



CUSTOMS ACT 1901 - PART XVB

**STATEMENT OF ESSENTIAL FACTS NO. 240**  
**and**  
**PRELIMINARY AFFIRMATIVE DETERMINATION**  
**NO. 240**

**ALLEGED DUMPING OF ROD IN COILS**  
**EXPORTED FROM THE REPUBLIC OF INDONESIA,**  
**TAIWAN AND THE REPUBLIC OF TURKEY**

**2 March 2015**

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### ABBREVIATIONS

Abbreviation / short form	Full reference
ACBPS	Australian Customs and Border Protection Service
ADN	Anti-Dumping Notice
Arrium	Arrium Ltd
CBSA	Canada Border Services Agency
CTM	Cost to make
CTMS	Cost to make and sell
Diler	Diler Demir Celik Sanayi ve Ticaret A.S.
DFAT	Department of Foreign Affairs and Trade
FOB	Free on board
Gunung	PT. Gunung Rajapaksi
Habaş	Habaş Sinai ve Tibbi Gazlar Istihsal Endüstrisi A.Ş
IDR	Indonesian Rupiah
Indonesia	Republic of Indonesia
Ispat	PT. Ispat Indo
Minister	Minister for Industry and Science
NIP	Non-injurious price
PSNZ	Pacific Steel New Zealand
OneSteel	OneSteel Manufacturing Pty Ltd
Quintain	Quintain Steel Co Ltd
REQ	Response to the exporter questionnaire
Sanwa	Sanwa Pty Ltd
SEF	Statement of Essential Facts
Stemcor	Stemcor Australia Pty Ltd
TCO	Tariff Concession Orders
Turkey	The Republic of Turkey
the Act	<i>Customs Act 1901</i>
the Commission	Anti-Dumping Commission
the Commissioner	The Commissioner of the Anti-Dumping Commission
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Parliamentary Secretary	Parliamentary Secretary to the Minister for Industry and Science
USD	United States Dollar
USITC	United States International Trade Commission
USP	Unsuppressed selling price

## 1 SUMMARY AND RECOMMENDATIONS

### 1.1 Introduction

This report includes both the statement of essential facts (SEF) and the preliminary affirmative determination (PAD) relating to the investigation by the Anti-Dumping Commission (the Commission) into allegations by OneSteel Manufacturing Pty Ltd (OneSteel) that rod in coils exported to Australia from the Republic of Indonesia (Indonesia), Taiwan and the Republic of Turkey (Turkey) at dumped prices have caused material injury to the Australian industry producing like goods.

This report sets out the preliminary findings on which the Commissioner of the Anti-Dumping Commission (the Commissioner) proposes to base recommendations to the Parliamentary Secretary to the Minister for Industry and Science (the Parliamentary Secretary) regarding this investigation, subject to any submissions received in response to this SEF from interested parties.

This report also sets out the reasons for the Commissioner making a PAD under section 269TD of the *Customs Act 1901* (the Act).<sup>1</sup>

### 1.2 Statement of essential facts - proposed recommendation to the Parliamentary Secretary

Based on the findings in this SEF, and subject to any submissions received in response to this SEF, the Commissioner proposes to recommend to the Parliamentary Secretary that a dumping duty notice should be published in respect of rod in coils exported to Australia from Indonesia (except by PT. Ispat Indo (Ispat)) and Taiwan.

### 1.3 Statement of essential facts - proposal to terminate part of the investigation

Based on the findings in this SEF, and subject to any submissions received in response to this SEF, the Commissioner proposes to:

- terminate the investigation so far as it relates to rod in coils exported by Ispat; and
- terminate the investigation so far as it relates to rod in coils exported from Turkey.

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<sup>1</sup> All legislative references in this report are to the *Customs Act 1901*, unless otherwise stated. The terms *division*, *section* and *subsection* and *paragraph* are used interchangeably in this report as appropriate.

## **1.4 Preliminary affirmative determination**

For the purpose of the PAD, the Commissioner is satisfied there appears to be sufficient grounds for the publication of a dumping duty notice in relation to rod in coils exported to Australia from Indonesia (except by Ispat) and from Taiwan.

The Commissioner considers that the Australian Customs and Border Protection Service (ACBPS) should take securities under section 42 in respect of interim dumping duty that may become payable in relation to rod in coils exported to Australia from Indonesia and Taiwan. The Commissioner is satisfied that securities are necessary to prevent material injury to the Australian industry occurring while the investigation continues.

Securities will apply to imports of rod in coils from Indonesia and Taiwan entered for home consumption in Australia on or after 2 March 2015.

## **1.5 Application of law to facts**

### **1.5.1 Authority to make decision**

Division 2 of Part XVB of the Act sets out, among other matters, the procedures to be followed and the matters to be considered by the Commissioner in conducting investigations in relation to the goods covered by an application for the purpose of making a report to the Parliamentary Secretary.

### **1.5.2 Application**

On 24 February 2014, OneSteel lodged an application requesting that the Parliamentary Secretary publish a dumping duty notice in respect of rod in coils exported to Australia from Indonesia, Taiwan and Turkey.

The Commissioner was satisfied that the application was made in the prescribed manner by a person entitled to make the application.<sup>2</sup>

### **1.5.3 Initiation of investigation**

After examining the application, the Commissioner was satisfied that:

- there is an Australian industry in respect of like goods; and
- there appeared to be reasonable grounds for the publication of a dumping duty notice in respect of goods the subject of the application, or for the publication of such a notice upon the importation into Australia of such goods.<sup>3</sup>

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<sup>2</sup> Section 269TB

<sup>3</sup> Subsection 269TC(1)

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The Commissioner decided not to reject the application and initiated an investigation. Public notification of initiation of the investigation was made in *The Australian* newspaper on 10 April 2014.

### **1.6 Requirements for a preliminary affirmative determination**

In accordance with section 269TD, the Commissioner may make a PAD if he is satisfied that there appears to be sufficient grounds for the publication of a dumping duty notice, or that it appears that there will be sufficient grounds subsequent to the importation into Australia of the goods. In deciding whether to make a PAD, the Commissioner must have regard to the application and any submissions received within 40 days of the initiation of the investigation. The Commissioner may also have regard to any other matters that he considers relevant.

The Commissioner may make a PAD at any time after day 60 of the investigation. If a PAD is made, the ACBPS may require and take securities under section 42 if the Commissioner is satisfied that it is necessary to do so to prevent material injury to an Australian industry occurring while the investigation continues. The Commissioner must give public notice of the PAD and of a decision by the ACBPS to require and take securities.

### **1.7 Statement of essential facts**

The Commissioner must, within 110 days after the initiation of an investigation, or such longer period as the Parliamentary Secretary allows, place on the public record a statement of the facts on which the Commissioner proposes to base a recommendation in relation to the application.

In formulating the SEF the Commissioner must have regard to the application concerned, any submissions concerning publication of the notice that are received by the Commission within 40 days after the date of initiation of the investigation and any other matters considered relevant.

Interested parties are invited to make submissions to the Commission in response to the SEF within 20 days of the SEF being placed on the public record. The Commissioner is not obliged to have regard to a submission made in response to this SEF received after 23 March 2015, if to do so, in the Commissioner's opinion, would prevent the timely preparation of the final report.

The Commissioner will make final recommendations in a report to the Parliamentary Secretary due on or before 15 April 2015.

### **1.8 Preliminary findings and conclusions**

The Commission has made the following findings and conclusions based on available information at this stage of the investigation:

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### 1.8.1 The goods and like goods (Chapter 3 of this report)

Locally produced rod in coils is like to the goods the subject of the application.

### 1.8.2 Australian industry (Chapter 4 of this report)

There is an Australian industry producing like goods, comprising of one Australian producer, OneSteel.

### 1.8.3 Australian Market (Chapter 5 of this report)

The Australian market for rod in coils is predominately supplied by locally produced rod in coils and imports from the nominated countries, with a small volume of imports from other countries.

### 1.8.4 Dumping (Chapter 6 of this report)

The Commission has assessed that:

- rod in coils exported to Australia from Indonesia by PT. Gunung Rajapaksi (Gunung) were at dumped prices and the volume of dumped goods from Indonesia was not negligible;
- rod in coils exported to Australia from Indonesia by Ispat were not at dumped prices;
- rod in coils exported to Australia from Taiwan by Quintain Steel Co Ltd (Quintain) were at dumped prices and the volume of dumped goods from Taiwan was not negligible;
- rod in coils exported to Australia from Turkey by Habaş Sinai ve Tibbi Gazlar Istihsal Endüstrisi A.Ş (Habaş) were not at dumped prices; and
- rod in coils exported to Australia from Turkey by Diler Demir Celik Sanayi ve Ticaret A.S. (Diler) were at dumped prices, however the volume of dumped goods from Turkey was negligible.

The dumping margins determined for all exporters are set out below.

Country	Exporter / Manufacturer	Dumping margin
Indonesia	Gunung	10.6%
	Ispat	-0.7%
	All other exporters	10.6%
Taiwan	Quintain	7.5%
	All other exporters	7.5%
Turkey	Habaş	-0.3%
	Diler	5.8%
	All other exporters	5.8%



**Table 1 - Dumping margins**

**1.8.5 Economic condition of the Australian industry (Chapter 7 of this report)**

The Commission is satisfied that the Australian industry producing like goods experienced injury in the form of:

- loss of sales volumes;
- loss of market share;
- price depression;
- price suppression;
- reduced profits and profitability; and
- reduced revenues.

**1.8.6 Has dumping caused material injury? (Chapter 8 of this report)**

The Commission is satisfied that the Australian industry suffered material injury as a result of dumped exports from Indonesia and Taiwan.

**1.8.7 Will dumping and material injury continue? (Chapter 9 of this report)**

The Commission is satisfied that dumping and material injury will continue if interim duties are not imposed in relation to rod in coils exported to Australia from Indonesia (except for Ispat) and Taiwan.

**1.8.8 Non-injurious price (Chapter 10 of this report)**

The Commission has calculated a non-injurious price (NIP) for exports of rod in coils from Indonesia, Taiwan and Turkey that is considered to be the minimum export price necessary to prevent the injury, or a recurrence of the injury, caused by the dumped goods.

The Commission has assessed the non-injurious price (NIP) as equal to the normal value for each exporter, on the basis that the injury caused by dumping is due to OneSteel's matching of import prices.

**1.8.9 Proposed measures and securities (Chapter 11 of this report)**

For the purposes of this SEF, the Commission proposes to recommend that the dumping duties be applied to all exporters from Indonesia (except for Ispat) and Taiwan and be calculated on an ad valorem basis (i.e. as a proportion of export price).

**1.8.10 Preliminary affirmative determination (Chapter 12 of this report)**

For the purposes of this PAD, the Commission is satisfied that rod in coils exported to Australia from Indonesia (except by Ispat) and Taiwan have caused material injury to the Australian industry. It is likely that importations of rod in coils will occur in the future. The Commission is of the view that it is necessary

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to make a PAD under s.269TD and impose securities under s.42 of the Act to ensure that the Australian industry does not suffer further injury while this investigation is completed.

### **1.9 Final report**

The Commissioner's final report and recommendation in relation to this investigation must be provided to the Parliamentary Secretary on or before **15 April 2015** unless an extension of time is requested and approved by the Parliamentary Secretary.

## 2 BACKGROUND

### 2.1 Initiation

On 24 February 2014, OneSteel lodged an application for the publication of a dumping duty 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.

Following consideration of the application, the Commissioner decided not to reject the application and initiated an investigation on 10 April 2014.

Anti-Dumping Notice (ADN) No. 2014/27 provides further details relating to the initiation of the investigation and is available on the Commission's website at [www.adcommission.gov.au](http://www.adcommission.gov.au)

In respect of the investigation:

- the investigation period<sup>4</sup> for the purpose of assessing dumping is 1 January 2013 to 31 December 2013; and
- the injury analysis period for the purpose of determining whether material injury has been caused to the Australian industry is from 1 January 2010.

### 2.2 Previous cases

There have been no previous investigations into rod in coils exported into Australia.

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<sup>4</sup> s. 269T(1) refers.

## 2.3 Extensions of time for the Statement of Essential Facts

The public notice of the initiation advised that the SEF for the investigation would be placed on the public record by 29 July 2014. However, the Commissioner was satisfied that the prescribed 110 days to place the SEF on the public record for the investigation was insufficient and requested that the then Parliamentary Secretary to the Minister for Industry extend the publication timeframes.<sup>5</sup>

Pursuant to s.269ZHI of the Act, on 28 July 2014 then Parliamentary Secretary granted an extension of 80 days to the date for the publication of the SEF. That extension required the SEF to be published on or before 29 October 2014, and the final report and recommendations to be provided to the Parliamentary Secretary by 1 December 2014. ADN No. 2014/64 provides further details and is available on the Commission's website at <http://www.adcommission.gov.au>.

On 17 October 2014, the then Parliamentary Secretary approved the Commission's request to further extend the publication date of the SEF by 90 days. That extension required the SEF to be published on or before 15 January 2015, and the final report and recommendations to be provided to the Parliamentary Secretary by 1 March 2015. ADN No. 2014/97 provides further details and is available on the Commission's website at <http://www.adcommission.gov.au>.

On 15 January 2015, the Minister for Industry and Science (the Minister) approved the Commission's request to further extend the publication date of the SEF by 45 days. The SEF is now due to be published on or before 1 March 2015 and the final report and recommendations to be provided to the Parliamentary Secretary by 15 April 2015. ADN No. 2015/02 provides further details and is available on the Commission's website at <http://www.adcommission.gov.au>.

## 2.4 Responding to this SEF

This SEF sets out the essential facts on which the Commissioner proposes to base his final recommendations to the Parliamentary Secretary.

Interested parties have 20 days to respond to the SEF. The Commissioner will consider these responses in making his final report to the Parliamentary Secretary. The report will recommend whether or not to publish a dumping duty notice and the extent of any interim duties that are, or should be, payable.

Responses to this SEF should be received by the Commission no later than **23 March 2015**. The Commissioner is not obliged to have regard to any submission made in response to the SEF received after this date if to do so

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<sup>5</sup> The then Minister for Industry had delegated responsibility with respect to anti-dumping matters to the Parliamentary Secretary, and accordingly, the Parliamentary Secretary was previously the relevant decision maker for this investigation.

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would, in the opinion of the Commissioner, prevent the timely preparation of the report to the Parliamentary Secretary.

The Commissioner must report to the Parliamentary Secretary by **15 April 2015** unless an extension of the timeframe is asked for and approved by the Parliamentary Secretary.

Submissions can be emailed to [operations3@adcommission.gov.au](mailto:operations3@adcommission.gov.au).

Alternatively, they may be sent to fax number +61 3 9244 8902, or posted to:

The Director  
Operations 3  
Anti-Dumping Commission  
1010 La Trobe Street  
MELBOURNE VIC 3002  
AUSTRALIA

Confidential submissions must be clearly marked “in confidence” and a non-confidential version of any submission is required for inclusion on the Public Record.

A guide for making submissions is available at the Commission’s website at [www.adcommission.gov.au](http://www.adcommission.gov.au).

The Public Record contains non-confidential submissions by interested parties, the non-confidential versions of the Commission’s reports and other publicly available documents. It is available in hard copy by request in Melbourne (telephone 13 28 46 to make an appointment), or online at [www.adcommission.gov.au](http://www.adcommission.gov.au).

Documents on the Public Record should be read in conjunction with this SEF.

### **2.5 Submissions received from interested parties**

The Commission has received submissions from the following interested parties during the course of the investigation. Each submission has been considered by the Commission in reaching the findings contained within this SEF. The submissions received are summarised in **Non-Confidential Appendix 1**.

### 3 THE GOODS AND LIKE GOODS

#### 3.1 Finding

The Commission considers that locally produced rod in coils are like goods to the goods the subject of the application (the goods).

#### 3.2 The goods under consideration

The goods under consideration are:

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

*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.*

Goods excluded from this investigation are deformed bar in coils and stainless steel in coils.

##### 3.2.1 Further information

OneSteel stated in its application that 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 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, however is typically in the range of 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.

#### 3.3 Tariff classification

The goods are classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

- 7213.91.00 (statistical code 44);

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- 7227.90.90 (statistical code 42).

For the tariff subheadings outlined above, the general rate of duty is currently five per cent, however, Indonesia and Turkey are designated DCS countries and Taiwan is designated a DCT<sup>6</sup> country. Rod in coils exported to Australia from DCS and DCT designated countries is free of duty.

The 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, OneSteel 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.

The Commission has not identified any tariff concession orders applying to the goods.

### 3.4 Legislative framework

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

In making this assessment, the Commissioner must first determine that the goods produced by the Australian industry are “like” to the imported 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.*

An Australian industry can apply for relief from injury caused by dumped or subsidised imports even if the goods it produces are not identical to those imported. The industry must however, produce goods that are “like” to the imported goods.

Where the locally produced goods and the imported goods are not alike in all respects, the Commission assesses whether they have characteristics closely resembling each other against the following considerations:

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<sup>6</sup> ‘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*.

- physical likeness;
- commercial likeness;
- functional likeness; and
- production likeness.

### **3.5 The Commission's assessment**

Like goods are defined in the legislation 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.*

OneSteel stated in its application that it considers that the imported rod in coils possesses the same essential characteristics as locally produced rod in coils for the following reasons:

#### Physical likeness

OneSteel's locally produced rod in coils and the imported goods 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 compete 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

The rod in coils manufactured by OneSteel are manufactured in a similar manner and via similar manufacturing processes to the imported goods.

From information submitted in the application, gathered during the visit to the OneSteel and responses from exporters and importers, the Commission is satisfied that the applicant has demonstrated that:

- the primary physical characteristics of imported and locally produced goods are similar;
- the imported and locally produced goods are commercially alike as they are sold to common end users;
- the imported and locally produced goods are functionally alike as they have a similar range of end-uses; and



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- the imported and locally produced goods are manufactured in a similar manner.

### 3.5.1 Rod in coils 14mm and greater

The Commission noted in Consideration Report No. 240 (CON 240) that rod in coils with a maximum cross section of 14 mm or more may be considered as a like good and that this issue would be examined further during the investigation.

The Commission sought the views of interested parties in relation to this issue throughout the investigation, which are detailed below.

#### OneSteel

OneSteel provided the Commission with detailed information of its sales of rod in coils including those with a cross section of 14 mm or greater for calendar year 2013.

The Commission noted that all sales with a cross section greater than 14 mm were of a similar product code to two auto springs manufacturers. OneSteel stated that these sales were of a specialist spring grade. The Commission also noted that there are sales of these product codes in sizes less than 14 mm and that the prices were similar regardless of the size. The larger sizes also have the same physical appearance and end use.

#### Quintain Steel

Quintain submitted that it classified rod production up to a diameter of 13 mm as wire rod that was used for wire drawing by the end users, whereas rod production with a diameter 14 mm and above had a separate end use primarily for larger screws.

Quintain provided an extract from a China Steel brochure that Quintain submitted was a standard specification for rod in coils and bar in coils in the region. The Commission notes that the China Steel brochure specifies rod in coils as up to 14 mm diameter. Sizes equal to and greater than 14 mm are specified as bar in coils. Sizes 14 mm and greater appear to have different end uses to those less than 14 mm.

#### Stemcor Australia Pty Ltd

Stemcor Australia Pty Ltd (Stemcor) submitted that rod in coils of 14 mm or greater do not fall within the parameters of the goods subject of the application or under investigation, and therefore exports of rod in coils of 14 mm or greater must not be used to establish whether dumping has occurred or for the purposes of assessing whether dumped imports have caused material injury to the Australian industry producing like goods.

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After considering the available information the Commission is of the view that rod in coils with a cross section of 14 mm or greater are not like goods.

## 4 THE AUSTRALIAN INDUSTRY

### 4.1 Finding

The Commission has made a finding that there is an Australian industry producing like goods to the goods the subject of the application and that the Australian industry comprises one manufacturer, OneSteel.

### 4.2 Legislative Framework

The Commission shall reject an application if he is not satisfied that “like” goods are produced in Australia. Subsections 269T(2) and 269T(3) of the Act 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.

### 4.3 Australian Industry

OneSteel is a wholly owned subsidiary of Arrium Limited (Arrium), formerly OneSteel Limited. Arrium is an international mining and materials company listed on the Australian Securities Exchange. The company is structured around three key business segments:

- Arrium Mining: an exporter of hematite iron ore and also supplies iron ore feed to OneSteel’s integrated steelworks at Whyalla;
- Arrium Mining Consumables: supplies resource companies with a range of key mining consumables, including grinding media, wire ropes and rail wheels; and
- Arrium Steel: comprises steel manufacturing, recycling, and processing and steel distribution businesses.

OneSteel is part of the Arrium Steel business. OneSteel produces a wide range of finished long products including reinforcing bar and rod in coils, hot rolled structural steel, merchant bar, rail and wire products.

OneSteel submitted that it manufactures in Australia like goods to the goods under consideration in this investigation.

#### 4.3.1 Manufacturing facilities

OneSteel’s manufacturing facilities related to rod in coils are:

- the fully integrated Whyalla Steelworks in South Australia;
- two electric arc furnaces (EAFs) located in Sydney, New South Wales and Laverton, Victoria; and
- rod mills at Newcastle, New South Wales, and Laverton.

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The Whyalla Steelworks produces steel billet using a Basic Oxygen Furnace (BOF), where liquid steel is cast into billets, slab or blooms.

The Laverton operation produces steel billets through its EAF using scrap steel as input. The liquid steel is cast into billets which are rolled through the Rod and Bar Mills at Laverton.

The Sydney operation produces steel through its EAF using scrap steel as input. The liquid steel is cast into billets, the majority of which are used in the Bar Mill in Sydney with the remainder used in the Newcastle Rod Mill. The Newcastle Rod Mill uses billet from Whyalla and Sydney to manufacture rod in coils.

### 4.3.2 Production process

OneSteel provided a description and diagram of its production process with its application. During the verification visit, OneSteel provided a tour of the EAF and Rod Mill facilities at Laverton where the Commission observed the following parts of the production process:

#### *Steel Making*

- *Scrap is loaded from the scrap yard and brought into the EAF facility;*
- *Scrap, fluxes and alloys are combined in the EAF to produce molten steel;*
- *The molten steel is poured into a ladle to separate the molten steel from slag and final adjustments to the molten steel's chemical composition and temperature are done in a Ladle Furnace;*
- *The ladle is then transported to the Continuous Casting Machine where the steel flows into a tundish which distributes the steel into a number of water-cooled copper moulds to be cast and cut into billets; and*
- *Finished billets are held in a storage yard until required.*

#### *Rod Mill*

- *Prior to rolling in the Rod Mill, the billets are heated in a reheat furnace to the required temperature;*
- *Billets are extracted from the reheat furnace and through a number of rolling stands;*
- *The stands contain a combination of horizontal and/or vertical rolls that are used to effect a step-wise size reduction to the final rod diameter required;*
- *Rolled rod is put through a laying head which transforms the straight continuous rod into rings which are laid onto a cooling conveyor;*
- *At the end of the cooling conveyor, the rings drop into a reform tub, forming a coil of loose rings;*
- *The coils are compacted and tied using tie wire to enable ease of handling, storage and transport; and*
- *The compacted coils are transferred to a storage area.*

### **4.3.3 Product range**

OneSteel manufactures rod in coils in a range of diameters and steel grades at its Laverton and Newcastle mills. OneSteel advised in its application that rod in coils are sold in a range of grades that include low, medium and high carbon grades.

OneSteel provided in its application copies of the specification sheets for the two largest selling grades which accounted for the majority of its sales in 2013. The majority of rod in coils produced is in the form of low carbon steel in the range 0.05 per cent carbon to 0.22 per cent carbon. The carbon content is generally reflected in the naming convention irrespective of the international standard that applies (SAE 1012 or SWRM 12 applies for an aim carbon content of 0.12 per cent). The Whyalla Steelworks, Laverton Rod Mill and Newcastle Rod Mill all use different naming conventions when processing the steel internally.

Low carbon grades are manufactured in a range from 0.05 per cent to 0.22 per cent maximum carbon content with typical final application end uses in reinforcing mesh and general purpose wire.

Medium carbon grades are manufactured in a range 0.25 per cent to 0.60 per cent carbon with typical final applications in auto springs, chains, barbed wire and cold finished bar used in axles.

High carbon grades are used in spring wire, such as for bed springs, stranded wire and rope.

Within the grades there are special purpose products manufactured for specific end uses. These speciality grades contain alloys to suit the final end use of the product.

OneSteel produces rod in coils in sizes from 5.5 mm to 18.5 mm and advised that sizes above 14 mm are low volume speciality grades used in applications such as spring wire.

## **4.4 The Commission's assessment**

No interested party has suggested to the Commission that rod in coils of less than 14 mm diameter produced by the Australian industry and those produced by the overseas manufacturers from the nominated countries are not like goods.

The Commission is satisfied that:

- there is an Australian industry producing like goods in Australia, consisting of OneSteel; and
- OneSteel conducts one or more substantial process in the production of rod in coils at its manufacturing plants in Laverton, Newcastle, Sydney and Whyalla.

## 5 AUSTRALIAN MARKET

### 5.1 Findings

The Commission has found that the Australian market for rod in coils is supplied by the Australian industry and imports from a number of countries, including Indonesia, Taiwan and Turkey. The Commission estimates the Australian market during the 2013 calendar year to be approximately 540,000 tonnes. The market is supplied by OneSteel and by importers who supply rod in coils to end users.

### 5.2 Market segmentation & end use

The key market segments for rod in coils are commercial and residential construction, wire, mining and resource construction, and, to a lesser degree, engineering fabrication and springs.

Rod in coils is a semi-finished intermediate feed material that is largely utilised by the wire manufacturing industry. Wire manufacturers subject the rod in coils product to cold drawing processes which produces wire for use in a variety of applications which include:

- Concrete reinforcing mesh manufacturing (steel in concrete)
- Wire manufacturing (wire rope, springs, nails, fencing)
- Mine mesh manufacturing
- General manufacturing
- Reinforcing ligatures

Rod in coils for the mesh market and general purpose wire is the dominant market sector. The other market sectors include bedding and auto springs, rural and manufacturers' wires, rope and strand products and special purpose wire.

There is a range of grades of steel used to manufacture rod in coils for the market sectors and that factors, such as carbon content and or alloy content may not necessarily determine the sector or end use for that product.

The Commission notes, for example, that low carbon content rod in coils may have alloys added or a separate process used, to produce special purpose rod in coils distinct from what would be typically used in the mesh and wire sector.

OneSteel advised that most specialist grades, including spring grades require a steel billet with lower levels of residual elements that is best produced through a blast furnace and BOF process rather than an EAF process where higher residual element levels are likely due to the scrap input.

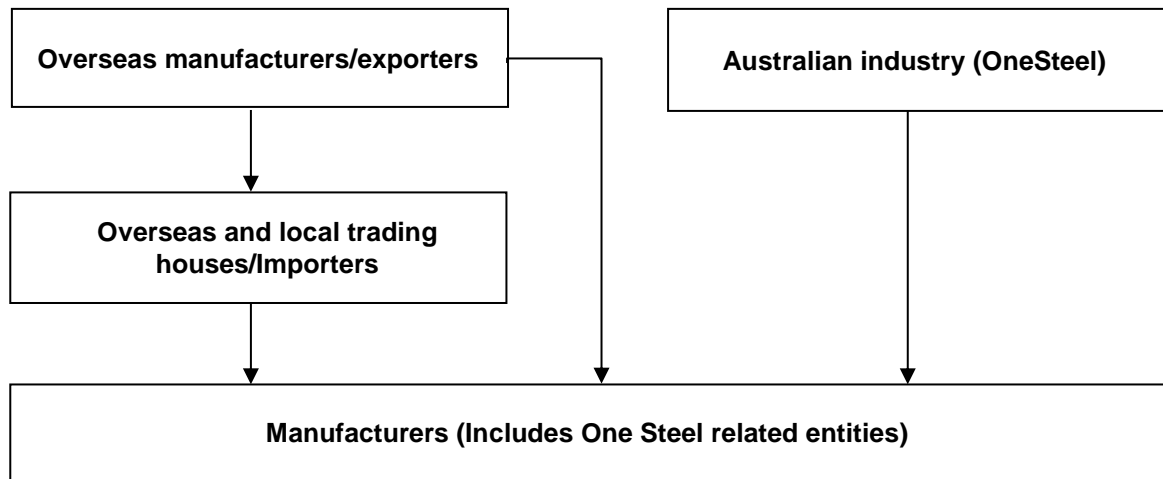
The Commission preliminarily considers that whilst there are separate market sectors for rod in coils, it is not practicable due to data constraints to separate

those sectors by steel grade and content for the purpose of an anti-dumping investigation.

### **5.3 Market distribution**

The Australian rod in coils market is supplied by OneSteel and importers who sell direct to end users, end users may also import rod in coils.

The Australian supply chain for rod in coils is shown below.



### **5.4 Demand variability**

Demand variability is driven by the market for mesh wire which comprises four major segments:

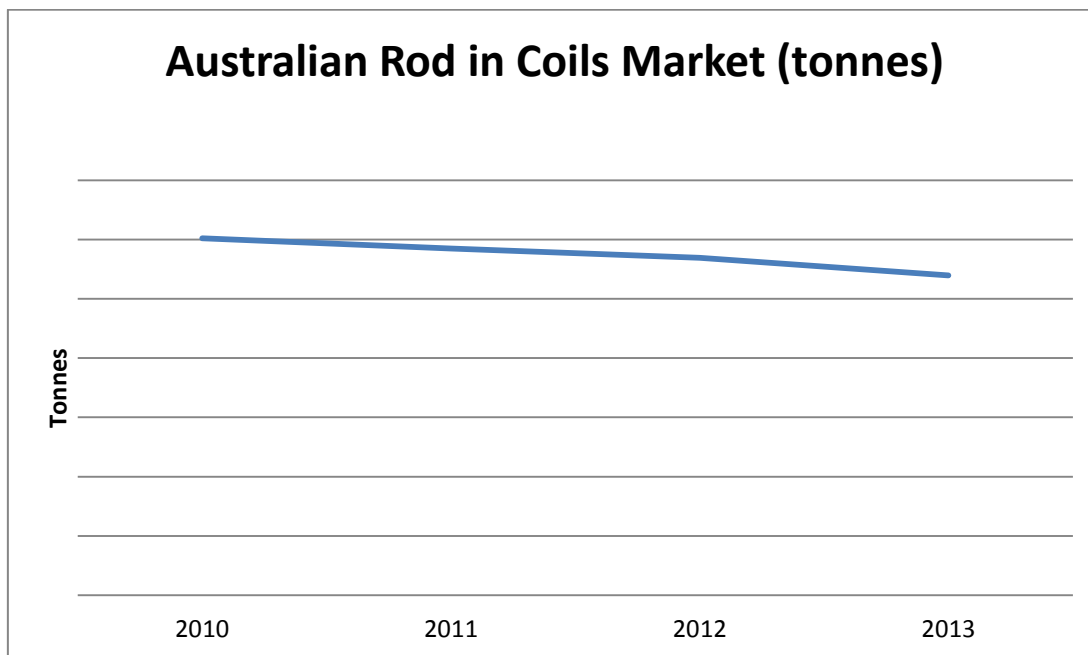
- Residential – the housing market where the mesh is used in concrete slabs;
- Non-residential – such as warehouses, office buildings;
- Mines - used to line tunnels in the mines; and
- Engineering – bridges and roads.

The residential market is the main driver of demand for mesh wire and there is seasonal fluctuation at the end of the year as the construction industry closes for the Christmas holiday period.

### **5.5 Market size**

The Commission has used information gathered from the Australian industry, exporters, importers and the ACBPS import database to examine the Australian market for rod in coils.

The size of the market for rod in coils from 2010 to 2013 by calendar years is shown in the following chart.



**Figure 1 – Rod in coils market 2010 to 2013 (Source: OneSteel and ACBPS Data)**

For calendar years 2010 to 2013 the size of the Australian market for rod in coils has declined each year. The Commission has estimated the market for rod in coils was over 600,000 tonnes per year in 2010, and the available data shows the market has declined to approximately 540,000 tonnes per year in 2013.

## **5.6 Importers**

The Commission examined ACBPS import database and identified five importers of rod in coils. The three largest importers accounted for 89 per cent of imports from the nominated countries during the investigation period.

The Commission verified the data provided by two of the importers, Sanwa Pty Ltd (Sanwa) and Stemcor, and prepared reports following on-site verification.

Visit reports for the above importers can be found on the electronic public record available on the Commission's website at <http://www.adcommission.gov.au>.

The Commission verified data and prepared a report following on-site verification with the third importer. However this importer declined to provide a non-confidential version of the report for the public record.

The two other importers of rod in coils from the nominated countries declined to provide information to the investigation.



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The Commission also contacted Fletcher Steel Limited (Fletcher Steel) seeking information relating to rod in coils imported by Fletcher Steel from New Zealand. Pacific Steel New Zealand (PSNZ), the exporter of the rod in coils from New Zealand, provided the requested information. A non-confidential version of the PSNZ response was placed on the public record.

### **5.7 Substitutable products**

Products described as “fit for purpose” are viewed as substitutable products for rod in coils. These products, such as reinforcing mesh, automotive and bed spring cold wire, are essentially the finished products that end users produce from the rod in coils.

## **6 DUMPING INVESTIGATION**

### **6.1 Introduction**

Dumping occurs when a product from one country is exported to another country at a price less than its normal value. The export price and normal value of goods are determined under s.269TAB and s.269TAC of the Act respectively.

This chapter explains the results of investigations by the Commission into whether rod in coils were exported from Indonesia, Taiwan and Turkey at dumped prices during the investigation period.

### **6.2 Finding**

The Commission has found that:

- rod in coils exported to Australia from Indonesia by Gunung were at dumped prices and the volume of dumped goods from Indonesia was not negligible;
- rod in coils exported to Australia from Indonesia by Ispat were not at dumped prices;
- rod in coils exported to Australia from Taiwan by Quintain were at dumped prices and the volume of dumped goods from Taiwan was not negligible;
- rod in coils exported to Australia from Turkey by Habaş were not at dumped prices; and
- rod in coils exported to Australia from Turkey by Diler were at dumped prices, however the overall volume of dumped goods from Turkey was negligible.

Preliminary dumping margins for rod in coils are summarised in the following table:

<b>Country</b>	<b>Exporter / Manufacturer</b>	<b>Dumping margin</b>
Indonesia	Gunung	10.6%
	Ispat	-0.7%
	<i>All other exporters</i>	10.6%
Taiwan	Quintain	7.5%
	<i>All other exporters</i>	7.5%
Turkey	Habaş	-0.3%
	Diler	5.8%
	<i>All other exporters</i>	5.8%

**Table 2 – Preliminary dumping margins**

Pending any submissions that may require further investigation, the Commissioner proposes to terminate the dumping investigation in so far as it relates to exports from Turkey and exports by Ispat from Indonesia. The

Commission's preliminary calculations of export price, normal value and dumping margins in respect of rod in coils are contained at **Confidential Appendix 1**.

### **6.3 Exporters**

At the commencement of the investigation, the Commission identified using the ACBPS import database the following exporters of rod in coils during the investigation period from the nominated countries:

- Gunung and Ispat from Indonesia;
- Quintain, the sole exporter from Taiwan; and
- Habaş and Diler from Turkey.

The Commission received questionnaire responses from each of these exporters. The Commission assessed all responses as being substantially complete.

The Commission visited Quintain and verified information relating to costs, domestic sales and exports to Australia during the investigation period.

The Commission conducted remote verifications of the requested information with Gunung, Ispat and Habaş.

The non-confidential verification reports for each of the exporters are available at the Commission's website <http://www.adcommission.gov.au/> and provide additional detail to what is discussed below.

S.269T(1) of the Act provides that an exporter is considered to be an 'uncooperative exporter', where the Commissioner is satisfied that an exporter did not give the Commissioner information the Commissioner considers to be relevant to the investigation, within a period the Commissioner considers to be reasonable.

Diler was requested to provide further information in support of the responses provided in the exporter questionnaire. Diler was advised that if it did not provide the requested information by the due date the Commission may determine export prices and normal values for Diler based on the best available facts, which may include information provided in the application submitted by the Australian industry. Diler elected not to supply the additional information requested.

Based on this, the Commissioner considers Diler to be an uncooperative exporter.

### **6.4 Date of sale**

During the exporter verifications, the verification teams had determined that the date which best set the material terms of the sale was - where there was no

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evidence of variation between the purchase order and the invoice - the date of purchase order.

The Commission received submissions questioning this interpretation of the Commission's Dumping and Subsidy Manual. The Dumping and Subsidy Manual states that:

*In establishing the date of sale, the Commission will normally use the date of invoice as it best reflects the material terms of sale. For the goods exported, the date of invoice also usually approximates the shipment date.*

*Where a claim is made that an exporter claims a date other than the date of invoice better reflects the date of sale, the Commission will examine the evidence provided.*

Having considered the submissions, the Commission is satisfied that the interpretation applied by the verification teams in establishing a date of sale other than the date of invoice, without a request to do so from the exporter, is inconsistent with the Commission's usual practice as detailed in the Dumping and Subsidy Manual.

The Commission has reassessed the date of sale for all affected exporters and recalculated dumping margins based on the date of sale being the date of invoice.

### **6.5 Indonesia**

#### **6.5.1 Verification of information**

The Commission's preferred approach to the verification of information submitted by exporters is to meet at the exporters' premises with the relevant exporter and their representatives. However, due to travel advice from the Australian Department of Foreign Affairs and Trade (DFAT) relating to Indonesia the Commission decided to conduct the verification of the information remotely from Australia.

#### **6.5.2 Ispat**

##### Export Prices

Export prices for sales of rod in coils to Australia by Ispat were established under s.269TAB(1)(a) using the invoiced price from the exporter to the importer less transport and other charges arising after exportation.

Export prices were established at free-on-board (FOB) point.

##### Normal Values

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Normal values for exported models were determined under s.269TAC(1) based on domestic sales of the comparable models in the ordinary course of trade at the same level of trade as export sales.

### Adjustments

To ensure the comparability of normal values to export prices, the Commission considered adjustments were required pursuant to s.269TAC(8) of the Act as follows:

<b>Adjustment type</b>	<b>Description</b>
Domestic inland freight	<b>Deduct</b> the actual domestic inland freight costs
Domestic credit terms	<b>Deduct</b> the actual costs of domestic credit
Domestic bank fees	<b>Deduct</b> the actual costs of domestic bank fees
Export inland freight	<b>Add</b> the actual export inland freight cost
Exporter handling	<b>Add</b> the actual cost of export handling expenses
Export bank fees	<b>Add</b> the actual costs of export bank fees

**Table 3 - Summary of adjustments (Ispat)**

### Dumping Margin

The Commission compared the weighted average of export prices (at FOB terms) over the whole of the investigation period with the weighted average of corresponding normal values (at FOB terms) over the whole of that period, in accordance with s.269TACB(2)(a) of the Act.

The Commission determined that exports from Ispat were not dumped. The dumping margin was **negative 0.7 per cent**.

As the Commission has found that rod in coils exported by Ispat from Indonesia were not dumped, subject to any submissions received in response to this report, the Commission proposes to terminate the dumping investigation in so far as it relates to exports by Ispat.

### **6.5.3 Gunung**

#### Export Prices

Export prices for sales of rod in coils to Australia by Gunung were established under s. 269TAB(1)(a) using the invoiced price from the exporter to the importer less transport and other charges arising after exportation.

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Export prices were established at an FOB point.

### Normal Values

Normal values for exported models were determined under s.269TAC(1) based on domestic sales of the comparable models in the ordinary course of trade at the same level of trade as export sales.

Normal values were established at an ex-works point.

### Adjustments

To ensure the comparability of normal values to export prices, the Commission considered adjustments were required pursuant to s.269TAC(8) of the Act as follows:

<b>Adjustment type</b>	<b>Description</b>
Export inland freight	<b>Add</b> the actual export inland freight cost
Exporter handling	<b>Add</b> the actual cost of handling expenses

**Table 4 - Summary of adjustments (Gunung)**

### Dumping Margin

The Commission compared the weighted average of export prices (at FOB terms) over the whole of the investigation period with the weighted average of corresponding normal values (at FOB terms) over the whole of that period, in accordance with s.269TACB(2)(a) of the Act.

The weighted average dumping margin for the goods exported to Australia by Gunung is **10.6 per cent.**

### **Submissions made by Gunung**

Gunung provided submissions following the verification report. Non-confidential versions of Gunung's submissions were placed on the public record. Gunung raised the following issues in its submissions:

#### Currency conversion

Gunung submitted that the Commission should have converted the export sales into the domestic currency of Indonesia, the Rupiah (IDR), to establish export prices. Gunung further submitted that the Commission erred in converting the domestic sales into the currency of the exported goods to establish normal values.

#### Date of sales

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Gunung submitted that the Commission erred in establishing the date of sale for export and domestic sales as the date of purchase order/contract rather than the date of invoice and requested the Commission reconsider its approach.

### Cost of production

Gunung requested that the Commission recalculate the cost of goods taking into account [REDACTED] generated from the production of rod in coils.

### Other adjustments

Gunung claimed adjustments for three other matters. Gunung considered these matters confidential.

## **The Commission's assessment**

### Currency conversion

The audited financial statements of Gunung report sales information in USD for export and domestic sales. Costs are also reported in USD. Gunung advised that transactions in currencies other than USD were converted to USD on the date of transaction using the weekly exchange rate issued by the Department of Tax (Indonesia).

The domestic sales and export sales reconciled to the amounts stated in USD in the audited accounts.

The conversion rates for the domestic sales were provided by Gunung. The Commission verified individual domestic sales in IDR to the sales listing in IDR that also showed the conversion to USD which reconciled to the audited accounts.

The Commission verified individual export sales in USD to the sales listing that was shown in USD which reconciled to the audited accounts.

The Commission does not see a requirement to convert export sales to IDR as the functional currency of the company is USD which it reports in.

Domestic sales have been converted to USD so as to compare export prices to normal values. Conversion of domestic sales from IDR to USD is in line with that stated and provided for in the audited accounts.

The Commission does not consider that Gunung has provided information that would require a change in approach to establishing export prices and normal values in USD.

### Date of sales

Gunung reported the date of sales as being the date of invoice.

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As detailed in section 6.4 above, the Commission accepts Gunung's submission that the approach taken by the verification team differs from the Dumping and Subsidy Manual and as such has re-established the date of sale as the date of invoice.

### Cost of production

On preparation of the verification report, the Commission did not take into account the claimed revenues relating to [REDACTED] generated from the wire rod production process as the available evidence did not support the claims.

Gunung subsequently provided evidence as to the volumes of [REDACTED] produced in the production of rod in coils, and the revenues generated from the sale of that [REDACTED]. The Commission was satisfied that the information submitted was complete, reliable and accurate. The Commission accepts Gunung's submission and accordingly recalculated Gunung's CTMS.

### Other adjustments

On preparation of the verification report the Commission rejected the claimed adjustments as the available evidence did not support the claims. The Commission advised Gunung it would need to provide further evidence and details in support of the other adjustments claimed.

At the date of this report Gunung has not provided any further evidence in support of the other adjustments claimed.

The recalculations undertaken in response to Gunung's submission has resulted in a change in Gunung's dumping margin from 12.3 per cent, as detailed in the verification report, to **10.6 per cent**.

#### **6.5.4 Indonesia – All Other Exporters**

The Commission has established that there were two exporters of rod in coils from Indonesia during the investigation period. As only one exporter, Gunung, was found to have exported rod in coils to Australia at dumped prices, it is recommended that Gunung's dumping margin apply as an 'all exporters' rate for exporters from Indonesia.

#### **Submissions made by OneSteel**

OneSteel provided submissions in relation to exports from Indonesia. Non-confidential versions of OneSteel's submission were placed on the public record. OneSteel raised the following issues in its submissions:

#### Indonesian Safeguard Investigation and the unprofitability of Ispat



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OneSteel drew the Commission's attention to the investigation by the Indonesian Safeguards Committee (Committee) into rod in coil products exported to Indonesia from the People's Republic of China (China), Japan and Malaysia.

In particular OneSteel highlighted the statement in the Committee's *Notification of a Proposal to Impose a Measure* that the Applicant, being Ispat and a second Indonesian producer, had experienced "significant" losses on its domestic rod in coils sales during 2013.

OneSteel submitted that Ispat is the dominant producer and supplier in the Indonesian market. OneSteel contended that as the largest producer, Ispat is the most exposed to injury resulting from dumped imports into Indonesia and would have been selling goods at a loss during the investigation period.

OneSteel submitted that the Commission should concur with the Committee and find that Ispat's domestic sales have been at a loss and therefore employ an alternative basis for determining normal value.

### Currency fluctuation

OneSteel submitted that the IDR experienced a sharp devaluation during the second and third quarter of 2013. OneSteel contended that the Minister had discretion under s.269TAF(3), and in accordance World Trade Organisation jurisprudence, to use the rate of exchange applicable prior to the short-term fluctuation in the IDR to convert currencies for the comparison between the export prices of goods exported to Australia and the corresponding normal values of like goods under s.269TAF(1).

OneSteel contended that exercising this discretion "would serve to expose continued injurious dumped export pricing by the exporter that would otherwise be concealed by an advantageous depreciation in the IDR value against the USD".

### **The Commission's assessment**

#### Indonesian Safeguards Investigation

The Commission acknowledges the findings of the Committee, and notes the following points in regard the findings of the Committee and OneSteel's submissions in regard the profitability of Ispat:

- Different methodologies are employed for establishing whether an entity making an application for anti-dumping measures in one jurisdiction has suffered injury, as opposed to whether that same entity, when under investigation in another jurisdiction, is engaging in dumping;
- The *Notification of a Proposal to Impose a Measure* does not identify Ispat's profit or loss, but instead refers broadly to the financial

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performance trend of the two Applicants, Ispat and a second Indonesian producer of the goods; and

- Ispat's annual report for 2013 is undertaken at the group level and shows that at the group level the company was profitable during the investigation period.

In terms of financial information submitted by Ispat, the Commission undertook the following analysis:

- the Commission verified Ispat's financial data at the transaction level and up through the audited accounts;
- the Commission performed the appropriate ordinary course of trade analysis on all of Ispat's domestic sales and has excluded any sales that were unprofitable and unrecoverable;
- the Commission benchmarked domestic sales in the ordinary course of trade between Ispat and Gunung and found Ispat domestic sales prices to be higher;
- the Commission compared the timing of export sales between Ispat and Gunung, and found that the vast majority of Ispat's exports to Australia occurred in the second half of 2013 as opposed to Gunung's which occurred in the first half of 2013; and
- the Commission considered the impact of the depreciation of the IDR against the USD, noting that Gunung reports in USD and Ispat in IDR, though both export goods in USD.

Based on this analysis, the Commission is satisfied that:

- the financial information submitted by Ispat was complete and accurate;
- Ispat achieved sufficient domestic sales in the ordinary course of trade to establish normal values under s.269TAC(1); and
- relative to Gunung, Ispat benefitted from a difference in the timing of export sales in the context of a depreciating IDR.

As such, the Commission is of the view that OneSteel's submissions do not contain sufficient evidence to support its contention that Ispat's normal value cannot be calculated using domestic sales in the ordinary course of trade.

The Commission further notes that the finding that Gunung exported goods at dumped prices into the Australian market during the investigation period does not preclude the finding that Ispat did not export goods at dumped prices into the Australian market.

### Currency fluctuation

S.269TAF(3) of the Act states that:

*"If:*

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- (a) the comparison referred to in subsection (1) requires the conversion of currencies; and*
- (b) the rate of exchange between those currencies has undergone a short-term fluctuation;*

*the Minister may, for the purpose of that comparison, disregard that fluctuation.”*

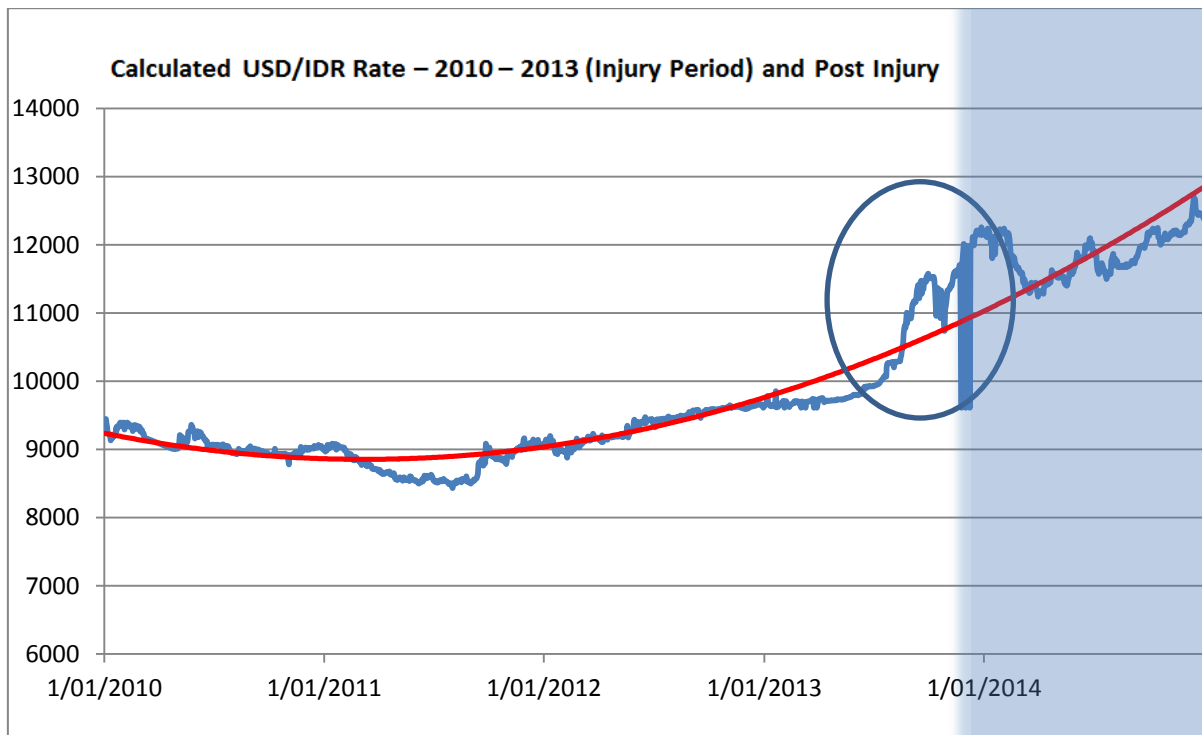
S.269TAF(4) of the Act states that:

*“If*

- (a) the comparison referred to in subsection (1) requires the conversion of currencies; and*
- (b) the Minister is satisfied that the rate of exchange between those currencies has undergone a sustained movement;*

*the Minister may, by notice published in the Gazette, declare that this subsection applies with effect from a day specified in the notice and, if the Minister does so, the Minister may use the rate of exchange in force on that day for the purposes of that comparison during the period of 60 days starting on that day.”*

Figure 2, below, demonstrates the daily movement in the IDR/USD exchange rate throughout the injury analysis period, as well as the trend over that time.



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**Figure 2 – IDR/USD exchange rate 2010 to 2014**

The Commission does not currently have an established practice for determining short-term or sustained currency movements as referred to in ss.269TAF (3) and (4). In the absence of a standardised approach, the Commission has, for the purposes of this investigation, analysed the IDR/USD exchange rate based upon the approach employed by the United States International Trade Commission (USITC) as follows:

In terms of **short-term currency fluctuation**:

- an eight week moving average for the IDR against the USD was established for the investigation period;
- daily actual rates were compared to the 8 week moving average and a daily variance benchmark was established; and
- where the actual daily rate varied from the benchmark rate by more than two and a quarter per cent the actual daily rate was classified as fluctuating.

Where the daily rate was classified as a fluctuation the actual daily rate was set aside in favour of the benchmark rate pursuant to s.269TAF(3).

In terms of **sustained currency movement**:

- an eight week moving average for the IDR against the USD was established for the investigation period;
- a weekly average of actual daily rates was established;
- a weekly average of the eight week moving average was established;
- where the weekly average of actual rates exceeded the weekly average of benchmark rates by more than five per cent that week was identified as a period of unusual movement; and
- the number of consecutive weeks of unusual movement was established.

The Commission determined that there was a period of six consecutive weeks of unusual movement during the investigation period. A sustained movement is considered to be a period of eight consecutive weeks of unusual movement. As such the Commission determined that there had not been a period of sustained movement during the investigation period pursuant to s269TAF(4).

Following the application of s.269TAF(3) the dumping margin established for Ispat was **negative 0.7 per cent**.

## **6.6 Taiwan**

### **6.6.1 Verification of information**

The Commission visited Quintain and verified information relating to costs, domestic sales and exports to Australia during the investigation period.

### 6.6.1 Quintain

#### Export Prices

Export prices for sales of rod in coils to Australia by Quintain were established under s.269TAB(1)(a) using the invoiced price from the exporter to the importer less transport and other charges arising after exportation.

Export prices were established at an FOB point.

#### Normal Values

Normal values for exported models were determined under s.269TAC(1) based on domestic sales of the comparable models in the ordinary course of trade at the same level of trade as export sales. In the month of July where there was no normal value the Commission used a normal value that was the midpoint of the June and August normal values.

Normal values were established at an ex-works point.

#### Adjustments

To ensure the comparability of normal values to export prices, the Commission considered adjustments were required pursuant to s.269TAC(8) of the Act as follows:

<b>Adjustment type</b>	<b>Description</b>
Domestic SG&A	<b>Deduct</b> the weighted average domestic SG&A expenses
Physical differences	<b>Deduct</b> the weighted average production cost of the 1006KJ billet
Export SG&A	<b>Add</b> the weighted average export SG&A expenses
Physical differences	<b>Add</b> the weighted average material cost of the 1012KJ'TG' billet
Export inland freight	<b>Add</b> the actual export inland freight cost
Exporter handling, loading and ancillary expenses	<b>Add</b> the actual cost of handling, loading and ancillary expenses

**Table 5 - Summary of adjustments (Quintain)**

#### Dumping Margin

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The Commission compared the weighted average of export prices (at FOB terms) over the whole of the investigation period with the weighted average of corresponding normal values (at FOB terms) over the whole of that period, in accordance with s.269TACB(2)(a) of the Act.

The weighted average dumping margin for the goods exported to Australia by Quintain is **7.5 per cent**.

### **Submissions made by Quintain**

Quintain provided a submission following the publication of the verification report. A non-confidential version of Quintain's submission is available on the public record. Quintain raised the following issues in its submission:

#### *1006KJ is not a proper surrogate for establishing normal value*

The Commission established normal values for Quintain under s.269TAC(1) using sales of 1006KJ in the ordinary course of trade, and adjusted the normal value to reflect the production cost difference between 1006KJ and 1012KJ.

The Commission used 1006KJ rod in coils as this model had sales in the ordinary course of trade for each month of the investigation period except for July. Sales for the other models in the ordinary course of trade did not.

Quintain asserted that 1006KJ and 1012KJ differ in carbon content such that mechanical properties, end uses and customer perception of each are quite distinct.

In terms of raw material cost differences, Quintain asserted that lower carbon billet was accepted within the industry as being more expensive, and that for Quintain, as 1006KJ was made from imported billets as opposed to 1012KJ which was made from locally produced billets, extra costs were incurred for ocean freight, ocean insurance and other importation expenses. Quintain further asserted that the imported billet had a much longer lead time than sourcing local billet, and the Commission's analysis did not reflect the cost difference implicit in the differing lead times.

Quintain thus urged the Commission not to use 1006KJ as the basis for establishing normal value.

#### *The Commission should construct normal value based on RIC1012KJ's own cost of manufacture, SGA and profit rate*

Quintain requested that the Commission construct normal value under s.269TAC(2) based on the cost to manufacture 1012KJ, uplifted for SGA costs and an appropriate profit figure, or alternatively the use as a surrogate a more closely resembling carbon content grade produced from locally sourced billets, such as 1010KJ.

### **The Commission's assessment**

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Section 269TAC(1) of the Act provides that the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arm's length transactions by the exporter.

In practice, for normal value to be ascertained under s. 269TAC(1), the Commission first examines whether there are suitable sales of like goods for home consumption in the country of export by the exporter, made in the ordinary course of trade and at arms-length over the investigation period. Model matching criteria will be followed in order to identify identical goods sold on the exporter's domestic market; or absent identical goods the goods that most closely resemble the goods under consideration.

As detailed in the Quintain visit report, sales in the ordinary course of trade in relation to 1012KJ rod in coils were only made in the months of February and May whilst export sales were made in the months of March, April, May, June, July, September, October and December.

As 1012KJ sales in the ordinary course of trade only occurred in two months, the Commission then compared sales of 1006KJ, 1008KJ, and 1010KJ with the fully absorbed CTMS for each grade. The Commission found sales in the ordinary course of trade for the 1006KJ rod in coils in each month of the investigation period except for July. Sales for the other models in the ordinary course of trade did not occur in as many months and were in lower volumes than the 1006KJ.

As such, in accordance with the policy practice detailed in the Dumping and Subsidy Manual, the Commission established normal values under s.269TAC(1) using sales of 1006KJ in the ordinary course of trade. Where the Commission is able to establish normal values under s.269TAC(1) it is not open to the Commission under the Act to construct a normal value as proposed by Quintain.

In accordance with the practice detailed in the Dumping and Subsidy Manual, and as detailed in the Quintain visit report, the Commission adjusted the normal values down by the verified production cost of the 1006KJ billet and adjusted the normal values up by the verified material cost of the 1012KJ'TG' billet. The Commission grossed up the difference in production costs for SG&A and the weighted average profit of the 1006KJ rod in coils sold on the domestic market.

### **6.6.2 Taiwan – All Other Exporters**

The Commission has established that there was only one exporter of rod in coils from Taiwan during the investigation period, being Quintain. As Quintain was the only exporter it is recommended that Quintain's dumping margin apply as an 'all exporters' rate for exporters from Taiwan.

## **6.7 Turkey**

### **6.7.1 Verification of information**

The Commission's preferred approach to the verification of information submitted by exporters is to meet at the exporters' premises with the relevant exporter and their representatives.

However, due to travel advisories from DFAT for Turkey the Commission decided to conduct the verification of the information remotely from Australia.

### **6.7.2 Habaş**

#### Export Prices

Export prices for exports by Habaş were established pursuant to s.269TAB(1)(a) of the Act, being the price paid by the importer less transport and other costs arising after exportation.

Export prices were established at an ex-works point.

#### Normal Values

Normal values for exported models were determined under s.269TAC(1) based on domestic sales of the comparable models in the ordinary course of trade at the same level of trade as export sales.

Normal values were established at an ex-works point.

#### Adjustments

Export prices and normal values were established at an ex-works point. The Commission considered that adjustments were not required pursuant to s.269TAC(8) of the Act to ensure the comparability of normal values to export prices.

#### Dumping Margin

The Commission compared the weighted average of export prices (at ex-works terms) over the whole of the investigation period with the weighted average of corresponding normal values (at ex-works terms) over the whole of that period.

The dumping margin for Habaş is **negative 0.3 per cent**.

### **Submissions made by OneSteel**

OneSteel urged the Commission to reject Habaş' costs as unreliable and instead establish normal values under s.269TAC(6) using best available information. OneSteel detailed the following issues in prosecution of its argument to reject Habaş' costs:



## PUBLIC RECORD

- the Habaş verification report for rod in coils, and Habaş' response to the exporter questionnaire (REQ) for reinforcing bar (Investigation 264) indicate, in OneSteel's view that Habaş does not operate an effective cost accounting system, which undermines the reliability of the cost information submitted;
- the remote nature of the verification process compounds the deficiencies of an ineffective cost accounting system;
- an investigation by the Canada Border Service Agency (CBSA) into reinforcing bar exported from Turkey found that "many" of Habaş' sales of reinforcing bar were unprofitable, which in OneSteel's view supports a conclusion that Habaş would not have had sufficient profitable sales of rod in coils to allow normal values to be determined using domestic sales in the ordinary course of trade; and
- Habaş operates a sea port from which it exports rod in coils to Australia, a situation which raises questions about the reliability of transportation, loading and handling expenses.

### **The Commission's assessment**

As detailed above, the Commission undertook a remote verification of the information submitted by Habaş. The remote verification was conducted using Webex technology, which allowed the Commission to remotely view the desktop of Habaş' representatives. The Commission was therefore able to verify Habaş' financial data at the transaction level and reconcile upwards to the audited accounts. The Commission found Habaş' financial management systems to be robust, and found the information provided by Habaş to be complete and accurate.

As detailed in the Habaş verification report, the Commission verified a sample of documents relating to handling, loading and ancillary expenses. While Habaş does operate a sea port, these activities were undertaken by independent third parties. The Commission was satisfied that the costs detailed were accurate and complete.

The Commission acknowledges the findings of the CBSA in regard reinforcing bar, however is not satisfied that conclusions reached in regard the profitability of a different product in a different jurisdiction can be afforded any significant evidentiary value.

The Commission is satisfied that its verification process identified sufficient domestic sales in the ordinary course of trade to establish normal values for Habaş under s.269TAC(1).

OneSteel's submission does not contain sufficient evidence to support its contention that Habaş' normal value cannot be calculated using domestic sales in the ordinary course of trade.

### **6.7.3 Diler**

The Commission requested that Diler provide further information in support of its REQ. Diler was advised that if it did not provide the requested information by the due date the Commission may determine its export prices under s.269TAB(3) of the Act, and normal values under s.269TAC(6) of the Act. These sections provide for export prices and normal values to be determined using all relevant information where the Commission has not had sufficient information made available to it. Diler did not submit the requested information and as such the Commission considers Diler to be an uncooperative exporter, as detailed in section 6.3 above.

#### Export Prices

The Commission established export prices pursuant to s.269TAB(3) of the Act, having regard to all relevant information.

The Commission compared the export prices submitted by Diler in its REQ against the verified purchase prices paid by its Australian customer, Stemcor. The export prices submitted by Diler reconciled, and as such the Commission was satisfied that export prices could be established based on the price paid by the importer less transport and other costs arising after exportation.

Export prices were established at an ex-works point.

#### Normal Values

Normal values were established pursuant to s.269TAC(6) of the Act, having regard to all relevant information.

The Commission established normal values for Diler using the highest quarterly normal value determined for Habaş.

Normal values were established at an ex-works point.

#### Adjustments

Export prices and normal values were established at an ex-works point. The Commission considered that adjustments were not required pursuant to s. 269TAC(8) of the Act to ensure the comparability of normal values to export prices.

#### Dumping Margin

The Commission compared the weighted average of export prices (at ex-works terms) over the whole of the investigation period with the weighted average of corresponding normal values (at ex-works terms) over the whole of that period.

The dumping margin for Diler is **5.8 per cent**.

#### **6.7.4 Turkey – All Other Exporters**

The Commission has established that there were two exporters of rod in coils from Turkey during the investigation period. As only one exporter, Diler, was found to have exported rod in coils to Australia at dumped prices, it is recommended that Diler's dumping margin apply as an 'all exporters' rate for exporters from Turkey.

The Commission has, however, determined that, when expressed as a percentage of the total imported volume of the goods, the volume of allegedly dumped goods from Turkey was less than 3 per cent of the total import volume and is therefore negligible.

Subject to any submissions received in response to this report the Commissioner proposes to terminate the investigation as it relates to Turkey.

#### **6.8 Volume of dumped exports**

Pursuant to s.269TDA(3) of the Act, The Commissioner must terminate the investigation, in so far as it relates to the country, if satisfied that the total volume of goods that are dumped is a negligible volume. S.269TDA(4) defines a negligible volume as less than three per cent of the total volume of goods imported into Australia over the investigation period.

As outlined in section 5.5 of this report, the Commission estimated the size of the Australian market.

Based on this information, the Commission is satisfied that, when expressed as a percentage of the total imported volume of the goods, the volume of allegedly dumped goods from Indonesia and Taiwan was greater than three per cent of the total import volume and is therefore not negligible.

The Commission is further satisfied that, when expressed as a percentage of the total imported volume of the goods, the volume of allegedly dumped goods from Turkey was less than three per cent of the total import volume and is therefore negligible. Subject to any submissions received in response to this report the Commissioner proposes to terminate the investigation as it relates to Turkey.

## **7 ECONOMIC CONDITION OF THE INDUSTRY**

### **7.1 Introduction**

This section of the report outlines the economic condition of the Australian industry and a preliminary assessment as to whether the industry has suffered injury.

### **7.2 Finding**

Based on an analysis of the information contained in the application and information obtained and verified during this investigation, the Commission considers that OneSteel has experienced injury in the form of:

- reduced sales volumes;
- reduced market share;
- price depression;
- price suppression;
- reduced profits and profitability; and
- reduced revenues.

### **7.3 Approach to injury analysis**

The injury analysis detailed in this section is based on financial information submitted by OneSteel and import data from the ACBPS import database.

This analysis relates to the sale of rod in coils of less than 14mm in diameter in the Australian market and does not include any effects of other products manufactured by OneSteel and sold in Australian or export markets.

OneSteel provided production, cost and sales data for rod in coils. The data was provided on a quarterly basis for the period from 1 January 2010 to 31 December 2013 for the rod in coils domestic market and the export market.

The OneSteel data for its production and sales of rod in coils in the Australian rod in coils market has been used as the primary basis for the purpose of assessing the overall economic condition of the Australian industry as discussed below.

OneSteel claimed that injury commenced in 2011 with the significant increase in exports from Indonesia, and was exacerbated by significantly increased exports from Taiwan and Turkey in 2012.

The injury analysis period for the purpose of determining whether the Australian industry has experienced injury is from 1 January 2010.

## 7.4 Volume effects

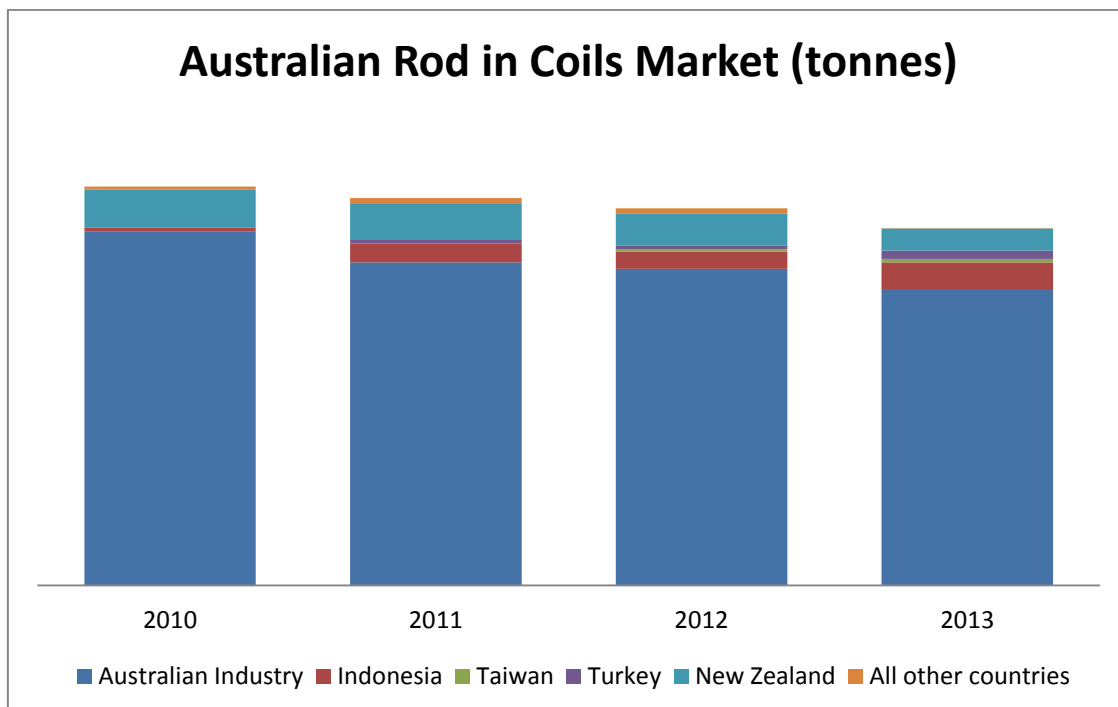
The Commission found that by the end of the injury analysis period:

- Indonesia had become the largest source of rod in coils imported;
- New Zealand was the second largest source of rod in coils imported, however imports from New Zealand had declined significantly since 2010;
- Turkey was the third largest source of rod in coils imported;
- Taiwan was the fourth largest source of rod in coils imported; and
- There was a nominal volume of rod in coils imported from other countries.

### 7.4.1 Sales volume

Figure 3 below illustrates that the size of the Australian rod in coils market has decreased steadily since 2010. Over that time:

- annual sales in the market decreased from approximately 600,000 tonnes to approximately 540,000 tonnes;
- annual sales by OneSteel decreased by approximately 16 per cent;
- annual sales from New Zealand decreased by approximately 40 per cent;
- annual sales from Indonesia increased by over 500 per cent;
- rod in coils imports from Turkey and Taiwan entered the market and grew to approximately 12,000 tonnes and 5,000 tonnes respectively; and
- annual sales from other countries had decreased to less than one per cent of total imports.

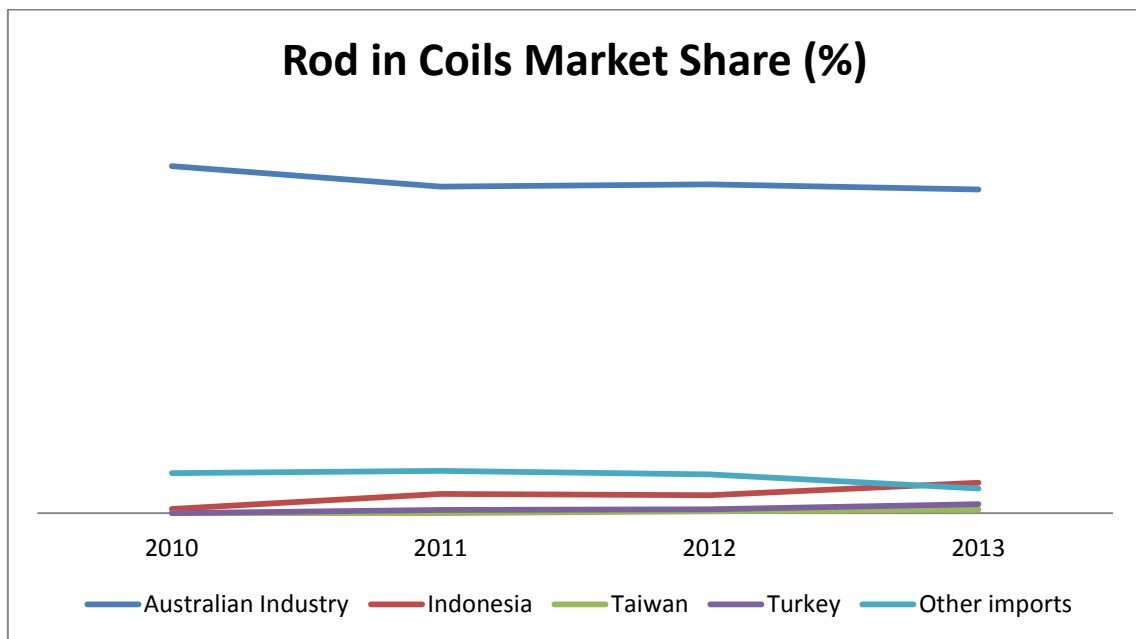


**Figure 3 – Rod in coils market size (Source: OneSteel and ACBPS Data)**

**7.4.2 Market share**

Figure 4 below illustrates the following trends in the share of the Australian rod in coils market since 2010:

- market share achieved by OneSteel declined significantly throughout 2010 after which time it has remained steady;
- market share of imports from each of the countries under investigation has increased steadily; and
- market share of imports from other countries has decreased steadily.



**Figure 4 – Rod in coils market share (Source: OneSteel and ACBPS Data)**

**7.4.3 Volume effects – the Commission’s conclusion**

The evidence outlined above supports OneSteel’s claim that it has experienced injury in the form of reduced sales volume and reduced market share for rod in coils in the Australian market.

## **7.5 Price Effects**

### **7.5.1 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.

OneSteel claimed in its application that the market for rod in coils is highly price sensitive and in response to the increase in the volume of dumped goods in the market it has had to lower prices in an attempt to maintain sales volume and market share. OneSteel further claimed that following the dramatic increase in dumped goods in 2011 it implemented operational and cost saving initiatives during 2012 and 2013 in an attempt to better compete with the dumped imports, however the need to reduce prices eroded the benefits those initiatives would otherwise have delivered.

Figure 5 below illustrates the relationship between OneSteel's selling price per tonne and its CTMS per tonne for the injury analysis period.

It is evident from the graph that OneSteel has steadily reduced its selling price since 2011, which is consistent with the claims made in its application, and indicative of price depression.

It is also evident that CTMS per tonne has decreased since 2011, however by 2013 the sales price per tonne was reducing at a faster rate than the reduction in CTMS per tonne. This is consistent with OneSteel's claim that the cost saving initiatives implemented to improve competitiveness in the face of an increase in allegedly dumped imports were undermined by the continued need to reduce prices. The deteriorating margin between sales price per tonne and CTMS per tonne is indicative of price suppression.

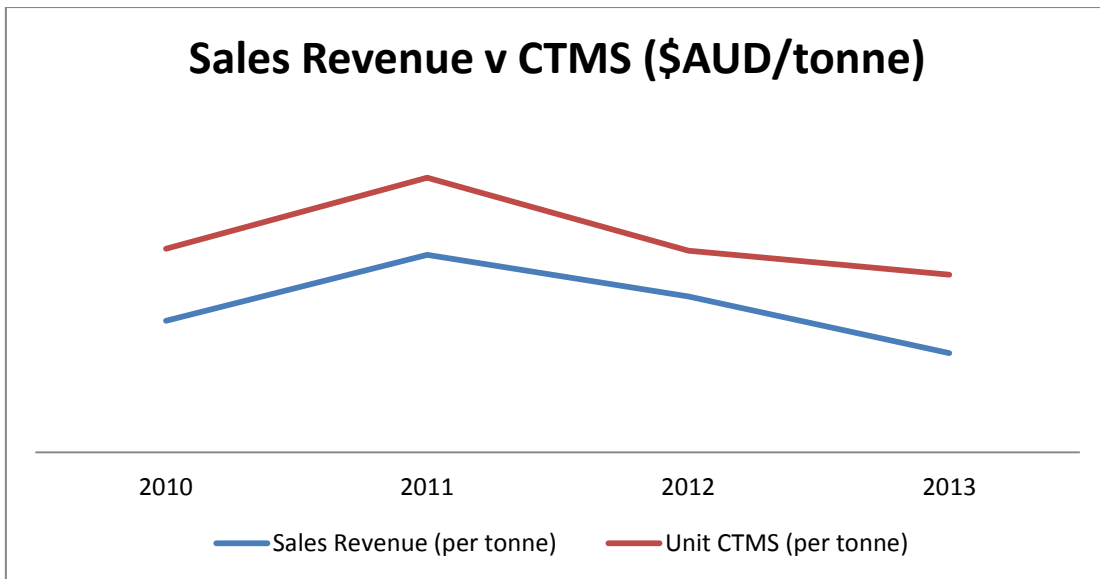


Figure 5 – Sales revenue per tonne vs CTMS per tonne

### 7.5.2 Price effects – the Commission’s conclusion

Based on the analysis outlined above, the Commission has found that the Australian industry has experienced injury in the form of price depression, price suppression, and reduced sales revenue.

## 7.6 Profit effects

### 7.6.1 Profits and profitability

OneSteel claimed in its application that selling costs have declined at a much faster rate than it was able to reduce production costs, and this tightening margin has contributed to a reduction in profit and profitability.

Figure 6 below illustrates movements in OneSteel’s annualised profits and profitability.

The graph demonstrates that on an annualised basis profit and profitability have been negative across the injury analysis period. The graph shows an improvement in profit and profitability in 2012, followed by a marked deterioration in 2013. This is consistent with OneSteel’s claim that the cost saving and operational improvement initiatives implemented in response to the growth in allegedly dumped imports in 2011 were surrendered in 2013 due to the continuing price pressures imposed by a further acceleration in allegedly dumped imports.



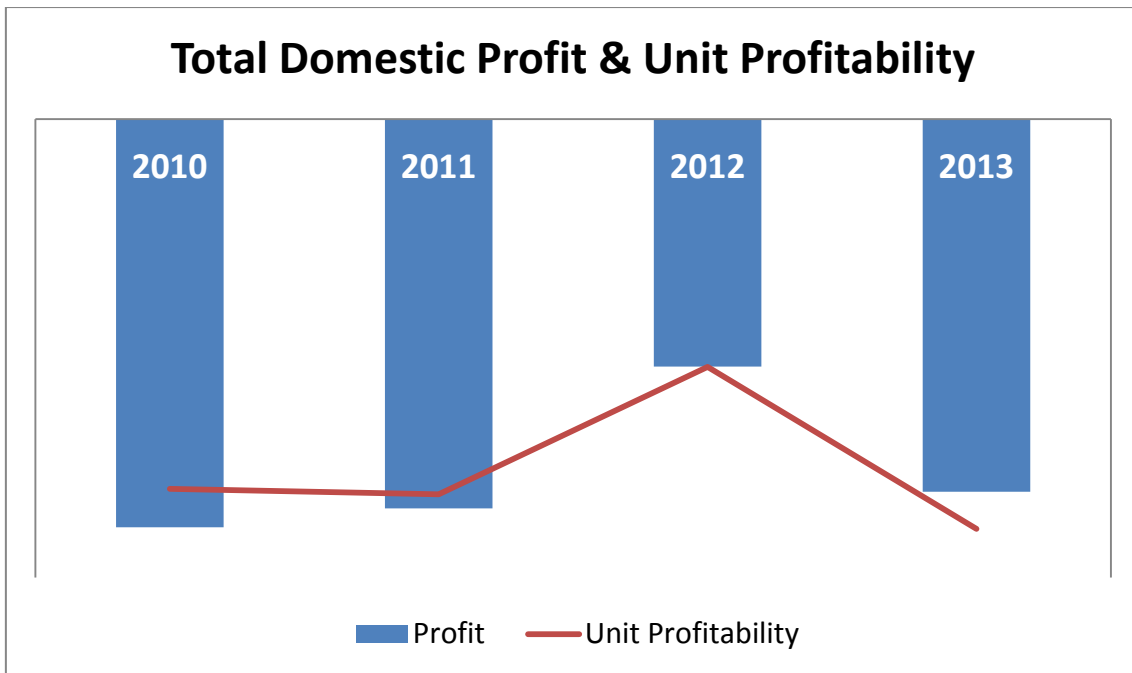


Figure 6 – Total Profit & Unit Profitability

### 7.6.2 Profit effects – the Commission’s conclusion

Based on the analysis outlined above, the Commission has found that the Australian industry has experienced injury in the form of reduced profits and profitability.

## 7.7 Other relevant economic factors

In support of its claim of injury, OneSteel provided information in Appendix A7 of its application in relation to reduced employment and attractiveness for reinvestment.

### 7.7.1 Employment

The Commission noted OneSteel has steadily reduced employment levels for rod in coils production over the injury analysis period.

### 7.7.2 Attractiveness for reinvestment

The Commission noted that over the injury analysis period return on investment improved until 2012 before suffering a significant deterioration.

## 7.8 The Commission’s Assessment

The Commission is satisfied that the Australian industry producing like goods appears to have experienced injury in the form of:

- loss of sales volumes;

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- loss of market share;
- price depression;
- price suppression;
- reduced profits and profitability; and
- reduced revenues.

The Commission has insufficient information to conclude that the reduced capacity utilisation and reduced employment suffered by OneSteel have contributed to injury.

## 8 HAS DUMPING CAUSED MATERIAL INJURY?

### 8.1 Introduction

The Commission has established that during the investigation period exports of rod in coils from Indonesia (except those exported by Ispat) and Taiwan were dumped and that the Australian industry has suffered injury.

Section 269TAE outlines the factors that the Minister may take into account in determining whether, for the purposes of 269TG, material injury to an Australian industry has been, or is being caused or threatened.

In this Chapter, the Commission examines whether the exports of rod in coils to Australia, at dumped prices, have caused material injury to the Australian industry producing like goods.

### 8.2 Finding

The Commission has found that rod in coils exported to Australia from Indonesia (except by Ispat) and Taiwan at dumped prices has caused material injury to the Australian industry producing like goods.

The Commission has analysed and assessed causation factors and submissions by interested parties, and has determined that OneSteel has suffered injury caused by dumped imports from Indonesia and Taiwan in the form of:

- reduced sales volume;
- reduced market share;
- price depression;
- price suppression;
- reduced profits and reduced profitability; and
- reduced revenues.

### 8.3 Dumping

The Commission has found that rod in coils exported to Australia:

- from Indonesia by Gunung during the investigation period were dumped with a dumping margin of 10.6 per cent the volume of dumped goods from Indonesia was not negligible, and that those exports caused material injury to the Australian industry; and
- from Taiwan by Quintain during the investigation period were dumped with a dumping margin of 7.5 per cent, the volume of dumped goods from Taiwan was not negligible, and that those exports caused material injury to the Australian industry.

## **8.4 Cumulation of injury**

Section 269TAE(2C) sets out the requirements for assessing the cumulative effects of exports of goods to Australia from different countries. Where exports from more than one country are simultaneously the subject of anti-dumping investigations, the Minister may cumulatively assess the effects of such imports if:

- the margin of dumping established for each country is not negligible; and
- the volume of imports from each country is not negligible; and
- cumulative assessment is appropriate in light of the conditions of competition between the imported goods and the like domestic goods.

As outlined in section 8.2, the Commission has established that the margin of dumping for each exporter and the volume of imports from both Indonesia and Taiwan is not negligible.

The conditions of competition between imported and domestically produced rod in coils are similar. The Commission has established that importers and OneSteel are both selling the product predominantly into the same market segment.

Furthermore, domestically produced rod in coils can be directly substituted with the exported rod in coils and evidence indicates that the importers' customers are directly competing with OneSteel's distribution network.

The goods are alike, have similar specifications and end-uses, and compete in the same markets. This has been verified during importer, exporter and Australian industry visits or verifications completed remotely.

The Commission considers the conditions of competition are such that it is appropriate to consider the cumulative effect of the dumped imports from Indonesia and Taiwan.

## **8.5 Volume effects**

As discussed in Chapter 7 of this report, it appears that the Australian industry has experienced both diminished sales volume and diminished market share over the injury analysis period.

### **8.5.1 Sales volumes**

The Commission has estimated that the size of the Australian rod in coils market contracted by approximately 10 per cent over the injury analysis period, including a five per cent contraction during the investigation period. Over those same time frames the Commission established that OneSteel's sales volumes contracted by 16 per cent and seven per cent respectively.

The Commission has established that rod in coils exported by Gunung and Quintain were at dumped prices. The Commission analysed the end purchaser data in relation to rod in coils exported by Gunung and Quintain. The Commission established that the majority of the goods exported by Gunung were ultimately purchased by OneSteel customers, whereas the entirety of goods exported by Quintain were not purchased by an existing OneSteel customer. The Commission considers that OneSteel would have been in a stronger position to achieve sales to both its existing customers and prospective customers had the price offerings of the dumped goods been less competitive.

The Commission has assessed that the value of sales, relating to the goods imported by Gunung and Quintain and based on the prices paid by the end user, to be approximately \$8.55 million, and considers that OneSteel has suffered material injury in the form of reduced sales volume and domestic revenue due to dumped imports of rod in coils from Indonesia and Taiwan.

### **8.5.2 Market share**

The Commission has determined that OneSteel's market share diminished from 89 per cent to 83 per cent over the injury analysis period, while the market share of each of the countries under investigation increased. The Commission noted that OneSteel has the production capacity to supply the entire Australian market.

The Commission accepts that undumped imports from Indonesia and Turkey captured a portion of OneSteel's market share, however considers that OneSteel also suffered material injury in the form of reduced market share due to dumped imports of rod in coils from Indonesia and Taiwan.

## **8.6 Price effects**

### **8.6.1 Pricing in the Australian rod in coils market**

The Commission considers that rod in coils are a commodity product, which means that the grades and sizes used in the market are commonly available and when produced to similar grade and dimension are interchangeable regardless of origin. As a result, price is one of the primary factors affecting purchasing decisions.

OneSteel stated that it negotiates monthly prices for rod in coils with customers, based on the delivered price of the imported products in the month that the imports are due to arrive at the customer's facility. The Commission accepts that as customers can purchase either from OneSteel or from an import supply source, import offers and movement in the price of import offers are used by customers to negotiate prices with OneSteel, and as such, in order to remain competitive OneSteel is obliged to respond to the price of imported products.

Accordingly, the price of imports is the key determinant of OneSteel's selling price and falling import prices can directly cause price injury resulting in lost revenue and profits.

### **8.6.2 Undercutting**

Price undercutting occurs when imported product is sold at a price below that of the Australian manufactured product. For the purposes of this report, the Commission has undertaken a preliminary analysis of price undercutting based on verified sales data sourced from cooperative importers and OneSteel as part of the investigation. OneSteel supported the verified sales data with market intelligence regarding the competitive price offers for the imported product it alleges is undercutting its pricing offers.

In comparing the sales data of the cooperating importers with OneSteel's sales data, the Commission found that the weighted average quarterly selling price per tonne for imported goods was between ■ per cent and ■ per cent below the OneSteel weighted average quarterly selling price.

Given the presence of both dumped and undumped imports in the market, the Commission further refined this analysis to compare contemporaneous sales of imported goods by distributors. The Commission determined that the level of undercutting was highest in relation to the dumped imports.

### **8.6.3 Price depression and suppression**

In its application, OneSteel claimed that it had to reduce prices in response to price pressures from dumped imports of rod in coils from Indonesia, Taiwan and Turkey.

The analysis undertaken by the Commission, as detailed in section 7.5.1 of this report, demonstrated that OneSteel has experienced price depression since 2011 and price suppression since 2013.

As previously stated, the market for rod in coils is highly price sensitive, and the Commission is satisfied that during the investigation period dumped imports had a competitive price advantage. The Commission is of the view that in the absence of dumping, prices achieved in the market, including OneSteel's, would have been higher by at least the margin of dumping.

## **8.7 Profit effects**

As discussed in Chapter 7 of this report, the Australian industry has experienced deterioration in its revenues, profit and profitability.

### **8.7.1 Reduced profit and profitability**

The Commission has established that dumped imports have caused injury in the form of adverse price effects for OneSteel, particularly in terms of price

depression and price suppression. The Commission has also established that OneSteel has experienced reduced sales volume as a result of dumped imports.

The price depression caused by dumping, combined with reduced sales volume has resulted in reduced domestic revenues for OneSteel.

The price suppression caused by dumping, which has been demonstrated by the lower margin between unit prices and unit costs, has resulted in lower profitability for OneSteel. The lower profitability combined with reduced sales volume has resulted in reduced profits for OneSteel.

The Commission considers that Onesteel has suffered injury in the form of reduced profit and profitability due to dumped imports.

## **8.8 Other injury factors**

The Commission considers that it is inconclusive whether the other injury factors claimed by OneSteel in its Appendix A7 were caused by dumping, or caused by other factors.

## **8.9 Injury caused by factors other than dumping**

### **8.9.1 Introduction**

Subsection 269TAE(2A) requires consideration of whether injury to an industry is being caused or threatened by a factor other than dumped imports.

During the investigation the Commission either determined or was informed by interested parties of the following possible causes of injury:

- Un-dumped goods;
- Imports from other countries;
- Factors specific to the Australian economy;
- Initiation of the carbon tax; and
- Efficiency of operations.

### **8.9.2 Un-dumped goods**

Under paragraph 269TAE(2A)(a), consideration may be given to whether un-dumped goods were also a cause of injury to the Australian industry.

The Commission has found that imports from Ispat in Indonesia, and from Habaş in Turkey were not at dumped prices.

As detailed above, the Commission considers that rod in coils are a commodity product and therefore price is one of the primary factors affecting purchasing decisions. The Commission considers that the volume of undumped imports, and the prices achieved in the market, are such that they have had an impact

on the Australian market. As detailed in section 7.4.2 above, the increase in the volume of sales by these exporters over the injury analysis period has taken market share from other suppliers, including OneSteel.

The Commission considers, however, that the price sensitivity of the market is such that the presence of dumped imports in the market would be impacting the pricing behaviour of all market participants, including Australian industry and those exporters found to have not sold dumped goods into the market.

The Commission considers that in the absence of dumping, all other participants in the market would achieve higher selling prices.

### **8.9.3 Effect of imports from other countries**

Information from the ACBPS database showed that for 2013 approximately 63 per cent of rod in coils imported into Australia came from the countries under investigation, 36 per cent was imported from New Zealand, and one per cent from other countries.

As noted in section 7.4.1 and 7.4.2 imports from other countries have been declining in terms of both volume and market share as imports have increased from the countries under investigation.

The Commission received a submission from PSNZ, the sole exporter of rod in coils from New Zealand to Australia. PSNZ noted in its submission that the market for rod in coils is very price sensitive, and that pricing offers from other importers into the Australian market are used by customers to negotiate lower pricing. PSNZ claimed that it has lost both margin and market share over the injury analysis period. PSNZ provided Australian sales data to support its claim of falling volumes and market share.

The Commission was able to reconcile PSNZ's sales data to the ACBPS database, and was able to determine that PSNZ has suffered an approximate 40 per cent reduction in its volume of sales to Australia over the injury analysis period. Imports from other countries fell by approximately 85 per cent over the same period of time.

The Commission is of the view that rather than contributing to the injury experienced by OneSteel, PSNZ and exporters from other countries not under investigation have themselves been injured by the presence of dumped imports in the Australian market.

### **8.9.4 Factors specific to the Australian economy**

The Commission received submissions asserting that issues specific to the Australian economy, such as deteriorating competitiveness of industry, an appreciating currency and weakening domestic demand contributed to any injury OneSteel claims to have suffered.



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Turkey's Ministry of Economy, Directorate General of Exports submission took the following quote from the Prime Minister's Task Force on Manufacturing report "Smarter Manufacturing for a Smarter Australia" to evidence its claims:

*"While the biggest factor has been the high Australian dollar, a compounding set of factors – rising living costs and weak economy wide productivity growth – have made Australia a 'high cost economy' by international standards. This is occurring at the very time that low cost competitors are emerging, and that established manufacturing centres in Europe and the USA are growing stronger with favourable exchange rate movements and new competitive advantages. The result is a serious erosion of our international competitiveness."*

and

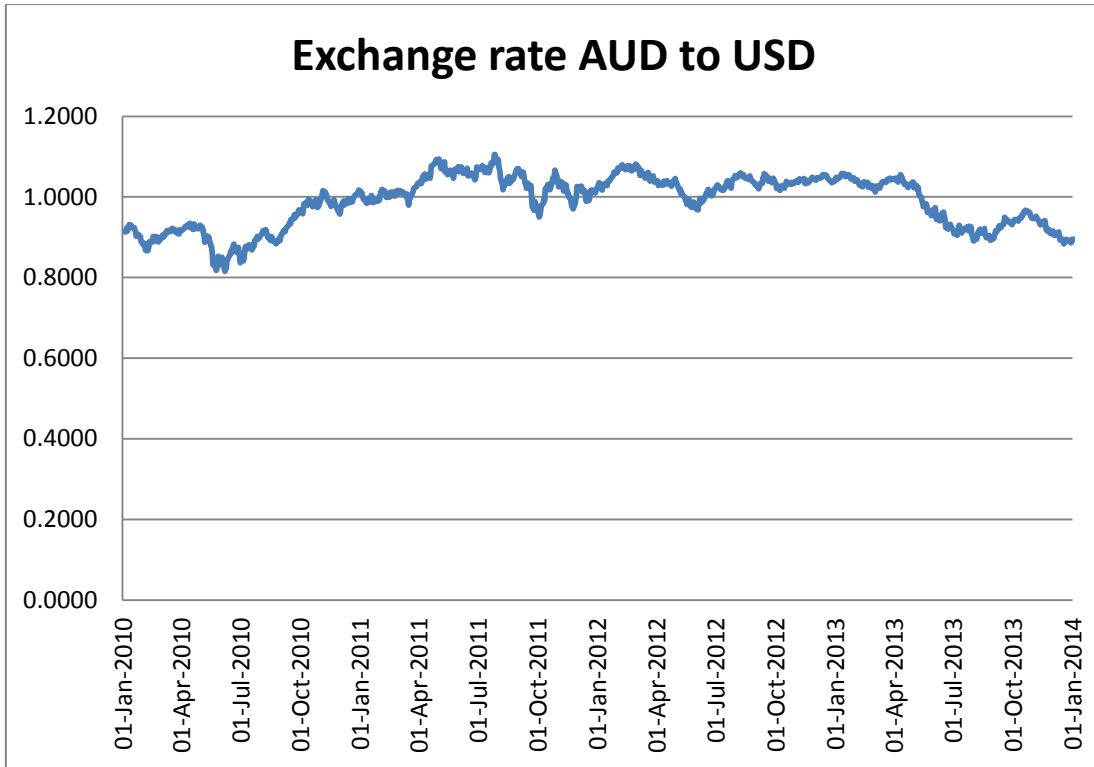
*"The extent of the appreciation of the currency has meant that: Some exports have become entirely unprofitable and some domestic markets are facing import competition for the first time. In other markets there is a much more intense level of import competition than was previously the case."*

The submission also quoted from the Segment Overview section of the 2013 Annual Report of Arrium Limited:

*"The Steel business continued to be challenged during the year by the difficult external environment, including the high Australian dollar and generally weak construction and manufacturing markets... In the non residential and residential construction sectors, activity levels remained generally weak due to credit availability issues and soft business and consumer sentiment."*

The Commission's investigation confirms that the domestic market for rod in coils has suffered a gradual decline over the course of the injury analysis period. Section 5.5 of this report shows the domestic market for HRS contracting by approximately 10 per cent over the injury analysis period. Weakening demand for steel has however been a global issue post global financial crisis and as such OneSteel has had to compete with imports whose pricing has been affected by depressed global demand. In this context the Commission further notes that the statement by Arrium refers to the entire steel market, rather than specifically to rod in coils.

In addition to this weakening of demand, the AUD remained at historically high levels over the duration of the injury analysis period. While the AUD actually fell by two per cent over the course of the injury analysis period, it had appreciated by approximately 21 per cent at its peak in July 2011. Figure 7 below shows this trend:



**Figure 7 – Exchange rate movements during the injury analysis period**

The Commission is of the view that the continued strength of the AUD throughout the injury analysis period has made it more attractive for purchasers to source rod in coils from overseas suppliers. Given the primacy of import prices in the negotiation of OneSteel’s price offers, the impact of the historically high AUD has impacted OneSteel’s economic performance.

The Commission has given consideration to the factors specific to the Australian economy that may have caused injury to OneSteel and has concluded that the price sensitive nature of the market for rod in coils is such that the presence of factors such as weakened domestic demand and a high AUD in the market has exacerbated the injury caused to OneSteel by dumped imports rather than displacing it.

**8.9.5 Initiation of the carbon tax**

The Commission received a submission contending that the initiation of the carbon tax in July 2012 has negatively affected OneSteel.

The submission relies on statements made by OneSteel management prior to the implementation of the tax relating to the possible implications on business competitiveness, but does not provide any evidence as to the actual impact the tax has had since its implementation.

In the absence of evidence the Commission is not able to have regard to this contention.

### **8.9.6 Efficiency of operations**

The Commission received a submission from the Turkish Steel Exporters Association contending that the negative margin between OneSteel's costs and sales revenue in 2013 was comparable to 2010, prior to the commencement of alleged dumping, which indicated that the negative margin could not be a result of dumping. The submission stated:

*“These figures rather make it evident that the applicant’s production costs and selling expenses, despite the applicant’s assertions to the contrary, are still much too high to be competitive. Indeed these figures suggest that the applicant’s business is highly inefficient, which would not surprise anybody given that the applicant is the sole Australian producer not having been exposed to any external competition for way too long.”*

The Commission was not provided any evidence to support assertions that OneSteel is operating an inefficient business. The Commission therefore cannot place any weight on the argument that inefficiency of operations within OneSteel's rod in coils business has caused injury rather than dumped imports.

### **8.10 The Commission's assessment**

In order to differentiate the effects of dumping from the effects of other factors that may have caused material injury, the Commission has examined what effect dumping has specifically had on price.

As discussed above, the Commission is satisfied that rod in coils are a commodity product and the market is highly price sensitive. In this environment OneSteel must negotiate its pricing offers within the context of import price offers. As such the Commission considers that the minimum amount of injury suffered by OneSteel that can directly be attributed to dumped exports is reflective of the individual dumping margins.

Given that OneSteel establishes its selling prices into the market on the basis of the price of imports, the weakening of domestic demand and the strength of the Australian dollar does not detract from the Commission's assessment that prices are lower than they otherwise may have been had rod in coils not been exported to Australia at dumped prices. This assessment leads the Commission to conclude that dumping, in and of itself, has caused injury to OneSteel.

The Commission has taken into consideration other possible injury factors raised during the investigation and is of the view that these other possible causes of injury do not detract from the assessment that dumping has caused material injury to the Australian industry.

**8.11 Conclusion as to whether dumped imports have caused material injury to the Australian industry**

The Commission is satisfied that based on the information submitted in the application and verified data collected in respect of rod in coils that there appears to be reasonable grounds for concluding that the dumping of rod in coils exported to Australia from Indonesia (except by Ispat) and Taiwan has caused material injury to the Australian industry producing like goods.

## **9 WILL DUMPING AND MATERIAL INJURY CONTINUE?**

### **9.1 Introduction**

When the Parliamentary Secretary is satisfied that material injury to an Australian industry has been caused by dumping, dumping duties may be imposed on future exports of like goods if the Parliamentary Secretary is satisfied that the dumping and material injury may continue.

### **9.2 Finding**

The Commission has found that exports of rod in coils from Indonesia and Taiwan in the future may be at dumped prices, and that continued dumping may cause further material injury to the Australian industry.

### **9.3 The Commission's Assessment**

#### **9.3.1 Will dumping and material injury continue?**

The Commission's dumping analysis found that rod in coils exported from Indonesia (except those exported by Ispat) and Taiwan were at dumped prices.

The Commission notes that forward orders exist from the countries found to be dumping, and that those countries hold a significant share of the market for imported rod in coils.

The Commission has analysed data from the ACBPS import system for the nominated countries during the investigation period and post this period. The analysis indicated that on a monthly basis imports from the countries under investigation had fallen by 67 per cent after the initiation of the investigation.

Based on the data, the Commission considers that the initiation of the rod in coils investigation may have temporarily caused some exporters and importers to change their behaviour in response to the investigation.

The Commission does not consider the behaviour observed in the rod in coils market since the initiation of the investigation to be reflective of typical market conditions, such that it would render the imposition of measures unnecessary.

The Commission finds that exports of rod in coils from Indonesia and Taiwan in the future may be at dumped prices, and that continued dumping may cause further material injury to the Australian industry.

## 10 NON-INJURIOUS PRICE

### 10.1 Introduction

Dumping duties may be applied where it is established that dumped imports have caused or threatened to cause material injury to the Australian industry producing like goods. The level of dumping duty imposed by the Parliamentary Secretary cannot exceed the dumping margins, but the Parliamentary Secretary must have regard to the desirability of fixing a lesser amount of duty if it is sufficient to remove injury.<sup>7</sup> This mechanism is commonly referred to as the lesser duty rule.<sup>8</sup>

The lesser duty rule is given effect through the calculation of a non-injurious price (NIP). The NIP is the price that would be sufficient to remove the injury caused to the Australian industry by dumping.

The Commission generally derives the NIP by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping. This price is referred to as the unsuppressed selling price (USP).

The Commission's preferred approach to establishing a USP observes the following hierarchy:

- industry selling prices at a time unaffected by dumping;
- constructed industry prices – industry cost to make and sell plus profit; or
- selling prices of undumped imports.

Having calculated the USP, the Commission then calculates a NIP by deducting the costs incurred in getting the goods from the export FOB point (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, insurance, into-store costs and amounts for importer expenses and profit.

### 10.2 Finding

The Commission has preliminarily assessed that the NIP can be determined by setting the unsuppressed selling price (USP) equal to the exporters' normal values, on the basis that the injury caused by dumping is due to OneSteel's matching of import prices.

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<sup>7</sup> Sections 8(5B), 8(5BA), 9(5AA), 10(3C), 10(3D), 11(5) of the *Dumping Duty Act*

<sup>8</sup> The requirement for the Minister to have regard to the desirability of fixing a lesser amount of duty has changed for applications lodged with the Commission after 1 January 2014. The Minister is no longer required to have mandatory consideration of the lesser duty rule where the Minister is satisfied that certain circumstances exist.

## **10.3 Submissions received**

### **10.3.1 Australian industry**

OneSteel submitted that it is not possible for the Commission to determine a USP based on a selling price in a market unaffected by dumping as Indonesian exports have been prevalent in the Australian market for the duration of the injury analysis period. OneSteel further noted that prior to 2010 selling prices were impacted by the global financial crisis.

Given these circumstances, OneSteel submitted that the most suitable method for determining the USP is to construct industry prices on the basis of its CTMS during the investigation period, plus an appropriate amount of profit applied. OneSteel noted that its rod in coils business has performed just below breakeven point over the last four years, and as such argued that a level of profit be derived from an internally-related manufacturing business with similar cost structures. OneSteel contended that its rail manufacturing business is an appropriate substitute as it sources the same raw materials as the rod in coils business, and the Australian rail market is supplied from both local and imported products.

### **10.3.2 Stemcor**

Stemcor submitted that a USP should be established based on OneSteel's monthly net price offers less additional costs incurred by OneSteel that are specific to OneSteel's manufacturing and distribution practices. Stemcor listed these costs as:

- transporting billet from production point to processing point, for example Whyalla to Laverton;
- stockholding as OneSteel produce to stock whereas importers hold no stock;
- delivery to clients;
- volume and loyalty rebates; and
- a consideration for currency fluctuations, as Stemcor assert that OneSteel would incorporate an amount for currency variations into its pricing model.

No other submissions were received from interested parties regarding the method for determining a USP.

## **10.4 The Commission's assessment**

The Commission has firstly considered whether any of the preferred options for estimating the USP are appropriate in this case.

The Commission has noted OneSteel's claims that historical sales data provided in the investigation has been affected by dumping. While claims made about the existence of dumping preceding the investigation cannot be

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substantiated, the Commission is not satisfied that using historical sales data is a suitable method for calculating the USP.

The Commission has also considered OneSteel's argument that a USP should be calculated using industry's costs plus an appropriate uplift for profit. The Commission is not satisfied that the profit uplift proposed by OneSteel can be reasonably linked to its rod in coils business.

The Commission has considered the argument submitted by Stemcor and is of the view that the methodology proposed does not of itself address the issue of establishing the price at which OneSteel might reasonably be expected to sell rod in coils in a market unaffected by dumping. Stemcor's arguments are, in the Commission's view, focused on the cost implications of OneSteel's business structure. While these issues may have an impact on OneSteel's pricing of rod in coils, they do not address the issue of the price at which OneSteel might reasonably be expected to sell rod in coils in a market unaffected by dumping.

The Commission does not consider that the price of rod in coils imported from other countries in the Australian market are a suitable basis for a USP as it cannot determine whether the prices from those countries have also been impacted by dumped imports from the countries under consideration.

In the absence of a suitable method of determining the USP, the Commission has considered an alternative approach to establishing the NIP. As highlighted earlier in this report, OneSteel's prices are set based on benchmarked import prices plus a local premium to account for the benefits of local supply.

The Commission is of the view that in a market unaffected by dumping, it is reasonable to expect that OneSteel would continue to set its prices with regard to benchmarked import prices. In this case, as the price of imports would be higher at least by the dumping margins found, it would be expected that OneSteel's prices would also be higher by at least the percentage of the dumping margins found.

Accordingly, the Commission considers that the NIP for each exporter is a price equal to the respective normal value. This redresses the effects of dumping without redressing the effects of any other factors influencing price.

As the NIP is set at the same price as the normal value, the lesser duty rule does not come into effect.



## **11 PROPOSED MEASURES**

### **11.1 Introduction**

The legislation allow the Parliamentary Secretary to utilise additional methods of calculating the interim dumping duty beyond the single form that was previously available in the Act. The new forms of duty are prescribed in the Customs Tariff (Anti- Dumping) Regulation 2013 and include:

- Combination of fixed and variable duty method;
- Floor price duty method;
- Fixed duty method (\$X per tonne); or
- Ad valorem duty method (i.e. a percentage of the export price).

### **11.2 Submissions from interested parties**

Stemcor requested that any measures imposed be based on a percentage of the export price as this model is the simplest and easiest to maintain compared to other models.

### **11.3 Proposed measures**

The Commission proposes to recommend to the Parliamentary Secretary that a dumping duty notice be published in respect of rod in coils exported to Australia from Indonesia (except for Ispat) and Taiwan.

Pending the consideration of any further submissions on the matter, the Commissioner proposes to terminate the investigation in respect of rod in coils exported to Australia from Indonesia by Ispat and from Turkey.

The lesser duty rule can only reduce the amount of interim dumping duty where the NIP is lower than the ascertained normal value. As the NIP has been set at the same price as the normal value, the lesser duty rule does not come into effect.

Securities will be taken in respect of rod in coils exported from Indonesia and Taiwan where the preliminary margin of dumping is greater than two per cent. The securities will be calculated ad valorem (i.e. a proportion of export price). Securities will be at the level of the full dumping margins calculated, as tabulated below.

<b>Country</b>	<b>Exporter / Manufacturer</b>	<b>Dumping margin</b>
Indonesia	Gunung	10.6%
	Ispat	0%
	All other exporters	10.6%
Taiwan	Quintain	7.5%
	All other exporters	7.5%

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Turkey	Habaş	0%
	Diler	0%
	All other exporters	0%

**Table 6 – Preliminary measures summary**

## 12 PRELIMINARY AFFIRMATIVE DETERMINATION

### 12.1 Introduction

Under section 269TD of the Act, at any time not earlier than 60 days after the date of initiation of an investigation into whether there are sufficient grounds for the publication of a dumping duty notice, in respect of goods the subject of an application, the Commissioner may, if he is satisfied that:

- there appears to be sufficient grounds for the publication of such a notice; or
- it appears that there will be sufficient grounds for the publication of such a notice subsequent to the importation into Australia of such goods;

make a PAD to that effect.

The ACBPS may, at the time of the Commissioner making a PAD or at any later time during the investigation, require and take securities under s.42 of the Act in respect of interim duty that may become payable if the Commissioner is satisfied that it is necessary to do so to prevent material injury to an Australian industry occurring while the investigation continues.

### 12.2 The Commission's findings

In making this PAD, the Commissioner has had regard to:

- the application for a dumping duty notice;
- the findings and recommendations contained in the *Australian Industry Visit Report* (available on the Public Record);
- any submissions concerning publication of the notice that are received by the Commissioner within 40 days after the date of initiation of the investigation; and
- other matters that the Commissioner considered relevant.

The Commissioner, having made the finding that rod in coils from Indonesia (except by Ispat) and Taiwan were exported at dumped prices and that those exports have caused material injury, is satisfied that there appears to be sufficient grounds for the publication of a dumping duty notice. Accordingly, the Commissioner considers it necessary to make a PAD under s.269TD(1).

Under s.42 of the Act, a PAD allows the ACBPS to require and take securities in respect of interim duty that may become payable if the Commissioner is satisfied that it is necessary to do so to prevent material injury to the Australian industry occurring while the investigation continues.

The Commissioner is satisfied that rod in coils exported to Australia from Indonesia and Taiwan in the investigation period has caused material injury to the Australian industry and that it is likely that importations of rod in coils will occur in the future. The Commissioner is of the view that it is necessary to make

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a PAD under s.269TD and impose securities under section 42 to prevent material injury to the Australian industry occurring while this investigation continues.

### 12.3 Securities

The PAD, including the level of securities, will be publicly notified by way of an ADN and also in *the Australian* newspaper on 2 March 2015. Securities will be collected from 2 March 2015. This report sets out the reasons for the determination, including all the material findings of fact and law on which the determination is based.

The ACBPS will calculate the amount of securities payable on an ad valorem basis (calculated as a proportion of export price). Securities will be at the level of the full dumping margins calculated, as tabulated below:

Country	Exporter / Manufacturer	Dumping margin
Indonesia	Gunung	10.6%
	Ispat	0%
	All other exporters	10.6%
Taiwan	Quintain	7.5%
	All other exporters	7.5%
Turkey	Habaş	0%
	Diler	0%
	All other exporters	0%

**Table 7 – Preliminary measures summary**

**13 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Preliminary calculations of export price, normal value and dumping margins
<b>Confidential Appendix 2</b>	NIP calculations
<b>Non-Confidential Appendix 1</b>	List of Submissions

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**14 Non-Confidential Appendix 1**

<b>Date Received</b>	<b>Submission from</b>	<b>Submission Title</b>	<b>EPR No.</b>
29 May 2014	OneSteel	Investigation into Rod In Coil exported from Indonesia, Taiwan and Turkey – Exporter Questionnaire Deadline and Preliminary Affirmative	15
4 June 2014	OneSteel	Rod-In-Coil exported from Indonesia, Taiwan and Turkey – Proposed Unsuppressed Selling Price	16
3 June 2014	Van Bael & Bellis on behalf of the Turkish Steel Exporters' Association	Injury Submission	21
4 June 2014	Pacific Steel	Re: Anti-dumping Notice 2014/27	24
17 June 2014	OneSteel	Investigation into Rod In Coil exported from Indonesia, Taiwan and Turkey – Exporter Questionnaire Redactions	25
8 July 2014	OneSteel	Investigation into Rod In Coil exported from Indonesia, Taiwan and Turkey – Submission on behalf of Turkish Steel Exporters' Association of 3 June 2014	31
12 September 2014	OneSteel	Exporter Briefings	34
17 November 2014	Stemcor	Investigation into Wire Rod exported from Indonesia	39
10 December 2014	Quintain	Comments on Visit Report	40
23 December 2014	Gunung	Dumping Investigation – Rod in coils exported from Indonesia	42
2 June 2014	Republic of Turkey Ministry of Economy Directorate General of Exports	Views of Turkey regarding the Anti-Dumping Investigation initiated by Australia against rod in coils imports from Indonesia, Taiwan and Turkey	45

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<b>Date Received</b>	<b>Submission from</b>	<b>Submission Title</b>	<b>EPR No.</b>
6 Feb 2015	OneSteel	Investigation into Rod in Coil exported from Indonesia, Taiwan and Turkey – Exports from Indonesia	46
16 Feb 2015	OneSteel	Investigation into Rod In Coil exported from Indonesia, Taiwan and Turkey – Exporter Verification Report on Habas Sinai Ve Tibbi Gazlar Istihsal Endustrisi A.S	48