



Australian Government
Anti-Dumping Commission

CUSTOMS ACT 1901 - PART XVB

CONSIDERATION REPORT NO. 240

APPLICATION FOR A DUMPING DUTY NOTICE

ROD IN COILS

EXPORTED FROM

THE REPUBLIC OF INDONESIA, TAIWAN AND TURKEY

2 April 2014

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ABBREVIATIONS & SHORTENED FORMS

ABS	Australian Bureau of Statistics
ACBPS	Australian Customs and Border Protection Service
Commission	Anti-Dumping Commission
Commissioner	Commissioner of the Anti-Dumping Commission
CTMS	cost to make and sell
FOB	Free on board
Indonesia	the Republic of Indonesia
NIP	non-injurious price
OneSteel	OneSteel Manufacturing Pty Ltd
Parliamentary Secretary	Parliamentary Secretary to the Minister for Industry
The Act	<i>Customs Act 1901</i>
Turkey	the Republic of Turkey
USA	United States of America
USD	United States dollars
USP	unsuppressed selling price

1 SUMMARY AND RECOMMENDATION

1.1 Background

This report provides the results of the Anti-Dumping Commission's (Commission) consideration of an application for the publication of a dumping duty notice in respect of rod in coils exported to Australia from the Republic of Indonesia (Indonesia), Taiwan and the Republic of Turkey (Turkey).

1.2 Application of law to facts

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

1.2.1 The role of the Commission

The Commission is responsible for preparing a report for the Commissioner of the Anti-Dumping Commission (the Commissioner) after examining the application for the publication of dumping duty notices. In this report, the following matters are considered in relation to the application:

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

1.2.2 The role of the Commissioner

The Act empowers the Commissioner, after having regard to the Commission's report, to reject or not reject the application for the publication of a dumping duty notice. If the Commissioner decides not to reject the application, the Commissioner must give public notice of the decision providing details of the investigation.

1.3 Findings and conclusions

The Commission has examined the application for the publication of a dumping duty notice in relation to rod in coils exported to Australia from Indonesia, Taiwan and Turkey and is satisfied that:

- the application complies with s.269TB(4) (as set out in section 5 of this report);
- there is an Australian industry in respect of like goods (as set out in section 6 of this report); and
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of rod in coils exported to Australia from Indonesia, Taiwan and Turkey (as set out in sections 7 and 8 of this report).

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

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1.4 Recommendation

The Commission recommends that the Commissioner decide not to reject the application. If the Commissioner accepts this recommendation, to give effect to that decision, the Commissioner must publish the notice at **Appendix 1** indicating that the Commission will conduct an investigation into whether grounds exist to publish a dumping duty notice as sought in the application.

2 BACKGROUND

2.1 Application

On 24 February 2014, OneSteel Manufacturing Pty Ltd (OneSteel) lodged an application requesting that the Parliamentary Secretary to the Minister for Industry (Parliamentary Secretary) publish a dumping duty notice in respect of rod in coils exported to Australia from Indonesia, Taiwan and Turkey. OneSteel alleges that the Australian industry has suffered material injury caused by rod in coils exported to Australia from Indonesia, Taiwan and Turkey at dumped prices. The applicant claimed the industry has been injured through:

- loss of sales volumes;
- loss of market share;
- price undercutting;
- price depression;
- price suppression;
- reduced revenues;
- reduced profits;
- reduced profitability;
- reduced return on investment; and
- reduced employment.

2.2 The goods and like goods

2.2.1 Description

OneSteel described the goods as:

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

The application further states that:

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

and

Goods excluded from this application include Deformed Bar in coils and stainless steel in coils.

The goods are referred to as rod in coils in this report.

2.2.2 Additional product information

OneSteel stated rod in coils are sold into the Australian market in a range of diameters, typically from 5.5 mm to 18.5 mm. Rod in coils are typically circular in

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cross section, but can be supplied in a range of non-circular shapes. The application only includes rod in coils with a maximum cross section of less than 14 mm.

Rod in coils are sold in a range of grades that include low, medium and high carbon grades. Low carbon grades are typically used as a feed material for general reinforcing mesh applications and plain wire fencing. Medium and high tensile grades are drawn into manufacturing feed wires for products such as wire ropes, springs and high tensile wire for fencing.

The weight of the coils supplied varies depending on the customer's requirements, but is typically one to two tonnes.

OneSteel claimed it is the only Australian producer of rod in coils. It manufactures rod in coils in a range of grades and diameters at its manufacturing facilities in Laverton and Newcastle.

2.2.3 Tariff classifications

The application states that the goods are typically classified to subheadings 7213.91.00 (statistical code 44) and 7227.90.90 (statistical code 42) to Schedule 3 of the *Customs Tariff Act 1995*. The general rate of duty is currently 5%, however, Indonesia and Turkey are designated DCS countries and Taiwan is designated a DCT² country. The rate of duty for rod in coils exported to Australia from DCS and DCT designated countries is free.

The Australian Customs and Border Protection Service's (ACBPS) Trade Branch confirmed that rod in coils of non-alloy steel is classified to 7213.91.00 if the cross section is circular as well as less than 14 mm in diameter. Rod in coils of other alloy steel are classified to heading 7227, but the reference to subheading 7227.90.90 excludes certain alloys such as silico-manganese steel and non-circular sections.

Following discussions with the Commission, the applicant confirmed that the goods under consideration should be entered under the nominated tariff subheadings. However, the Commission notes that the goods under consideration are defined by the description, not the tariff classification.

2.2.4 Commission's assessment

Rod in coils with a maximum cross section of 14 mm or more may be considered as a like good. OneSteel advised that 95% of production is of product with a maximum cross section of less than 14 mm. The Commission considers that inclusion of this larger product in the investigation would not alter the findings in this report.

The Commission may further review the rod in coil market by the grade of steel. OneSteel advised that most of its sales of rod in coil with a maximum cross section of less than 14 mm is the same or similar grades.

² 'DCT' and 'DCS' are codes applied to classes of countries and places in relation to which special rates apply as specified in Parts 4 and 5 of Schedule 1 of the *Customs Tariff Act 1995*.

Both of the above issues will be further considered during the investigation.

2.3 Consideration of the application

Under s. 269TC(1) of the Act, the Commissioner must consider the application and within 20 days of lodgement decide whether or not to reject the application. The application was lodged on 24 February 2014, but OneSteel provided additional information to support the application on 13 March 2014. As a result, the Commission restarted the 20 day period for considering the application. This decision must now be made no later than 2 April 2014. Subsection 269TC(1) specifies that the Commissioner shall reject an application if the Commissioner is not satisfied that:

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

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

2.4 Previous investigations and current measures

There have been no previous investigations into rod in coils and no anti-dumping or countervailing measures apply to rod in coils exported to Australia.

2.5 Other administrations

The United States of America imposed anti-dumping measures on carbon and certain alloy steel wire rod from Indonesia in 2002. These measures were continued in 2008 and a further sunset review is currently being undertaken.

3 DOES THE APPLICATION COMPLY WITH S. 269TB(4)

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

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

3.1 Approved form

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

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

3.2 Supported by Australian industry

An application is taken to be supported by a sufficient part of the Australian industry if the persons who produce or manufacture like goods in Australia and who support the application:

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

OneSteel stated that it is the only Australian producer of rod in coils and therefore represents 100% of the Australian industry.

3.3 The Commission's assessment

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

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

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

4.1 Locally produced like goods

Subsection 269T(1) defines like goods as:

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

4.1.1 Applicant's claims

OneSteel considers that locally produced rod in coils has the same essential characteristics as imported rod in coils.

Physical likeness:

OneSteel's locally produced rod in coils and imported rod in coils are manufactured to the requirements of Australian and International Standards and are alike in physical appearance. The imported and locally produced rod in coils are manufactured in a range of grades and diameters.

Commercial likeness:

OneSteel's locally produced rod in coils competes directly with imported rod in coils in the Australian market.

Functional likeness

Both the locally produced and imported rod in coils have comparable or identical end-uses.

Production likeness

Rod in coils manufactured by OneSteel is produced using similar manufacturing processes to imported rod in coils.

4.1.2 The Commission's assessment

Based on information provided in the application, the Commission considers that the OneSteel's claims in relation to like goods appear reasonable and is therefore satisfied that there is an Australian industry producing like goods to the goods the subject of the application.

4.2 Manufactured in Australia

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

4.2.1 Applicant's manufacturing operations

OneSteel provided the following summary of its manufacturing process for rod in coils:

- the raw material feed is steel billet which is supplied from the Laverton, Sydney or Whyalla steel works (the source of iron for the Laverton and Sydney steelworks is scrap metal, whereas for Whyalla it is iron ore);
- the billet is heated to approximately 1300°C;
- the heated billet passes through a series of rolling stands, as it passes through each stand it gradually reduces in size and changes shape from a square section to a circular section;
- at the end of the rolling line, the wire rod is cooled and formed into coils; and
- rod in coils are then tagged, strapped and transported to storage or dispatched to customers.

4.2.2 The Commission's assessment

Based on the description of the manufacturing process provided in the application, the Commission is satisfied that there is at least one substantial process of manufacture performed in Australia and, therefore, that the goods may be taken to have been produced in Australia.

4.3 Australian industry information

4.3.1 Background

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

OneSteel provided a copy of Arrium Limited's 2013 annual report with its application. OneSteel also provided internal report extracts for each quarter of 2013. It stated that corporate allocations are made to OneSteel by Arrium Limited in the form of corporate charges (for items such as shared services) which are included in the cost data provided.

OneSteel's financial year is July to June.

4.3.2 Sales information

OneSteel provided quarterly sales and production information in the application, including a summary of domestic and export sales volumes and revenues, as required in the relevant confidential appendices A2, A3, A5 and A6 for the calendar years 2010 to 2013³. Confidential appendices A1 and A4 provided data for 2013.

The Commission noted that confidential appendices A2 and A6 did not include data related to internal sales to OneSteel's wire and reinforcing mesh businesses that further processes rod in coils into other products. Article 3.6 of the World Trade Organisation Anti-Dumping Agreement requires that the effect of dumped imports be assessed in relation to the domestic production of like goods. The Commission considers that these internal sales should be included in confidential appendices A2 and A6 and has added the information in confidential appendix A5 to the data provided in confidential appendices A2 and A6 to analyse movements in sales volumes, revenues and prices.

4.3.3 Cost information

OneSteel completed confidential appendix A6 cost to make and sell (CTMS) spreadsheet for domestic and export sales. The information provided in this appendix included quarterly production and sales volumes, manufacturing costs, selling (including distribution), general and administrative expenses for the period 2010 to 2013.

The Commission noted that confidential appendix A6 only included manufacturing costs for production for export and for external domestic sales. OneSteel advised that production costs for internal sales were identical to manufacturing costs for external sales.

OneSteel provided quarterly costs, but stated that these were built up from monthly costs. The Commission may consider collecting monthly costs during the investigation for the purpose of assessing the economic condition of the Australian industry.

4.3.4 Other economic factors

OneSteel completed confidential appendix A7 for the period 2010 to 2013 showing movements in assets, capital investment, R&D expenses, revenue, return on investment, capacity, capacity utilisation, employment, closing stocks, cash flow measures and wages.

4.3.5 The Commission's assessment – Australian industry

Based on the information in the application, the Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the

³ References to yearly periods throughout the report refer to calendar years unless specified otherwise.

application. It examined the detail in, and link between, relevant appendices and found no major discrepancies. For the purposes of this report, the Commission considers that OneSteel's appendices are reliable for the purposes of a preliminary analysis of the economic condition of the Australian industry in respect of rod in coils from 2010 to 2013.

4.4 Australian market

4.4.1 Background

OneSteel stated that rod in coils less than 14 mm in cross section are a semi-finished intermediate feed material that is generally further processed by cold drawing through a die to produce wire. This wire is used in a variety of applications across a range of sectors of the Australian economy including:

- reinforcing mesh manufacturing;
- wire manufacturing;
- mine mesh manufacturing;
- general manufacturing; and
- reinforcing ligatures.

Rod in coils sold to the automotive market for spring manufacture is typically sold in diameters that are 14 mm or greater.

OneSteel sells rod in coil to external customers, but also has internal sales to OneSteel's wire and reinforcing mesh businesses. The Commission has included these internal sales in the Australian market for rod in coils.

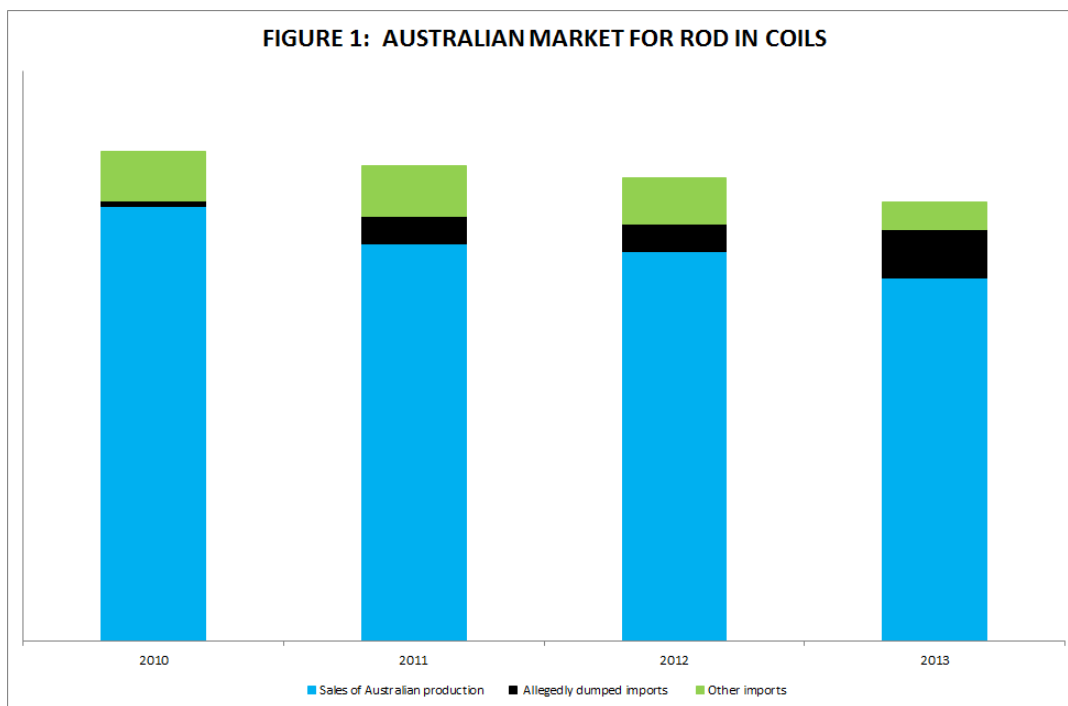
The largest market segment is the manufacture of reinforcing mesh.

4.4.2 The way in which the imported and Australian product compete

The majority of rod in coils customers purchase either from OneSteel or from an import supply source. OneSteel stated that import offers and movements in the price of import offers are used by end-users to negotiate prices with OneSteel. Given the nature of the finished goods negotiations are very price sensitive and in order to secure sales volumes OneSteel is obliged to respond to these prices. OneSteel advised prices for internal sales are determined using prices to external customers.

4.4.3 Market size

Figure 1 illustrates the Commission's estimates of the size of the Australian market for rod in coils from 2010 to 2013.



OneSteel estimated the size of the Australian market using Australian Bureau of Statistics (ABS) import data, data from an independent recognised international supplier of trade statistics and sales to external customers.

4.4.4 The Commission's assessment

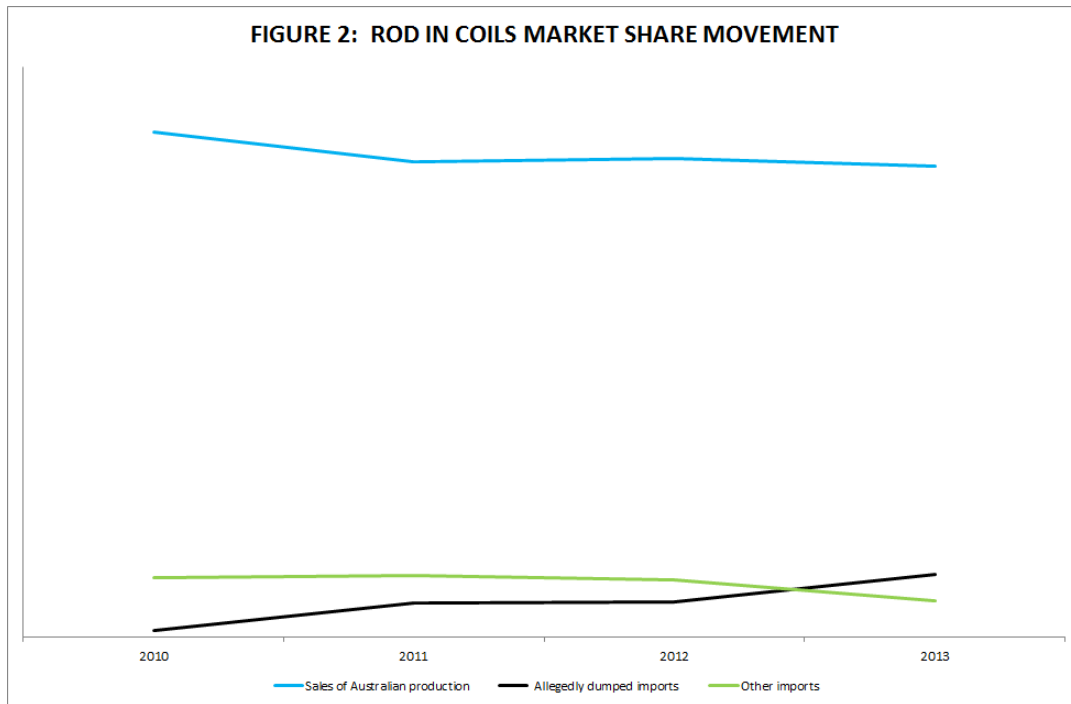
The Commission examined the ACBPS import database to determine if OneSteel's estimates were reasonable. It noted that OneSteel did not include imports under tariff subheading 7227.90.90 in its estimate of the market size. OneSteel advised that according to its market intelligence these imports were mainly deformed bar and not rod in coil. The Commission noted that imports from the nominated countries under this tariff subheading were negligible.

The Commission relied on import data supplied by OneSteel in estimating the size of the Australian market, but included OneSteel's internal sales. It notes that:

- the size of the Australian market was 500,000 to 600,000 tonnes in 2013;
- the size of the market fell each year from 2010 to 2013;
- OneSteel's sales and imports from countries not nominated in the application fell each year from 2010 to 2013; and
- Imports from the nominated countries increased each year from 2010 to 2013.

Figure 2 illustrates the movements in the rod in coils market share from 2010 to 2013, based on information provided in the application.

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The Commission considers that the information submitted by OneSteel is reliable, relevant and suitable for estimating the size of the Australian market for rod in coil.

5 REASONABLE GROUNDS – DUMPING

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

- rod in coils has been exported to Australia from Indonesia, Taiwan and Turkey at dumped prices (refer to section 5.6);
- the volume of rod in coils that appear to have been dumped from each of the nominated countries is greater than 3% of the total Australian import volume of the goods, and therefore is not negligible (refer to section 5.5); and
- the estimated dumping margin for each of the nominated countries is greater than 2% and is therefore not negligible (refer to section 5.6).

5.1 Legislative framework

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

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

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

5.2 Investigation period

The Commissioner must nominate an investigation period, being the period where exportations to Australia will be examined to determine if dumping has occurred. Normally for commodity type products the investigation period is twelve months.

The Commission recommends that the Commissioner nominate an investigation period from January 2013 to December 2013.

5.3 Export prices

5.3.1 OneSteel's claims

OneSteel stated that ABS import data for rod in coils is the subject of country suppression orders and is not available for the purposes of identifying imports from Indonesia, Turkey or Taiwan. It obtained export data from an independent recognised international supplier of trade statistics and has been able to identify export volumes and values to Australia from Indonesia, Turkey and Taiwan. OneSteel stated that this supplier does not publish data for exports from New Zealand and it relied on annual ABS data to estimate the quarterly volume and value

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of exports from New Zealand. The published data does not distinguish between grades for rod in coils.

Export quantities and free on board export prices for rod in coils exported from Indonesia, Taiwan and Turkey for each month of the investigation period provided in the application are included in the following table. November and December 2013 export data for Indonesia was not available at the date of lodgment, however OneSteel obtained annual import volumes from ABS for 2013 and has derived volumes for both months. The October 2013 export prices have been used for November and December 2013.

The export prices and tonnage as specified in the application appear in the below table.

Table 1: Export prices

Period	Indonesia		Taiwan		Turkey	
	Quantity (tonnes)	FOB price USD/tonne	Quantity (tonnes)	FOB price USD/tonne	Quantity (tonnes)	FOB price USD/tonne
Jan 13	4,385	638	1,114	637		
Feb 13	1,071	672				
Mar 13						
Apr 13	5,447	665	202	673	1,943	608
May 13	2,950	666	1,021	639	2,588	600
Jun 13	5,019	652	1,028	615	2,782	598
Jul 13	1,778	628	610	599	1,235	577
Aug 13	4,096	631	216	592	931	577
Sep 13	5,754	629			1,507	582
Oct 13	5,129	628				
Nov 13	3,146	628	941	606	695	571
Dec 13	3,146	628			791	580

5.3.2 The Commission's assessment

The Commission examined the data provided by OneSteel and compared it to information from the ACBPS import database. The import quantities from each country were similar, but there were small differences in the weighted average export prices. The weighted average export price provided by OneSteel was US dollars (USD)14 higher than the price from the ACBPS import database for Indonesia, USD6 lower for Taiwan and USD14 lower for Turkey.

The Commission considers that the export volumes and prices submitted by OneSteel are sufficiently reliable and relevant for the purposes of the application.

5.4 Normal values

5.4.1 OneSteel's claims

OneSteel has obtained domestic selling prices for rod in coils sold in each of the exporting countries the subject of this application from reputable steel industry publications.

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Selling prices for Indonesia are for product delivered into store, while selling prices for Turkey and Taiwan are ex-factory. OneSteel considers that normal values for Taiwanese and Turkish exporters will require an upward adjustment to account for the absence of freight in the domestic selling price that is included in export prices for goods exported to Australia. A further upward adjustment is required for the cost of containerisation for goods exported to Australia. These adjustments would increase the calculated dumping margins.

Selling prices provided in the application are included in table 2.

Table 2: Selling prices

Period	Indonesia	Taiwan	Turkey
	FOB price USD/tonne	FOB price USD/tonne	FOB price USD/tonne
Jan 13	795	664	643
Feb 13	806	676	642
Mar 13	822	691	643
Apr 13	770	702	620
May 13	747	679	617
Jun 13	726	651	595
Jul 13	718	627	595
Aug 13	667	627	611
Sep 13	709	628	611
Oct 13	709	653	611
Nov 13		664	611
Dec 13		642	

5.4.2 The Commission's assessment

The Commission reviewed the documentation supplied by OneSteel and considers that its estimates of normal values for rod in coil sold in Indonesia, Taiwan and Turkey appear to be reasonable.

5.5 Import volumes

From the information available from the application and the ACBPS import database, imports of rod in coils from each of Indonesia, Taiwan and Turkey represent more than 3% of the total import volume of rod in coils in 2013 and are therefore not in negligible volumes as defined in subsection 269TDA.

5.6 Dumping margins

5.6.1 OneSteel's claims

OneSteel calculated the following weighted average dumping margins.

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Table 3: Applicants dumping margins

Country	Dumping margin
Indonesia	15%
Taiwan	11%
Turkey	9%

5.6.2 The Commission's assessment

The Commission calculated the following preliminary weighted average dumping margins using export price information from the ACBPS import database and normal value information provided in the application. Differences are the result of variances in export prices provided by OneSteel and those obtained from the ACBPS import data base.

Table 4: Commissions dumping margins

Country	Dumping margin
Indonesia	18%
Taiwan	11%
Turkey	7%

The Commission is satisfied that, based on the information submitted in the application, OneSteel has demonstrated that there appear to be reasonable grounds for concluding that rod in coils has been exported to Australia from Indonesia, Taiwan and Turkey at dumped prices and that the dumping margins are not negligible.

6 REASONABLE GROUNDS – MATERIAL INJURY CAUSED BY DUMPED IMPORTS

6.1 Findings

Having regard to the information contained in the application, and to other information considered relevant, the Commission is satisfied that OneSteel appear to have experienced injury through:

- loss of sales volumes;
- loss of market share;
- price depression;
- price suppression;
- price undercutting;
- reduced revenues;
- reduced profits;
- reduced profitability;
- reduced return on investment; and
- reduced employment.

The Commission is satisfied that that dumped exports of rod in coils from Indonesia, Taiwan and Turkey appear to have caused material injury to the Australian industry producing like goods.

6.2 Legislative framework

Subsection 269TC(1) requires that the Commissioner must reject an application for a dumping duty notice if, inter alia, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of dumping duty notices. Under section 269TG, one of the matters that the Parliamentary Secretary must be satisfied of in order to publish a dumping duty notice is that the alleged dumping of the goods has caused, is causing or threatens to cause material injury to the Australian industry producing like goods.

6.3 Approach to injury analysis

The injury analysis detailed in this chapter is based on information submitted by OneSteel in its application and data from the ACBPS import database. OneSteel provided production, cost and sales data for rod in coils on a quarterly basis for the years 2010 to 2013.

OneSteel stated that during 2010 to 2013 it made sales of rod in coils to both third party customers (external) and to OneSteel's own trading division (internal). OneSteel's internal sales accounted for the significant proportion of total sales.

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

The Commission found that the data for external and internal sales of rod in coils indicates that OneSteel has experienced volume, price and profit injury. The Commission also found that this injury was still evident, if the analysis was based only on OneSteel's external sales. Therefore, for the purpose of this consideration report, the Commission considers that despite the high proportion of OneSteel's internal sales, that this does not impact on overall injury trends. However the Commission will further examine OneSteel's internal sales during the investigation.

6.4 Commencement of injury

OneSteel claimed that injury commenced in 2011 with the significant increase in exports from Indonesia.

6.5 The applicant's injury claims

OneSteel alleges the Australian industry has suffered material injury caused by rod in coils exported to Australia from the nominated countries at dumped prices. It claimed the industry has been injured through:

- loss of sales volumes;
- loss of market share;
- price undercutting;
- price depression;
- price suppression;
- reduced revenues;
- reduced profits;
- reduced profitability;
- reduced return on investment; and
- reduced employment.

6.6 Accumulation of injury

Subsection 269TAE(2C) of the Act provides for consideration of the cumulative effect of exports from different countries, if, after having regard to:

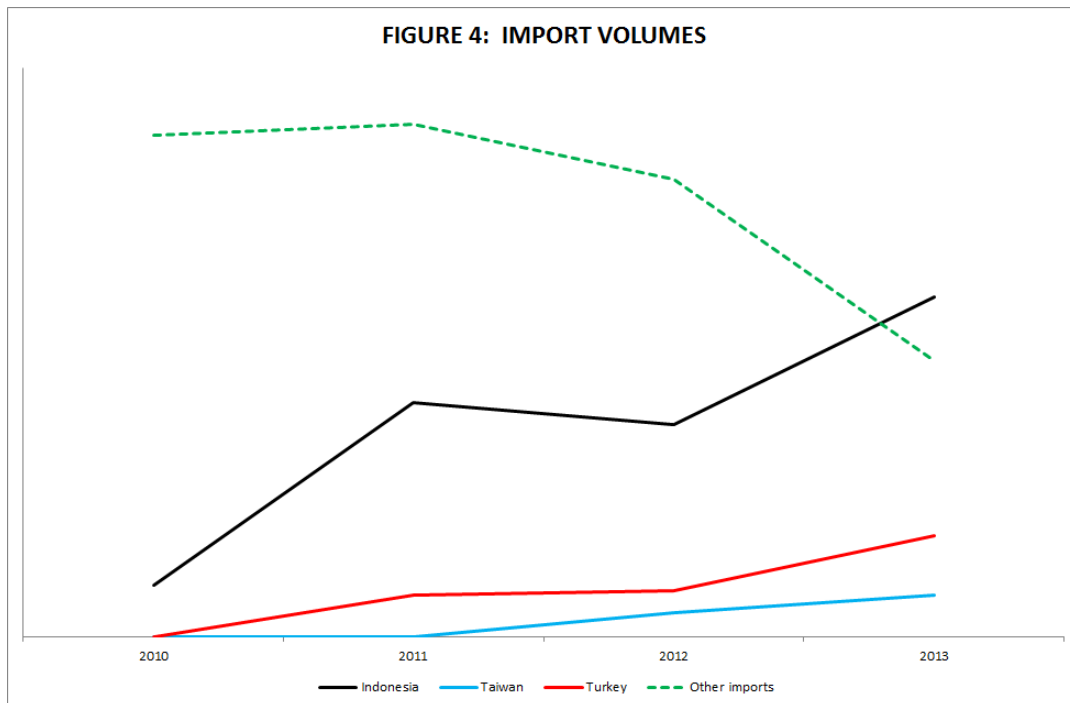
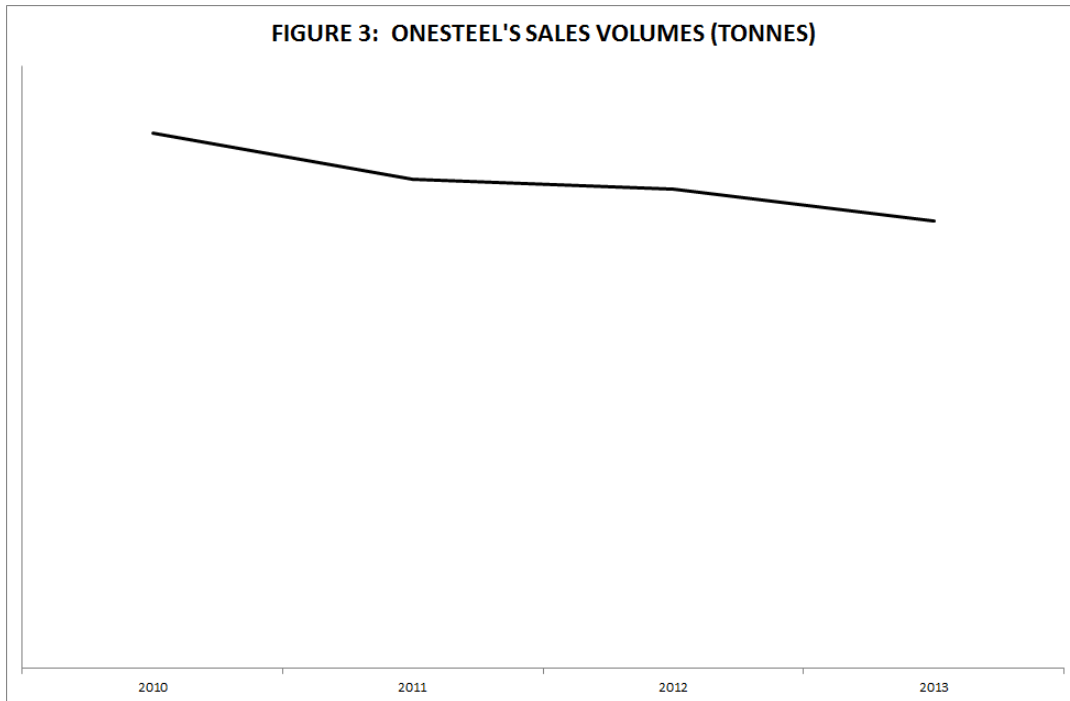
- the conditions of competition between the exported goods; and
- the conditions of competition between the exported goods and the like goods that are domestically produced;

the Parliamentary Secretary is satisfied that it is appropriate to consider the cumulative effects. Based on the information provided in the application, the Commission is satisfied that in respect of the rod in coils market the conditions of competition between imported and domestically produced like goods appear to be similar.

6.7 Volume effects

6.7.1 Sales volumes

Figures 3 and 4 show OneSteel's domestic sales volumes and the import volumes from Indonesia, Taiwan and Turkey of rod in coils from 2010 to 2013.



As discussed in section 4.4.3, the Australian market for rod in coils decreased consistently during 2010 to 2013. Figure 3 above shows that OneSteel's domestic sales volume of rod in coils decreased consistently during the same period. However in 2011 and 2013, the decreases in OneSteel's domestic sales were proportionately

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greater than the decreases in total sales volumes of rod in coils the Australian market.

Figure 4 shows that from 2010 to 2013, the import volumes of rod in coils increased, with import volumes from Indonesia increasing significantly.

In 2010, imports from Indonesia accounted for approximately 10% of the total import volume, while imports from Taiwan and Turkey were negligible.

In 2011, imports from Indonesia increased by approximately 350% and accounted for approximately 30% of the total import volume. OneSteel claims that in 2011, the significant increase in import volumes from Indonesia displaced its own local production of rod in coils.

In 2012, imports from Taiwan and Turkey increased and accounted for approximately 10% of the total import volume. Imports from Indonesia decreased marginally but still accounted for approximately 30% of the total import volume. Imports from other countries also decreased by approximately 10%.

In 2013, imports from Indonesia significantly increased and accounted for approximately 45% of the total import volume. Imports from Taiwan and Turkey also increased and accounted for 5% and 15% respectively of the total import volume. Imports from other countries decreased by 40%.

OneSteel claims that the significant increased import volume of rod in coils from the nominated countries, commencing in 2011 and accelerating by 70% in 2013, has displaced its own sales volumes, and import volumes of other countries.

OneSteel claims that it has suffered material injury in relation to lost sales volumes of rod in coils due to increased volumes of imports at dumped prices from Indonesia, Turkey and Taiwan.

6.7.2 Market shares

Figure 5 illustrates the movements in market shares for rod in coils, including OneSteel's share, from 2010 to 2013, based on information provided in the application.

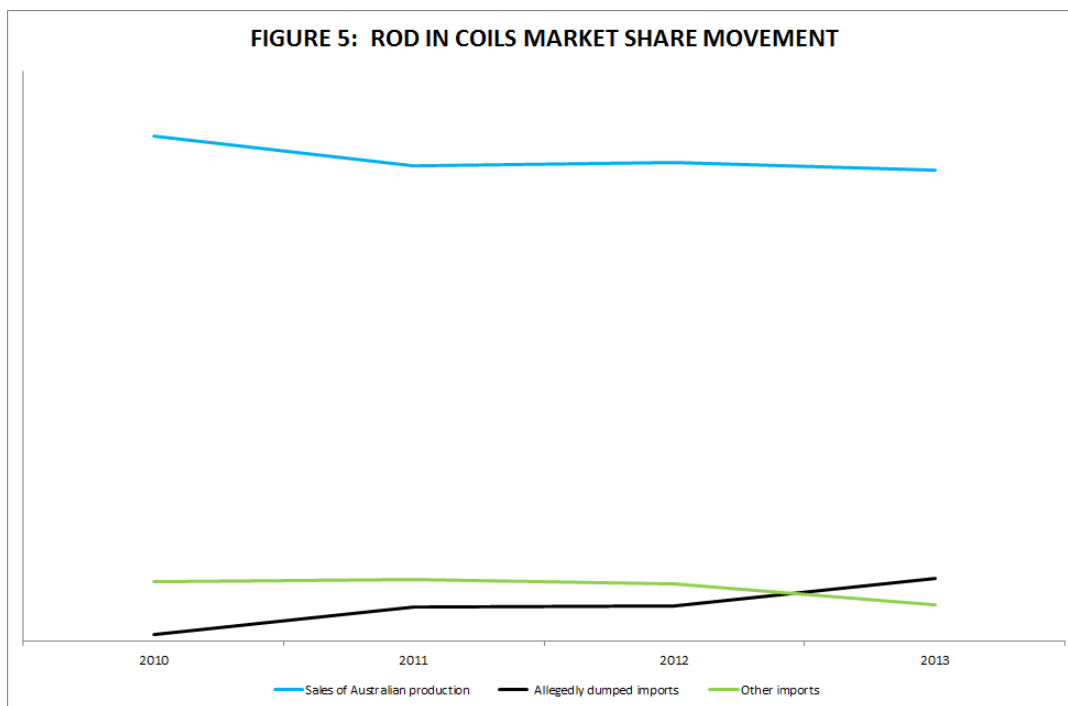


Figure 5 shows that OneSteel's market share for rod in coils decreased in 2011 and remained relatively constant in 2012 and 2013.

Figure 5 shows that the market share for rod in coils represented by allegedly dumped imports increased by in 2011, remained constant in 2012 and subsequently increased in 2013. The market share for rod in coils represented by imports from other countries were relatively constant from 2010 to 2012, but decreased in 2013.

OneSteel stated that following the loss of market share in 2011, it actively pursued strategies to maintain market share and sales volumes for rod in coils. OneSteel submitted that these strategies included the implementation of operational and cost saving initiatives to improve its financial viability in order to reduce selling prices to compete with allegedly dumped imports. OneSteel stated that had it not reduced its selling prices, it would have experienced significant reductions in sales volumes and market share during 2012 and 2013.

6.7.3 Conclusion – volume effects

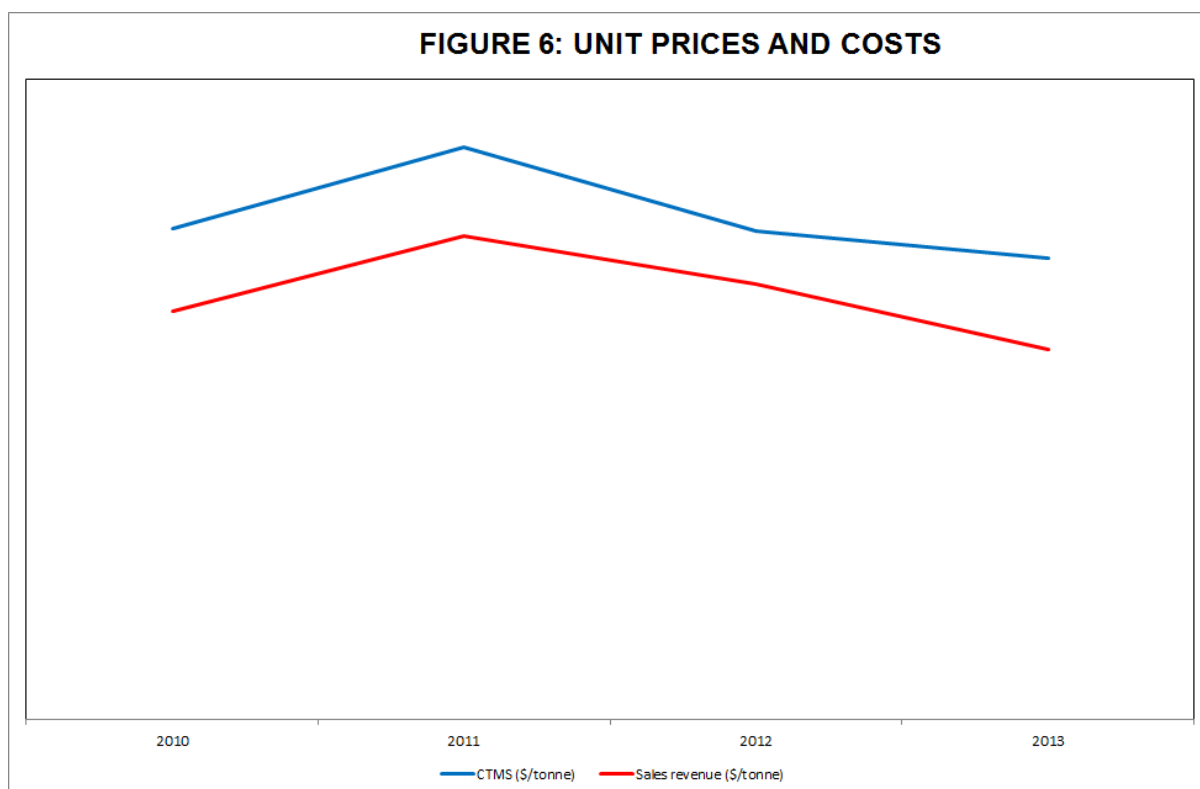
The Commission considers that there appear to be reasonable grounds to support the claims that, as a result of increased volumes and market shares of allegedly dumped imports of rod in coils from Indonesia, Taiwan and Turkey, the Australian industry has lost sales volume and market share. At the consideration stage, the Commission has formed the preliminary view that in 2012 and 2013, OneSteel's market share for rod in coils would have been lower in the absence of strategies that OneSteel utilised to maintain market share..

6.8 Price effects

6.8.1 Price depression and price suppression

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between revenues and costs.

Figure 6 illustrates movements in OneSteel's unit costs and prices for rod in coils from 2010 to 2013.



OneSteel claimed that its selling prices for rod in coils sold to external customers are determined by reference to competitive offers for imports. OneSteel claimed that its selling prices for rod in coils sold to internal customers are determined by references to prices to external customers.

Figure 6 shows that Onesteel's unit costs exceeded its unit prices from 2010 to 2013. The amount by which costs exceeded prices was relatively constant although the difference was lower in 2012. Figure 6 shows that OneSteel's unit prices have been depressed.

OneSteel stated that despite achieving lower production costs in 2013, it was not able to increase its margins because it had to reduce selling prices to address price undercutting by the dumped imports. As noted previously, OneSteel claims that it maintained its sales volumes and market share of rod in coils by reducing domestic selling prices.

6.8.2 Price undercutting

OneSteel stated that, in 2013, the decreasing prices for rod in coils imported from the nominated countries consistently undercut its selling prices. To support price undercutting claims, OneSteel provided a summary of competitive price offers, including monthly summaries for rod in coils imported from Indonesia and Turkey. OneSteel claim that imports from Indonesia and Turkey undercut OneSteel selling prices by between 2% and 14% respectively.

The evidence supporting price undercutting claims by OneSteel predominantly relies on internal emails from sales representatives, although the importer is identified. OneSteel also provided emails in relation to sales from importers.

OneSteel claimed that the price undercutting information supports its position that it has lost sales volumes and market share to imported rod in coils sourced from Indonesia, Taiwan and Turkey.

6.8.3 The Commission's conclusion – price effects

The Commission has reviewed the information provided by OneSteel in relation to price depression and price suppression and considers that, for the purpose of this consideration report, these claims appear to be reasonable.

The Commission is satisfied that for the purpose of this consideration report the evidence provided supports OneSteel's claims of price undercutting by Indonesia and Turkey. While no evidence was provided supporting undercutting by Taiwan, the available evidence on export pricing, into store costs and export volumes supports OneSteel's claims of price undercutting from Taiwan.

These claims will be examined further during the investigation.

The Commission considers that there appear to be reasonable grounds to support the claims that, as a result of the emergence of allegedly dumped imports of rod in coils from Indonesia, Taiwan and Turkey, the Australian industry has suffered injury in the form of price depression, price suppression and price undercutting.

6.9 Profit and profitability effects

Figure 7 illustrates movements in OneSteel's profits and profitability for rod in coils from 2010 to 2013.

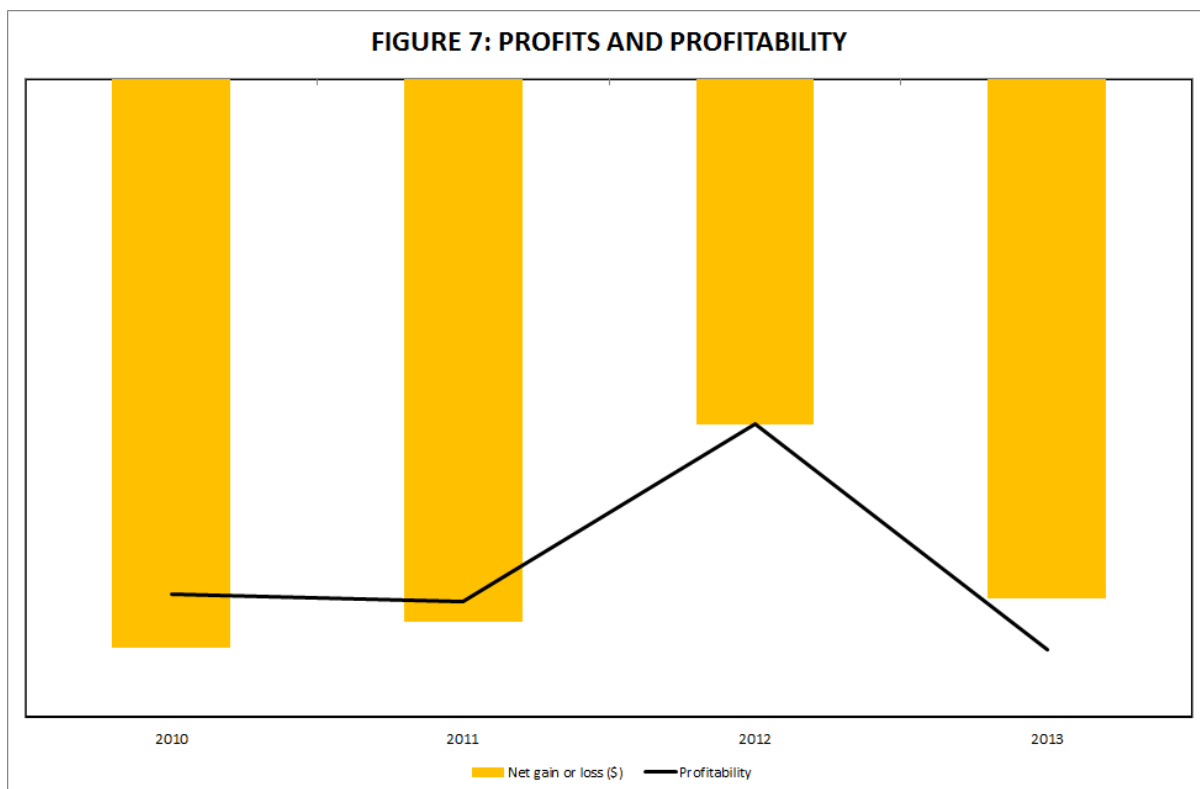


Figure 7 shows that OneSteel's profit and profitability fluctuated during 2010 to 2013.

However, Figure 7 shows that OneSteel's profit deteriorated in 2013 as its losses increased, even though it had reduced its production overheads and selling expenses in 2012 and 2013.

OneSteel stated that in 2010 its economic performance was impacted by the global economic downturn. OneSteel claimed that the impact of the alleged dumping and price undercutting (evidenced through price depression and price suppression) on OneSteel's profit and profitability delayed its recovery. OneSteel stated that its return on sales, and diminution in OneSteel's profits and profitability, can be directly attributable to the impact dumped imports from Indonesia, Taiwan and Turkey.

6.9.1 Conclusion – profit and profitability effects

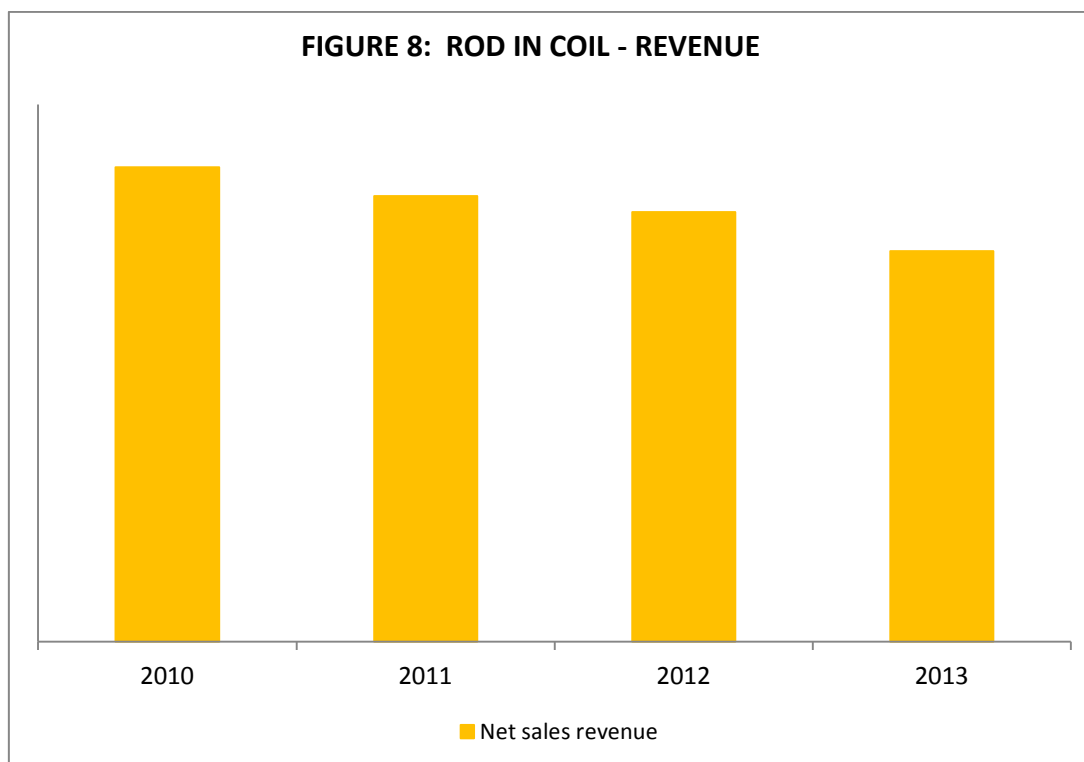
The Commission considers that there appear to be reasonable grounds to support the claims that, as a result of the increase in allegedly dumped imports of rod in coils from Indonesia, Taiwan and Turkey, the Australian industry has suffered injury in the form of reduced profits and profitability.

6.10 Other economic factors

In its application, OneSteel completed confidential appendix A7 for rod in coils for the period from 2010 to 2013. The information provided indicates that:

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- the value of total assets decreased each year; the value of assets was allocated to like goods using total production; assets attributed to like goods decreased in 2011, was stable in 2012 and increased in 2013;
- capital investment decreased from 2010 to 2012, and increased in 2013;
- R&D expenditure decreased in 2011, but was relatively stable to 2013;
- revenue decreased each year – movements in revenue are illustrated in figure 8; reduced revenue would be expected given the movements in sales volumes, but combined with reduced prices it has adversely affected the economic performance of the Australian industry;



- return on investment increased marginally in 2011, increased by seven percentage points in 2012, but was negative in 2013;
- OneSteel's return on investment in 2010 was influenced by the economic downturn; it increased in 2011 and 2012, but fell significantly in 2013; OneSteel attributes this fall to the unfair competition from dumped imports from the nominated countries;
- capacity increased each year, but OneSteel did not provide sufficient information to calculate capacity utilisation;
- total number of employees in rod and bar decreased in 2011, was relatively stable in 2012, but decreased again in 2013; OneSteel stated that employment decreased by 7% in total from 2010, including by 3.5% in 2013;
- productivity, measured in tonnes per hour, increased each year;
- stock levels fluctuated from 2010 to 2013; and
- cash flow measures were relatively stable.

6.11 Other possible causes of injury

OneSteel did not identify any other possible causes of injury in its application. This issue will be further examined by the Commission during the investigation.

6.12 Comparison of export prices and estimated non-injurious prices

The Commission sought to compare export prices from each of the nominated countries with estimates of a non-injurious price (NIP) for 2013. To calculate the estimated NIP, the Commission estimated the unsuppressed selling price (USP) for rod in coils for 2013 using the weighted average CTMS of OneSteel. At this stage, the Commission has not applied a profit to this CTMS.

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

For each of the nominated countries, the weighted average export prices for the year were below the NIP. The Commission considers this finding is consistent with OneSteel's claim that the allegedly dumped goods have caused material injury.

6.13 Conclusion on material injury caused by dumped imports

The Commission considers that there appear to be reasonable grounds to support the claim that OneSteel has experienced injury in the form of:

- loss of sales volumes;
- loss of market share;
- price depression;
- price suppression;
- price undercutting;
- reduced revenues;
- reduced profits;
- reduced profitability;
- reduced return on investment; and
- reduced employment.

The Commission considers that injury to the Australian industry appear to have been caused by allegedly dumped imports of rod in coils from Indonesia, Taiwan and Turkey. The injury caused by the alleged dumping appears to be material.

7 CONCLUSION

The Commission has examined the application and is satisfied that:

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

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

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

- the investigation period to determine whether dumping has occurred be from January to December 2013; and
- the Commission examine the Australian market and the economic condition of the industry from January 2010 for the purposes of injury analysis.