



DUMPING INVESTIGATION NO. 301

**ROD IN COILS
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA**

**RECORD OF MEETING WITH
ONESTEEL MANUFACTURING PTY LTD**

Date: 20 January 2016

Location: Anti-Dumping Commission
Level 35, 55 Collins Street, Melbourne

Attendees:	<u>Anti-Dumping Commission</u>	<u>OneSteel Manufacturing Pty Ltd</u>
	Christopher Hill Assistant Director, Operations 4	[REDACTED] Manager Trade Development
	Christopher Walter Investigator, Operations 4	[REDACTED] Trade Measures Manager
		[REDACTED] Trade Development Officer

Purpose of meeting:

The purpose of the meeting was for OneSteel Manufacturing Pty Ltd (OneSteel) to understand the status and timing of statutory outcomes in Dumping Investigation No. 301.

OneSteel expressed its expectation that if there were circumstances warranting the re-casting of the security rates published in the Preliminary Affirmative Determination issued 27 November 2015, then regard should be had to the use of securities based on fixed and variable rates. Further, OneSteel submitted that any interim dumping duties (IDD) should be calculated in accordance with fixed and variable rates of duty. The attached presentation was supplied in support of its submission to the Commission

OneSteel's provided a copy of their view on the appropriate form of measure which is available in Non Confidential Attachment 1.

OneSteel advised that they may be making further public submissions in relation to the market situation and external benchmarking of rod in coils. These submissions will be made in due course

The Commission will confirmed the submissions will receive due consideration.

Dumping Investigation No. 301: The relationship between the form of duties and price-based and non-price based circumvention

20 January 2016

Part I. “fixed and variable” form of measures historically the default position...

Commodity	Source	Notice Date	Fixed & Variable	ad valorem	Floor price
2,4-D	China	Mar-03			
Currants, Process Dried	Greece	Jan-09			
Aluminium extrusions	China	Apr-10			
Ammonium Nitrate	Russia	Apr-11			
Biodiesel	USA	Apr-11			
Pineapple Fruit, Preserved	Philippines	Sep-11			
Pineapple Fruit, Preserved	Thailand	Sep-11			
Clear Float Glass	China	Oct-11			
Clear Float Glass	Indonesia	Oct-11			
Clear Float Glass	Thailand	Oct-11			
PVC	Korea	Jun-12			
PVC	USA	Jun-12			
PVC	Japan	Jun-12			
Aluminium Road Wheels	China	Jul-12			
Hollow Structural Sections	China	Jul-12			
Hollow Structural Sections	Korea	Jul-12			
Hollow Structural Sections	Malaysia	Jul-12			
Hollow Structural Sections	Taiwan	Jul-12			
Hot rolled coil steel	Japan	Dec-12			
Hot rolled coil steel	Korea	Dec-12			
Hot rolled coil steel	Malaysia	Dec-12			
Hot rolled coil steel	Taiwan	Dec-12			
Aluminium Zinc Coated Steel	China	Aug-13			
Aluminium Zinc Coated Steel	Korea	Aug-13			
Zinc Coated (Galvanised) Steel	China	Aug-13			
Zinc Coated (Galvanised) Steel	Korea	Aug-13			
Zinc Coated (Galvanised) Steel	Taiwan	Aug-13			
Zinc Coated (Galvanised) Steel	Named exporter	Aug-13			
Hot Rolled Plate Steel	China	Sep-13			
Hot Rolled Plate Steel	Indonesia	Sep-13			
Hot Rolled Plate Steel	Japan	Sep-13			
Hot Rolled Plate Steel	Korea	Sep-13			
Tomatoes, Prepared or Preserved	Italy	Apr-14			
Wind Towers	China	Apr-14		Capital Goods	
Wind Towers	Korea	Apr-14		Capital Goods	
Hot rolled structural steel sections	Japan	Nov-14			
Hot rolled structural steel sections	Korea	Nov-14			
Hot rolled structural steel sections	Taiwan	Nov-14			
Hot rolled structural steel sections	Thailand	Nov-14			
Q & T Steel Plate	Finland	Nov-14			
Q & T Steel Plate	Japan	Nov-14			
Q & T Steel Plate	Sweden	Nov-14	Related parties		
Power Transformers	Indonesia	Dec-14		Capital Goods	
Power Transformers	Taiwan	Dec-14		Capital Goods	
Power Transformers	Thailand	Dec-14		Capital Goods	
Deep Drawn Stainless Steel Sinks	China	Mar-15			
Rod in coil	Indonesia	Jun-15			
Rod in coil	Taiwan	Jun-15			
Silicon Metal	China	Jun-15			
Hollow Structural Sections	Thailand	Aug-15			
Steel Reinforcing Bar (Rebar)	Korea	Nov-15			
Steel Reinforcing Bar (Rebar)	Singapore	Nov-15			
Steel Reinforcing Bar (Rebar)	Spain	Nov-15			
Steel Reinforcing Bar (Rebar)	Taiwan	Nov-15			

Exporters' response to the combination method...

- non-price circumvention/ duty avoidance ... such as:
 - Minor modification (i.e. *Bluescope & OneSteel circumvention cases*);
 - Transshipment;
 - Third-country assembly.



Part II (continued)... The Exporter's response

Therefore, where the combination form of measures is applied, **exporters cannot rely on price-based circumvention/ duty avoidance** ... because to do so will result in the fixed amount duty operating to negate all “duty reduction” attempts.

Price-based circumvention/avoidance by the exporter is not considered “circumvention activity” under Australian law... so, the combination method is the only means of addressing price-based circumvention by the exporter



Part II (continued)... The Importers response to fixed & variable duties

Importers' response to fixed and variable duties...

- price-based circumvention activity:
 - sales at a loss (avoidance of the intended effect of the measures) (i.e. Capral's aluminium extrusion case, and Bisalloy's Q&T steel plate case)

Where this occurs, Australia's anti-circumvention framework can respond through a circumvention inquiry.

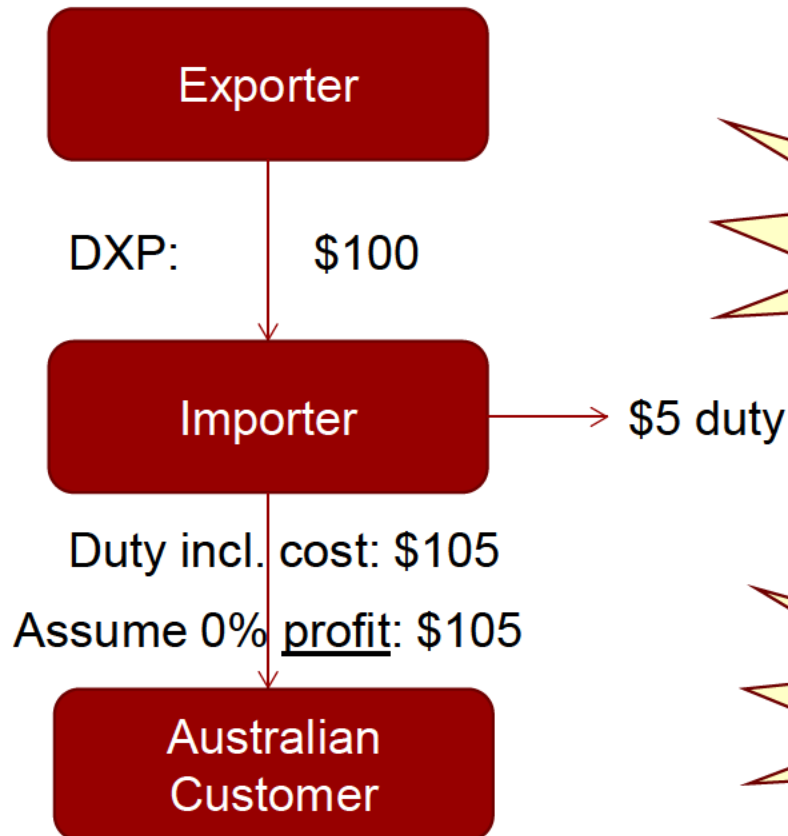


Part II (continued)... How fixed and variable measures complement the Anti-Circumvention framework

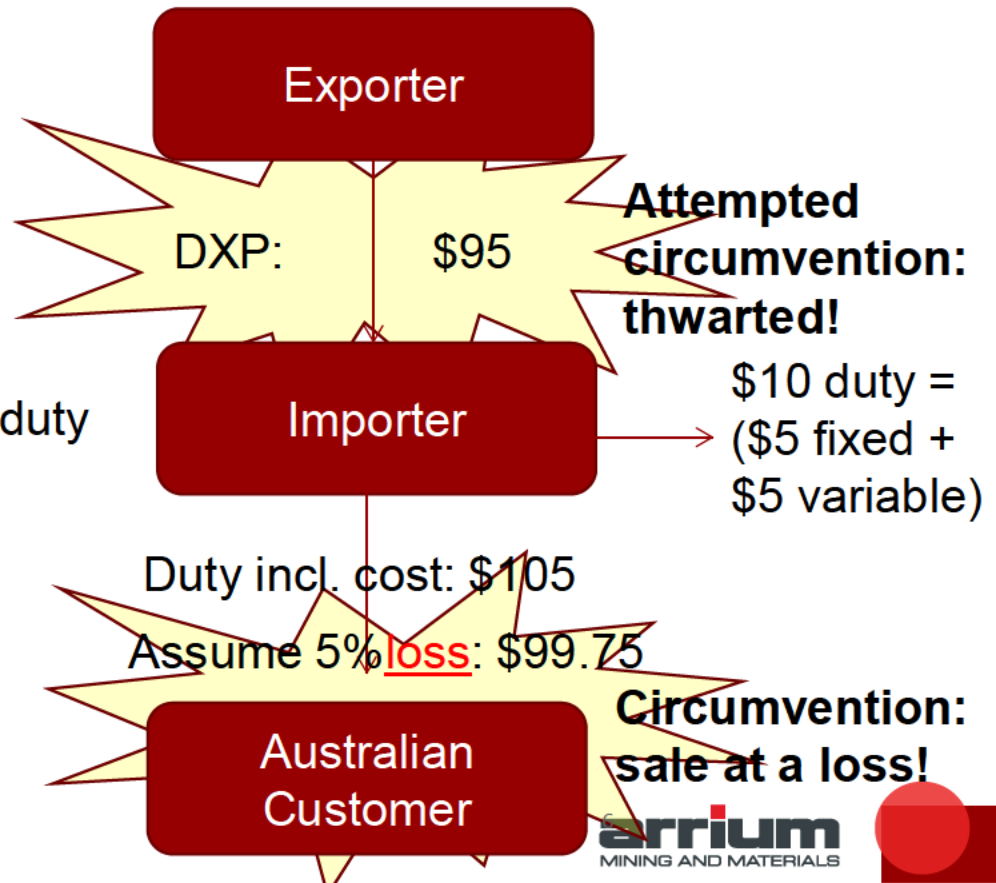
Where Combination form of measures

Where 5% duty and a fixed component based on an AEP of \$100, and exporter attempts price-based avoidance

Compliant exporter

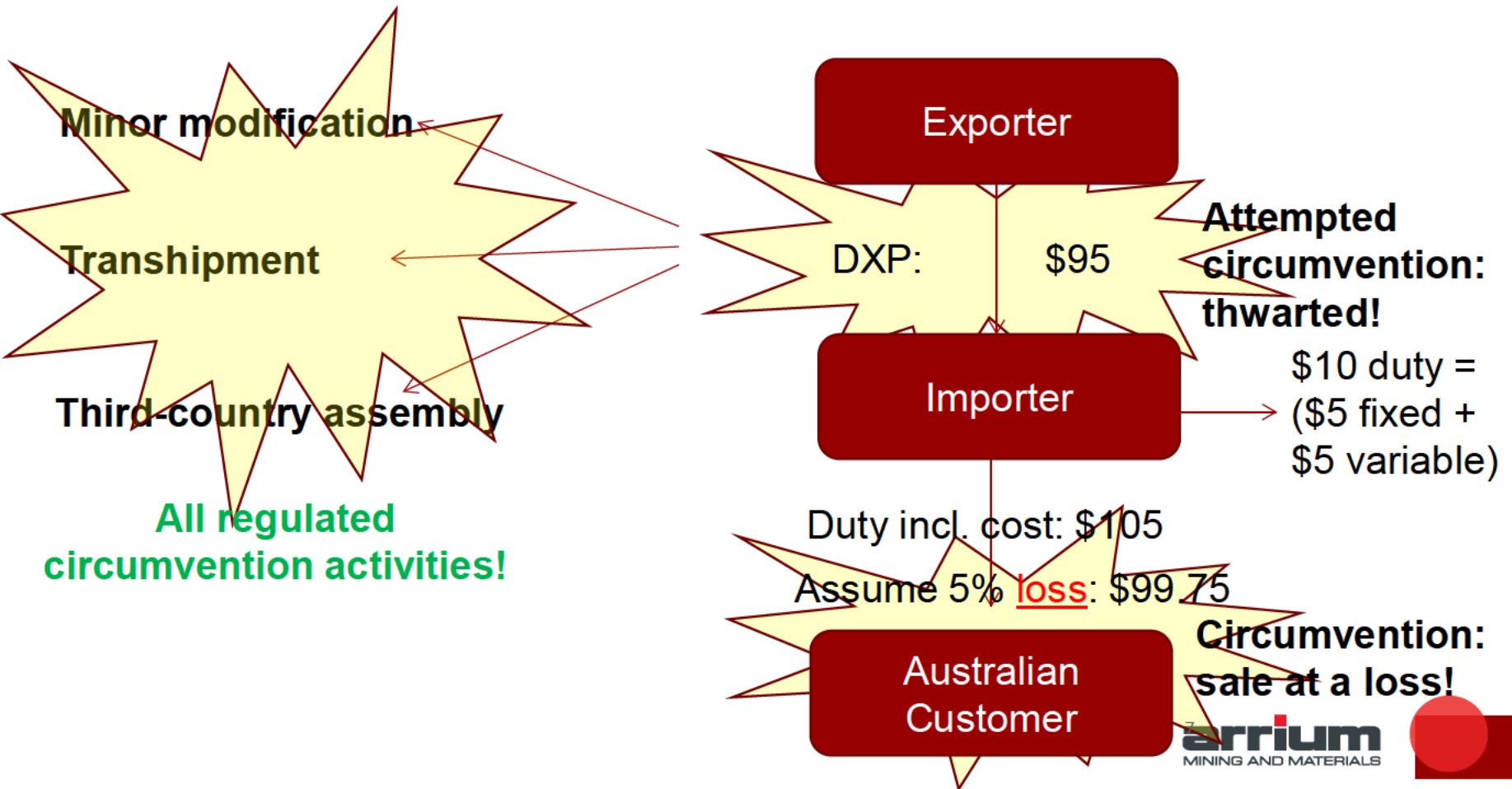


Non-compliant exporter



Part II (continued)... How fixed and variable measures complement the Anti-Circumvention framework

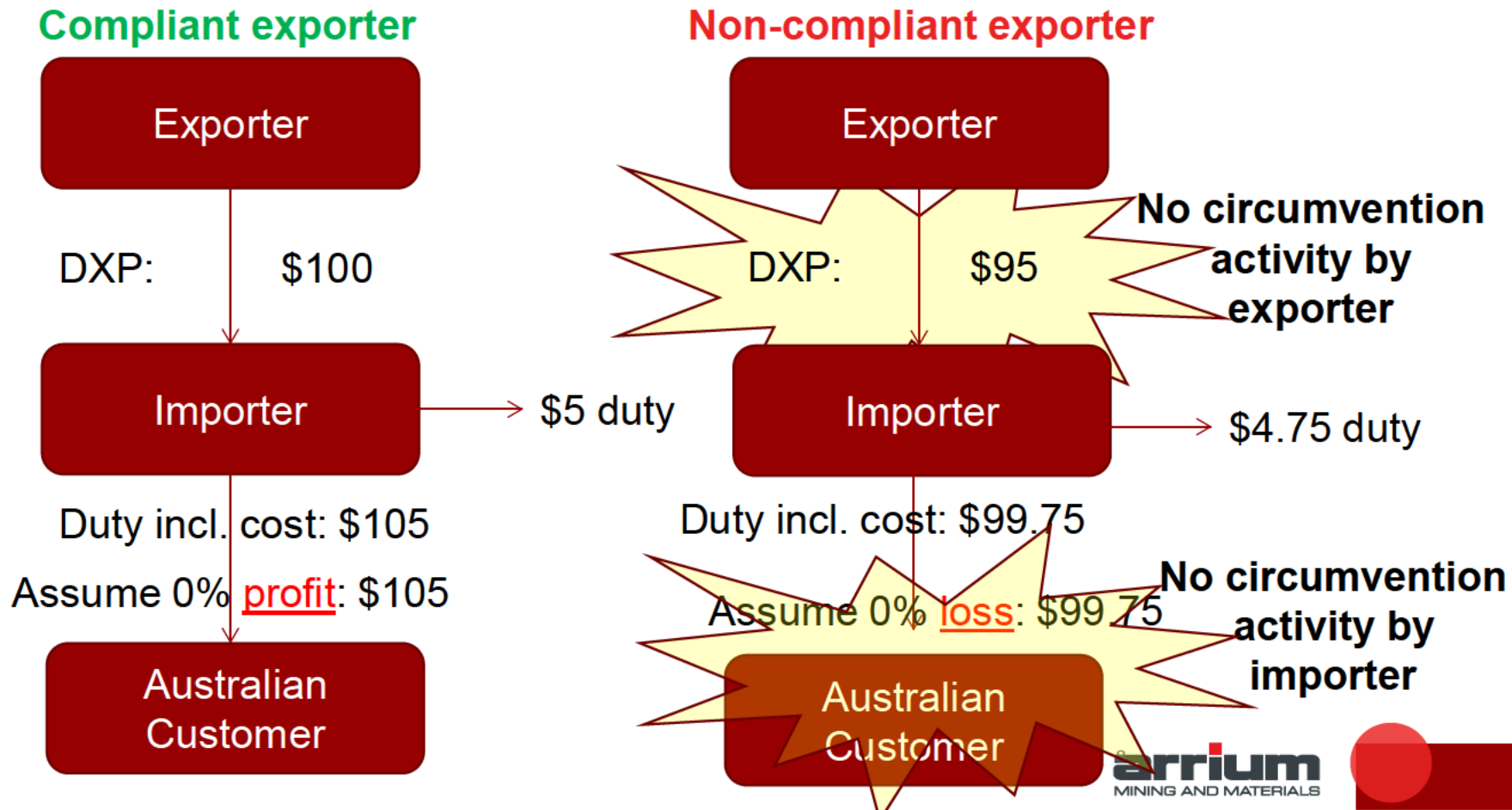
Where Combination form of measures used, then EXPORTER seeking to circumvent measures must rely on non-price circumvention activities...



Part II (continued)... How ad valorem duties create a loophole in the Anti-Circumvention framework

Ad valorem form of measures

Where 5% *ad valorem* duty rate applied.



Part II (continued)... How ad valorem duties create a loophole in the Anti-Circumvention framework

Exporters found dumping continue to drop prices and cause injury to the Australian Industry.

Normal Value of product = \$660/t

Full CTMS = \$600/t

▪ Fixed costs = \$120/t

▪ Marginal cost (scrap, electricity etc) = \$480/t

Export price to Australia = \$630/t

Dumping margin of \$30/\$630 = 5%

Based on 10,000t exports, contribution = $(\$630/t - \$480/t) \times 10kt = \underline{\$1.5m}$

Example 1 - Exporter reduces price by 5%

Export price to Australia = \$599 + 5% (\$628/t)

Exporters contribution/t = \$599 - \$480 = \$119/t

Exporter's annual contribution = \$119/t x 10kt = \$1.19m

Example 2 - Exporter reduces price by 10%

Export price to Australia = \$567 + 5% (\$595/t)

Exporters contribution/t = \$567 - \$480 = \$87/t

Exporters annual contribution = \$87/t x 10kt = \$0.87m

