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23 March 2015

Ms Candy Caballero  
Director Operations 3  
Anti-Dumping Commission  
1010 La Trobe Street  
Melbourne VIC 3008

### **Dumping investigation – Rod in coils exported from Indonesia**

Dear Candy,

This submission is made by PT Gunung Raja Paksi (GRP) in response to the Anti-Dumping Commission's (the Commission) Statement of Essential Facts Report No. 240 (SEF240) published on 2 March 2015.

#### **Material injury assessment**

At the outset, GRP wishes to express its concern with the lack of proper analysis and reasoning contained in the SEF report to support the Commission's preliminary findings. In terms of the material injury assessment, GRP considers that SEF240 falls well short of the standard expected from a lengthy investigation process and outlined in the Commission's Dumping and Subsidy Manual<sup>1</sup>.

In particular, GRP is concerned with the Commission's scant causality analysis and reasoning linking dumped imports to alleged injury, which limits the opportunity for interested parties to respond and address key aspects of the Commission's analysis. In the absence of sufficient explanation of the analysis undertaken and reasoning, GRP's submission in large part is restricted to posing questions aimed at better understanding the type of analysis utilised by the Commission in reaching its preliminary view.

#### **Reasonableness of applicant's costs**

In its submission of 24 February 2015, the applicant queries the reasonableness of GRP's billet costs as a result of billet being purchased from a related entity. In the GRP verification report, the

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<sup>1</sup> "the SEF is about reporting the facts, analysis and findings rather than detailing proposed recommendations in relation to issues such as causation and the imposition (or otherwise) of measures." - Dumping and Subsidy Manual, December 2013; page 139.

Commission considered the issue and ultimately satisfied itself that billet purchases by GRP were reasonable.

By contrast, GRP notes that whilst SEF240 highlights a strong level of integration within the applicant's production operation<sup>2</sup>, the Commission does not appear to have considered at all whether the transfer of raw materials between the applicant's business operations are reflective of reasonable arms-length costs.

In the applicant's verification report<sup>3</sup>, the Commission further highlights that:

*The production process for rod in coils made by OneSteel is via one of two distinct steelmaking process routes: The first is a fully integrated process involving ironmaking (through a Blast Furnace) which provides the main input into the steelmaking process (through a Basic Oxygen Furnace (BOF)). The ferrous feed, including iron ore, pellets and recycled steel (small amounts are added to the BOF process) are sourced from Arrium Mining and OneSteel Recycling. This integrated (ironmaking+steelmaking) operation is used to produce continuously cast steel billets, slabs or blooms at the Whyalla Steelworks. The second process involves charging scrap steel into an Electric Arc Furnace (EAF). Liquid steel from this process is continuously cast into steel billets. This steelmaking operation takes place at OneSteel's Laverton and Sydney (Rooty Hill) sites. The steel billets produced through either process route are then charged as feed billets into the Rod Mills at OneSteel's Laverton and Newcastle sites and rolled into coiled rod. The majority of rod in coils is sold internally to who further process the rod in coils into finished products that are on sold by OneSteel Distribution. [emphasis added]*

GRP is concerned then that the Commission has not addressed or appeared to have even considered the issue of whether the applicant's integrated costs are reasonable and whether they are suitable for the purposes of assessing injury in the context of s.269TAE of the Act.

The Commission's policy for assessing injury where related party transactions are evident within the Australian industry is outlined at section 4.2 of the Dumping and Subsidy Manual<sup>4</sup>. It states:

*...transaction values between related parties may be unreliable and inappropriate for assessing injury indicators associated with price effects. (Costs may also be unreliable for example where there are integrated production stages owned by related business divisions).*

The purpose for such policy is to ensure that an applicant has not fabricated injury by shifting profits to upstream or downstream businesses through the sale of like goods to related parties or the purchase of inputs from related parties used to produce like goods.

The Dumping and Subsidy Manual<sup>5</sup> further explains that:

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<sup>2</sup> "the fully integrated Whyalla Steelworks in South Australia"; "The Newcastle Rod Mill uses billet from Whyalla and Sydney to manufacture rod in coils". SEF240, pages 19-20.

<sup>3</sup> EPR No. 37 - Australian Industry - OneSteel Manufacturing Pty Ltd; Page 9

<sup>4</sup> Dumping and Subsidy Manual; December 2013; page 14.

<sup>5</sup> Ibid. page 14.

*Therefore, it is policy is to examine the degree to which related party transactions involving the producing Australian industry are suitable for the material injury assessment. The Commission will examine whether the association between the parties affects the transaction value. This is reflected in the practice outlined below. It establishes evidentiary benchmarks for examining related party transactions made by the Australian industry.*

Therefore, GRP requests the Commission to observe its own stated policy and practice, and properly assess whether the applicant's costs are reasonable and appropriate for assessing injury.

### **Causation – Volume effects**

#### Preliminary findings

SEF240 makes the preliminary finding that the Australian market for rod in coil has contracted over the injury analysis period to approximately 540,000 tonnes, with local production and New Zealand imports experiencing a 16% fall over the same period. By contrast, the Commission has preliminarily found that imports from Indonesia have increased by over 500% during that time.

Similarly, market shares of imports from the countries subject to investigation have “increased steadily” since 2010.

On that information, the Commission has preliminarily concluded that the applicant has “*experienced injury in the form of reduced sales volume and reduced market share for rod in coils in the Australian market.*”

In terms of linking dumped imports to the applicant's lost volumes and reduced market share, GRP notes that SEF240 contains no actual analysis. In the three paragraphs relevant to the volume effects, the first repeats the findings of injury experienced by the applicant in terms of lost volumes and reduced market share. The second paragraph highlights that of the two dumped exporters, GRP sold to common customers of the applicant and that none of the exports by Quintain Steel Co Ltd (Quintain) were sold to the applicant's customers.

This seems to be the totality of the Commission's causality analysis into the volume effects as it ultimately concludes “*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.*”

In effect, the Commission appears to be relying on a ‘but-for’ argument based on an assumption that the applicant would have made the lost sales had imports not entered the Australian market at dumped prices. This is confirmed in the third paragraph which highlights that the estimate of injury caused by dumped imports is the total volume of goods exported by GRP and Quintain.

#### GRP's response to SEF240

GRP wishes to firstly highlight the lack of a “*compelling explanation*”<sup>6</sup> for the use of the ‘but-for’ analysis. The Dumping and Subsidy Manual makes clear that where a “*coincidence analysis*” shows no coincidence between dumped imports and injury indicators, or is unable to be undertaken, the alternative ‘but-for’ analysis requires a compelling explanation.

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<sup>6</sup> Ibid. page 123.

In GRP's view, SEF240 contains no coincidence analysis or compelling explanation as to why such analysis was not possible and why therefore the but-for analysis was preferred. This is a fundamental flaw throughout the Commission's causality findings.

The Commission's Dumping and Subsidy Manual states<sup>7</sup> that its causation methodology will be "assessed by examining the trends or movements in the volumes and prices of dumped or subsidised imports over time, and also the volume and price movements in the injury factors." As previously explained, no such analysis appears to have been undertaken as SEF240 makes no mention of the relative movements in import volumes from dumped and undumped exports over the injury analysis period. GRP considers that such analysis is necessary to more precisely identify and isolate the effects of dumped imports from other factors such as undumped imports.

To that end, GRP submits its export sales volumes in the table below for each calendar year of the injury analysis period to demonstrate that its export volumes have moved in line with the market trend and importantly, decreased over the period in which the applicant's sales also decreased by 16%.

<b>GRP Exports of rod in coil to Australia</b>				
<b>Year</b>	2010	2011	2012	2013
<b>Volume (tonnes)</b>	XXX	XXX	XXX	XXX
<b>Movement (%)</b>		XXX%	XXX%	XXX%

This information confirms that its exports fell by [REDACTED] % from 2011 to 2012 and by [REDACTED] % from 2012 to the 2013 the investigation period. The Commission will be able to confirm these export volumes using available information from Customs' import database.

The submitted information shows as fact, that exports by GRP have decreased since 2011 by over [REDACTED] %. Therefore, the estimated 500% increase in Indonesian exports of rod in coil and the corresponding estimated 16% decrease in the applicant's sales of rod in coil, cannot in any way be attributed to alleged dumped exports from Indonesia. Similarly, any increase in the market share of Indonesian exports and decrease of the applicant's market share cannot be attributed to dumped exports from Indonesia.

### Conclusion

In conclusion, GRP submits that the Commission's preliminary report contains no meaningful assessment or explanation of the 'coincidence analysis' required to be undertaken. An examination of Customs' import database by the Commission would clearly show that the volume of dumped exports from Indonesia have decreased significantly and followed a similar trend to that experienced by the applicant's sales.

As a result, it is improbable that dumped exports from Indonesia have contributed or caused any of the volume related injury experienced by the applicant.

### **Causation – Price effects**

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<sup>7</sup> Ibid. page 122.

### Preliminary findings

The Commission has found that the applicant's selling prices declined since 2011 and that these prices were falling at a greater rate than corresponding costs. As a result, price depression and suppression were preliminarily found to have occurred during the investigation period.

In assessing whether a causal link existed between the dumped exports and injury, the Commission makes the point on a number of occasions that rod in coil is a commodity product and "*the market for rod in coils is highly price sensitive*". As a result, "*price is one of the primary factors affecting purchasing decisions*."

For the purposes of assessing causality between dumped exports and injury to the applicant, the Commission appears to rely solely on its undercutting analysis. Based on a price comparison of weighted average quarterly unit selling prices, the Commission preliminarily found that "*the level of undercutting was highest in relation to the dumped imports*."

### GRP's response to SEF240

GRP wishes to again highlight that the Commission's price undercutting analysis in SEF240 provides insufficient information or understanding of the methodology used to ensure prices have been properly compared. There is no explanation of the point of price comparison in terms of location, level of trade and delivery terms; how timing differences were addressed or how credit terms, rebates/discounts and packing terms were adjusted to ensure proper comparison.

The SEF report does not reveal the degree of undercutting found by the Commission during the investigation period. GRP notes that this is inconsistent with previous SEF reports published by the Commission which have tended to provide very specific details regarding undercutting and as a minimum, indicated a range within which undercutting was found to have taken place. In this particular case, given that goods are highly price sensitive and the volume of undumped exports represent over 85%<sup>8</sup> of total imports into the Australian market, it is imperative that the Commission provide a meaningful understanding of the degree of undercutting by dumped imports relative to undumped imports.

In response to the Commission's preliminary finding of price undercutting and the link to price depression and suppression experienced by the applicant, GRP makes the following observations.

### Reliability of undercutting assessment

Firstly, the price undercutting findings and the analysis undertaken are questionable and inconsistent with the Commission's view that rod in coil is a commodity product that is highly price sensitive. It is illogical that in a market for a commodity product such as rod in coils, where price is the primary determinant of supply, that the lowest priced suppliers are the smallest volume suppliers and the higher priced suppliers collectively represent over 97% of the Australian market.

This could be explained where factors other than price were a relevant consideration of the ultimate customer's purchasing decisions such as quality, certainty of supply, etc. However, SEF240 states that

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<sup>8</sup> Based on the applicant's estimates of import volumes. EPR No. 001 – Application; page 29.

*“the grades and sizes used in the market are commonly available and when produced to similar grade and dimension are interchangeable regardless of origin.”*

Based on the applicant’s estimates of import volumes and the Commission’s estimate of the total Australian market during the 2013 investigation period, it is estimated that GRP’s exports represent 1.1% of the Australian market and 2.1% when combined with dumped exports from Taiwan. Based on these figures, it is inconceivable that in a commodity product market such as rod in coils, prices from suppliers accounting for just over 2% of the market could impact or set the prices for the market generally.

Second, the Commission’s price undercutting analysis is doubtful when compared to sales information provided to and verified by the Commission. GRP re-submits at **Confidential Attachment 1**, the detailed sales information submitted by [REDACTED], the sole importer of rod in coils from GRP during the investigation period. The importer’s sales information is considered useful and directly pertinent to the issue of price undercutting given that they made sales of rod in coil into the Australian market from multiple exporters of both dumped and undumped product.

An analysis of the sales information verified by the Commission shows the following price comparisons which directly contradict the findings outlined in SEF240. A comparison of weighted average quarterly prices shows that undumped imports from Turkey undercut dumped imports from Indonesia by [REDACTED]% to [REDACTED]% in [REDACTED] quarter 2013 and by [REDACTED]% in [REDACTED] quarter 2013.

	WA June qtr 2013 prices	June qtr 2013 undercutting	WA Sept qtr 2013 prices	Sept qtr 2013 undercutting	WA 2013 IP prices	IP undercutting
GRP - Indonesia	\$XX		\$XX		\$XX	
XX - Turkey	\$XX	-3.1%	\$XX	-12.1%	\$XX	-4.5%
XX - Turkey	\$XX	-5.0%	\$XX		\$XX	-5.7%

The above information confirms the applicant’s initial views of the price relativities in the Australian market which are repeated at Table 1 on page 17 of the Commission’s consideration report. The table shows that undumped export prices from Turkey were lower than Indonesian export prices by between 7%-10% during the investigation period. When adjusted to take account of the Commission’s identified margin of error, undumped export prices from Turkey were lower than Indonesia export prices by between 3%-6% over the investigation period.

Therefore, based on the comparison analysis outlined in the table above using verified actual selling prices into the Australian market, GRP questions the soundness of the Commission’s preliminary undercutting analysis in SEF 240.

#### Period of price comparison

GRP also questions the Commission’s decision to compare prices on a quarterly basis given its usual practice is to assess prices on a monthly basis and its finding that prices for rod in coils are negotiated and set monthly.

The Commission’s Dumping and Subsidy Manual<sup>9</sup> explains that in undertaking price comparisons, *“the Commission normally examines the weighted average net realised prices, for example monthly, achieved by*

<sup>9</sup> Dumping and Subsidy Manual; December 2013; page 16.

*importers of the goods and Australian industry at equivalent levels of trade.*" A review of price undercutting analysis undertaken in past and more recent investigations confirms this to be the common practice of the Commission.

In this particular investigation, GRP considers that a meaningful undercutting analysis can only be achieved through monthly price comparisons. SEF240<sup>10</sup> confirms that the applicant "*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.*" [emphasis added]. GRP can also confirm that its prices are negotiated and set each month and that is the standard period for price negotiations.

In addition, a comparison of average quarterly prices based on sales negotiated monthly can, and have in GRP's view, distorted and masked more accurate price relativities in the Australian market. For example, with the exception of the June quarter 2013, sales into the Australian market of dumped exports from Indonesia were only made in [REDACTED] [periods of export sales].

This is also evident in the sales information provided at Confidential Attachment 1 which shows that the [REDACTED] % undercutting of GRP's sales by undumped Turkish exports in the [REDACTED] quarter 2013, does not involve a comparison of prices in the same corresponding months. Therefore, the weighted average quarterly selling prices of the applicant, undumped exports and dumped exports from Taiwan would be distorted by sales in the [REDACTED] quarters when compared to sales of dumped exports from Indonesia.

GRP further notes that the Commission has verified sales information provided by cooperating importers which shows significant monthly variation in selling prices within the quarters of the investigation period. Information at Confidential Attachment 1 also shows that average monthly selling prices of dumped exports from Indonesia varied in the [REDACTED] quarter 2013 by approximately [REDACTED] % between the highest average month and lowest average month, and by almost [REDACTED] % between the highest and lowest price in the quarter.

Therefore, GRP considers that a meaningful assessment of prices in the market can only be achieved by ensuring prices are properly compared on a monthly basis to remove the distortion of weighted sales occurring in mismatched months. GRP requests that the Commission re-assess its undercutting analysis to properly compare sales in corresponding months.

#### Price comparison at common delivery terms

The Commission's Dumping and Subsidy Manual<sup>11</sup> makes clear that "*when comparing imported and local prices the Commission adjusts the prices to account for differences between the imported and locally produced goods, for example differences in the terms and circumstances of their sales, or differences in physical characteristics.*" It also states<sup>12</sup> that the undercutting analysis will compare "*the price of the imported goods with the sales price of the locally produced goods, ensuring that the transactions are made under the same conditions (e.g. timing, volume, discounts, delivery, credit, same customer etc.)*" [emphasis added].

<sup>10</sup> SEF 240; 2 March 2015; page 53.

<sup>11</sup> Dumping and Subsidy Manual; December 2013; page 16.

<sup>12</sup> Ibid. page 122.

GRP notes that SEF240 provides interested parties with no understanding of the delivery terms chosen by the Commission to compare prices across the Australian market. In addition, SEF240 provides no explanation of whether adjustments were made to certain sales, and how those adjustments were quantified to ensure the proper comparison of prices at common delivery terms.

In the case of sales of dumped exports from Indonesia, GRP notes that verified sales information submitted by importers and available to the Commission shows varied delivery terms to Australian customers. These include [REDACTED], [REDACTED] and [REDACTED]. It is also noted that the delivery terms of sales of undumped Turkish exports by the same importer differed between [REDACTED] and [REDACTED].

As such, GRP requests the Commission to inform interested parties of the delivery terms used to compare prices. If prices were compared on a free-into-store basis, GRP requests the Commission to provide interested parties with a meaningful understanding of the manner in which import charges and delivery expenses were calculated for the purposes of adjusting [REDACTED] and [REDACTED] [delivery terms] selling prices of imported goods.

In any case, GRP wishes to submit its view that prices in the Australian market should be compared using the applicant's ex-works selling prices to the ex-local port prices of the imported goods. An ex-works to ex-port comparison would remove the impact of the applicant's expected high inland freight expenses for transportation of the goods from its mills in Newcastle and Laverton. This is particularly relevant to GRP's imports with approximately [REDACTED] [location of sales].

It is expected that the applicant would incur significant inland freight charges to transport its goods from any of three mills to the same customers [REDACTED] [location]. As a result, any observable degree of undercutting from a comparison of delivered prices would largely be driven by the applicant's higher delivery charges in contrast to the importer's negligible inland freight expense for transporting the goods from the local port to the customers nominated point of delivery.

Therefore, GRP requests the Commission to undertake price comparisons at ex-works and ex-local port equivalent points of delivery to remove the distorting effect of the applicant's higher transportation expenses.

Price comparison at common credit terms

As with delivery terms, GRP understands that the Commission has information provided by relevant importers which show that credit terms varied on the sale of rod in coil in the Australian market. In the case of the importer of GRP's goods, credit terms varied from [REDACTED] [REDACTED] [credit terms]. This contrasts to GRP's understanding of the applicant's local sales which vary from either 30 to 60 days from the end of the month of delivery.

Once again, SEF240 provides no indication whether credit terms were properly adjusted to ensure proper comparison and if so, how the adjustments were calculated and what specific interest rates were used to quantify the credit expenses.



GRP therefore requests that the Commission undertake and provide a meaningful explanation of the way in which sales of rod in coil into the Australian market were adjusted for credit terms to ensure a proper comparison of the applicant's selling prices and prices of the imported goods.

### **Causation – Cumulation**

GRP notes that SEF240 sets out the conditions for the cumulation of the effects of imports from multiple countries. It outlines the conditions as:

- 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.

Therefore it is only if the above conditions are established that the Commission may undertake a cumulative assessment of the effects of dumped imports from Indonesia and Taiwan. However, in the case of the first condition, SEF240<sup>13</sup> states that *“the margin of dumping for each exporter and the volume of imports from both Indonesia and Taiwan is not negligible.”* [emphasis added]

GRP submits that the Commission has not fulfilled its obligations in respect of this first condition by establishing whether the margin of dumping in relation to imports from each “country” is more than de minimis. Whilst making clear in SEF240 that the assessment of the negligible margin of dumping is undertaken for ‘each country’, the Commission’s assessment is only performed for each ‘dumped exporter’. In order to properly establish the margin of dumping for Indonesia as a country, the Commission would be required to calculate a weighted average dumping margin taking into account the negative margin of dumping for PT Ispat Indo and the positive margin of dumping for GRP.

Given GRP’s understanding that exports by PT Ispat Indo represented approximately [REDACTED] % of total exports to Australia from Indonesia during the investigation period, it is questionable whether the margin of dumping for imports from Indonesia is not negligible and therefore whether the conditions for cumulation are fulfilled.

GRP requests the Commission to properly calculate the margin of dumping for each country having regard to the dumping margins for all imports from the respective countries.

### **Non-injurious price**

GRP considers that the Commission’s analysis of the non-injurious price is fundamentally flawed and lacking a proper assessment of the price relativities in the Australian market.

GRP agrees with the Commission’s view<sup>14</sup> *‘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.’* Given that over 85% of rod in coil imports in the Australian market are considered not to be dumped, it is critically important that the Commission properly identify and explain the price relativities in the Australian market between the dumped goods and undumped goods.

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<sup>13</sup> SEF 240; 2 March 2015; page 52.

<sup>14</sup> Ibid. page 64.

It would be illogical to expect that the applicant would be able to achieve selling prices equal to the into-store normal values of the dumped exporters when corresponding prices of goods from undumped exporters continued to remain significantly lower. This is especially so when it is clear that dumped exports only account for approximately 2% of the total Australian market.

Therefore, GRP again requests the Commission to provide a meaningful understanding of the price undercutting analysis between the dumped, undumped and locally produced rod in coil sold in the Australian market during the investigation period.

### **Minister's discretion to not impose measures**

In June 2011<sup>15</sup>, the Australian Government announced reforms to the anti-dumping system aimed at improving the way in which the system was administered. Those reforms were a response to the Productivity Commission Inquiry Report No. 48<sup>16</sup>, Australia's Anti-dumping and Countervailing System.

In response to the Productivity Commission's proposed "bounded" public interest test (Recommendation 5.1), which provided that anti-dumping or countervailing measures would automatically not be imposed where one of five criteria was met, the Government announced<sup>17</sup> that the Minister's current unfettered discretion not to impose measures was adequate '*to take account of the public interest when circumstances warrant broader matters be considered*'. The Government's report<sup>18</sup> explains that the Commission '*already examines the effect on the market in determining the causes of injury to the industry and in determining the non-injurious price, and it is now proposed the Branch will provide the Minister with information specifically on these matters.*'

GRP submits that the circumstances in this investigation warrant a recommendation to the Minister that measures not be imposed on the grounds that they will be ineffective at removing injury suffered by the applicant.

The Productivity Commission's report<sup>19</sup> highlights three specific circumstances:

*'where measures would not be effective in removing injury being experienced by the applicant industry, and hence where the ensuing costs for others in the community would be needlessly incurred:*

- *The imposition of measures equivalent to the assessed dumping margin (or the benefit from a countervailable subsidy) would result in an import price still well below local suppliers' costs to make and sell.*
- *'Like goods' could be readily obtained from an un-dumped source at a comparable price, meaning that the imposition of measures would simply lead to substitution into un-dumped imports with little or no benefit for competing local suppliers.*

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<sup>15</sup> Streamlining Australia's Anti-dumping System – June 2011 (<http://adcommission.gov.au/reference-material/documents/ACBPSADSPolicyStatement2011.pdf>)

<sup>16</sup> Productivity Commission Inquiry Report No. 48 – 18 December 2009; (<http://www.pc.gov.au/inquiries/completed/antidumping/report/anti-dumping.pdf>)

<sup>17</sup> Streamlining Australia's Anti-dumping System – June 2011; page 26.

<sup>18</sup> Ibid.

<sup>19</sup> Productivity Commission Inquiry Report No. 48 – 18 December 2009; pages 72-73.

- *Dumped or subsidised imports may be a contributing factor to the material injury being experienced by a local industry, but are not the major cause*

GRP considers that all three of the circumstances highlighted by the Productivity Commission are applicable in the case of rod in coils exported from Indonesia.

A review of the applicant's profitability performance as highlighted by the Commission in SEF240 reveals that the applicant has incurred significant losses over the injury analysis period. Of particular note is that the applicant experienced significant losses on its sales of rod in coils in 2010, when according to information in its application, there were no exports by GRP, no exports from Turkey and virtually no exports from Taiwan in the Australian market. During that year, the applicant was estimated to hold approximately 88% share of the market and was still unable to sell its production of rod in coils profitably.

GRP submits that the imposition of a [REDACTED] % measure (reflecting the revised dumping margin) on its imports will not result in an equivalent increase in the applicant's prices. The recent increase in the applicant's prices are understood to be primarily due to exchange rate movements having an impact on their import parity pricing model. However, even if the applicant's prices were to increase by the amount of the dumping margin, GRP questions whether such prices would allow for a recovery of the applicant's cost to make and sell for such goods.

As explained earlier, GRP considers that undumped imports account for over 85% of total imports in the Australian market during the investigation period. Given the significant share of alternative import sources and the view that rod in coils is a commodity product that is very price sensitive, it is reasonable to expect and conclude that measures would simply result in import substitution. This is particularly the case if the Commission is able to find that undumped imports are themselves significantly undercutting the applicant's selling prices and costs.

The likelihood and ease with which import substitution can happen is demonstrated by the applicant's comments to the Commission at the verification visit and reflected in the visit report. The Commission's report notes:

*OneSteel said that rod in coils was a commodity product and that importers and end users could change sources and countries of supply very quickly. OneSteel further said that since the initiation of the investigation it had noticed an increase in offers and imports from [confidential].*

This clearly shows that the applicant considers that import substitution has already taken place since the commencement of the investigation. GRP contends that given that over 85% of imports into the Australian market are undumped, it is even more likely that import substitution will occur or continue.

Finally, GRP reiterates its view that its exports have declined by over [REDACTED] % from 2011 to 2013 and consistent with the declining trend experienced by the applicant and other export countries. Conversely, imports from undumped exporters have experienced significant increases during this same period.

Dumped imports by GRP represent approximately 1.1% of the Australian market and 2.1% when combined with dumped imports from Taiwan. Further, information provided at Confidential Attachment 1 shows that selling prices of rod in coil imports from undumped sources to be significantly lower than the prices of dumped imports from Indonesia. Therefore, in GRP's view it is reasonable to conclude that any volume and price related injury being experienced by the applicant that can be attributed to dumped imports from Indonesia is negligible.

As a result, it is evident then that the injury being experienced by the applicant is primarily a result of undumped imports in the Australian market that represent over 85% of total imports during the investigation period and which account for over 15% share of the Australian market. In addition, GRP considers that the applicant's inefficiencies in producing and selling the goods on the local market are a contributing factor to its operating performance since 2010.

Therefore, GRP requests the Commission to provide the Minister with its assessment and analysis of the circumstances identified by the Productivity Commission as providing grounds for measures to not be imposed.

### **Conclusion**

In conclusion, GRP has strong concerns about the lack of detailed analysis, meaningful explanation and consistency with its stated approach to various critical aspects of the assessment of injury and causation. The Commission's preliminary findings appear to contradict verified information provided by cooperating importers and other information available to the Commission through its access to the Customs' import database.

As such, GRP requests that the Commission publish a supplementary report which addresses the deficiencies identified and provides interested parties with a meaningful understanding of the essential facts and the Commission's detailed reasoning.

Yours sincerely

John Bracic