PUBLIC RECORD

Australian Government
Department of Industry, Innovation and Science

Anti-Dumping Commission

INVESTIGATION 418

ALLEGED DUMPING OF STEEL REINFORCING BAR EXPORTED FROM GREECE, THE REPUBLIC OF INDONESIA, SPAIN (NERVACERO S.A), TAIWAN (POWER STEEL CO. LTD) AND THE KINGDOM OF THAILAND

VISIT REPORT - EXPORTER

PT Ispat Panca Putera

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

September 2017

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1 BACKGROUND

On 31 May 2017, OneSteel Manufacturing Pty Ltd (subject to a Deed of Company Arrangement) (OneSteel, or the Applicant) lodged a request for an investigation into the alleged dumping of steel reinforcing bar (Rebar) exported from Greece, the Republic of Indonesia (Indonesia), Spain (exported by Nervacero S.A), Taiwan (exported by Power Steel Co.Ltd) and the Kingdom of Thailand (Thailand) (together, the subject countries).

On 27 June 2017 the Commissioner of the Anti-Dumping Commission published a notice announcing the initiation of an investigation into the alleged dumping of Rebar from the subject countries. The information is contained in Anti-Dumping Notice (ADN) No. 2017/92. This ADN is available on the internet at www.adcommission.gov.au.

Full details regarding the background of the case can be found on the public record for this investigation, which includes a copy of *Consideration Report 418* (CON 418).

The Anti-Dumping Commission (the Commission) notified PT Ispat Panca Putera (IPP) of the investigation and sought its cooperation through the completion of an Exporter Questionnaire.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

The goods under consideration (the goods) are:

Hot-rolled deformed steel reinforcing bar whether or not in coil form, commonly identified as rebar or debar, in various diameters up to and including 50 millimetres, containing indentations, ribs, grooves or other deformations produced during the rolling process.

The goods covered by the application include all steel reinforcing bar meeting the above description regardless of the particular grade, alloy content or coating.

Goods excluded from this application are plain round bar, stainless steel and reinforcing mesh.

IPP advised that all rebar exported to Australia during the investigation period, 1 April 2016 to 31 March 2017, met the definition of rebar as per the goods description in ADN 2017/92. Specifically, IPP exported rebar of 500N grade with thicknesses of between 12mm and 32mm.

2.2 Like goods sold on the domestic market

In its response to the exporter questionnaire (REQ), IPP provided details on the goods it exported and what it considered were like goods sold on the domestic market. IPP advised that the models sold domestically, meeting Indonesian standards, were not exported to Australia.

The verification team found that the models sold on the domestic market by IPP were not exported to Australia.[1] Nonetheless, the verification team considers that rebar sold on the domestic market have characteristics closely resembling rebar exported to Australia.

2.3 Model matching

The verification team has treated sales to Australia as one model as an analysis of the selling price showed that the price did not vary with thickness. The export models have been matched to IPP's domestic sales of grade BjTS U40 with the same thicknesses range as the exports to Australia. Further information about the models used for comparison purposes is contained in **Confidential Attachment 1.**

2.4 Like goods – preliminary assessment

The verification team considers that rebar produced by IPP for domestic sales have characteristics closely resembling those of the goods exported to Australia and are therefore like goods in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).[2]

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1 The relevant Australian Standard is Australia (& ACRS) AS/NZS4671:2001.

2 References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to audited financial statements

The verification team verified the completeness and relevance of IPP's Australian sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of the Australian sales listing by reconciling with source documents in accordance with ADN No. 2016/30.

The verification team identified an issue in relation to export inland freight and handling charges. No other issues were identified.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.2.1 Export Inland Freight and Handling Charges

During the visit, the verification team were unable to reconcile export inland freight and handling charges from documents supplied in the export samples to the export sales spreadsheet. IPP stated that when a sales order was generated estimates of these expenses were entered into their accounting system. The accounting system was later adjusted to reflect actual charges when the account was paid. IPP provided the verification team with revised amounts for these charges using the average of export inland freight and handling charges for the relevant GL code. The verification team accepted the revised export inland freight and handling charges as reasonable.

3.3 The exporter

For all Australian sales during the investigation period, the verification team considers IPP to be the exporter of the goods.[3]

IPP manufactured the goods in response to orders received by unrelated Australian trading companies. IPP negotiated pricing and technical aspects directly with the Australian trading companies, and made sales directly to these companies during the investigation period.

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[3] The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

3.4 The importers

In relation to rebar exported to Australia by IPP, the verification team considers that the Australian companies that purchased the goods directly from IPP were the beneficial owners of the goods at the time of importation, and therefore were the importers of the goods.

3.5 Related party customers

Based on IPP’s REQ, verified sales data and audited financial statements, the verification team did not identify any information that might suggest IPP’s Australian customers were related to IPP.

3.6 Arms’ length

In respect of rebar manufactured by IPP and sold to Australian customers during the investigation period, the verification team found no evidence 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.[4]

The verification team therefore considers that all sales between IPP and the importers of rebar that were exported to Australia during the investigation period, were arms’ length transactions.

3.7 Export price – preliminary assessment

The verification team is satisfied that the Australian sales listing is complete, relevant and accurate. In relation to Australian sales, the verification team considers that:

- the goods have been exported to Australia otherwise than by the importer, and have been purchased by the importer from the exporter; and
- the purchase of the goods by the importers were arms’ length transactions.

The verification team recommends, therefore, that the export price be determined under subsection 269TAB(1)(a), being the price paid or payable for the goods by the importer, less (as appropriate) transport and other costs arising after exportation.

The verification team’s preliminary export price calculations are at **Confidential Appendix 1**.

[4] Section 269TAA of the Act refers.

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of IPP's cost to make and sell (CTMS) spreadsheet by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

Prior to onsite verification, IPP provided the verification team with an updated version of the CTMS spreadsheet to rectify issues identified by the Commission as follows:

- The inclusion of production quantities in the Domestic CTMS;
- The inclusion of production quantities in the Australian CTMS.

The verification team did not identify any other issues. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

4.2 Verification of costs to source documents

The verification team verified the accuracy of IPP's CTMS spreadsheet by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

4.3 Related party purchases

IPP is majority owned by PT Ispat Indo, a manufacturer of high and low carbon steel rod. IPP does not have a steel making facility and purchases billet for processing in its rolling mill. During the investigation period, IPP purchased a small quantity of billet from PT Ispat Indo. The verification team found the purchase prices of billet from PT Ispat Indo to be comparable to the purchase prices for billet from unrelated entities.

4.4 Cost to make and sell – summary

Having verified IPP's revised CTMS spreadsheet to audited financial statements and to source documents, the verification team is satisfied that the CTMS spreadsheet is complete, relevant and accurate.

IPP's revised CTMS spreadsheet is at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of IPP's domestic sales listing by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

5.2 Verification of domestic sales to source documents

The verification team verified the accuracy of selected domestic sales transactions by reconciling the sales listing to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues with the verification of the accuracy of the domestic sales listing. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

5.3 Related party customers

Based on the company's REQ, sales data and audited financial statements, the verification team did not identify any information that might suggest domestic customers were related to IPP.

5.4 Arms' length

In respect of domestic sales of rebar made by IPP to its unrelated customers during the review period, the verification team found no evidence 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.[5]

The verification team therefore considers that all domestic sales made by IPP during the review period were arms' length transactions.

5.5 Ordinary course of trade

Section 269TAAD provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

[5] Section 269TAA of the Act refers.

The verification team compared the revenue (i.e. net sales value) for each domestic sale of rebar to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20 per cent for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the review period. Those sales found to be unrecoverable were considered not to be in the ordinary course of trade.

5.6 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export.

The Commission considers that low volume is less than 5% of the total volume of the goods under consideration that are exported to Australia. The verification team found there was a sufficient volume of domestic sales of like goods made in the OCOT for comparable models exported to Australia during the investigation period.

As such, normal values have been determined under subsection 269TAC(1) for all export models.

5.7 Domestic sales – summary

The verification team is satisfied that the domestic sales listing is complete, relevant and accurate, and can be used for determining a normal value in accordance with subsection 269TAC(1).

The revised domestic sales listing, ordinary course of trade test and profitability calculation are at **Confidential Appendix 3**.

6 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia, the verification team has considered the following adjustments in accordance with subsection 269TAC(8).

6.1 Inland transport

The verification team considers that a downward adjustment to the normal value for domestic inland transport expense is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the inland transport costs listed for each domestic transaction.

The verification team also considers that an upward adjustment for export inland transport expense is required, to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average cost for those expenses over the investigation period.

6.2 Credit terms

The verification team confirmed that all domestic sales were made by either L/C at sight or cash and all export sales were made by L/C at sight. Therefore no credit was provided and no adjustment is warranted.

6.3 Packaging

The verification team confirmed that there was no difference in packing costs for domestic and export goods. Wire ties are used for all goods and as such, an adjustment was not required.

6.4 Export handling fees

The verification team considers that an upward adjustment for export handling expenses is required to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average cost (per tonne) for those expenses over the investigation period.

The verification team noted that the cost of stuffing the containers for export were included in export handling costs.

6.5 Bank Charges

The verification team considers that an upwards adjustment to the normal value for export bank charges for LC sales is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the actual average rate for the selected export sales transactions.

The verification team considers that a downward adjustment to the normal value for domestic bank charges is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the actual average rate for the selected domestic sales transactions.

6.6 Inventory Holding Charges

IPP claimed an adjustment for inventory holding charges for domestic sales. IPP's export sales were made to order and there was no local market for the goods exported.

IPP's domestic sales were generally supplied ex-stock. IPP provided the verification team with a spreadsheet calculating inventory holding days for domestic sales and evidence of relevant interest rates. The verification team accepted the adjustment for inventory holding charges relating to domestic sales as reasonable.

In addition, the verification team considers that an adjustment for inventory holding charges in relation to export sales is also necessary. IPP provided the verification team with a spreadsheet calculating inventory holding days for export sales and evidence of relevant interest rates. The verification team accepted the adjustment for inventory holding charges relating to export sales as reasonable.

The effect of these adjustments overall was a decrease in the normal value.

6.7 Specification adjustment

As discussed in section 2.3 above, the verification team undertook model matching by comparing the rebar grade 500N exported to Australia with the rebar grade BjTS U40 sold on the domestic market. The verification team considered an appropriate specification adjustment for the differences in grades to ensure a fair comparison to the FOB export price.

During the verification, there were source documents showing a price difference between rebar grades BjTS U40 and BjTS U50. As the exported grade 500N is equivalent to BjTS U50[6], the verification team applied an upwards adjustment to the normal value based on the percentage difference between BjTS U40 and BjTS U50.

6.8 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsection 269TAC(8), and considers this adjustment is necessary to ensure a fair comparison of normal values and export prices:

[6] Document 15 of EPR 418

Adjustment Type	Deduction/addition
Domestic inland freight	**Deduct** the cost of domestic inland freight
Domestic bank charges	**Deduct** the cost of domestic bank charges
Domestic inventory costs	**Deduct** the cost of domestic inventory
Specification Adjustment	**Add** a specification adjustment
Export inland transport	**Add** the cost of export inland transport
Export handling fees	**Add** the cost of export handling fees
Export bank charges	**Add** the cost of bank charges
Export Inventory	**Add** the cost of export inventory

The verification team's preliminary adjustment calculations are included in the preliminary normal value calculation at **Confidential Appendix 4**.

7 NORMAL VALUE

The verification team is satisfied that it found sufficient volumes of domestic sales of rebar that were arm's length transactions and at prices that were within the OCOT. The verification team is therefore satisfied that the prices paid in respect of domestic sales of rebar are suitable for assessing normal value under subsection 269TAC(1).

In using domestic sales as a basis for normal value, the verification team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices, as outlined in Section 6.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

8 PRELIMINARY DUMPING MARGIN

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period, in accordance with subsection 269TACB(2)(a).

The preliminary dumping margin in respect of rebar exported to Australia by IPP for the investigation period is **-2.2 per cent**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Australian export price
Confidential Appendix 2	Revised CTMS spreadsheet
Confidential Appendix 3	Revised Domestic sales, OCOT and profitability
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping margin
Confidential Attachment 1	Verification work program