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To Ms Candy Caballero, Director, Operation 3, Anti-Dumping Commission
From Andrew Lumsden / Andrew Percival
Date 26 December 2014
Subject Dumping Investigation – Steel Reinforcing Bar – Material Injury

Dear Ms Caballero

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On behalf of the Istanbul Mineral and Metals Exporters' Association (**IMMIB**), we make the following preliminary submission in relation to the allegations made by OneSteel Manufacturing Pty Ltd (**OneSteel**) that:

- it has suffered material injury during the period from 1 July 2010 to 30 June 2014 (**Injury Period**); and
- that material injury was caused by allegedly dumped exports of the subject goods from the countries involved in the investigation.

IMMIB will make further submissions in the following stages of the investigation as more information becomes available to it¹.

In summary, IMMIB submits that there are significant deficiencies in both OneSteel's application (**Application**) and the Anti-Dumping Commission's (**Commission**) Consideration Report No 264 (**Consideration Report**) in terms of the evidence provided by OneSteel and considered by the Commission in support of OneSteel's claims relating to material injury.

1 Volume effects and market share

In the Application, OneSteel claims that it has suffered material injury in relation to lost sales volume and market share of rebar due to the increase in the volume of the allegedly dumped imports (pages 23-24). The Consideration Report states that OneSteel's claim appears to be supported by reasonable grounds (page 32).

However, Figure 1 and Figure 3 of the Consideration Report appear to show that

- the Australian market for rebar increased steadily during the Injury Period;

¹ IMMIB has made a request for the comprehensive import data regarding the subject goods of the investigation from the Australian Bureau of Statistics.

- OneSteel's sales volume and market share of rebar increased steadily for two consecutive periods (ie FY2010/11 – FY2012/13) and decreased only in FY2013/14 the last financial year during the Injury Period;
- in FY2011/12, OneSteel's sales volume increased significantly taking the market share of the allegedly dumped imports and resulting in the sales volume of these imports to fall significantly despite the overall growth of the Australian rebar market;
- in FY2012/13, both the sales volume of OneSteel and the volume of the allegedly dumped imports decreased due to the increase in the volume of the other imports; and
- despite the decreased sales volume of OneSteel in FY2013/14, overall the sales volume and market share of OneSteel increased in FY2013/14 as compared to that in FY2010/11.

The above is confirmed by the table on page 23 of the Application showing the production variations of OneSteel during the Injury Period. The table shows that OneSteel's production of the rebar products increased significantly between FY2010/11 and FY 2012/13 and that despite a decrease in the production in FY 2013/14 OneSteel's production of rebar coil or rebar straights or overall production increased as compared to its production at the outset of the Injury Period.

Both the Application and the Consideration Report have focused on the decrease in sales volume and market share of rebar produced by OneSteel in the last financial year of the Injury Period and have failed to consider the changes in sales volume and market share in the other financial years and the overall trend of movement. It is insufficient and unjustifiable for the Commission to only consider and rely on evidence in support of the applicant's claim while disregarding evidence against the claim, especially where during the majority of the Injury Period the claimed volume effects did not exist.

2 Price effects

OneSteel claimed that the alleged dumping has caused price suppression, that is, price increases that should have occurred to reflect the increases in OneSteel's production costs have been prevented by the imports of rebar at allegedly dumped prices (pages 27-28, Application). The Commission considered that there is sufficient evidence in support of OneSteel's claim on price suppression (page 33, Consideration Report).

However, the tables on cost variations and price variations of OneSteel during the Injury Period on pages 23 and 24 of the Application appear to show that

- OneSteel's production costs and selling prices of rebar decreased for two consecutive periods (ie FY2010/11 – FY2012/13);
- in FY 2011/12, the decreases in the production costs of rebar straights and in the total production costs were slightly more significant than the decreases in the selling prices of rebar straights and in the total selling prices. In this connection, it is

important to note that Turkey's exports of the subject goods were predominantly rebar straights (page 27, Application);

- in FY 2012/13, the decreases in the production costs of rebar straights and in the total production costs were much more significant than the decreases in the selling prices of rebar straights and in the total selling prices; and
- in FY2013/14, the decreases in the production costs of rebar straights and in the total production costs were much less significant than the decreases in the selling prices of rebar straights and in the total selling prices.

Figure 4 of the Consideration Report provides an illustration of the changes in OneSteel's production costs and selling prices during the Injury Period which is consistent with the above.

However, the Commission's consideration has failed to explain why the evidence above provides reasonable grounds to support OneSteel's claim of price suppression. In two of the three periods of the Injury Period (ie between FY2010/11 and FY2012/13), OneSteel achieved a cost reduction at levels higher than its price decrease. Given the significant cost decrease in FY2012/13, the significant cost increase in FY2013/14 was not unusual and should not, standing alone, be regarded as providing sufficient evidence for a finding that price suppression has occurred during the entire Injury Period.

It appears to be the case that OneSteel's significant unit cost decrease in FY2012/13 was resulted from the significant increase in its sales volume while the significant cost increase in FY2013/14 was due to the decrease in its sales volume. In this regard, two points must be noted:

1. the changes in production costs and selling prices as a result of the changes in sales volume are not necessarily an indicator of material injury. Rather, they merely indicate that the Australian rebar market is very competitive and that Australia's domestic rebar products are competing with imported rebar products for market share and on prices; and
2. in FY2013/14, OneSteel's unit production cost increase was much more significant than the decrease in its sales volume. This suggests that while the sales volume decrease may have impacted upon OneSteel's unit production cost, the sales volume decrease was not the only cause of the unit cost increase. Rather, OneSteel may have had a higher cost of production in general during that period.

3 Profit and profitability effects

Neither the Application nor the Consideration Report provides sufficient evidence in support of the claim that OneSteel's loss of profit and profitability was caused by the allegedly dumped imports from Turkey.

The tables on profit variations and profitability variations on page 24 of the Application appear to show that OneSteel's profits and profitability varied during the Injury Period and that the variations linked closely to the variations of its cost of production. Accordingly, the

significant loss of profit and profitability in FY2013/14 was likely to be caused by an increase in OneSteel's production costs and not by the alleged dumping.

Further, in relation to rebar straights Turkey's main export of the subject goods, OneSteel's overall profit and profitability during the Injury Period increased slightly in FY2013/14 as compared to that in FY2010/11.

Finally, the Consideration Report notes that "OneSteel has recorded four consecutive years of selling at a loss" (page 34). This suggests that the variations of OneSteel's profits and profitability during the Injury Period were not simply a factor of the variations of its sales volume but were also a factor of the variations of its production costs. OneSteel remained unprofitable during the Injury Period because its production costs were too high and not because of the alleged dumping.

4 Conclusion

In light of the above, it is our opinion, and that of IMMIB, that it is not evident from either the Application or the Consideration Report that OneSteel has suffered material injury due to the allegedly dumped imports from the nominated countries especially Turkey.

If there was any material injury caused to OneSteel, that injury was likely to have been caused by known factors (ie OneSteel's high cost of production) other than the alleged dumping.

If you have any queries in relation to these submissions, please do not hesitate to contact us.

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