of the variable factors relevant to the taking of the anti-dumping measures as they affect the applicant (review of the variable factors):

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

### 1.4 Recommendation

The Commission recommends that the Commissioner not reject the application for a review of the variable factors for the reasons outlined at sections 1.3 and 3.2 of this report. Accordingly, the Commission recommends that the Commissioner initiate a review of the variable factors in relation to the applicant.

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<sup>2</sup> All legislative references in this report are to the *Customs Act 1901*, unless otherwise specified.

## 2 BACKGROUND

### 2.1 History of the existing anti-dumping measures

Since 2015, the Commission has conducted numerous investigations, reviews and inquiries relating to rod in coil. Full details can be found on the Commission's electronic public record at [www.adcommission.gov.au](http://www.adcommission.gov.au). The matters relevant to the applications are summarised below.

12 August 2015	The Commission initiated an investigation into the alleged dumping of rod in coil exported to Australia from China following an application by OneSteel Manufacturing Pty Ltd.
22 April 2016	The then Assistant Minister for Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science published a dumping duty notice applying to rod in coil exported from China – <i>Anti-Dumping Commission Report No. 301</i> refers.

### 2.2 The current measures

The current anti-dumping measures applying to the applicant are in the form of ad valorem duties, with the rate of 49.0 per cent ('all other exporters' rate) applying to Zenith's exports.

### 2.3 The current application

On 7 June 2017, an application was lodged by Zenith Steel Group Co., Ltd. requesting a review of the normal value applicable to its exports of the goods.

The application is 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.<sup>3</sup>

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

As such, the decision to reject the application must be made no later than 27 June 2017.

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.

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<sup>3</sup> The dumping duty notice in relation to the goods exported from China was published on 22 April 2016 and the notice has not yet been reviewed.

## **2.4 The goods subject to the anti-dumping measures**

The goods the subject of the application (the goods) are:

*Hot rolled rods in coils of steel, whether or not containing alloys, that have maximum cross sections that are less than 14mm.*

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

*Goods excluded from this application include hot-rolled deformed steel reinforcing bar in coil form, commonly identified as rebar or debar, and stainless steel in coils.*

## **2.5 Tariff classification**

The goods are typically classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

- 7213.91.00 (statistical code 44); and
- 7227.90.90 (statistical code 02).

### 3 CONSIDERATION OF THE APPLICATION

#### 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 section 269ZB, 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 an 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;
  - the amount by which each such factor has changed;
  - the information that establishes that amount; and
- 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 an 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;
  - that the anti-dumping measures are no longer warranted.

#### 3.2 Assessment of the application for a review of variable factors

##### 3.2.1 Compliance with subsections 269ZB(1) and (2)

When considering the requirements of subsections 269ZB(1) and (2), the Commission notes that the application for a review of the variable factors submitted:

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

## PUBLIC RECORD

- was 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);
- provides a description of the kind of goods to which the anti-dumping measures the subject of the application relate;
- provides a description of the anti-dumping measures the subject of the application; and
- includes a statement of the opinion of the applicant that the normal value relevant to the taking of the anti-dumping measures has changed; the amount by which the normal value has changed; and information that establishes that amount.

### 3.2.2 Evidence of change to variable factors

The Commission considers that to comply with section 269ZB, the applicant must provide information to establish that, in the applicant's opinion, one or more of the variable factors have changed. The following sections will address the applicant's claims that there has been a change in the normal value relating to its exports of the goods.

#### Ascertained normal value

In the original investigation (Investigation 301), it was established that, the Government of China influenced the Chinese steel industry, and that this influence is likely to have materially distorted competitive market conditions directly affecting both the price of the primary input used in the manufacture of rod in coil, as well as supply within that industry. The Commission determined that, in accordance with subsection 269TAC(2)(a)(ii), a situation exists in the domestic Chinese rod in coils market that renders domestic selling prices in that market unsuitable for the purpose of determining the normal value for rod in coil under subsection 269TAC(1). Accordingly, the Commission constructed the normal values of cooperative exporters of the goods in accordance with subsection 269TAC(2)(c).

Subsection 269TAC(2)(c) provides that, where the normal value cannot be ascertained under subsection 269TAC(1), the normal value of the goods is to be calculated as:

- the cost of production or manufacture of the goods in the country of export; and
- on the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade in the country of export, the selling, general and administrative costs associated with such a sale and the profit on that sale.

As required by subsections 269TAC(5A) and 269TAC(5B), the costs of production or manufacture, the selling, general and administrative (SG&A) costs and profit are established in accordance with the regulations. The relevant regulations are sections 43, 44 and 45 of the *Customs (International Obligations) Regulation 2015*, respectively.

## PUBLIC RECORD

In constructing the normal values in Investigation 301, Chinese exporters' costs for steel billet were not considered reflective of competitive market costs and were adjusted to reflect a benchmark competitive market cost for steel billet (the benchmark). The benchmark was based on Latin American steel billet export prices at the free on board (FOB) level.

The applicant states that Latin American steel billet export prices have reduced compared to the original investigation period. The applicant has calculated that the average price for calendar year 2016 was approximately 29.7 per cent lower compared to the original investigation period.

On this basis, the applicant submits that, should the Commission remain satisfied that it is necessary to construct its normal value, the benchmark used in ascertaining the normal value should be calculated based on contemporary Latin American steel billet export prices.

The Commission has examined more recent data for 2017 and, while there has been an increase in steel billet prices since 2016, the price is still below the level in the original investigation period

The Commission considers that the methodology applied to determine normal values in Investigation 301 remains relevant in determining any changes to the ascertained normal value for the purposes of this report. The Commission notes its findings in its 2016 report, *Analysis of Steel and Aluminium Markets Report to The Commissioner of the Anti-Dumping Commission*, where it was found that:

*"... analysis of subsidies and tax arrangements for the Chinese steel and aluminium industries, and the operation of state-owned enterprises, indicates that many ... market interventions have been economically inefficient and have resulted in distortions to market outcomes."*<sup>4</sup>

The Commission notes that in addressing the alleged change in normal value, the applicant did not comment as to whether the amount of conversion costs, SG&A and profit included in the constructed normal value might have changed. However, the Commission has observed in the past that the cost of steel billet represents the single largest proportion of the constructed normal values, and is likely to be the single biggest determining factor of price. The Commission also recognises that an applicant subject to the 'uncooperative and all other exporters' rate would not have information regarding SG&A and conversion costs relating to the ascertained normal value used to determine that rate, and hence cannot expect evidence of the sort to also be provided by the applicant.

The Commission considers that the applicant has provided sufficient evidence to establish the statement of its opinion concerning the amount by which the normal value has changed.

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<sup>4</sup> Page 57, *Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission*, August 2016 which is available on the Commission's website at <http://www.adcommission.gov.au/adsystem/referencematerial>

### **3.2.3 Reasonable grounds for review**

Based on the Commission's analysis in section 3.2.2 above, there appear to be reasonable grounds in respect to the application for asserting, in accordance with subsection 269ZC(2)(b)(i), that the normal value relevant to the taking of the anti-dumping measures has changed.

Based on this assessment, the Commission recommends that the Commissioner not reject the application for a review of the variable factors pursuant to subsection 269ZC(1), as it is satisfied of the matters referred to in subsection 269ZC(2).

### **3.2.4 Scope of the review of variable factors**

It is noted that the application does not establish that there appear to be reasonable grounds for asserting that the non-injurious price (NIP) has changed. However, subsection 269ZA(1)(b) does not require an application for review to claim that all variable factors relevant to the taking of the anti-dumping measures have changed; only that 'one or more' of the variable factors have changed. In addition, given that there are reasonable grounds to establish that the normal value of the goods relevant to the dumping duty notice has changed, it follows that the NIP, which is also relevant to the dumping duty notice, should also be reviewed. In conducting a review the Commission therefore recommends that all variable factors be reviewed.

## **3.3 Conclusions and recommendations**

### **3.3.1 Review of the variable factors**

The Commission has considered the application for a review of the variable factors 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 as set out in this report, that for each application relating to a review of the variable factors:

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

The Commission recommends that the Commissioner:

- not reject the application for a review of the variable factors;
- initiate a review of the variable factors in relation to the applicant; and
- set the review period as 1 April 2016 to 31 March 2017.