

Investigation into Wire Rod exported from the Indonesia

This submission is made by Stemcor Australia Pty Ltd (Stemcor) in response to the Anti-Dumping Commission's (the Commission) Onesteel verification report (visit was undertaken in May 2014 and report placed on the public record in late October 2014) relating to the investigation into alleged dumping of wire rod from Indonesia, Turkey and Taiwan.

Stemcor is an independent steel trader that sourced the subject goods from Indonesia during the investigation period.

This submission outlines Stemcor's comments on the OneSteel verification report and aims to draw the Commission's attention to a number of issues not addressed in that report that are considered critical to the assessment of the material injury claims raised in the application by OneSteel Manufacturing Pty Ltd (Onesteel).

The goods and like goods

Stemcor notes the Commission's consideration that "rod in coils with a cross section of 14mm or greater is a like good"¹. This suggests that the Commission considers that rod in coils of 14mm or greater have characteristics closely resembling the goods subject of the application and the goods under investigation (the goods).

A determination of whether dumping has occurred in accordance with s.269TACB(1) involves a establishing export prices in respect of goods the subject of the application exported to Australia during the investigation period. It is clear that exports of rod in coils of 14mm or greater do not fall within the parameters of the goods subject of the application or under investigation. Therefore, exports of rod in coils of 14mm or greater must not be used to established whether dumping has occurred.

Likewise, for the purposes of assessing whether dumped imports have caused material injury to the Australian industry producing like goods, the Commission's examination must be confined to goods determined to be dumped, which would not include any imports of rod in coils of 14mm or greater.

Forex considerations

Both Onesteel and competing importers sell rod in coils into the Australian market on a free-into-store basis and denominated in Australian dollars. All imports of rod in coils are denominated in US dollars, requiring importers to hedge currency at the time of booking their order with the overseas mill.

Given that "OneSteel explained that its prices are based on an import parity price plus a local premium"², Stemcor notes that the Onesteel verification report makes no mention of foreign exchange as a factor in selling prices. For reference, the Australian dollar has varied from a

¹ EPR 37 - OneSteel Verification Report, page 14.

² Ibid, page 20

minimum of 0.8859 US cents to a maximum of 0.951809 US cents (spot rates). This is 7.4% variation during the investigation period. (reference : <http://www.ozforex.com.au/forex-tools/historical-rate-tools/monthly-average-rates>)

Cost to make and sell rod in coils

Onesteel's CTMS should only include costs from the cost centre relevant to rod in coil and should not include any overheads from the group's steel making business. These costs should already be captured in the weighted average billet costs.

The specifications for rod in coils and reinforcing mesh (AS4671.1-2001) have remained unchanged for years and therefore any R&D expenses incurred by OneSteel should not be allocated to the production or sale of rod in coil.

Price comparisons

The Commission's Dumping and Subsidy Manual³ states that:

When comparing imported and local prices, the Commission adjusts the prices to account for differences between the imported and locally produced goods, for example differences in the terms and conditions of their sales, or differences in physical characteristics.

Stemcor wishes to highlight the key differences in the attached Australian supply chain models between Onesteel and the Indonesian mill (~~xxxxxxxx~~) for rod in coil.

Stemcor considers that the issues outlined in **Attachment 1** below identify these key differences. Therefore Stemcor request that the Commission undertake further inquiries and make adjustments to determine non-injurious price and also verify if Onesteel injury was due to alleged imports or due to Onesteel's excess billet cost, expensive supply chain mechanism, spread of their clients in a huge geographical market, etc.

Reasonableness of Australian industry's costs

The verification report confirms the understanding by Stemcor that OneSteel's production of rod in coil relies on the raw material feed (billet) being sourced from related entities (0 kms ex-Laverton Steel Mill & upto 1100kms ex-Whyalla for Laverton rod in coil mill and up to 2000 kms from Whyalla steel mill to Newcastle rod in coil mill). It is noted that most billets were sourced from Whyalla which has a weighted average distance of 1500kms to rod in coil mills in Newcastle and Laverton.

The concern surrounding OneSteel's internal billet cost is further substantiated by the fact that billet costs account for approximately 85-90% of the rod in coil price. The available data suggests that OneSteel's billet costs may be artificially inflated against international market prices. Given the integrated nature of OneSteel's scrap sourcing and supplies to steel mill, steel making, rod in coil manufacturing operations and mesh making operations, it is open to OneSteel to use particular

³ Dumping & Subsidy Manual – December 2013, page 16.

billets to produce a particular product line and hence potentially target a product line for alleged injury due to their expensive trucking of Whyalla billets.

Stemcor understands that the vast majority of OneSteel's billet requirements are sourced internally with minor volumes of imported billet which were not regular occurrences. Stemcor considers that international prices for comparable steel billet would be appropriate for benchmarking purposes in these circumstances to ensure that OneSteel's billet costs reflect reasonable market prices.

In examining this issue, should the Commission find that OneSteel's billet cost for rod in coil making significantly exceeds the equivalent international benchmark price, Stemcor submit that the Commission should either:

- (a) find that there is insufficient reliable information to making findings on injury indicators linked to OneSteel's production costs such as price suppression, profits and profitability; or
- (b) replace OneSteel's billet cost with an international benchmark price for the purposes of isolating the impact of OneSteel's integrated operations on its material injury claims.

Imported Wire Rod - Supply Chain to Market

Onesteel Market Mill - Wire Rod - Supply Chain to Market

(1). integrated steel mill with own steel billet and Wire rod making capabilities. Billets can also be sourced from nearby steel mills or by importing billets and general extra for trucking is marginal and not in the range of aud 100-200/mt

all billets trucked / rail carted 2000kms and likely cost is aud 200 per mt (incl. rail loading costs, etc) (3)

Whyalla Steel mill

(3) - Onesteel verification report 3.5.1 that Whyalla supplied most of billets during GUC

billets trucked/ rail carted 1100 kms at aud 100 per mt (incl rail loading charges, etc) (3)

Export Mill () (1)

Wire rod mill - Newcastle

Wire rod mill - Laverton (2)

(2) integrated steel mill but most billets during investigation period is from Whyalla

Produced & exported without stocking

Stemcor - Importer

Produce to stock and sold from stock (general stocking cost is 5-6% of nett sale price less rebates)

Produce to stock and sold from stock (general stocking cost is 5-6% of nett sale price less rebates)

container unstuffed and cargo ready for delivery by trucks (4)

cargo ready for delivery by truck, ex-works (4)

cargo ready for delivery by truck, ex-works (4)

(4) Since delivery costs are not same for import and local WR supplies, ADC to consider injury analysis at this stage (4) after adjusting for excess billet, stock holding, etc costs.

distance for delivery is 20km for all clients except 1 client at 150 kms

distance for delivery for 1 client is 20kms and rest of clients are 200kms to 4000kms away from ex-works. Hence injury analysis to be compared at stage (4) only

FIS - Sydney, Melbourne, Perth, Brisbane, Adelaide, Darwin clients

