Australian Government
Department of Industry, Innovation and Science

Anti-Dumping Commission

Application for the publication of dumping and/or countervailing duty notices

ALLOY ROUND STEEL BAR

exported from

the People's Republic of China

November 2016

ANTI-DUMPING COMMISSION
Form B108
November 2015

APPLICATION UNDER SECTION 269TB OF THE *CUSTOMS ACT 1901* FOR THE PUBLICATION OF DUMPING AND/OR COUNTERVAILING DUTY NOTICES

DECLARATION

I request, in accordance with Section 269TB of the *Customs Act 1901* (the Act), that the Minister publish in respect of goods the subject of this application:

☑ a dumping duty notice, or

☐ a countervailing duty notice, or

☐ a dumping and a countervailing duty notice

This application is made on behalf of the Australian industry producing like goods to the imported goods the subject of this application. The application is supported by Australian producers whose collective output comprises:

- 25% or more of the total Australian production of the like goods; and
- more than 50% of the total production of like goods by those Australian producers that have expressed either support for, or opposition to, this application.

I believe that the information contained in this application:

- provides reasonable grounds for the publication of the notice(s) requested; and
- is complete and correct.

Signature: [redacted]

Name:	[redacted]
Position:	Manager Trade Development
Company:	OneSteel Manufacturing Pty Ltd (Subject to Deed of Company Arrangement)
ABN:	42 004 651 325
Date:	14 November 2016

IMPORTANT INFORMATION

Signature requirements

Where the application is made:

By a company - the application must be signed by a director, servant or agent acting with the authority of the body corporate.

By a joint venture - a director, employee, agent of each joint venturer must sign the application. Where a joint venturer is not a company, the principal of that joint venturer must sign the application form.

On behalf of a trust - a trustee of the trust must sign the application.

By a sole trader - the sole trader must sign the application.

In any other case - contact the Commission's Client support section for advice.

Assistance with the application

The Anti-Dumping Commission has published guidelines to assist applicants with the completion of this application. Please refer to the following guidelines for additional information on completing this application:

- *Instructions and Guidelines for applicants: Application for the publication of dumping and or countervailing duty notices*
- *Instructions and Guidelines for applicants: Examination of a formally lodged application*

The Commission's client support section can provide information about dumping and countervailing procedures and the information required by the application form. Contact the team on:

Phone: 13 28 46

Fax: (03) 8539 2499

Email: clientsupport@adcommission.gov.au

Other information is available from the Commission's website at www.adcommission.gov.au.

Small and medium enterprises (i.e., those with up to 200 full-time staff, which are independently operated and which are not a related body corporate for the purposes of the *Corporations Act* 2001), may obtain assistance, at no charge, from the Department of Industry, Innovation and Science's International Trade Remedies Advisory (ITRA) Service. For more information on the ITRA Service, visit www.business.gov.auor telephone 13 28 46.

Important information

To initiate an investigation into dumping and/or subsidisation, the Commission must comply with Australia's international obligations and statutory standards. This form provides an applicant industry with a framework to present its case and will be used by the Commission to establish whether there are reasonable grounds to initiate an investigation. To assist consideration of the application it is therefore important that:

- all relevant questions (particularly in Parts A and B) are answered; and

- information that is reasonably available be supplied.

The Commission does not require conclusive evidence to initiate an investigation, but any claims made should be reasonably based. An application will be improved by including supporting evidence and where the sources of evidence are identified. Simple assertion is inadequate to substantiate an application.

To facilitate compilation and analysis, the application form is structured in 3 parts:

1. **Part A** seeks information about the Australian industry. This data is used to assess claims of material injury due to dumping/subsidisation. Where an Australian industry comprises more than one company, each should separately prepare a response to Part A to protect commercial confidentiality.
2. **Part B** relates to evidence of dumping.
3. **Part C** is for supplementary information that may not be appropriate to all applications. However some questions in Part C may be essential for an application, for example, if action is sought against subsidisation.

All questions in Parts A and B must be answered, even if the answer is 'Not applicable' or 'None'. Where appropriate, applicants should provide a short explanation about why the requested data is not applicable. This will avoid the need for follow up questions by the Commission.

The application form requests data over several periods (P^1, P^2….P^n) to evaluate industry trends and to correlate injury with dumped imports. The labels P^1…P^n are used for convenience in this application form. Lodged applications should identify the period relevant to the data. This form does not specify a minimum period for data provision. However, sufficient data must be provided to substantiate the claims made. If yearly data is provided, this would typically comprise a period of at least four years (for example the current financial year in addition to three prior years). Where information is supplied for a shorter period, applicants may consider the use of quarterly data. Data must also be sufficiently recent to demonstrate that the claims made are current.

When an investigation is initiated, the Commisison will verify the claims made in the application. A verification visit to the Australian industry usually takes several days.

Applicant companies should be prepared to substantiate all Australian industry financial and commercial information submitted in the application. Any worksheets used in preparing the application should therefore be retained to facilitate verification.

During the verification visit, the Commisison will examine company records and obtain copies of documents relating to the manufacture and sale of the goods.

Appendices

Some questions require attachments to be provided. The attachment numbering sequence should refer to the question answered. For example, question A2.2 requests a copy of an organisation chart. To facilitate reference, the chart should be labelled Attachment A2.2. If a second organisation chart is provided in response to the same question, it should be labelled Attachment A2.2.2 (the first would be labelled Attachment A2.2.1).

Provision of data

Industry financial data must, wherever possible, be submitted in an electronic format.

- The data should be submitted on a media format compatible with Microsoft Windows.
- Microsoft Excel, or an Excel compatible format, is required.
- If the data cannot be presented electronically please contact the Commission's client support section for advice.

Lodgement of the application

This application, together with the supporting evidence, must be lodged in the manner approved by the Commissioner under subsection 269SMS(2) of the Act. The Commissioner has approved lodgement of this application by either:

- preferably, email, using the email address clientsupport@adcommission.gov.au, or
- pre-paid post to:

  The Commissioner of the Anti-Dumping Commission
  GPO Box 1632
  Melbourne VIC 3001, or
- facsimile, using the number (03) 8539 2499.

Public Record

During an investigation all interested parties are given the opportunity to defend their interests, by making a submission. The Commission maintains a public record of these submissions. The public record is available on the Commission's website at www.adcommission.gov.au.

At the time of making the application both a confidential version (for official use only) and non-confidential version (public record) of the application must be submitted. Please ensure each page of the application is clearly marked "FOR OFFICIAL USE ONLY" or "PUBLIC RECORD". The non-confidential application should enable a reasonable understanding of the substance of the information submitted in confidence, clearly showing the reasons for seeking the conduct of a dumping and/or subsidy investigation, or, if those reasons cannot be summarised, a statement of reasons why summarisation is not possible. If you cannot provide a non-confidential version, contact the Commission's client support section for advice.

PART A

INJURY

TO AN AUSTRALIAN INDUSTRY

IMPORTANT

All questions in Part A should be answered even if the answer is 'Not applicable' or 'None'. If an Australian industry comprises more than one company/entity, each should separately complete Part A.

For advice about completing this part please contact the Commission's client support section on:

Phone: 13 28 46
Fax: (03) 8539 2499
Email: clientsupport@adcommission.gov.au

A-1 Identity and communication.

Please nominate a person in your company for contact about the application:

Contact Name:	[redacted]
Company and position:	[redacted]
Address:	[redacted]
Telephone:	[redacted]
Facsimile:	
E-mail address:	[redacted]
ABN:	42 004 651 325

Alternative contact

Name:	[redacted]
Position in company:	[redacted]
Address:	[redacted]
Telephone:	[redacted]
Facsimile:	[redacted]
E-mail address:	[redacted]

If you have appointed a representative to assist with your application, provide the following details and complete Appendix A8 (Representation).

Name:	
Business name:	
Address:	
Telephone:	
Facsimile:	
E-mail address:	
ABN:	

A-2 Company information.

1. State the legal name of your business and its type (eg. company, partnership, sole trader, joint venture). Please provide details of any other business names you use to manufacture/produce/sell the goods that are the subject of your application.

OneSteel Manufacturing Pty Ltd (subject to deed of company arrangement) ABN 42 004 651 325 ("OneSteel") is a proprietary company, and manufactures and sells like goods to the goods the subject of this application.

2. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

An internal organisation chart for OneSteel forms CONFIDENTIAL ATTACHMENT A-2.2

3. List the major shareholders of your company. Provide the shareholding percentages for joint owners and/or major shareholders.

OneSteel is a wholly owned subsidiary of Arrium Limited (subject to deed of company arrangement) ABN 63 004 410 833 ("Arrium").

4. If your company is a subsidiary of another company list the major shareholders of that company.

On 7 April 2016, voluntary administrators were appointed to Arrium. On 12 April 2016, Mark Mentha, Bryan Webster, Martin Madden and Cassandra Mathews of KordaMentha were appointed Joint and Several Voluntary Administrators of Arrium and of those companies listed in the attached NON-CONFIDENTIAL ATTACHMENT A-2.4.1 ("Arrium Group of Companies"). The applicant, OneSteel is a company named within that list.

Subsequent to the Second Meeting of Creditors on 4 November 2016, a Deed of Company Arrangement was executed with respect to OneSteel appointing the Voluntary Administrators as Deed Administrators of the Arrium Group Companies (which include OneSteel).

Arrium is a publicly listed company on the Australian Stock Exchange (ASX:ARI)[1]. Major shareholders within the Arrium group of companies are disclosed in the company's annual report which forms NON-CONFIDENTIAL ATTACHMENT A-2.4.2 (at p. 127).

[1] Following appointment of voluntary administrators on 7 April 2016, the Ordinary Full Paid class of the Issuer's approved Financial Products were suspended from official quotation on ASX Limited at the request of Arrium, until further notice.

5. If your parent company is a subsidiary of another company, list the major shareholders of that company.

Arrium is not a subsidiary of any other company.

6. Provide an outline diagram showing major associated or affiliated companies and your company's place within that structure (include the ABNs of each company).

Full details of controlled entities within the Arrium group of companies are disclosed in the company's annual report (NON-CONFIDENTIAL ATTACHMENT A-2.4.2 (at pp. 112)).

A diagram identifying a subset of associated or affiliated companies to OneSteel; and relevant to this application; is included at CONFIDENTIAL ATTACHMENT A-2.6.

7. Are any management fees/corporate allocations charged to your company by your parent or related company?

Corporate allocations are made to OneSteel by Arrium in the form of corporate charges (for shared services, etc). The allocations have been included in appendices A6.1 and A6.2

8. Identify and provide details of any relationship you have with an exporter to Australia or Australian importer of the goods.

Other than certain Australian importers of the goods also being customers of the applicant - the applicant, has no commercial relationship with regard to the goods the subject of this application, with the manufacturers or exporters to Australia.

9. Provide a copy of all annual reports applicable to the data supplied in appendix A3 (Sales Turnover). Any relevant brochures or pamphlets on your business activities should also be supplied.

Arrium's annual report for financial year (FY) 2015 forms NON-CONFIDENTIAL ATTACHMENT A-2.4.2. Copies of earlier annual reports are available from the company's website at www.arrium.com/investor-centre/reports-presentations.

Arrium is not currently obliged to produce an annual report for FY 2016. On 12 September 2016, the Australian Securities and Investments Commission ("ASIC") granted Arrium deferral relief with respect to its obligations under Part 2M.3 of the *Corporations Act 2001* in relation to the financial year ending 30 June, or half-year ending 31 December, during the deferral period to 7 October 2018. A copy of the instrument forms NON-CONFIDENTIAL ATTACHMENT A-2.9.1.

The most relevant current brochure concerning the like goods, produced by the applicant and titled 'Grade Sheets' forms CONFIDENTIAL ATTACHMENT A-2.9.2.

10. Provide details of any relevant industry association.

Arrium is a member of the Australian Industry Group, the Australian Steel Institute, the Bureau of Steel Manufacturers of Australia and the South East Asian Iron & Steel Institute.

[Remainder of page intentionally left blank]

A-3 The imported and locally produced goods.

1. Fully describe the imported product(s) the subject of your application:

- **Include physical, technical or other properties.**
- **Where the application covers a range of products, list this information for each make and model in the range.**
- **Supply technical documentation where appropriate.**

Goods the subject of the application

The goods the subject of this application ("the goods") are:

Hot-rolled solid sections of 'alloy steel', having round or near-round cross-sectional dimensions of not less than 9.5 millimetres (mm) and not greater than 98.5 mm, not in coil.

For the purpose of the description of the goods the subject of this application, 'alloy steel' here means steel containing a chemical composition that at least meets or exceeds the minimum chemical element proportions specified in Note (f) "Other alloy steel" to Chapter 72 under Schedule 3 of the Customs Tariff Act 1995 ("the Tariff") as appearing on the date of this application.

Commonly identified as 'rod', 'round bar', 'engineering bar', 'spring steel', 'alloy bar', 'high alloy bar', 'silico-manganese bar', 'grinding rod' or 'bar used for the production of grinding media', the goods covered by this application include all round or near-round hot-rolled solid sections of alloy steel bar meeting the above description of the goods regardless of the particular grade, coating, or minor modification of bar-end finish (including but not limited to, painting or chamfering).

Goods excluded from this application are:

- *Round or near-round hot rolled solid steel sections composed of:*
  - *'stainless steel' as defined under Note (e) "Stainless steel" to Chapter 72 under Schedule 3 of the Tariff, or*
  - *'high-speed steel' as defined under Note (d) "High speed steel" to Chapter 72 under Schedule 3 of the Tariff.*
- *Steel reinforcing bar containing indentations, ribs, grooves or other deformations produced during the rolling process.*
- *Steel rod in coil.*
- *Chromium plated steel.*
- *Solid sections of steel which may be square, rectangular or hexagonal in cross-section.*

2. What is the tariff classification and statistical code of the imported goods.

Imports of the goods described above are typically, but not exclusively classified under the following tariff classifications and statistical codes:

Product	HS Code	Rate	DCS	DCT
Alloy bars, silico-manganese steel, flattened circles	7228201044	5%	4%	5%
Other alloy bars, silico-manganese steel	7228209047	5%	4%	5%
Alloy bars, high alloy steel, flattened circles	7228301070	5%	4%	5%
Other alloy bars	7228309041*	5%	Free	Free
Other alloy bars, high alloy, flattened circles	7228601072	5%	4%	5%
Other alloy bar	7228609055	5%	Free	Free

* Operative since 1 July 2015

Extracts from Schedule 3 of the *Customs Tariff Act 1995* for codes contained in the above table are attached at NON-CONFIDENTIAL ATTACHMENT A-3.2.

The rate of duty applicable to goods exported from the People's Republic of China ("China") under the above classifications is currently zero per cent.

3. Fully describe your product(s) that are 'like' to the imported product:

- **Include physical, technical or other properties.**
- **Where the application covers a range of products, list this information for each make and model in the range.**
- **Supply technical documentation where appropriate.**

The applicant is the largest producer in Australia of like goods to the imported goods the subject of this application, which it manufactures at its facilities [redacted] [Australian] facility. One model of like goods is also produced by Commonwealth Steel Company Pty Ltd (trading as Moly-Cop) ("Moly-Cop"), specifically 'grinding rods'.

The like goods are manufactured in a range of cross-sectional dimensions from 9.5 mm to 98.5 mm in accordance with either the industry standards applicable or the customer-specific requirements applicable to the different types of alloy round bar produced.

The like goods may be generally organised across five broad product categories, specifically, [redacted]. The applicable standard, grade identifiers and typical end-use applications are summarised in ***Table A-3.3.1*** (below):

[Remainder of page intentionally left blank]

Product Category	Applicable Standard	Typical Grades (OneSteel variation or Standard grade)	Typical end-use Application
[redacted]	AS 1444 - 2007	[redacted]	
[redacted]	AS 1447 – 2007		
[redacted]	Developed with customer		
[redacted]	Developed with customer		
[redacted]	Developed with customer		

Table A-3.3.1 Alloy round bar product categories

The product categories and grades identified in ***Table A-3.3.1*** (above) have been produced by the Australian industry applicant in a range of cross-sections across the proposed investigation period (1 July 2015 to 30 June 2016). A summary of the cross-sections is presented in ***Table A-3.3.2*** (below):

[***Table A-3.3.2*** is CONFIDENTIAL in its entirety]

[redacted]

Table A-3.3.2 Overview of cross-sectional dimensions of alloy round bar product categories and grades of the like goods produced by the Australian industry

- **Indicate which of your product types or models are comparable to each of the imported product types or models. If appropriate, the comparison can be done in a table.**

A number of the alloy round bar steel grades produced by the Australian industry applicant have been developed through a process of grade innovation involving customer consultation and process and performance trials. In particular, the grades of alloy round bar used [redacted]. [*market segment intelligence*] As such, the imported goods are likely to be produced either to the requirements of the Australian Standards (where Australian Standards apply) or to the customer requirements specified. A summary of the comparison between the like goods produced by the Australian industry and the imported goods (including their respective domestic or other closely matching international standard) is produced in ***Table A-3.3.3*** (below).

[***Table A-3.3.3*** is CONFIDENTIAL in its entirety]

Table A-3.3.3 Summary of comparisons between the like goods produced by the Australian industry and the imported goods

Further, the chemical specifications of the grades of the like goods produced by the Australian industry are reproduced in ***Table A-3.3.4*** (below). The imported dumped goods are capable of matching the chemical specifications where developed with (or specified by) the customer to achieve physically alike goods.

[Remainder of page intentionally left blank]

[***Table A-3.3.4*** is CONFIDENTIAL in its entirety]

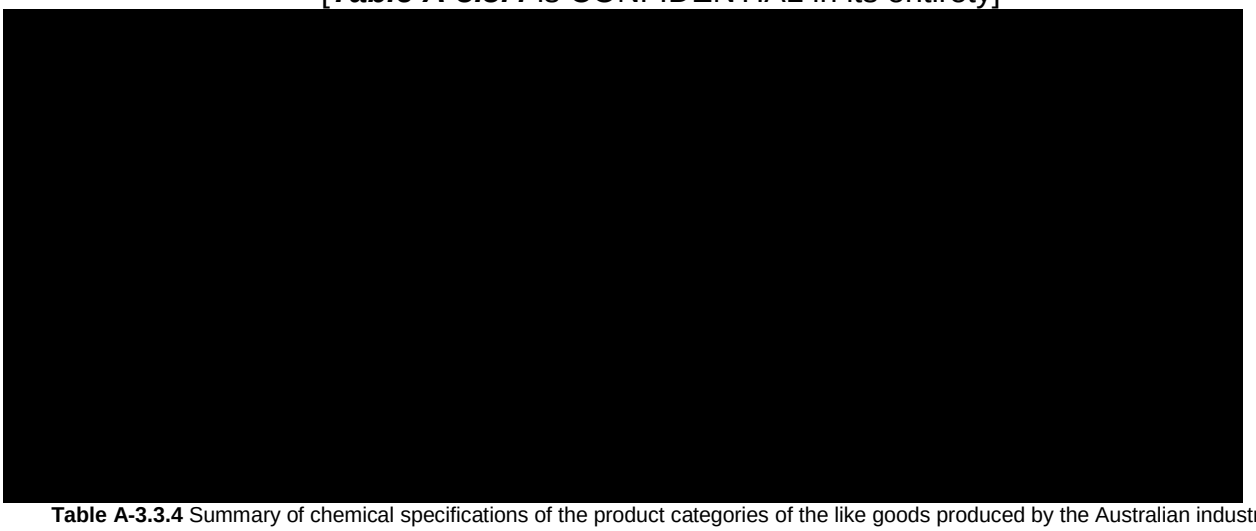

Table A-3.3.4 Summary of chemical specifications of the product categories of the like goods produced by the Australian industry

4. Describe the ways in which the essential characteristics of the imported goods are alike to the goods produced by the Australian industry.

The applicant is the largest producer in Australia of like goods to the imported goods. The goods produced by the Australian industry are either identical in all respects to the imported goods, or where not alike in all respects, have characteristics closely resembling those of the imported goods against the following considerations:

i. Physical likeness:

The primary physical characteristics of the goods and locally produced goods are similar, for example shape, dimension, appearance, weight, chemical specifications and mechanical properties.

ii. Commercial likeness:

The goods manufactured by the Australian industry and the imported goods are commercially alike, directly competitive and are sold to common customers in the Australian market.

iii. Functional likeness

Both the goods manufactured by the Australian industry and the imported goods are functionally alike as they have the same or similar range of end uses; and

iv. Production likeness

The goods manufactured by the Australian industry are manufactured in a similar manner to the imported goods.

5. What is the Australian and New Zealand Standard Industrial Classification Code (ANZSIC) applicable to your product.

The ANZSIC code applicable to round bar is category 2110 for Iron Smelting and Steel Manufacturing.

6. Provide a summary and a diagram of your production process.

The production process for alloy round bar across the range of grades and section sizes occurs via a number of processing options through the Australian industry applicant's facilities.

Table A-3.6.1 (below) provides a summary of the steelmaking and rolling facilities used for the different grades of alloy round bar production.

[***Table A-3.6.1*** is CONFIDENTIAL in its entirety]

Table A-3.6.1 Summary of billet source and rolling mill location by product category and grade

Through the integrated Whyalla facility, molten iron from the blast furnace undergoes a desulphurisation treatment in the charging ladle and is then used as the primary ferrous input to the Basic Oxygen Furnace ("BOF"). Scrap and fluxing agents constitute the balance of the input materials into the furnace. Following the reduction process through the high speed injection of pure oxygen, liquid steel is tapped into a ladle with the bulk of the required alloy additions being made during this tapping process. Final alloy trimming additions and temperature corrections are made at the ladle furnace prior to casting. The liquid steel is continuously cast into [redacted] mm square billets on a billet caster.

Following the continuous casting process [redacted]

[redacted]. [*commercially sensitive production information*]

[redacted] [*commercially sensitive production information*]

Depending on the final cross-section required for the round bar, the dimensional tolerance and surface finish required by the end-use application and the bar mill design capabilities, the billets will then be hot-rolled into round bar through either the [redacted] Bar Mills. Respectively, each of these Bar Mills are capable of rolling the following sized billets:

- [redacted] Bar Mill: [redacted]
- [redacted] Bar Mill: [redacted] and
- [redacted] Bar Mill: [redacted]. [*billet size range*]

The rolling process involves charging the billets into a reheating furnace where the billets are heated to a temperature exceeding 1000°C. The hot billet is then fed through a series of rolling stands which effects a change in shape from square to circular while reducing the cross-sectional area. The alloy round bars produced through the rolling process are then cut to length and packed into bundles.

[redacted]

[redacted].

[redacted]

[redacted] [*description of commercial dealings between contracting parties*]

7. If your product is manufactured from both Australian and imported inputs:

- **describe the use of the imported inputs; and**
- **identify that at least one substantial process of manufacture occurs in Australia (for example by reference to the value added, complexity of process, or investment in capital).**

The Australian industry applicant uses its own iron ore to produce liquid iron through its Whyalla Blast Furnace (iron making operation) and a supplementary amount of scrap in the Basic Oxygen Furnace (steelmaking operation). The iron ore and steel scrap are sourced locally and account for the significant proportion of total raw material goods used in the alloy round bar manufacturing process.

OneSteel considers that the manufacture of steel billet from iron ore and/or scrap involves a substantial process in the manufacture of the goods – as does the production of alloy round bar from steel billet.

8. If your product is a processed agricultural good, you may need to complete Part C-3 (close processed agricultural goods).

The like goods are not close processed agricultural goods.

9. Supply a list of the names and contact details of all other Australian producers of the product.

In addition to the applicant, there is one other Australian producer of like goods to the goods the subject of this application sold into the Australian domestic market for alloy round bar:

Commonwealth Steel Company Pty Ltd (trading as Moly-Cop Mining Consumables – Waratah Steel Mill) of 2 Maud Street, Waratah NSW 2285

Contact person:

[redacted] [*contact details*]

The production volume of this other Australian producer is identified in appendix A1.

Due to the small volume (approximately [redacted]% of total production volume in the proposed investigation period) of like goods produced by this other Australian producer, they have elected to not become applicants to this application.

[Remainder of page intentionally left blank]

A-4 The Australian market.

1. Describe the end uses of both your product and the imported goods.

Imported and locally produced alloy round bar is an intermediate steel product that requires further processing before it is suitable for an end use application. Alloy round bar is manufactured primarily for specialised applications that include the production of a range of further processed engineering components.

Alloy round bar is predominantly sold directly to the specialist processors who service particular market segments:

- [redacted]
- [redacted]
- [redacted]

The Australian industry applicant and Moly-Cop are the only domestic producers of alloy round bar in Australia.

2. Generally describe the Australian market for the Australian and imported product and the conditions of competition within the overall market. Your description could include information about:

- **sources of product demand;**
- **marketing and distribution arrangements;**
- **typical customers/users/consumers of the product;**
- **the presence of market segmentation, such as geographic or product segmentation;**
- **causes of demand variability, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production**
- **the way in which the imported and Australian product compete; and**
- **any other factors influencing the market.**

The total size of the alloy round bar market in Australia is difficult to estimate accurately due to the fact that Australian HS tariff codes do not currently differentiate alloy bar products by shape. Clarity on total bar imports is further obstructed by the confidentiality restrictions including "no commodity details" applied by the Australian Bureau of Statistics for certain relevant tariff codes. However, based on sales of its own products and market intelligence in key market segments, the Australian industry applicant estimates the total market size to be approximately [redacted] metric tons. During the proposed investigation period OneSteel sold [redacted] metric tons of alloy round bar.

The demand for the alloy round bar relates to the underlying drivers for each of the market

segments that customers focus on servicing. Thus:

- The largest market for alloy round bar in Australia is as feedstock for the manufacture of [redacted].
- The largest market for [redacted].
- The [redacted] bar market in Australia is driven significantly by the production of [redacted] for engineering purposes such as the manufacture of [redacted].

Due to the varied and specific product requirements across the market segments, the Australian industry applicant and importers typically sell the majority of alloy round bar direct to the specialist producer with a smaller amount being sold via the steel distribution channel. Apart from sales of alloy round bar for grinding media to [redacted], the majority of the alloy round bar is sold to operations in major centres on the Australian East Coast.

Figure A-4.2.1 (below) illustrates the typical channel to the Australian domestic market for the goods and like goods:

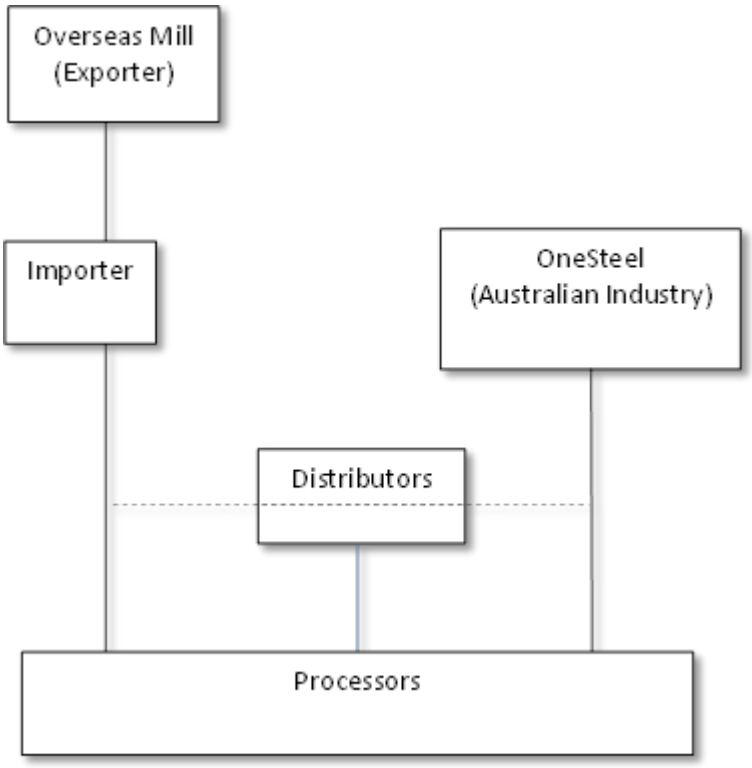

Figure A-4.2.1 Channels to the Australian domestic market for the goods and like goods

During the proposed investigation period (1 July 2015 to 30 June 2016), the Australian industry applicant sold alloy round bar to the following customers:

Customer	Level of Trade
[redacted]	End user
	Distributor
	End User
	End user
	End user
	End user
	End user
	End user
	Distributor
	End user
	End user
[redacted] (related party)	[redacted]
	End user

Table A-4.2.2 Customers by level of trade

The manner in which the Australian industry's like goods and the imported goods (the subject of this application) compete, differs slightly depending on the market segment, but once quality parameters are established, then competition is largely influenced by price.

The largest market segment for alloy round bar products is as a feed material for the production of [redacted]. Importers (selling pre-qualified goods) and the Australian industry applicant compete directly on price in order to supply [redacted] ("[redacted]") [*customer*], [redacted].

- [redacted][2] [*details of commercial dealings with customer*]
- [redacted] [*customer*] has engaged the Australian industry in *ad hoc* price negotiations based on the landed Chinese import price. [redacted]. [*details of commercial dealings with customer*]

In the [redacted] markets, price negotiations typically occur [redacted]. [*timeframe*] In

[2] ~~CONFIDENTIAL ATTACHMENT A-4.2.1 at p. 5.~~

price negotiations customers use [redacted] [*market intelligence*] of the imported dumped goods as a means of extracting a price for the Australian industry's like goods [redacted]. [*pricing basis*]

3. Identify if there are any commercially significant market substitutes for the Australian and imported product.

There are no significant commercial substitutes for alloy round bar.

4. Complete appendix A1 (Australian production). This data is used to support your declaration at the beginning of this application.

The applicant has completed appendix A1 for the like goods produced by the Australian industry during the period 1 July 2015 to 30 June 2016. Please refer to appendix A1.

5. Complete appendix A2 (Australian market).

The applicant has completed appendix A2 for the period 1 July 2012 to 30 June 2016. Please refer to appendix A2 attached.

6. Use the data from appendix A2 (Australian market) to complete this table:

Indexed table of sales quantities

Period	(a) **Your Sales**	(b) **Other Aust^n Sales**	(c) **Total Aust^n Sales** (a+b)	(d) **Dumped Imports**	(e) **Other Imports**	(f) **Total Imports** (d+e)	**Total Market** (c+f)
FY 2013	100	100	100	100	100	100	100
FY 2014	86	65	85	102	54	94	90
FY 2015	87	67	87	73	63	71	79
FY 2016	63	84	64	113	58	104	84

The above indexed table of sales quantities is represented graphically as ***Figure A-4.6.1*** (below):

[Remainder of page intentionally left blank]

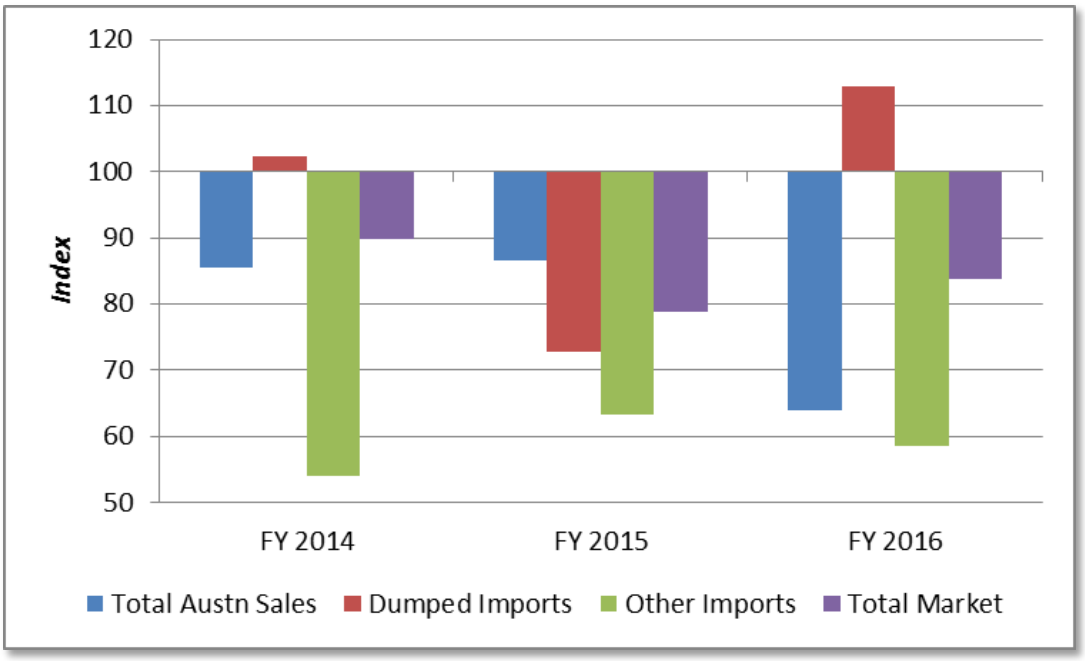

Figure A-4.6.1: *Movements in sales quantities from the base period (FY 2013)*
(Source: appendix A2)

Figure A-4.6.1 (above) illustrates the impact of dumped imports on the sales volume of the Australian industry. Whereas the Australian market for round bar contracted across the injury analysis period, the Australian industry lost sales volume and dumped imports gained sales volume. The loss of sales volume by the Australian industry was greater than the overall loss of sales volume for the Australian market. The dumped imports gained sales volume (in a contracting market) at the expense of the Australian industry and other imports.

A-5 Applicant's sales.

1. Complete appendix A3 (sales turnover).

The applicant has completed appendix A3 for its sales of alloy round bar. Please refer to appendix A3 attached.

[Remainder of page intentionally left blank]

2. Use the data from appendix A3 (sales turnover) to complete these tables.

Indexed table of Applicant's sales quantities

Quantity	FY 2013	FY 2014	FY 2015	FY 2016
All products				
Australian market	100	95	105	113
Export market	100	185	111	171
Total	100	97	105	113
Like goods				
Australian market	100	86	87	63
Export market	100	2712	1866	3690
Total	100	88	88	65

Indexed table of Applicant's sales values

Value	FY 2013	FY 2014	FY 2015	FY 2016
All products				
Australian market	100	97	102	94
Export market	100	176	99	129
Total	100	98	102	95
Like goods				
Australian market	100	84	84	56
Export market	100	2715	1825	3343
Total	100	86	85	58

The Australian industry's total domestic sales volume for the like goods declined across the injury analysis period by (-)37 per cent, and total domestic sales value for the like goods declined across the same period by (-)44 per cent. Combined, the deterioration of the Australian industry's volume and value for the like goods reflects the impact of price undercutting by exporters of the dumped imports.

3. Complete appendix A5 (sales of other production) if you have made any:

- internal transfers; or

  The applicant has completed appendix A5 for its sales of local production to related parties. Please refer to appendix A5.

- domestic sales of like goods that you have not produced, for example if you have imported the product or on-sold purchases from another Australian manufacturer.

The applicant has made no domestic sales of like goods that it has not produced.

4. Complete appendix A4 (domestic sales).

The applicant has completed appendix A4, as an electronic attachment to this application.

5. If any of the customers listed at appendix A4 (domestic sales) are associated with your business, provide details of the association. Describe the price effect of the association.

Related party sales in appendix A4 are readily identified by reference to the "level of trade" column in the attached worksheets.

The applicant has assessed the price effect of sales to associated/related parties, and found that they were treated no more preferentially than other unrelated/third-party customers.

This is illustrated in an analysis of appendix A4 data for all the applicant's customers contained in ***Figures A-5.5.1*** (below).

[The whole of ***Figure A-5.5.1*** is confidential]

Figure A-5.5.1: *Ranking of average (net) sales prices to related and unrelated customers of alloy round bar during the period 1 July 2015 to 30 June 2016 (source: appendix A4)*

6. Attach a copy of distributor or agency agreements/contracts.

The majority of the applicant's alloy round bar is sold directly to processors, rather than via distributors. A small amount of alloy round bar is sold to the distributors [redacted] [*customers*] within the arrangements governing sales of a broad range of other products.

7. Provide copies of any price lists.

For sales of alloyed round bar for use as feedstock for [redacted] production [redacted], a detailed description of the price setting mechanism with the [redacted] customer is provided in ***Section A-9.5.2*** (below) together with the relevant supporting documentation.

In the [redacted] bar markets, price negotiations typically occur on a [redacted]. [*timeframe*] The applicant formalises the negotiations with a market supply offer. Examples of recent OneSteel market offers to the following customers form CONFIDENTIAL ATTACHMENT A-5.7.1:

- [redacted]
- [redacted] and
- [redacted].

8. If any price reductions (for example commissions, discounts, rebates, allowances and credit notes) have been made on your Australian sales of like goods provide a description and explain the terms and conditions that must be met by the customer to qualify.

    - Where the reduction is not identified on the sales invoice, explain how you calculated the amounts shown in appendix A4 (domestic sales).

    - If you have issued credit notes (directly or indirectly) provide details if the credited amount has **not** been reported appendix A4 (domestic sales) as a discount or rebate.

The applicant has from time to time offered a [redacted] [*off-invoice price reduction*] to [redacted]. An example of this arrangement forms CONFIDENTIAL ATTACHMENTS A-5.8.1 and A-5.8.2.

[redacted]. *[off-invoice price reduction reference*] [redacted] clause is in their market offer which forms CONFIDENTIAL ATTACHMENT A-5.7.1.

9. Select two domestic sales in each quarter of the data supplied in appendix A4 (domestic sales). Provide a complete set of commercial documentation for these sales. Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, and bank documentation showing proof of payment.

OneSteel has included complete sets of commercial documentation for two sales in each quarter across the period, 12-months ending 30 June 2016. Please refer to CONFIDENTIAL ATTACHMENT A-5.9.

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A-6 General accounting/administration information.

1. Specify your accounting period.

OneSteel's financial year is 1 July to 30 June.

2. Provide details of the address(es) where your financial records are held.

The financial records for OneSteel are located at the premises nominated at ***Section A-1*** (above).

3. To the extent relevant to the application, please provide the following financial documents for the two most recently completed financial years plus any subsequent statements:

- chart of accounts;

  The Chart of Accounts for OneSteel form CONFIDENTIAL ATTACHMENT A-6.3.1.

- audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);

  The 2015 Annual Report for Arrium forms NON-CONFIDENTIAL ATTACHMENT A-2.4.2.

  The Financial Report for the half-year ended 31 December 2015 for Arrium forms CONFIDENTIAL ATTACHMENT A-6.3.3.

- internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods.

  These documents should relate to:

  1. the division or section/s of your business responsible for the production and sale of the goods covered by the application, and
  2. the company overall.

  Internal management reports for OneSteel have been included at CONFIDENTIAL ATTACHMENT A-6.3.2.

4. If your accounts are not audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

Refer to ***Section A-2.9*** (above).

5. If your accounting practices, or aspects of your practices, differ from Australian generally accepted accounting principles, provide details.

The accounting practices of OneSteel are maintained in accordance with Australia's

generally accepted accounting practices.

6. Describe your accounting methodology, where applicable, for:

- The recognition/timing of income, and the impact of discounts, rebates, sales returns warranty claims and intercompany transfers;

  Income from the sale of goods is recognised when the consolidated entity has passed control of the goods to the buyer.

- provisions for bad or doubtful debts;

  Trade debtors are reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

- the accounting treatment of general expenses and/or interest and the extent to which these are allocated to the cost of goods;

  Cost is comprised of materials, labour and an appropriate proportion of fixed and variable overheads, on an absorption cost basis.

- costing methods (eg by tonnes, units, revenue, activity, direct costs etc) and allocation of costs shared with other goods or processes;

  Costing methodology is by production/sales tonnes.

- the method of valuation for inventories of raw material, work-in-process, and finished goods (eg FIFO, weighted average cost);

  Raw materials, stores, work in progress and manufactured stocks are valued at the lower of cost and net realisable value. The methods used to assign costs to inventories are actual invoiced cost or standard costs.

- valuation methods for scrap, by-products, or joint products;

  Lower of cost and net realisable value.

- valuation methods for damaged or sub-standard goods generated at the various stages of production;

  Lower of cost and net realisable value.

- valuation and revaluation of fixed assets;

  Subsequent to initial recognition, assets are valued at fair value. Revaluations are made with sufficient regularity to ensure carrying amounts do not differ dramatically from fair value.

- average useful life for each class of production equipment, the depreciation method and depreciation rate used for each;

Buildings:	10-40 years
Plant and equipment:	3-20 years
Equipment under finance lease:	3-5 years

- treatment of foreign exchange gains and losses arising from transactions and from the translation of balance sheet items; and

  Foreign exchange gains and losses are brought to account using the rate of exchange applicable at the date of the transaction.

- restructuring costs, costs of plant closure, expenses for idle equipment and/or plant shut-downs.

  Provisions for restructuring represents best estimate of the costs directly and necessarily incurred for the restructuring and not associated with ongoing activities.

7. If the accounting methods used by your company have changed over the period covered by your application please provide an explanation of the changes, the date of change, and the reasons.

Accounting methods have not altered over the periods for which financial data has been prepared for this application, unless required to by the relevant accounting standard.

A-7 Cost information

1. Complete appendices A6.1 and A6.2 (cost to make and sell) for domestic and export sales.

OneSteel has completed appendices A6.1 and A6.2 for domestic and export sales, respectively for the proposed injury analysis period.

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A-8 Injury

The principal indicators of injury are prices, volumes and profit effects – although not all of these must be evident. For this application, profit refers to amounts earned. Profitability is the ratio of profit to sales revenue. Where injury is threatened, but has not yet occurred, refer to question C.2.

1. Estimate the date when the material injury from dumped imports commenced.

Material injury from dumped imports commenced in or about January 2013 following [redacted] [*customer identity*] of purchasing from [redacted] [*importer identity*] the dumped goods from China from two sources - [redacted] [*exporter 1 identity*] and [redacted] [*exporter 2 identity*]. A copy of [redacted] [*customer identity*] to OneSteel is contained in CONFIDENTIAL ATTACHMENT A-8.1.1.

Prior to the commencement of the material injury from dumped imports, OneSteel and [redacted] [*customer identity*] [redacted]. A copy of [redacted] is contained in CONFIDENTIAL ATTACHMENT A-4.2.1. Following commencement of the material injury, the customer sought to purchase [redacted] from OneSteel.

The injury at this time represented a material loss of sales volume [redacted], with the consequential impacts on OneSteel's unit fixed costs and profitability on sales of the like goods.

2. Using the data from appendix A6 (cost to make and sell), complete the following tables for each model and grade of your production. P^n is the most recent period.

Index of production variations (alloy round bar)

Fiscal Period	FY 2013	FY 2014	FY 2015	FY 2016
Production quantity	100	87	88	65

Investigation Period	Jul - Sep 2015	Oct - Dec 2015	Jan - Mar 2016	Apr - Jun 2016
Production quantity	100	87	36	57

Source: *Label A of appendix A6.1*

Index of cost variations (alloy round bar)

Fiscal Period	FY 2013	FY 2014	FY 2015	FY 2016
Unit CTMS	100	104	96	93

Investigation Period	Jul - Sep 2015	Oct - Dec 2015	Jan - Mar 2016	Apr - Jun 2016
Unit CTMS	100	105	101	100

Source: *Label J of appendix A6.1*

Index of price variations (alloy round bar)

Fiscal Period	FY 2013	FY 2014	FY 2015	FY 2016
Unit sales revenue	100	97	96	90

Investigation Period	Jul - Sep 2015	Oct - Dec 2015	Jan - Mar 2016	Apr - Jun 2016
Unit sales revenue	100	101	111	101

Source: *Label L of appendix A6.1*

Index of profit variations (alloy round bar)

Fiscal Period	FY 2013	FY 2014	FY 2015	FY 2016
Unit gain or loss	100	42	96	79

Investigation Period	Jul - Sep 2015	Oct - Dec 2015	Jan - Mar 2016	Apr - Jun 2016
Unit gain or loss	100	73	161	108

Source: *Label N of appendix A6.1*

Index of profitability variations (alloy round bar)

Fiscal Period	FY 2013	FY 2014	FY 2015	FY 2016
Profitability	100	38	91	65

Investigation Period	Jul - Sep 2015	Oct - Dec 2015	Jan - Mar 2016	Apr - Jun 2016
Profitability	100	74	165	109

Source: *Label O of appendix A6.1*

3. Complete appendix A7 (other injury factors).

Where applicable to injury claims, prepare an indexed table for other injury factor(s) in the format above.

*Index of capital investment**

Fiscal Period	FY 2013	FY 2014	FY 2015	FY 2016
Like goods	100	97	73	48

*Index of asset utilisation**

Fiscal Period	FY 2013	FY 2014	FY 2015	FY 2016
Like goods	100	84	72	47

*Index of revenue**

Fiscal Period	FY 2013	FY 2014	FY 2015	FY 2016
Like goods	100	86	85	58

*Index of adjusted return on investment**

Fiscal Period	FY 2013	FY 2014	FY 2015	FY 2016
Like goods	100	51	28	-30

*Index of production capacity**

Fiscal Period	FY 2013	FY 2014	FY 2015	FY 2016
Like goods	100	92	83	60

*Index of capacity utilisation**

Fiscal Period	FY 2013	FY 2014	FY 2015	FY 2016
Like goods	100	95	106	108

*Index of productivity**

Fiscal Period	FY 2013	FY 2014	FY 2015	FY 2016
Like goods	100	101	103	112

*Index of wages**

Fiscal Period	FY 2013	FY 2014	FY 2015	FY 2016
Like goods	100	93	70	51

*Source: appendix A7

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A-9 Link between injury and dumped imports.

To establish grounds to initiate an investigation there must be evidence of a relationship between the injury and the alleged dumping. This section provides for an applicant to analyse the data provided in the application to establish this link. It is not necessary that injury be shown for each economic indicator.

1. Identify from the data at appendix A2 (Australian market) the influence of the volume of dumped imports on your quarterly sales volume and market share.

Figure A-9.1.1 (below) demonstrates the influence of the volume of dumped imports on the Australian industry applicant's sales volume and Australian domestic market share.

In summary, since January 2015 following the unabated (except for July to September 2015) growth in the volume of dumped imports, the Australian industry applicant has experienced declining sales volumes and loss of Australian domestic market share.

In fact, by the end of the proposed injury analysis period, the volume of the dumped imports outnumbered the Australian industry applicant's domestic sales volume, by a ratio of over 3:1. This is a complete reversal of the sales volume position at the commencement of the proposed injury analysis period – where the Australian industry applicant's sales volume outnumbered the volume of dumped imports by approximately the same ratio.

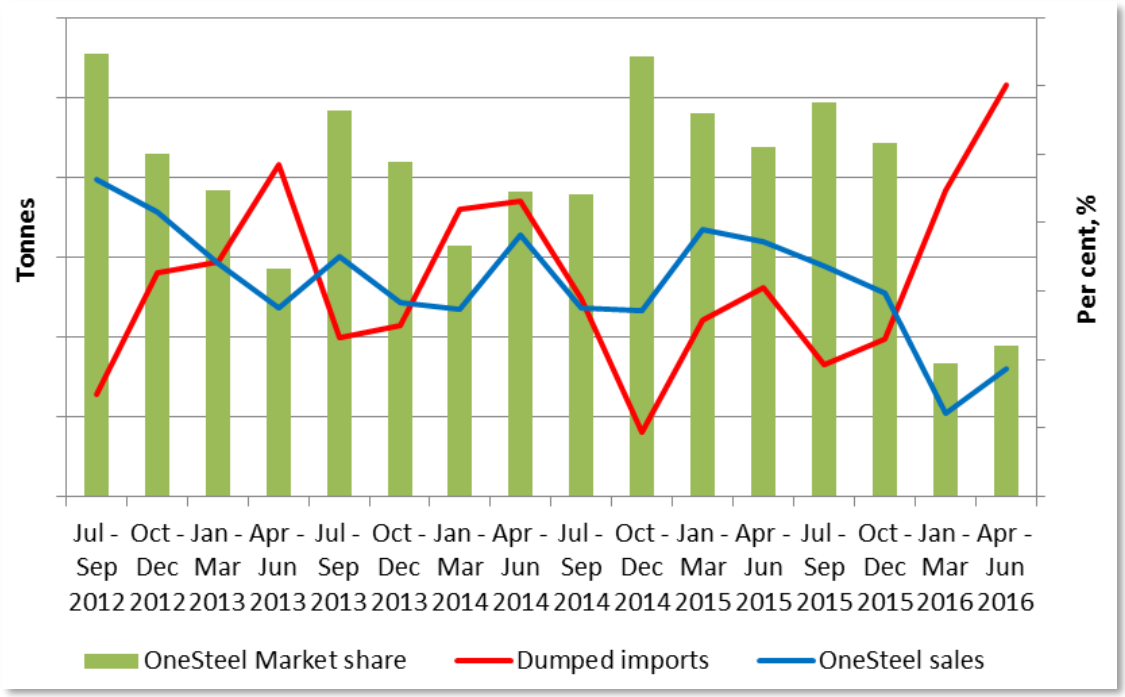

Figure A-9.1.1: Volume of dumped imports from China and domestic sales volume (LHS) and market share (RHS) of the applicant, OneSteel across the proposed injury analysis period *1 July 2012 to 30 June 2016 (Source: appendix A2)*

Figure A-9.1.1 (above) clearly indicates the sensitivity of the Australian industry applicant's sales volume and market share to the volume of dumped imports. Generally, for example, periods of increasing dumped import volumes are marked by corresponding periods of declining Australian domestic sales volume and market share by the Australian industry

applicant (refer to July 2012 to March 2013, October 2013 to March 2014, October 2015 to March 2016 periods). On the other hand, generally, periods of declining volume of dumped imports have corresponded with periods of increasing Australian industry domestic market volume and share (refer to July to September 2013 and July to December 2014 periods).

Figure A-9.1.2 (below) further illustrates the direct impact of dumped import volumes on the Australian domestic market in terms of market share.

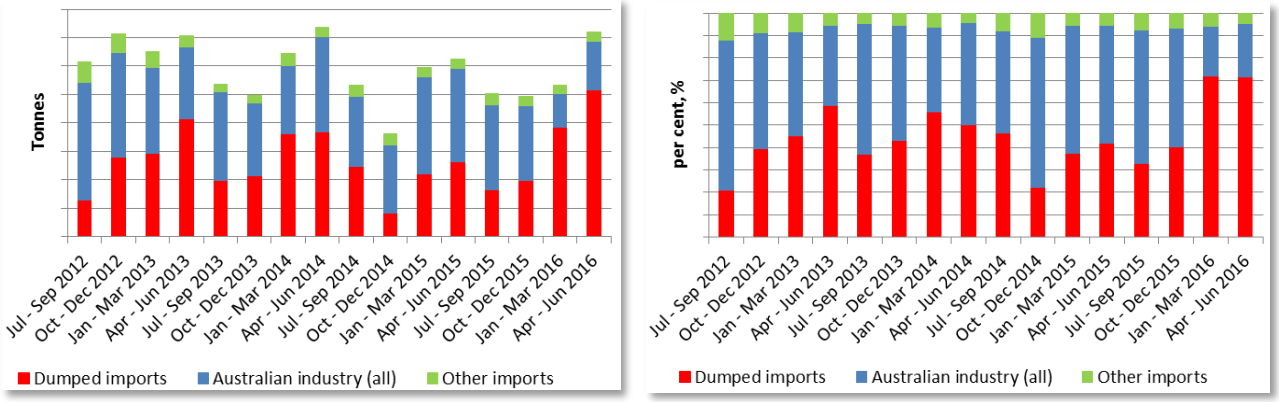

Figure A-9.1.2: Australian domestic market share by volume and per cent for dumped imports, Australian industry and other imports across the proposed injury analysis period *1 July 2012 to 30 June 2016 (Source: appendix A2)*

In summary, the growth in volumes of dumped imports has come as a direct loss of volume and domestic market share by the Australian industry. The Australian industry applicant has lost 43% of its market share across the proposed injury analysis period. The loss of market share, especially during periods marked by a growing Australian domestic market (January to June 2016 refers) indicates that the volume of dumped imports has been at the expense of the Australian industry applicant.

2. Use the data at appendix A2 (Australian market) to show the influence of the price of dumped imports on your quarterly prices, profits and profitability provided at appendix A6.1 (costs to make and sell). If appropriate, refer to any price undercutting and price depression evident in the market.

Figure A-9.2.1 (below) demonstrates the influence of the prices of dumped imports on the Australian industry applicant's quarterly prices in the Australian domestic market. There is a close correlation between the two, with the Australian industry applicant's prices following the prices of the dumped imports with a time lag of up to a fiscal quarter. Thus, declines in the price of the dumped imports are reflected in the Australian industry applicant's unit revenue. This trend is observed until Fiscal Quarter 3, FY 2016, when an increase in the unit revenue of the Australian industry appears to contradict a sustained downward trend in the price of dumped imports. This "uptick" in price reflects the Australian industry applicant's lowest recorded quarterly sales volume across the proposed injury analysis period, and therefore, represents the increased weighting of higher value grades of like goods in the weighted average price model recorded in appendix A-6.1. The consequent decline in the following fiscal quarter (April to June 2016) reflects the Australian industry applicant's reduction in price to regain sales volume.

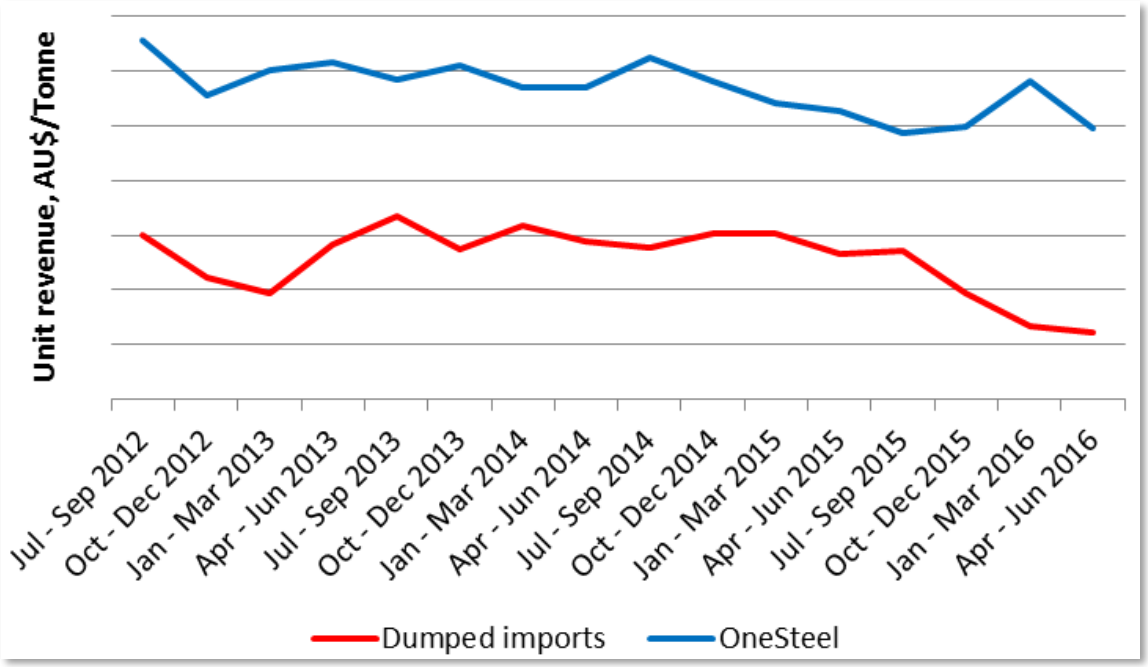

Figure A-9.2.1: Unit revenue (AU$/tonne) for dumped imports and Australian industry domestic sales across the proposed injury analysis period *1 July 2012 to 30 June 2016 (Source: appendices A2 and A6.1) (x-intercept: y ≠ 0)*

Figure A-9.2.2 (below) illustrates the influence of the price of dumped imports on the Australian industry applicant's quarterly profits and profitability.

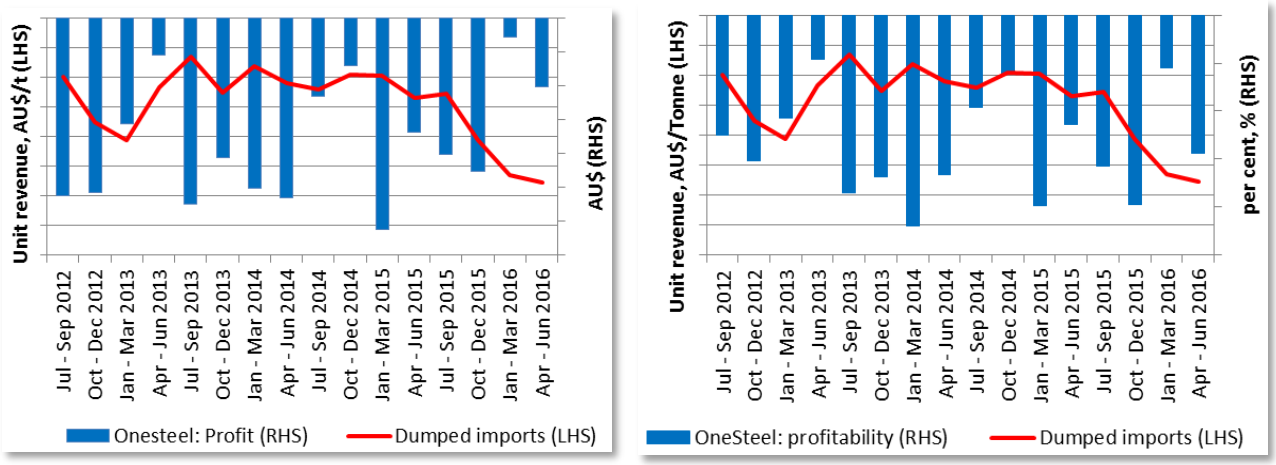

Figure A-9.2.2: Unit revenue (AU$/tonne) for dumped imports and Australian industry profitability across the proposed injury analysis period *1 July 2012 to 30 June 2016 (Source: appendices A2 and A6.1) (x-intercept: y ≠ 0)*

The Australian industry applicant's profits and profitability are sensitive to the price of the dumped imports. Periods of low price cycles for the dumped imports correspond with periods of declining profits and profitability for the Australian industry applicant. This relationship is particularly marked by the low price cycle for the imported goods since the commencement of the proposed investigation period (July 2015 to June 2016) with profits and profitability deteriorating (with the exception of January to March 2016 which corresponds with a (-)59 per cent decline in sales volume).

In terms of price undercutting, the FOB export prices of the dumped imports have consistently undercut both the Australian industry applicant's price (at the EXW level) and the FOB export prices of imports from other sources across the proposed injury analysis

period. This conclusion is reflected in ***Figure A-9.2.3*** (below).

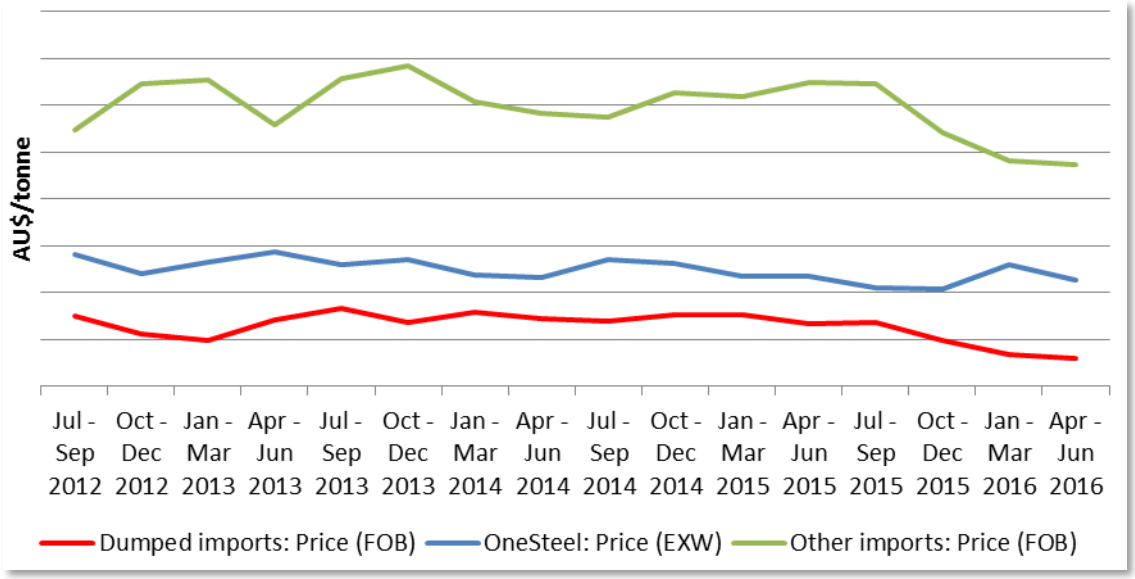

Figure A-9.2.3 FOB export prices (AU$/tonne) for dumped imports, 'other imports' and unit sales revenue (EXW) for the Australian industry applicant across the proposed injury analysis period 1 July 2012 to 30 June 2016 (Source: appendices A2 and A6.1) (x-intercept: $y \neq 0$)

The Australian industry applicant has also experienced price depression in the form of unit sales revenue (at the EXW level) that has declined across the proposed injury analysis period (refer ***Figure A-9.2.4*** (below)), and specifically during the July to September 2015 and April to June 2016 periods within the proposed investigation period.

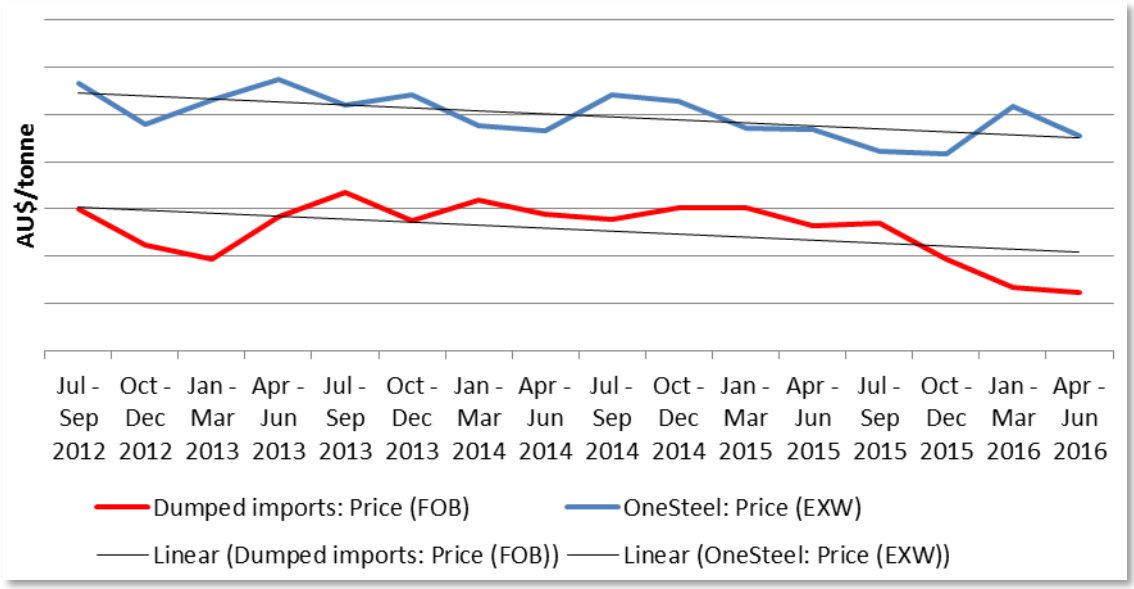

Figure A-9.2.4 FOB export prices (AU$/tonne) for dumped imports and unit sales revenue (EXW) for the Australian industry applicant across the proposed injury analysis period 1 July 2012 to 30 June 2016 (Source: appendices A2 and A6.1) (x-intercept: $y \neq 0$)

3. Compare the data at appendix A2 (Australian market) to identify the influence of dumped imports on your quarterly costs to make and sell at appendix A6.1 (for example refer to changes in unit fixed costs or the ability to raise prices in response to material cost increases).

Figure A-9.3.1 (below) illustrates the sensitivity of sales volume of the goods and like goods to price. For example, across the proposed investigation period (1 July 2015 to 30 June 2016) – a period marked for a declining export price for the dumped imports (to record low levels) – the export volumes for the dumped imports grew quarter-on-quarter (to record high levels). A similar relationship between volume and price is demonstrated in earlier periods:

- 1 July 2012 – 30 June 2013, where declining export prices corresponded with increases in volume;
- 1 July 2013 to 31 March 2015, where historically high prices corresponded with declining or below average export volumes; and
- Since 1 April 2015, when the quarter-on-quarter decline in export price has corresponded to incremental increases in export volumes of the dumped imports.

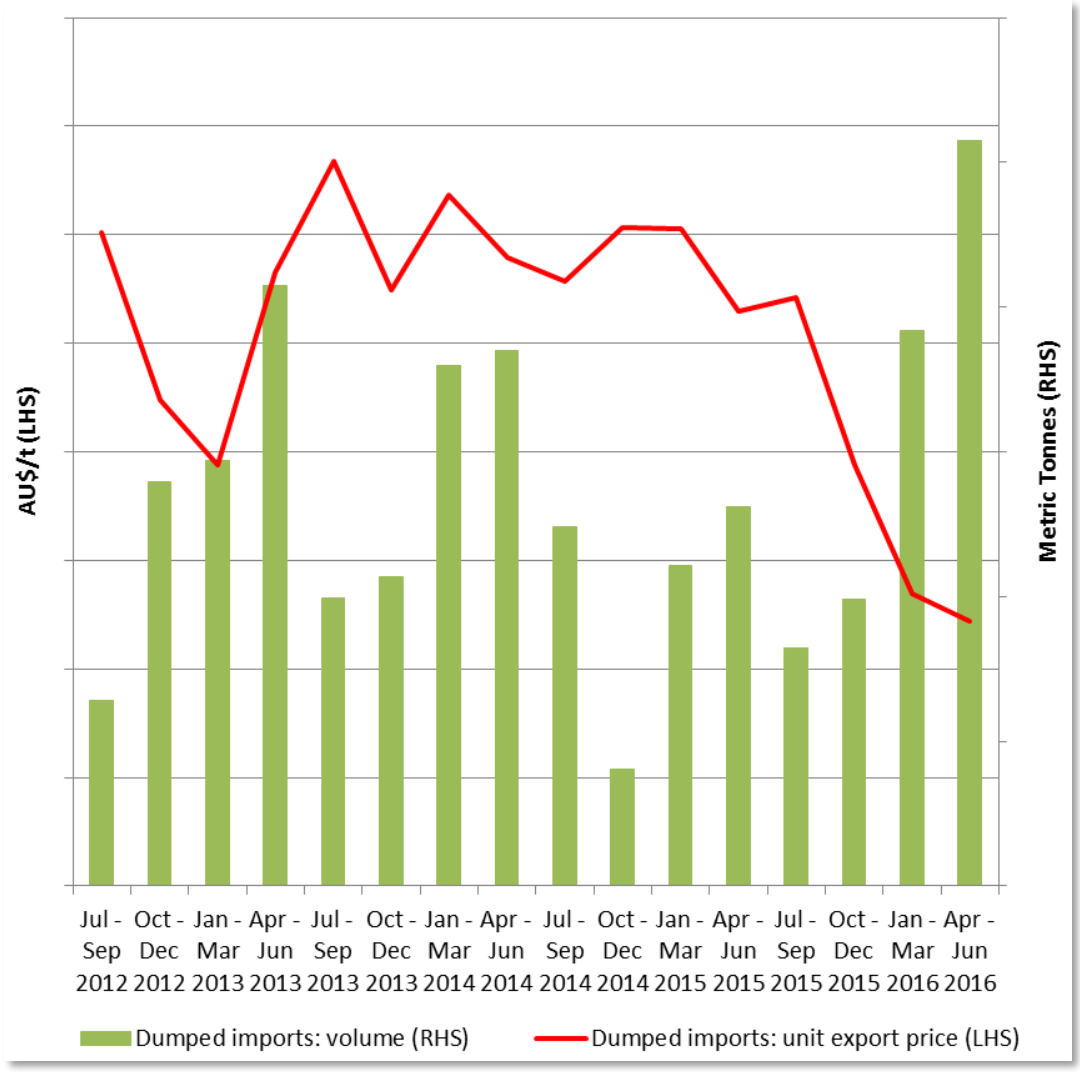

Figure A-9.3.1 Export prices and volumes for the dumped imports from China across the proposed injury analysis period (Source: appendix A2)

Having established the relationship between export price and export volume for the dumped imports from China in ***Figure A-9.3.1*** (above), it then stands to establish that the increased export volume for the dumped imports has caused a decline in the sales volume for the like goods produced in Australia. ***Figure A-9.3.2*** (below) establishes this relationship, in particular across the 1 July 2012 to 30 June 2013 period, and most importantly, across the proposed investigation period (1 July 2015 to 30 June 2016), where the record growth in export volumes for the dumped imports from China correspond with record declines in sales volumes for the like goods produced in Australia.

Since the export price and export volumes for the dumped imports from China are related to the loss of sales volume for the like goods produced in Australia across the proposed investigation period, there is a consequent impact on the Australian industry applicant's unit fixed costs. ***Figure A-9.3.2*** (below) illustrates that the loss of sales volume for the like goods results in an increase in the Australian industry applicant's unit fixed costs. This inverse relationship is clearly demonstrated across the proposed injury analysis period, but especially since 1 July 2015. The increase in the applicant's unit fixed costs directly impacts the profit and profitability of the like goods.

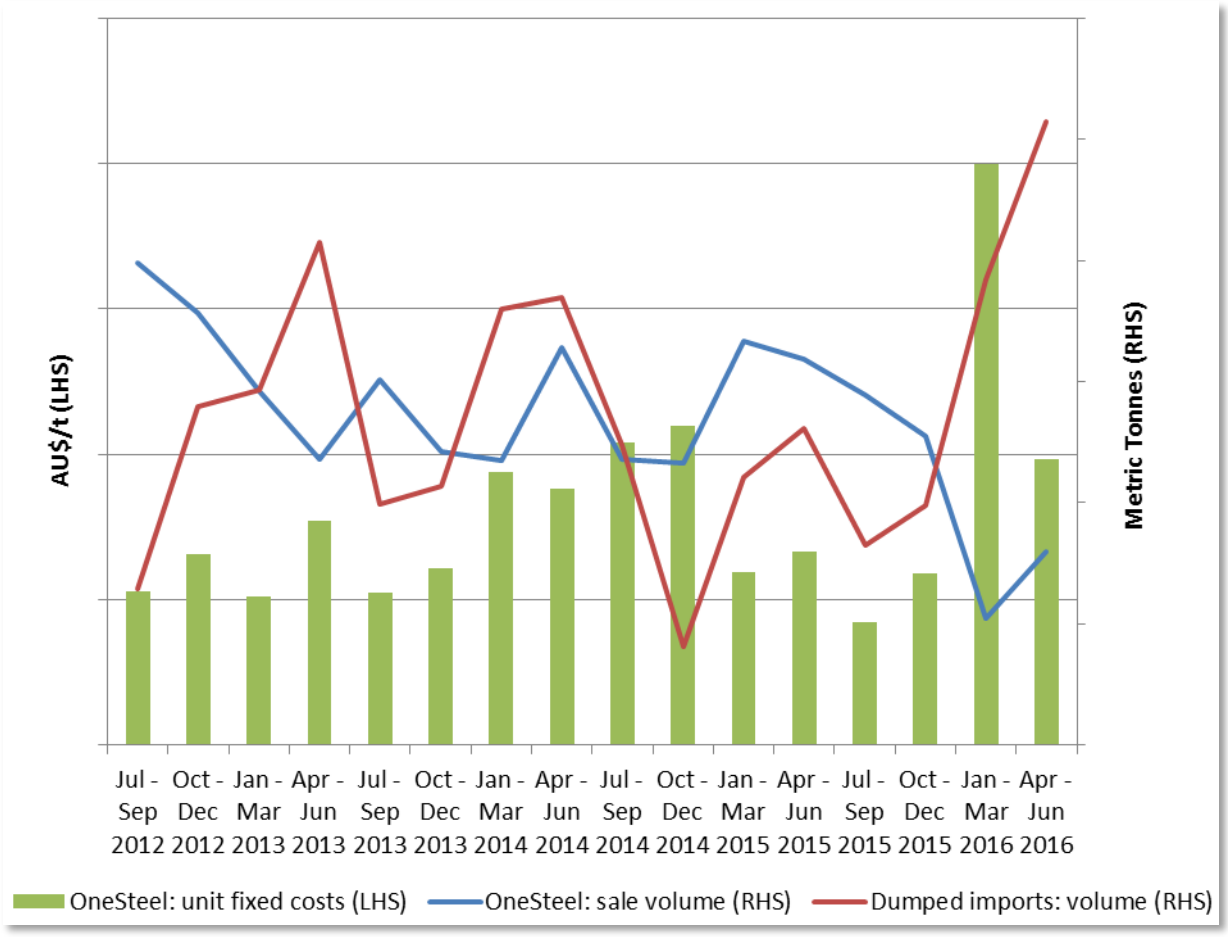

Figure A-9.3.2 Export volume for the dumped imports (source: appendix A2), sales volumes and unit fixed costs for the like goods produced by the Australian industry applicant (source: appendix A6.1)

Figure A-9.3.3 (below) illustrates the influence of the export prices for the dumped imports on the Australian industry's ability to increase sales prices in response to material cost increases. For example, across the proposed investigation period:

- 1 July to 30 September 2015, whereas material costs fell by (-)[redacted] per cent, average prices for the like goods fell by, a greater, (-)[redacted] per cent;
- 1 October to 31 December 2015, whereas material costs increased by (+)[redacted] per cent, average prices for the like goods was only able to marginally recover against that increase by an additional (+)[redacted] per cent; and
- 1 April to 30 June 2016, whereas material costs increased by (+)[redacted] per cent, average prices for the like goods fell by, a significantly greater, (-)[redacted] per cent.

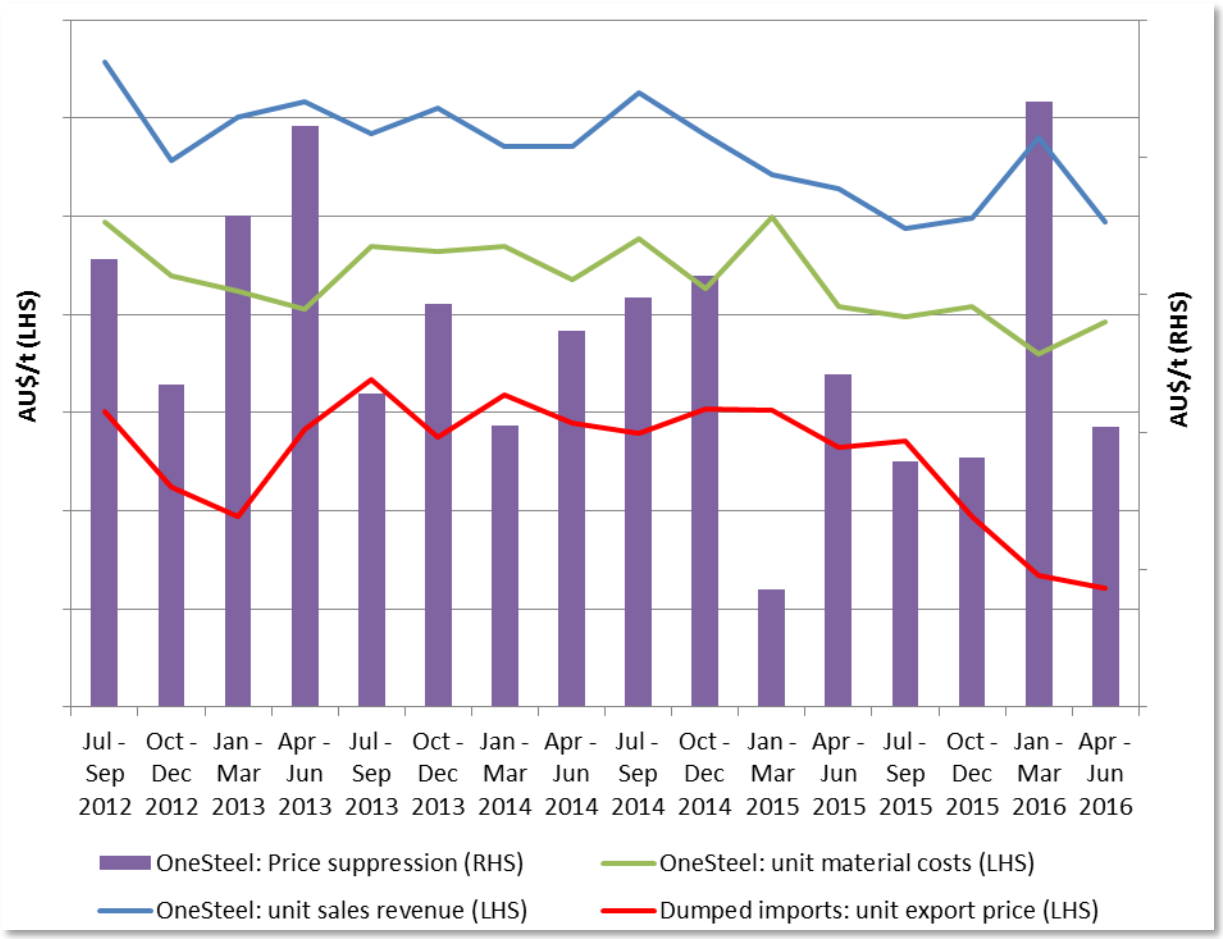

Figure A-9.3.3 Export prices for the dumped imports (Source: appendix A2), unit material costs and sales revenue for the like goods (Source: appendix A6.1)

Overall, across the proposed investigation period, whereas the material costs for the like goods declined by (-)[redacted] per cent, average prices declined by (-)[redacted] per cent as a result of a decline in the FOB export price of (-)[redacted] per cent for the dumped imports since 30 June 2015.

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4. The quantity and prices of dumped imported goods may affect various economic factors relevant to an Australian industry. These include, amongst other things, the return on investment in an industry, cash flow, the number of persons employed and their wages, the ability to raise capital, and the level of investment in the industry. Describe, as appropriate, the effect of dumped imports on these factors and where applicable use references to the data you have provided at appendix A7 (other economic factors). If factors other than those listed at appendix A7 (other economic factors) are relevant, include discussion of those in response to this question.

The Australian industry considers that the increase in export volume ((+)13 per cent), and decrease in export price ((-)19 per cent) of the dumped imports across the proposed injury analysis period has caused the Australian industry applicant to suffer injury in the form of:

- reduced capital investment;
- reduced asset utilisation;
- reduced return on investment;
- reduced capacity;
- reduced revenue; and
- reduced wages and employment.

Reduced capital investment and asset utilisation

Figures A-9.4.1 and ***A-9.4.2*** (below) indicates the impact of the decline in export prices and increase in export volumes for the dumped goods in the proposed investigation period on the value of capital invested and assets utilised in the production of like goods.

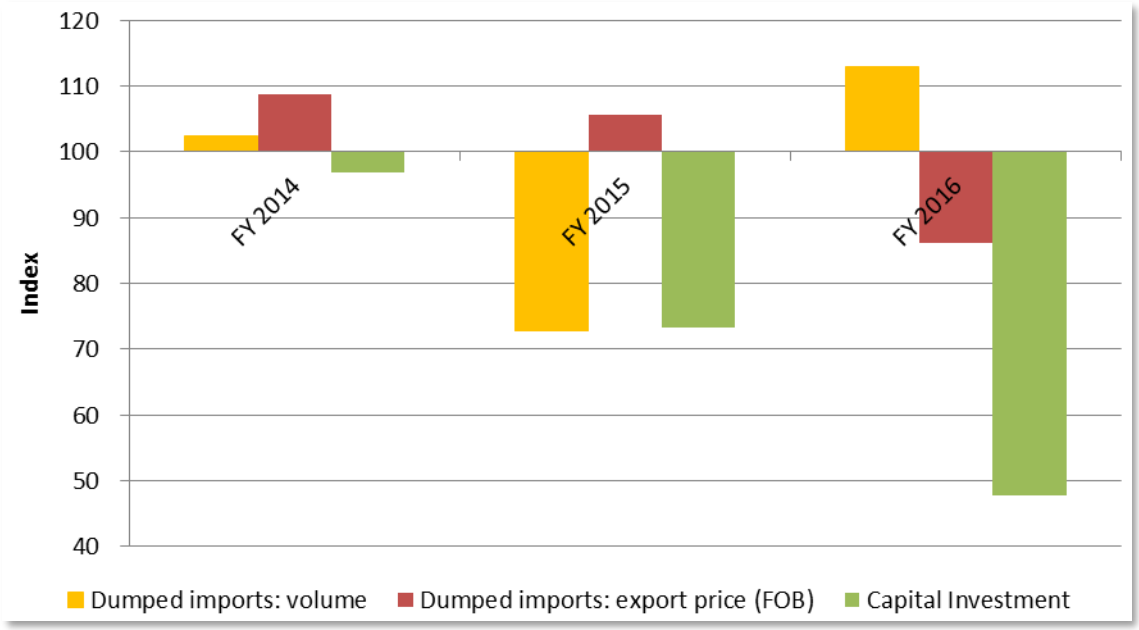

Figure A-9.4.1 Index of variation of export volume and price of dumped imports (source: appendix A2) and capital investment in the production of like goods (source: appendix A7) across the proposed injury analysis period (FY 2013 base year)

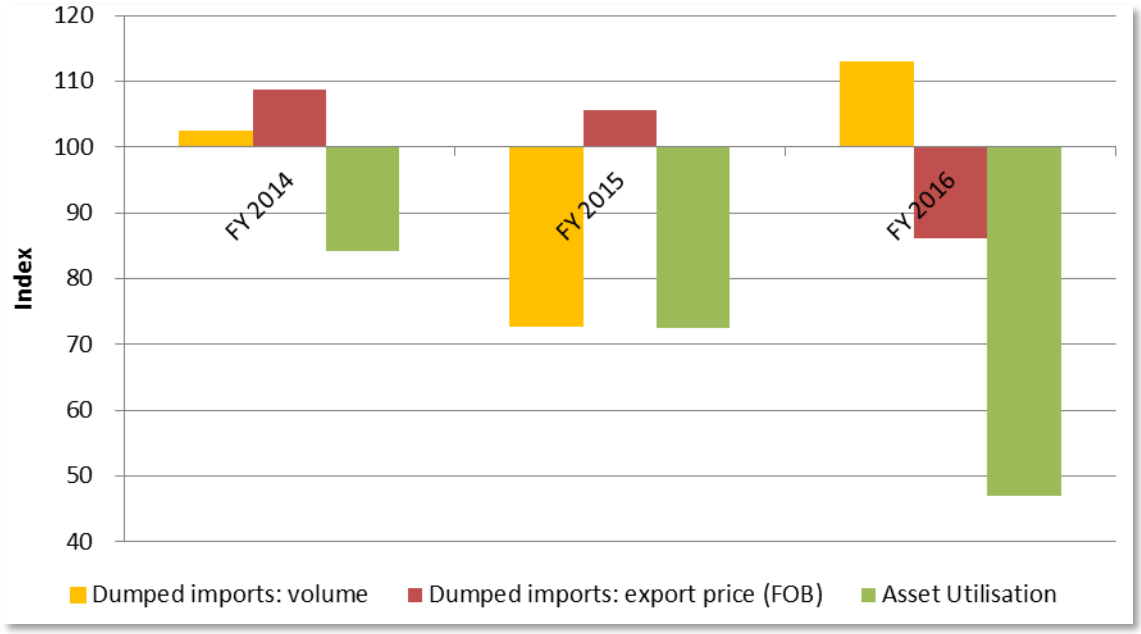

Figure A-9.4.2 Index of variation of export volume and price of dumped imports (source: appendix A2) and asset utilisation in the production of the like goods (source: appendix A7) across the proposed injury analysis period (FY 2013 base year)

This stands to reason as ***Figure A-9.4.3*** (below) indicates the declining rates of return on investment from the production of the like goods.

Reduced return on investment

As discussed in response to the results for the rates of capital investment and asset utilisation in the production of the like goods (***Figures A-9.4.1*** and ***A-9.4.2*** (above)), the declining rates of return on investment in response to lower export prices and higher export volumes of the dumped imports (refer ***Figure A-9.4.3*** (below)), have reduced the business case for investment in capital and assets for the production of the like goods.

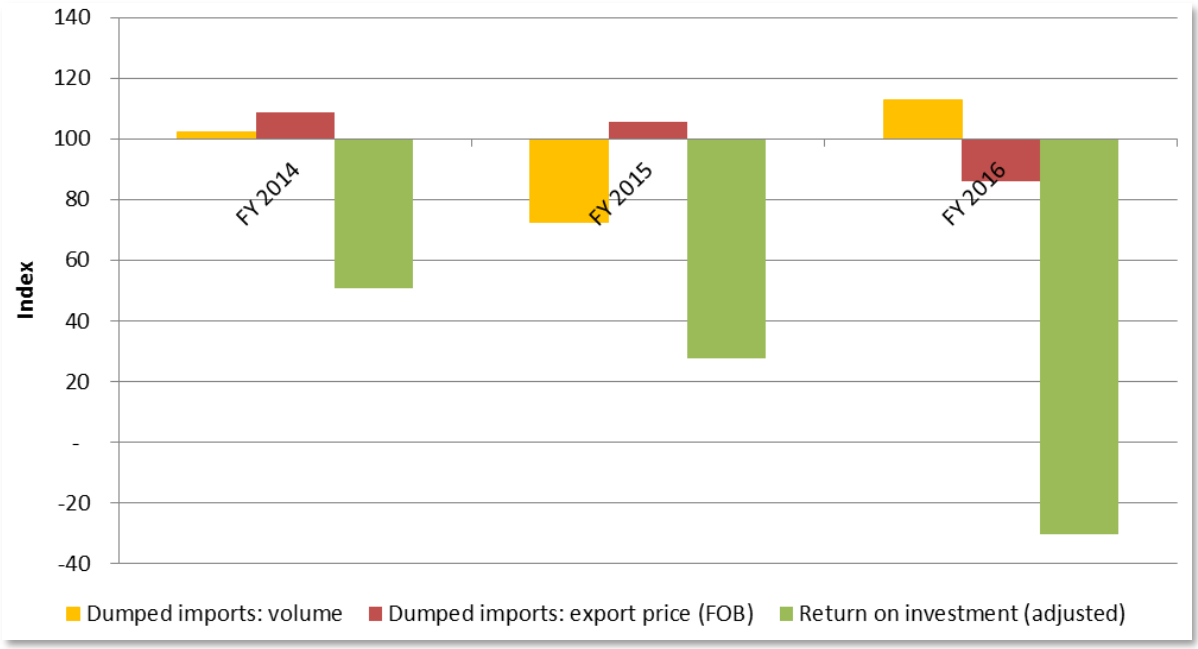

Figure A-9.4.3 Index of variation of export volume and price of dumped imports (source: appendix A2) and return on investment for the production of the like goods (source: appendix A7) across the proposed injury analysis period (FY 2013 base year)

Capacity effects

The reduced return on investment caused by the declining Australian market for the like goods (in terms of price and volume) has resulted in a reduction in the capital investment and asset utilisation in the production of the like goods (***Figures A-9.4.1***, ***A-9.4.2*** and ***A-9.4.3*** refers). In turn, the reduction in capital investment and asset utilisation has reduced the Australian industry's capacity to produce the like goods. Again, the reduction in capacity corresponds with the declining export price and increasing export volume of the dumped imports (refer ***Figure A-9.4.4*** (below)).

Figure A-9.4.4 Index of variation of export volume and price of dumped imports (source: appendix A2) and production capacity for the like goods (source: appendix A7) across the proposed injury analysis period (FY 2013 base year)

In turn, the reduction in production capacity identified in ***Figure A-9.4.4*** (above) has resulted in an increase in capacity utilisation (refer ***Figure A-9.4.5*** (below)). In this case, this is not a positive outcome for the Australian industry, as it merely reflects the gains made from the significant loss in production volume across the injury analysis period – specifically, a loss of (-)[redacted] per cent since 30 June 2013.

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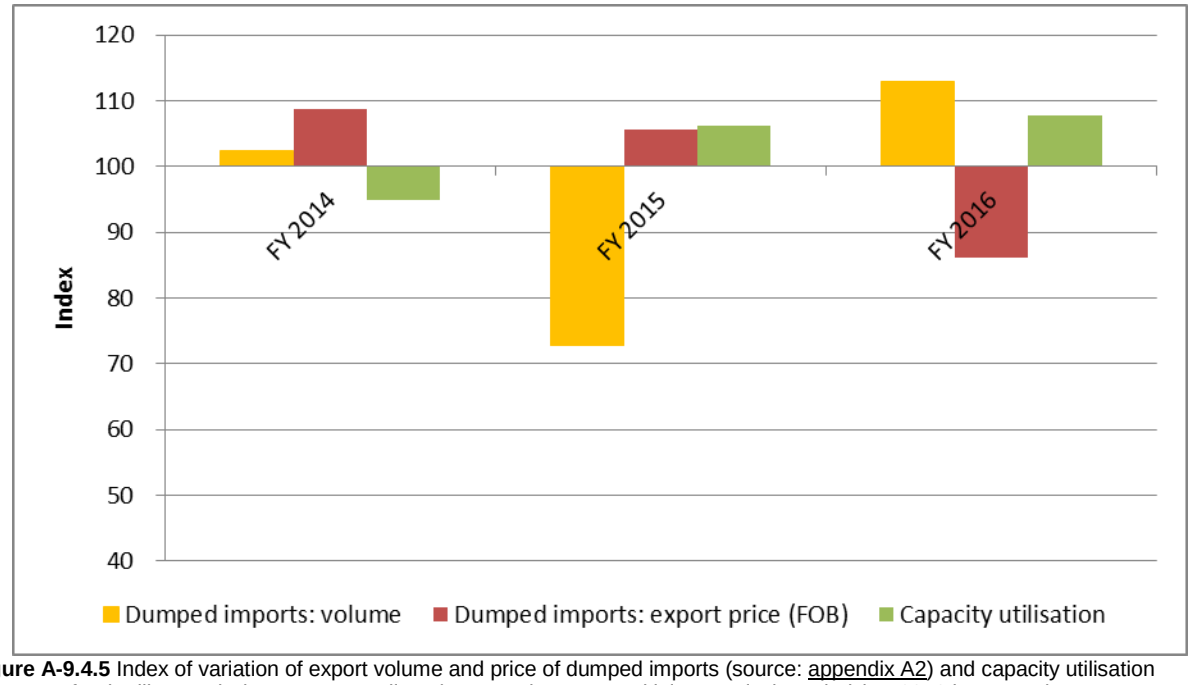

Figure A-9.4.5 Index of variation of export volume and price of dumped imports (source: appendix A2) and capacity utilisation for the like goods (source: appendix A7) across the proposed injury analysis period (FY 2013 base year)

Reduced revenue

Figure A-9.4.6 (below) demonstrates that sales revenue has declined year on year across the injury analysis period in response to the increase in export volumes and decrease in export price of the dumped imports. The deterioration in sales revenue was hastened during the proposed investigation period, such that it declined by (-)[redacted] per cent when compared with the previous 12-month period.

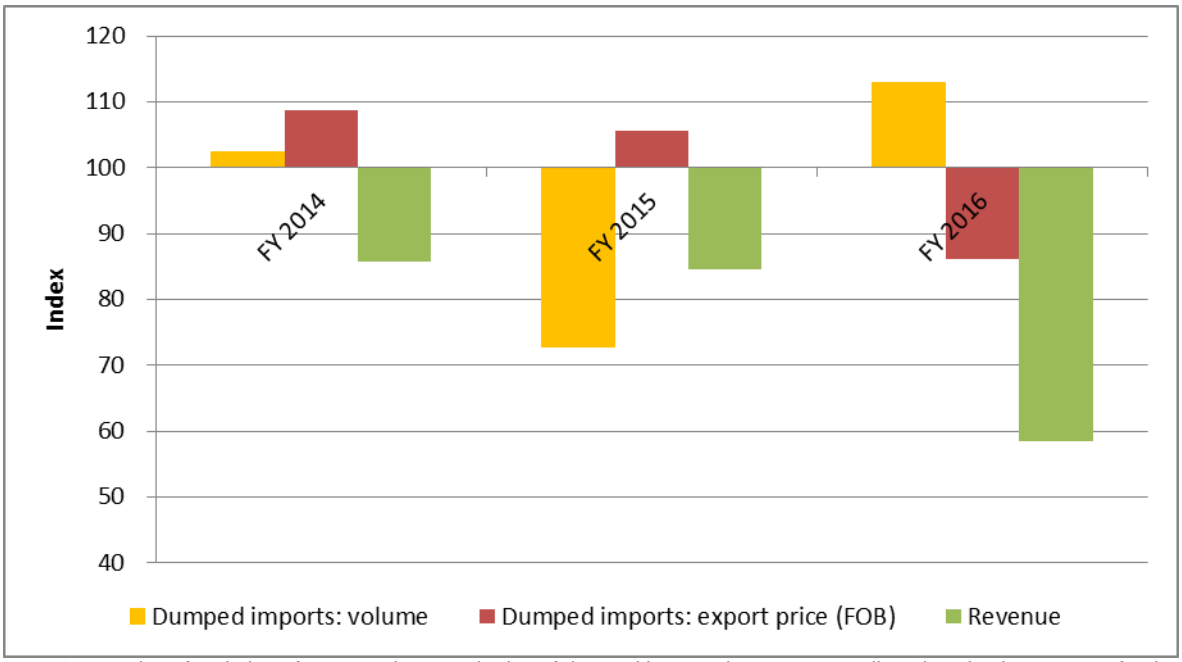

Figure A-9.4.6 Index of variation of export volume and price of dumped imports (source: appendix A2) and sales revenue for the like goods (source: appendix A7) across the proposed injury analysis period (FY 2013 base year)

The decline in sales revenue across the entire proposed injury analysis period ((-)[redacted] per cent) is a function of the decline in unit sales revenue ((-)[redacted] per cent) and sales volume ((-)[redacted] per cent) across the same period.

Reduced wages expense

The wages earned from the production of the like goods have reduced each year of the injury analysis period, with the greatest decline occurring in the proposed investigation period. This trend is illustrated in ***Figure A-9.4.7*** (below).

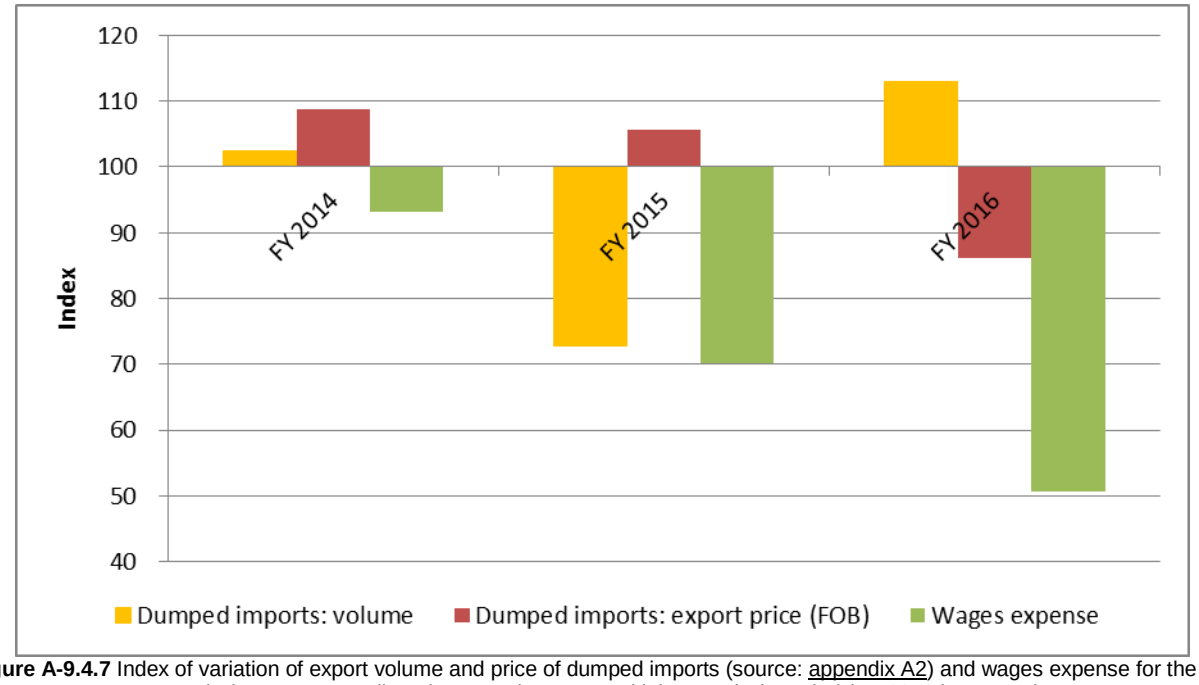

Figure A-9.4.7 Index of variation of export volume and price of dumped imports (source: appendix A2) and wages expense for the like goods (source: appendix A7) across the proposed injury analysis period (FY 2013 base year)

The loss of wages earned is a function of the loss of sale volume of the like goods across the injury analysis period, and would be practically felt by direct labour as reduced working hours and shifts to produce the like goods.

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5. Describe how the injury factors caused by dumping and suffered by the Australian industry are considered to be 'material'.

The Australian industry applicant considers that it suffered material injury in the form of:

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

5.1 Volume effects

5.1.1 Sales volumes

The Australian industry applicant has, for the injury analysis period, aggregated its sales volumes of the like goods, sales volumes for the other producer of like goods in Australia and import and export data, and estimates that the Australian market for alloy round bar was between [redacted] and [redacted] metric tonnes per annum. The market expanded by approximately (+)6 per cent during the proposed investigation period.

In spite of the increasing market, the Australian industry applicant decreased its sales volume in the proposed investigation period by almost (-)[redacted] per cent (***Figure A-9.5.1.1*** (below) refers). And the Australian industry as a whole decreased its sales volume by over (-)[redacted] per cent across the same period.

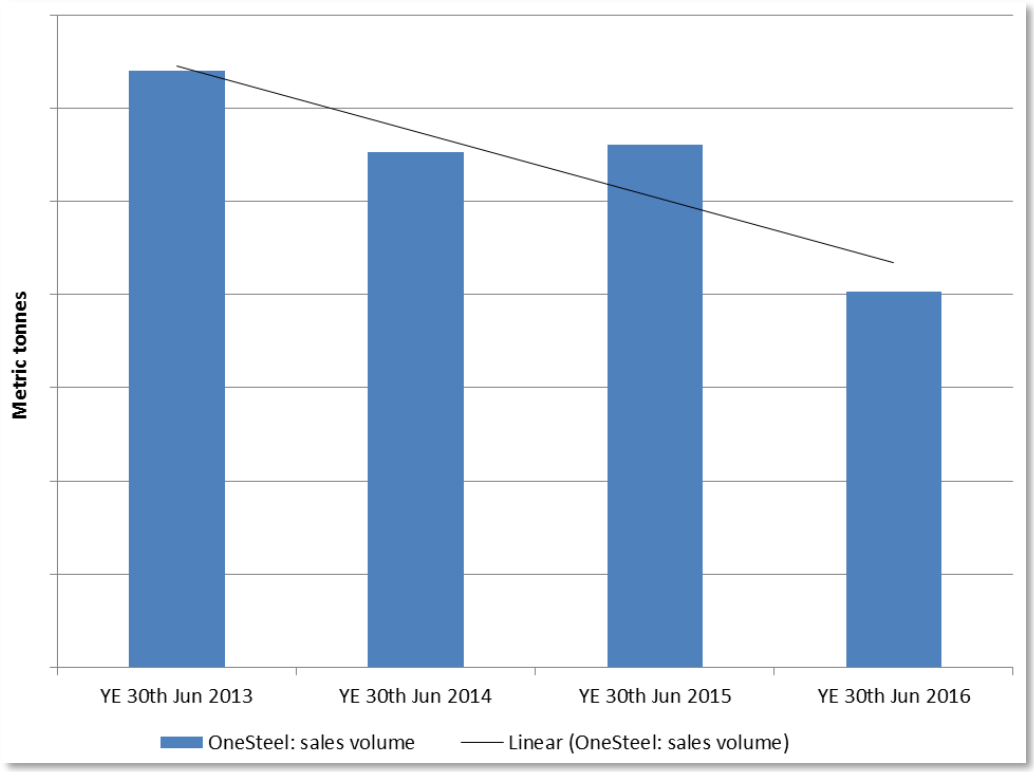


Figure A-9.5.1.1 OneSteel's annual sales quantity (in metric tonnes) for the like goods across the injury analysis period (Source: appendix A6.1)

Figure A-9.5.1.2 (below) indicates the materiality of sales volume of [redacted] to the Australian industry applicant. Specifically, [redacted] amounts to [redacted] per cent (by volume) of total sales of the like goods.

[***Figure A-9.5.1.2*** (below) is considered confidential in its entirety]

[redacted]

Figure A-9.5.1.2 Sales volumes for the proposed investigation period of the like goods by product category (source: appendix A4)

Therefore, examples of lost sales volume for this product category are presented as evidence of how the dumped imports from China caused the Australian industry to suffer material injury.

Figures A-9.5.1.3 and ***A-9.5.1.4*** (below) indicate the decline in sales volume for bar for grinding balls product category (by cross-sectional dimension) during the proposed investigation period.

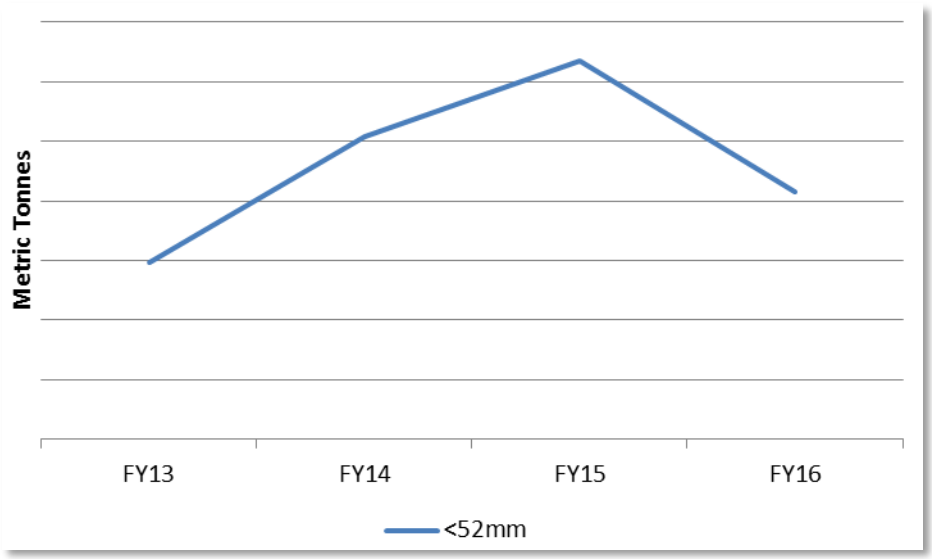
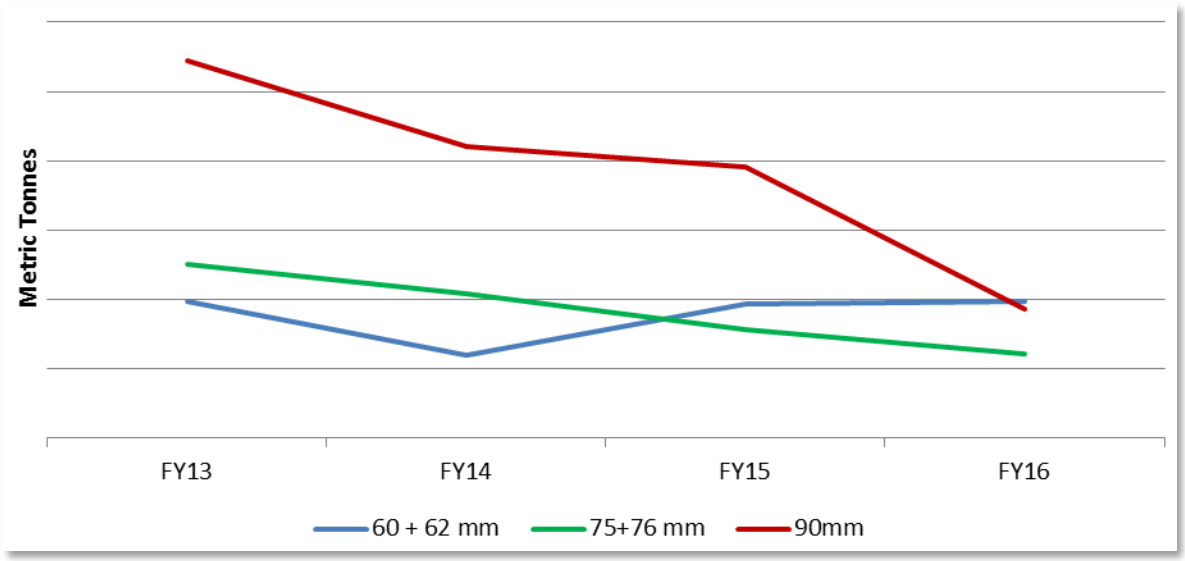


Figure A-9.5.1.3 Sales volume [redacted] with cross-sectional dimensions of less than 52 mm (source: appendix A4)



A-9.5.1.4 Sales volume of [redacted] with various cross-sectional dimensions (source: appendix A4)

The Australian industry applicant's sale of this product category is made to [redacted]. [*customer disclosure*]

Since first entering into [redacted][3], [redacted] [*customer*] has progressively reduced its purchases of the like goods from OneSteel. For example, in or about [redacted] disclosed to OneSteel that:

> [redacted]"[4] [*confidential customer interaction*]

During the proposed investigation period, the Australian industry applicant attempted to recover sales volume from the customer. However, the dumped imports from China continued to undercut the Australian industry applicant's price offers and as such the sales volume was lost:

> [redacted] negotiations for 2016 sales[5] [*confidential negotiations*]

> [redacted]

[3] CONFIDENTIAL ATTACHMENT A-4.2.1 at p. 4.
[4] CONFIDENTIAL ATTACHMENT A-8.1.1
[5] CONFIDENTIAL ATTACHMENT A-9.5.1.1

[redacted]

Outcome: Sales volume lost

[redacted] negotiations for [redacted] 2015 sales[6] [*confidential negotiations*]

[redacted]

Outcome: Sales volume lost

[redacted] negotiations for [redacted] 2016 sales[7] [*confidential negotiations*]

[redacted]

[6] CONFIDENTIAL ATTACHMENT A-9.5.1.2
[7] CONFIDENTIAL ATTACHMENT A-9.5.1.4

[redacted][8]

[redacted]

Outcome: Sales volume lost

[redacted] 2016 negotiations[9] [*confidential negotiations*]

[redacted]

[redacted] 2016 negotiations[10] [*confidential negotiations*]

[redacted]

Outcome: Not accepted by customer.

Therefore, in summary, during the proposed investigation period (when compared to the previous year):

- the Australian domestic market for alloy round bar grew by approximately (+) 6 per cent;
- the import volumes from China grew by (+)55 per cent;
- import volumes from other countries not the subject to this application declined by (-)7 per cent; and
- the Australian industry sales volumes declined by (-)[redacted] per cent.

[8] CONFIDENTIAL ATTACHMENT A-9.5.1.5
[9] CONFIDENTIAL ATTACHMENT A-9.5.1.6
[10] CONFIDENTIAL ATTACHMENT A-9.5.1.7

It is evident from the above evidence of lost sales volume and this analysis that dumped imports from China have captured a disproportionate share of the growth in the Australian domestic market for alloy round bar during the proposed investigation period. It is noted that import volumes from China have grown significantly both in absolute terms and relative to the size of the Australian market.

5.1.2 Market share

Market share in relation to the Australian domestic market for alloy round bar is shown in ***Figure A-9.5.1.5*** (below).

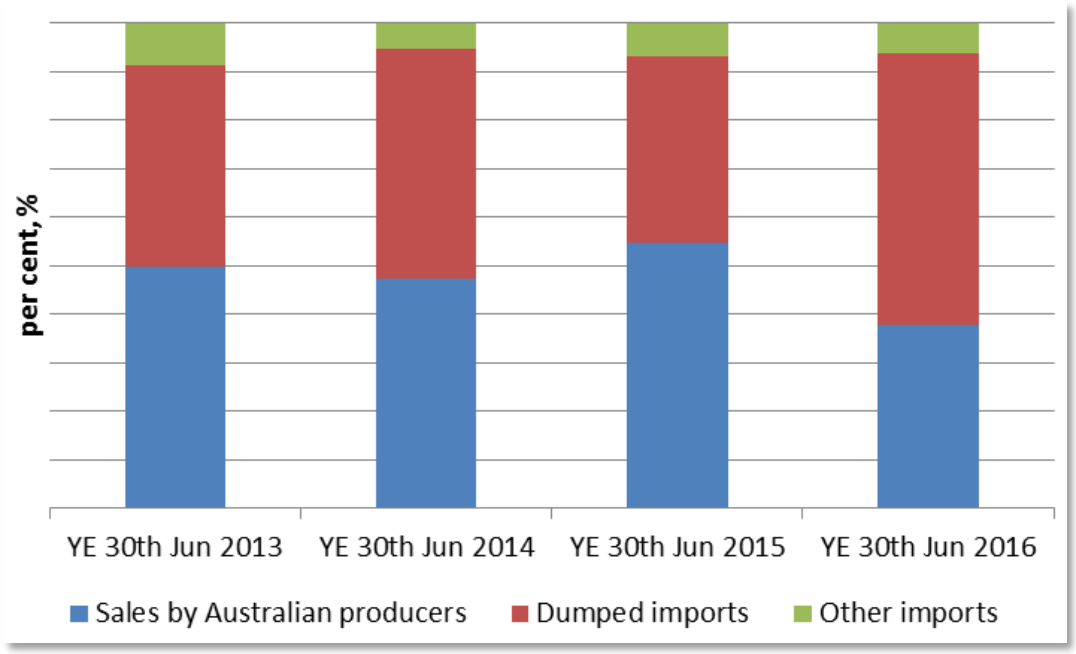


Figure A-9.5.1.5 Australian domestic alloy round bar market share (source: appendix A2)

Figure A-9.5.1.5 (above) indicates that the market share for the Australian industry remained stable in FY 2013 and FY 2014, increased in FY 2015, and then declined across the proposed investigation period. On the other hand, dumped imports from China gained market share in FY 2014 (at the expense of market share held by other imports), lost market share in FY 2015 (to both, other imports and the Australian industry), and gained significant market share (a (+) 46 per cent gain) during the proposed investigation period (largely at the expense of the Australian industry, which experienced a (-)31 per cent loss in market share). This increase in market share was made possible by a (+)55 per cent increase in the volume of goods imported from China during the proposed investigation period (when compared to FY 2015 import volumes).

Therefore, in spite of the Australian domestic market for alloy round bar increasing by (+)6 per cent during the proposed investigation period, the Australian industry suffered a loss of sales volume, and a decline in market share. The Australian industry applicant considers that it has experienced injury in the form of lost market share.

During the proposed investigation period (when compared to the previous year):

- the Australian industry suffered a loss of approximately (-)16.8 percentage points of market share;
- the market share for imports from China increased by approximately (+)17.7 percentage points of market share; and
- the market share for imports from countries not the subject of this application decreased by less than (-)1 percentage point.

Given the decline in the market share of both the Australian industry and imports from countries not the subject of this application in a growing market, and the evidence of lost sales by the Australian industry applicant, then the Australian industry's loss of market share during the proposed investigation period is attributable to dumped imports from China.

5.2 Price effects

5.2.1 Price depression and suppression

The Australian industry applicant reduced selling prices in response to a substantial increase in lower price offers in the Australian market from Chinese exporters in an effort to maintain sales volumes. ***Figure A-9.5.2.1*** (below) demonstrates the movement in the Australian industry applicant's unit selling price and unit CTMS (cost to make & sell) over the injury analysis period.

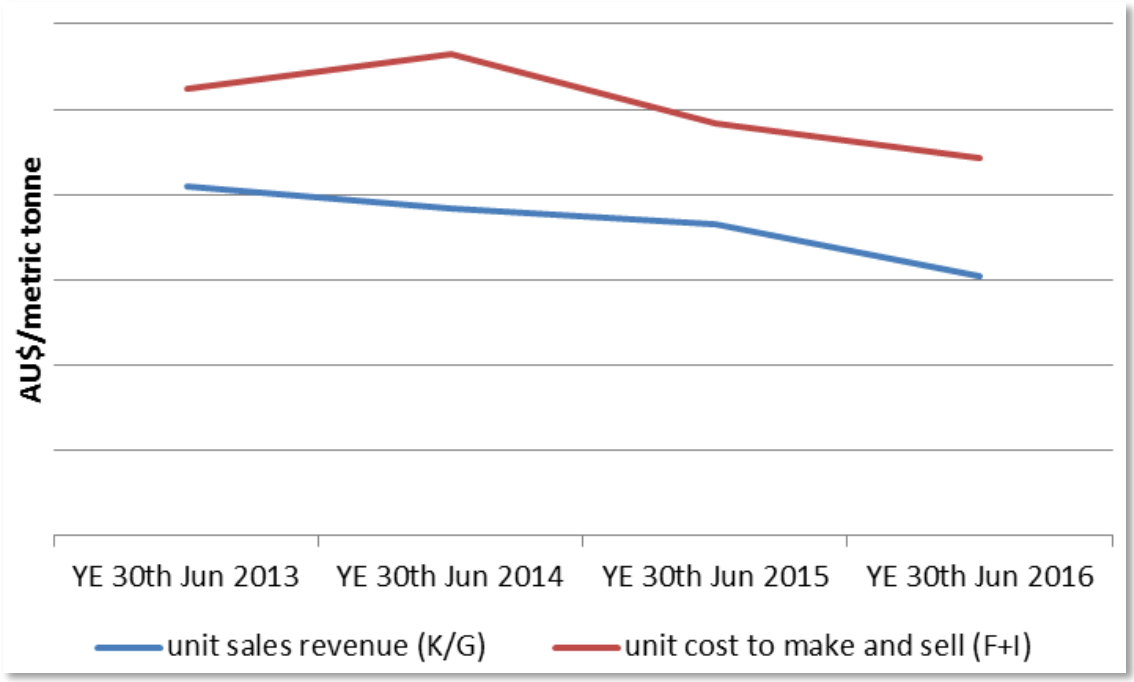


Figure A-9.5.2.1 OneSteel's unit sales revenue and CTMS (Source: appendix A6.1) (x-intercept: y ≠ 0)

Figure A-9.5.2.1 (above) shows that the Australian industry applicant's unit selling prices and unit CTMS declined over the injury analysis period. The Australian industry applicant achieved the largest margin between unit costs and unit selling prices in FY 2014, however over the proposed investigation period (FY 2016) unit selling prices declined ((-)6.23 per cent) to a greater extent than unit CTMS ((-)3.79 per cent). This is because

the Australian industry applicant has been forced to reduce selling prices in an attempt to maintain sales volumes.

Therefore, the Australian industry applicant considers that it has suffered price depression. In addition, given that unit selling prices had reduced at a greater extent that the reduction in unit CTMS, then the Australian industry applicant also considers that it has suffered price suppression.

Price setting mechanism

Focusing on [redacted] product category of the like goods (given it constitutes [redacted] per cent of sales volume in the proposed investigation period (refer ***Figure A-9.5.1.2*** (above))), the Australian industry applicant did attempt, unsuccessfully, during the proposed investigation period to resist setting prices for its like goods against [redacted].

Thus, since [redacted], the Australian industry applicant attempted to set price according [redacted][11] [*price setting index*]

However, since [redacted] [*customer*] has rejected this price setting mechanism,[12] attempting to undercut it with either an indication of a price offer from an importer of the dumped goods exported from China (refer ***Section A-9.5.2.2 Price Undercutting*** (below) [redacted], in other words, resulting in lost sales volume. (refer ***Section A-9.5.1.1 Sales Volume*** (above)).

[redacted] 2015 negotiations[13] [*confidential negotiations*]

[redacted]

[redacted] 2015 negotiations[14] [*confidential negotiations*]

[redacted]

[11] Published by [redacted]
[12] CONFIDENTIAL ATTACHMENT A-9.5.2.1.1
[13] CONFIDENTIAL ATTACHMENT A-9.5.1.8
[14] CONFIDENTIAL ATTACHMENT A-9.5.2.1

[redacted] 2015 negotiations[15] [*confidential negotiations*]

[redacted]

[redacted] 2015 negotiations [redacted] 2016 sales[16] [*confidential negotiations*]

[redacted]

[redacted] 2015 negotiations for [redacted] 2016 sales[17] [*confidential negotiations*]

[redacted]

[redacted][18]

[redacted] 2016 negotiations[19] [*confidential negotiations*]

[redacted]

[15] CONFIDENTIAL ATTACHMENT A-9.5.2.2
[16] CONFIDENTIAL ATTACHMENT A-9.5.1.3
[17] CONFIDENTIAL ATTACHMENT A-9.5.1.4
[18] CONFIDENTIAL ATTACHMENT A-9.5.1.5
[19] CONFIDENTIAL ATTACHMENT A-9.7.1.1

[redacted]

[redacted] 2016 negotiations[20] [*confidential negotiations*]

[redacted]

Figure A-9.5.2.2 (below) indicates that the price of alloy round bars [redacted] were no longer affected by the [redacted] based price value, and whereas the [redacted] based price mechanism experienced an upward price movement since March 2016, the Australian industry applicant has experienced price depression.

[The whole of ***Figure A-9.5.2.2*** is considered confidential]

[redacted]

Figure A-9.5.2.2 Movements in the unit [redacted] based price for bar [redacted] (AUD/MT) (source: CONFIDENTIAL ATTACHMENT A-9.5.2.1.1) compared to movements in the actual net price to the customer and sales volume for alloy round bar [redacted] across the proposed investigation period (source: appendix A4)

The evidence indicates that in order to gain sales volume since August 2015 the Australian industry applicant was unable to ignore price offerings in the market and that a key determinant for its prices to customers was the price of dumped imports from China.

Further, given that the Australian industry applicant either produces the alloy round bar to the applicable Australian Standard, or to meet the particular technical specifications required by the customer (for example in the case of [redacted], then pricing is an integral aspect of the sale negotiation process from the perspective of the Australian industry applicant. The evidence submitted supports the contention that the Australian industry applicant had to reduce its offered prices in sales negotiations in an

[20] CONFIDENTIAL ATTACHMENT A-9.5.2.3

effort to compete with lower priced dumped imports from China, and that the Australian industry applicant has lost sales to these goods, where in spite of reducing its offered prices, it was still undercut by the dumped imports.

The Australian industry applicant contends that the import offers and movements in the price of imported alloy round bar are leveraged by customers to negotiate prices with the Australian industry applicant in the sales negotiation processes, and the Australian industry applicant must respond to the price of the imported goods by reducing its price offers to remain competitive.

As explained above, the Australian industry applicant's unit selling price has declined at a greater rate than the decline in unit CTMS over the injury analysis period. In the context of an expanding market, it is reasonable to consider that unit selling price would not have declined at a greater rate than the reduction in unit CTMS if the Australian industry applicant's selling prices were not adversely affected by the presence of dumped imports from China.

Therefore, the Australian industry has suffered price depression and price suppression during the investigation period attributable to dumped imports from China.

5.2.2 Price undercutting

Price undercutting occurs when imported goods are sold into the Australian domestic market at a price below that of like goods produced by the Australian industry.

The Australian industry applicant's oversight of sales data of the dumped imports [redacted]. Accordingly, the Australian industry applicant has conducted a price undercutting analysis at an aggregated level (based on published export price and volume information) and where possible narrowed its analysis down to [redacted]. [*disclosure of market intelligence*]

5.2.2.1 Price undercutting at an aggregated level

The Australian industry applicant has assessed price undercutting at an aggregated level by comparing the weighted average EXW selling price of its entire alloy round bar range against the weighted average selling price of the FOB export price of the goods.

This analysis, reproduced in ***Figure A-9.5.2.2.1*** (below), showed that the dumped imported goods undercut the applicants' selling prices in each quarter of the investigation period. The undercutting ranged from [redacted] per cent to [redacted] per cent on a quarterly basis.

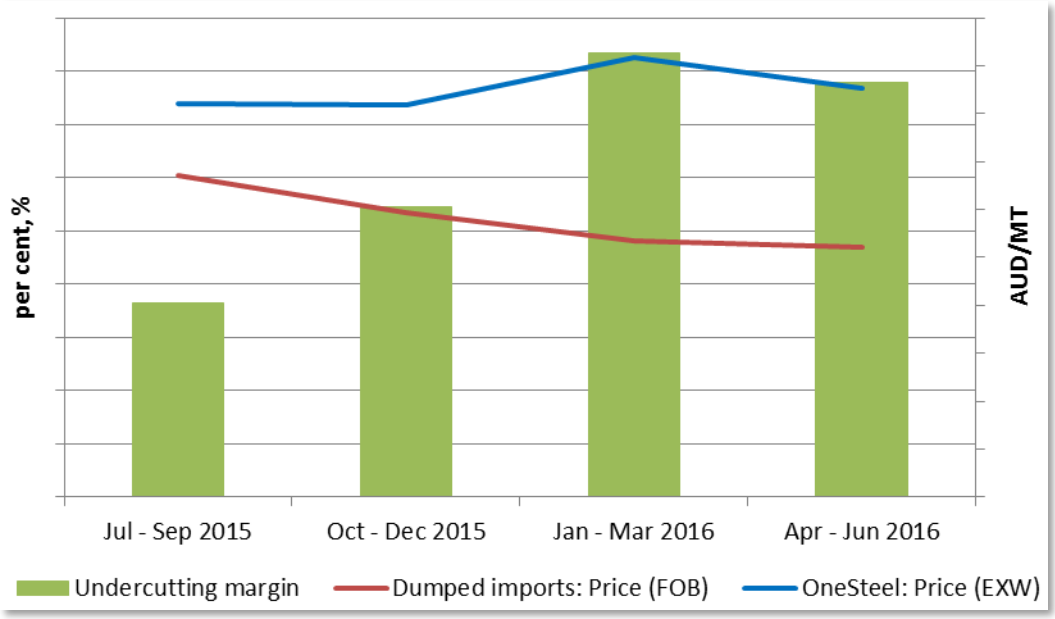


Figure A-9.5.2.2.1 Price undercutting analysis

5.2.2.2 Price undercutting by customer

The applicant also considered price undercutting in the context of [redacted] (in terms of sales volume) product category of the like goods, [redacted].

The extent of price undercutting is explored in terms of [redacted] leverage the applicant against the price offers [redacted] by importers of the dumped imports from China.

[redacted] 2015 negotiations[21] [*confidential negotiations*]

[redacted]

[redacted][22]

Undercutting margins: Max. 23.62% Min. 5.29%

[redacted] 2015 negotiations[23] [*confidential negotiations*]

[redacted]

[redacted][24]

Undercutting margins: Max. 21.95% Min. 18.47%

[redacted] 2015 negotiations for [redacted] 2016 sales[25] [*confidential negotiations*]

[redacted]

[21] CONFIDENTIAL ATTACHMENT A-9.5.2.2.2.1
[22] CONFIDENTIAL ATTACHMENT A-9.5.2.1.1
[23] CONFIDENTIAL ATTACHMENT A-9.5.2.1
[24] CONFIDENTIAL ATTACHMENT A-9.5.2.1.1
[25] CONFIDENTIAL ATTACHMENT A-9.5.1.3

[redacted] [26]

Undercutting margins: Max. 8.22% Min. 8.03% (based on [redacted] based price)

[redacted] negotiations[27] [*confidential negotiations*]

[redacted] [28]

Undercutting margins: Max. 15.11% Min. 3.69%

[redacted] 2016 negotiations[29] [*confidential negotiations*]

[redacted]

Undercutting margins: Max. 11.66% Min. 5.77%

In summary, the applicant considers that there is positive evidence of price undercutting on an aggregated basis and at a customer level, and that these levels of price undercutting, supported by the export prices of the dumped imports from China created a competitive benefit to importers, and demonstrates that the Australian industry applicant faced price pressure from the imported goods.

[26] CONFIDENTIAL ATTACHMENT A-9.5.2.1.1
[27] CONFIDENTIAL ATTACHMENT A-9.5.1.5
[28] CONFIDENTIAL ATTACHMENT A-9.5.2.1.1
[29] CONFIDENTIAL ATTACHMENT A-9.5.2.3

5.3 Profit and profitability effects

The pricing pressures and lost sales volume experienced as a result of the dumped imports exported from China has had a flow-on effect in relation to profit and profitability.

Movement in the Australian industry's profit and profitability is shown in ***Figure A-9.5.3*** (below).

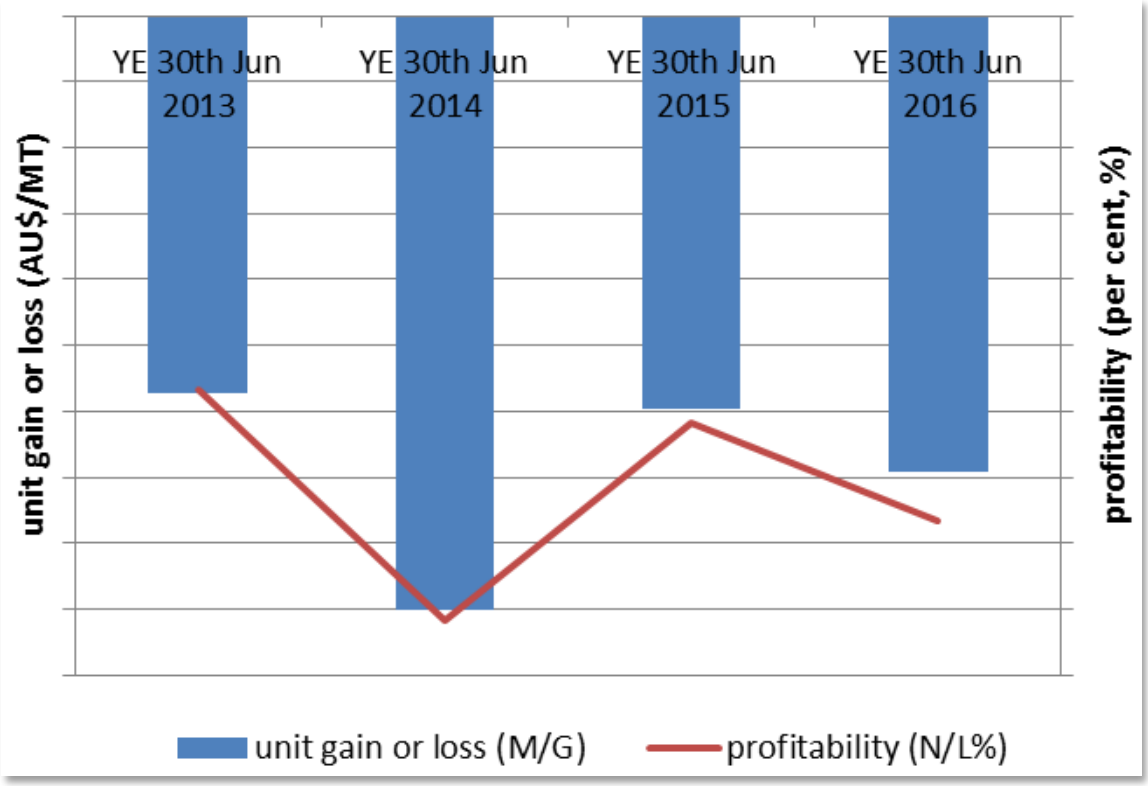


Figure A-9.5.3 OneSteel's unit gain or loss and profitability for domestic sales of the like goods (Source: appendix A6.1)

Figure A-9.5.3 (above) indicates that the Australian industry's losses and profitability from the like goods increased in FY 2014, decreased in FY 2015 and then deteriorated during the proposed investigation period.

This trend is consistent with the evidence relating to price and volume effects detailed above. In spite of the lower CTMS, the Australian industry applicant's profit and profitability have nonetheless declined due to the Australian industry achieving lower unit selling prices and reduced sales volumes in the investigation period.

Therefore, the Australian industry has experienced injury in the form of losses and negative profitability.

The Australian industry's analysis above concludes that the dumped imports from China have caused injury in the form of lost sales volume and price depression and suppression. The impact of these injury factors are twofold:

- Firstly, lost sales translate to lower levels of production of the like goods, which in turn increases the Australian industry applicant's unit fixed costs. This directly and negatively impacts on unit profit and profitability.

- Secondly, in an expanding market and in the absence of the dumped imports from China, then it stands to reason that the Australian industry would be able to achieve improved prices as the price point of its competitors would be higher. Accordingly, the Australian industry would then be in a position to increase revenue without incurring additional costs based on increased unit selling prices being generated. In turn, this would improve profits and profitability.

Therefore, the Australian industry has suffered injury in the form of reduced profits and profitability caused by dumped imports from China.

6. Discuss factors other than dumped imports that may have caused injury to the industry. This may be relevant to the application in that an industry weakened by other events may be more susceptible to injury from dumping.

In considering the following factors other than dumped imports, the Australian industry makes no admissions or concessions either as to their relevance, existence or materiality. In discussing the following factors, the applicant does so with a view to discounting them, and thus avoiding protracted discourse during any later investigation where an interested party refers to any one or more of them.

6.1 Effect of imports from countries other than China

Information from the applicant's appendix A2 shows that over 90 per cent of alloy round bars imported into Australia came from China.

The applicant has also analysed the FOB export prices of those export sources other countries than China and found that prices were above the FOB export prices from China for the duration of the investigation period (refer ***Figure A-9.2.3*** (above)). Furthermore, the

applicant has not received evidence of lower price offerings from other countries during the course of the proposed investigation period, and has not observed any shift in preference towards exports from countries other than China, and in fact the applicant notes that the volume of imported alloy round bar from countries other than China has fallen during the investigation period. This is in contrast to the increase in imports of the goods from China.

Therefore, the applicant considers that goods exported from countries other than China have not materially contributed to the Australian industry's injury.

6.2 Declining demand from downstream domestic customers affected by dumped and subsidised finished products produced from alloy round bar

[redacted] recently concluded *Dumping and Subsidisation Investigation No. 316* concerning grinding balls exported from China.

In that case, the Commission did not find that the Australian industry members there suffered injury in the form of reduced sales volume. That finding appears to support the observation made by the applicant in this application, that the Australian domestic market for alloy round bar, a feedstock material into the [redacted], has in fact increased across the proposed investigation period (+)6 per cent. [redacted], [*market intelligence*] [redacted].

Therefore, the applicant considers that there has been no decline in its customer's demand for the goods caused by any injury of downstream dumping or subsidisation of its finished products market.

6.3 [redacted] [*confidential matter relating to goods outside the scope of this application*]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

6.4 Australian industry's pricing model

In ***Section A-9.5.2.1*** (above), the applicant indicated that since January 2015, it attempted to set price according to the [redacted].

The applicant expects that opposing parties will suggest that attempting to operate an internal pricing model that may from time to time drive a decline in prices [redacted], is the factor that has caused price, profit and profitability injury to the applicant and not the price offers for competing dumped imports from China.

However, as explained in ***Section A-9.5.2.1*** (above), where the Australian industry applicant attempted to hold value based on this pricing model, it lost sales altogether (i.e. suffered material volume injury and reduced market share), and when it abandoned this price model in order to compete with price offers for dumped imports from China, it suffered price, profit and profitability injury caused by the significant price undercutting by the dumped imports.

7. This question is not mandatory, but may support your application. Where trends are evident in your estimate of the volume and prices of dumped imports, forecast their impact on your industry's economic condition. Use the data at appendix A2 (Australian market), appendix A6 (cost to make and sell), and appendix A7 (other economic factors) to support your analysis.

The Australian industry applicant considers that the exports of alloy round bar from China at dumped prices will continue in the future, and that continued dumping will continue to cause material injury to the Australian industry.

7.1 Will dumping continue?

The applicant's dumping analysis (refer ***Section B-6*** (below)) found dumping margins between 21.46 per cent and 50.42 per cent for the goods the subject of this application across the proposed investigation period.

The applicant has evidence of forward orders for exports from China and that the goods exported from China have significant market share and influence in the Australian domestic market.

Evidence of forward orders

[redacted]2016 negotiations[30][*confidential negotiations*]

[redacted]

[redacted]

Conclusion: At least [redacted] metric tonnes to be imported

Figure A-9.7.1 (below) indicates the export volumes of the goods from China following the end of the proposed investigation period. The applicant observes that export volumes from China for the following quarter, are the second highest across quarterly volumes reported in the applicant's appendix A2 for the proposed investigation period.

[***Figure A-9.7.1***(below) is considered confidential in its entirety]

[redacted]

Figure A-9.7.1 Quarterly export volumes of the goods (source: appendix A2 and [redacted])

The applicant notes that the total import volume of the goods from China was approximately [redacted] metric tonnes during the proposed investigation period but the total imports of the goods from China is approximately [redacted] tonnes in the fiscal quarter following the end of the proposed investigation period (i.e. 1 July to 30 September 2016). If these volumes of imports from China are sustained over the next three fiscal quarters this will result in a **50 per cent increase** over the 12-month period following the proposed investigation period.

[30] CONFIDENTIAL ATTACHMENT A-9.7.1.1

Figure A-9.7.2 (below) indicates the weighted average export prices of the goods from China following the end of the proposed investigation period. The applicant observes that the weighted average export prices from China for the following quarter, is the third lowest quarterly weighted average export prices reported in the applicant's appendix A2 for the proposed investigation period.

[***Figure A-9.7.2*** (below) is considered confidential in its entirety]

Figure A-9.7.2 Quarterly weighted average export prices of the goods (source: appendix A2 and [redacted])

The applicant further observes that the weighted average FOB export prices from China as reported by [redacted] remain consistently lower than the weighted average declared export prices of the goods exported from other countries during the investigation period and the fiscal quarter following the proposed investigation period.

Indeed, recently the Australian Anti-Dumping Commission in its *Final Report No. 316 (Concerning Alleged Dumping and Subsidisation of Grinding Balls exported from China)* when considering the state of the steel industry in China in the post-investigation period (since 30 September 2015) considered that:

> *"• there is significant excess steel production capacity in China. The Department of Industry, Innovation and Science estimates that in early 2015, the overcapacity in the broader Chinese steel industry was around 200 million tonnes [fn 48] with capacity utilisation averaging around 70 per cent over the past two years.[fn 49]*
> *• The latest release of the Organisation for Economic Co-operation and Development's (OECD) Steel Market Development report confirms that there is still an oversupply in the Chinese steel market. The report states that the output decreased by two per cent in 2015, however Chinese domestic*

demand fell at a higher rate leaving a gap between supply and demand. The report states that while the steel prices have fallen by 25 per cent in 2015 due to weakening demand and cheaper inputs, further downward pressure on steel prices and increased export competition is expected in the near future while the market is adjusting.[fn 50]

- *The Department of Industry, Innovation and Science estimates that 21 per cent of China's steel producers operated at a cash loss in 2015, which indicates that exports may have been at dumped prices. [fn 51]*
- *An examination of exporter questionnaire responses indicates significant unutilised capacity for all cooperating exporters. The Commission calculates that the cumulated excess capacities of cooperating exporters would be sufficient to meet most of the Australian demand for grinding balls. This does not take into account the unknown excess capacity of several minor Chinese manufacturers not participating in this investigation."*[31]

With respect to the Commission's final observation, the applicant notes that most of the producers of the goods the subject of this application are potentially suppliers of the material feedstock alloy round bar to the producers of the finished grinding ball product the subject of *Investigation No. 316*.

Therefore based on the above evidence and analysis, and the magnitude of dumping margins alleged, the Australian industry applicant considers that dumping will continue if a dumping duty notice is not published.

7.2 Will material injury continue?

The applicant considers that the continuation of price competition from dumped imports from China is likely to have a continuing adverse impact (e.g. lost sales volume and price undercutting) on the Australian industry, particularly if export volumes continue to increase and export prices continue to decline or remain at current levels as the latest export information presented in ***Figures A-9.7.1 and A-9.7.2*** (above) appear to suggest.

Indeed, customer negotiations concerning offers for supply following the end of the proposed investigation period appears to suggest that sales volume remains under threat, and that the presence of continued price undercutting by the dumped imports from China will continue to cause the Australian industry applicant to suffer price depression and reduced profits and profitability.

[redacted] 2016 negotiations for [redacted] 2016 sales[32] [*confidential negotiations*]

[redacted]

[31] *EPR Folio No. 316/054* at p. 66.
[32] CONFIDENTIAL ATTACHMENT A-9.7.2.1

[redacted]

Outcome: No sales.

[redacted] 2016 negotiations for [redacted] 2016 sales[33] [*confidential negotiations*]

[redacted]

Minimum price undercutting margin/price depression: 2.32%

Therefore, based on the above evidence, the Australian industry applicant considers that exports of alloy round bar from China in the future will be at dumped prices and that continued dumping may cause further material injury to the Australian industry.

[33] CONFIDENTIAL ATTACHMENT A-9.7.2.2

PART B

DUMPING

IMPORTANT

All questions in Part B should be answered even if the answer is 'Not applicable' or 'None' (unless the application is for countervailing duty only: refer Part C). If an Australian industry comprises more than one company/entity, Part B need only be completed once.

For advice about completing this part please contact the Commission's client support section on:

Phone: 13 28 46
Fax: (03) 8539 2499
Email: clientsupport@adcommission.gov.au

B-1 Source of exports.

1. Identify the country(ies) of export of the dumped goods.

The goods the subject of the application are exported from the Peoples' Republic of China ("China").

2. Identify whether each country is also the country of origin of the imported goods. If not, provide details.

It is the applicant's understanding that the country of export is also the country of origin of the goods the subject of this application.

3. If the source of the exports is a non-market economy, or an 'economy in transition' refer to Part C.4 and Part C.5 of the application.

China is considered a market economy for the purposes of Australia's anti-dumping legislation.

4. Where possible, provide the names, addresses and contact details of:

- producers of the goods exported to Australia;

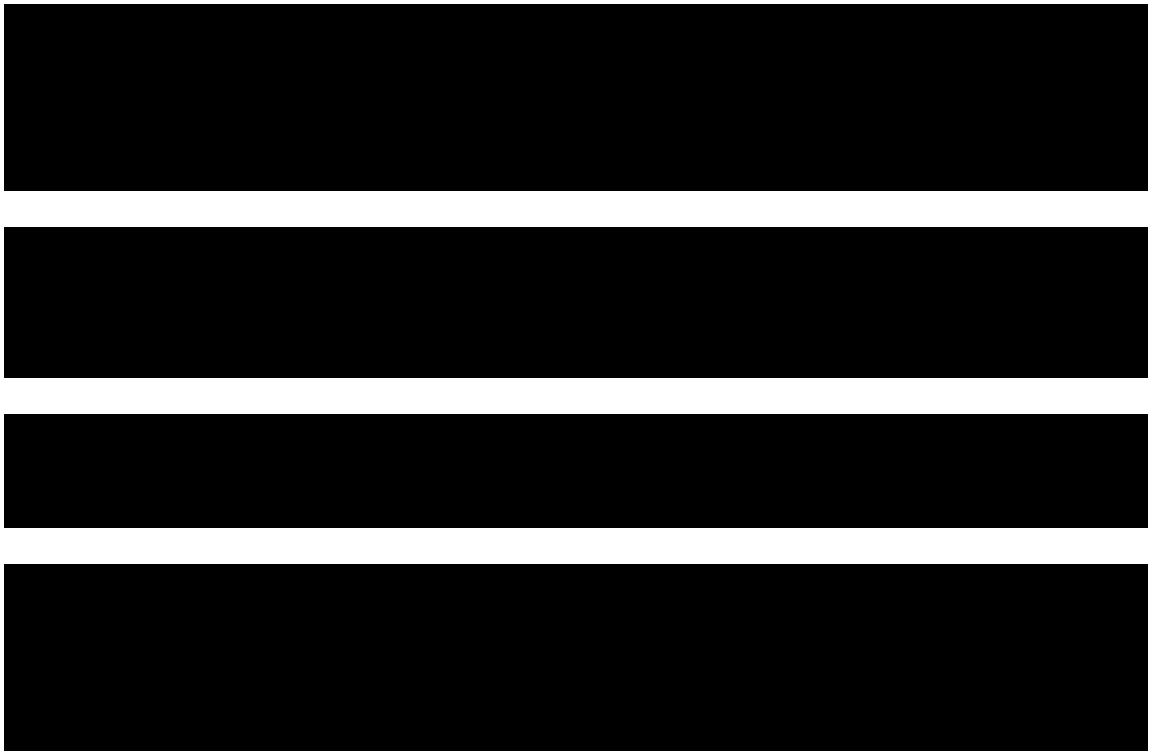
[redacted]

[redacted]

[redacted]

[redacted]

- exporters to Australia; and



- importers in Australia.

The following companies are understood to be importers of alloy round bar into Australia:

5. If the import volume from **each** nominated country at Appendix A.2 (Australian Market) does not exceed 3% of all imports of the product into Australia refer to Part C.6 of the application.

	Quantity	%	Value	%
All imports into Australia	[redacted]	100.0%	[redacted]	100.0%
China	[redacted]	90.3%	[redacted]	77.8%
Other imports	[redacted]	9.7%	[redacted]	22.2%
Total	[redacted]	100.0%	[redacted]	100.0%

Table B-1.5.1 Import volumes of the goods the subject of this application across the 12-months ending 30 June 2016 (source: appendix A2)

6. In the case of an application for countervailing measures against exports from a developing country, if the import volume from **each** nominated country at Appendix A.2 (Australian Market) does not exceed 4% of all imports of the product into Australia refer to Part C.6 of the application

Not applicable.

B-2 Export price

Possible sources of information on export price include export price lists; estimates from the Australian Bureau of Statistics; a deductive export price calculation from the Australian selling price of the imported goods; export sales quotations or invoices; foreign government export trade clearances.

1. Indicate the FOB export price(s) of the imported goods. Where there are different grades, levels of trade, models or types involved, an export price should be supplied for each.

Summary of FOB export prices:

Period	1 Jul – 30 Sep 2015	1 Oct – 31 Dec 2015	1 Jan – 31 Mar 2016	1 Apr – 30 Jun 2016
Export Price (FOB, US$/ton)	[redacted]	[redacted]	[redacted]	[redacted]

(source: appendix A2)

2. Specify the terms and conditions of the sale, where known.

The published export prices reported in ***Section B-2.1*** (above) are based on FOB delivery terms.

Normal values for exporters may therefore require an adjustment for the inland freight component included in the export price.

3. If you consider published export prices are inadequate, or do not appropriately reflect actual prices, please calculate a deductive export price for the goods. Appendix B1 (Deductive Export Price) can be used to assist your estimation.

Published export prices are considered adequate for the purposes of this application.

4. It is important that the application be supported by evidence to show how export

price(s) have been calculated or estimated. The evidence should identify the source(s) of data.

Appendix A2 is fully supported by the underlying published export price data and identifies source.

B-3 Selling price (normal value) in the exporter's domestic market.

Possible sources of information about domestic selling prices in the country of export include: price lists for domestic sales (with information on discounts); actual quotations or invoices relating to domestic sales; published material providing information on the domestic selling prices; or market research undertaken on behalf of the applicant.

1. State the selling price for each grade, model or type of like goods sold by the exporter, or other sellers, on the domestic market of the country of export.

The applicant alleges that, during the proposed investigation period, a market situation existed in the Chinese domestic market for alloy round bar that rendered sales in that market unsuitable for determining normal value under subsection 269TAC(1) due to interventions by the Government of China ("GOC") in the Chinese iron and steel industry. These interventions made the domestic price for alloy round bar unsuitable for the determination of normal values.

In summary, the following measures are examples of GOC intervention in the Chinese iron and steel industry:

- policies and plans that outline the GOC's aims and objectives for the Chinese steel industry; and
- VAT arrangements.

1.1 Assessment of the influence of the Government of China on the Chinese steel industry

The applicant observes that in *Dumping and Subsidisation Investigation No. 316*, the Commission found that the "inputs and process for manufacture of… grinding bar" – a key product category of the goods the subject of this application - are similar to reinforcing bar and rod in coils. It was on that basis that the Commission considered that it was able to have relevant regard to the recent market situation assessments in the following investigations:

- *Dumping Investigation No. 300* concerning steel reinforcing bar exported from China;
- *Dumping Investigation No. 301* concerning steel rod in coils exported from China;

- An investigation into 'certain concrete reinforced bar' originating from China undertaken by the Canada Border Services Agency (CBSA), December 2014.

The applicant also considers that as the goods the subject of this application, alloy round bar, are "upstream" to the grinding balls the subject of *Investigation No. 316*, then the Commission may relevantly have regard to its assessment of the GOC's impact on the market conditions during the proposed investigation period based on the best available information from that recently concluded investigation.

However, overall as alloy round bar is part of the Commission's broader steel industry findings, demonstrating government influence in the Chinese steel industry is relevant to the alloy round bar market.

1.2 Conditions within the Chinese steel industry

The prevailing conditions within the Chinese steel industry during the proposed investigation period included significant excess production capacity and supply, and weakened demand and producer profitability. These conditions included significant excess blast furnace production capacity leading to a supply glut, and weakened demand and producer profitability. For example, the Department of Industry, Innovation and Science estimates that in early 2015, the overcapacity in the broader Chinese steel industry was around 200 million tonnes[34] with capacity utilisation averaging around 70 per cent over 2013 and 2014.[35] Furthermore, it is estimated that in early 2015 around 50 per cent of the overcapacity in the global steel industry was located in China.[36]

The combination of excess capacity and declining prices has put many Chinese steel producers under significant financial pressure. Indeed, for example, the named exporter of alloy round bar, Dongbei Special Steel Group, received a notice from a Dalian court on 29 September 2016 that its creditors have requested it be declared bankrupt. In fact, credit rating agency, Moody's, observed:

> *"We expect that more SOEs – especially those in […] sectors [experiencing overcapacity] – will undergo bankruptcy."*[37]

Moody's conclusions are contained in its just-released report titled "China Credit Market —Dongbei Special Steel Bankruptcy Highlights Restructuring Shift for SOEs,"

Moody's report says that:

[34] Dept. of Industry and Science, *Resources and Energy Quarterly*, June 2015, pp. 14- 15.
[35] Platts Insight 201, 27 March 2015
[36] Dept. of Industry, *Resources and Energy Quarterly*, March 2015, p. 25.
[37] https://www.moodys.com/research/Moodys-Bankruptcy-of-Dongbei-Special-Steel-points-to-more-market--PR_355741 (accessed 6 October 2016)

> "the central government in China (Aa3 negative) will only provide direct support to financially distressed SOEs that are engaged in activities **closely aligned with national policy, or if the government is concerned a default could have wider systemic implications**." [38][emphasis added]

The applicant considers that the price weakness clearly present in the Chinese domestic market as manifest in the bankruptcy of the alloy round bar producer, Dongbei Special Steel Group, also contributed to the significant increase in the level of Chinese steel exports in recent years as steel producers attempted to improve cash flow and profitability. For example, according to the Commission in *Investigation No. 316*, in 2014, China's steel exports increased by around 50 per cent (year on year) to around 94 million tonnes. Similarly, in the first seven months of 2015, Chinese steel exports increased by a further 27 per cent (year on year).[39]

1.3. Chinese steel industry: Factors contributing to current conditions

In *Investigation No. 316*, the Commission concluded that over the past decade the Chinese steel industry experienced significant investment in and expansion of production capacity. It estimated that over the last decade, total Chinese crude steel production capacity increased by around 190 per cent.[40] Similarly, it estimated that between 2004 and 2014, total annual steel production in China increased from around 280 to 820 million tonnes. While the Commission noted that the growth in steel production has come from a combination of state owned and privately owned steel producers, the Commission held that both types of producers have received significant assistance from the GOC, particularly at the provincial and local government level.

The Commission has previously recognised that in recent years the GOC has taken significant steps to restructure and reorganise the domestic steel industry to better manage the level of excess production capacity, oversupply and environmental concerns.[41] For example, since July 2014, China's Ministry of Industry and Information Technology ("MIIT") has released lists of steel makers that were to remove obsolete capacities. The MIIT also requested that provincial governments submit, by June 2015, their targets for dismantling out-dated and excess capacity in 2015 and during the 13th Five Year economic development plan period (2016-2020).[42] During the investigation period for Investigation No. 316 (1 October 2014 to 30 September 2015) the GOC also announced plans to shut 47 million tons of steel capacity and a further 80 million tons by 2017. However, the above examples only

[38] https://www.moodys.com/research/Moodys-Bankruptcy-of-Dongbei-Special-Steel-points-to-more-market--PR_355741 (accessed 6 October 2016)
[39] *EPR Folio No. 316/054*, pp. 85-86.
[40] *EPR Folio No. 316/054*, p. 87.
[41] EPR Folio No. 316/054, p. 87.
[42] *EPR Folio No. 316/054*, p. 87.

serve to demonstrate the GOC's significant and ongoing involvement within the Chinese steel industry.

Other regulatory interventions reported by the Commission which demonstrate the GOC's significant involvement within the Chinese steel industry include the revision of the 'Chinese Environmental Protection Law' (January 2015) and the 'Execution of Capacity Swap for Industries with Overcapacity' (April 2015).[43] The 'Chinese Environmental Protection Law' establishes pollution reduction targets for local authorities and toughens penalties for non-compliance to encourage older, higher polluting steel mills to exit the industry. The 'Execution of Capacity Swap for Industries with Overcapacity' (April 2015) states that any addition to steel mill capacity must be offset by a one-for-one reduction in existing capacity. In regions with a high concentration of steel mills the reduction ratio is 1.25 to 1.

However, the effectiveness of these measures on reorganising the Chinese steel industry or reducing the level of excess supply that exists is limited due to the competing priorities between the different levels of the GOC, and the availability of financing to support the restructuring and reorganisation.[44]

As the Commission concluded in *Investigation No. 316*, with regard to the objectives of provincial and local governments, steel mills are typically major employers, sources of significant tax revenue and providers of health care and education services within their respective regions. As such, there are significant incentives for provincial and local governments to resist directives from the Central Government to remove excess capacity and to provide these producers with support to enable them to continue operating. With regard to financing, the assessment by Steel Industry observers is that the ability of Chinese steel producers to undertake capital investment required to restructure has been constrained by a combination of weak profitability and reduced support from traditional funding sources.[45]

For example, in August 2015 the *China Iron & Steel Association* noted that during the first half of 2015 Chinese banks had cut loans to steel makers by around USD 15 billion or by 6% (on a year on year basis)[46] and that the provision of funding by Chinese banks to the Chinese steel industry was increasingly being directed at state owned steel producers.[47]

Thus, the applicant agrees with the Commission's conclusion in Investigation No. 316, that:

> "The central role of the GOC in the current restructuring of the Chinese steel industry is consistent with its role throughout the development of the industry,

[43] *EPR Folio No. 316/054*, p. 87.
[44] [redacted]
[45]
[46]
[47]

including its significant expansion over the past decade which resulted in the excess supply and suppressed prices experienced during the investigation period."[48]

1.4 Chinese steel industry: GOC influence

In Investigation No. 316, the Commission held that:

> *"the GOC (including central, provincial and local governments) materially contributed to the excess supply of steel billet in the domestic Chinese market and hence significantly influenced domestic price for Chinese grinding bar and hence grinding balls during the investigation period. This influence has occurred through the following mechanisms.*
>
> - *GOC directives, subsidy programs and involvement in strategic enterprises.*
> - *Taxation arrangements, including value add taxes and export rebates."*[49]

Separately the Commission found in its recently completed *Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission*[50] that:

> *"The Chinese Government has played a central role in the development of the Chinese steel industry over an extended time period.*
>
> *A 2014 CBSA report noted that the Chinese Government classified the 'Iron and Steel Industry' as a 'fundamental or pillar' industry.*[51] *As such, the Chinese Government has been heavily involved in directing and controlling the structure, composition, growth and financial viability of the steel industry through numerous plans and directives,*[52] *subsidy programs, taxation arrangements and the significant number of state owned steel companies, and the National Development Reform Commission's (NDRC) responsibility for approving all large steel projects.*[53] *More information on these interventions is set out below.*

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[48] *EPR Folio No. 316/054*, p. 87.
[49] *EPR Folio No. 316/054*, p. 88.
[50] Anti-dumping Commission, *Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission*, August 2016.
[51] Original footnote 56.
[52] Original footnote 57: "For example, the National Steel Industry Development Policy (2005), Blueprint for the Adjustment and Revitalisation of the Steel Industry (2009), Notice of Several Opinions on Curbing Overcapacities and Redundant Constructions in Certain Industries and Guiding the Healthy Development of Industries (2009), 2011-2015 Development Plan for the Steel Industry (2011), Guiding Opinions on Pushing Forward Enterprise Mergers and Acquisitions and Reorganisation in Key Industries (2013), Directory Catalogue on Readjustment of Industrial Structure (Version 11) (2013 Amendment), Steel Industry Adjustment Policy (2015 Revision). Some of these plans and directives cover other key industries as well as the steel industry.
[53] Original footnote 58

Concerns regarding the role of the Chinese Government involvement within the Chinese steel sector have been expressed by five American trade associations.[54] Analysis by these associations identified numerous programs through which the Chinese Government is alleged to have provided support to the sector and directly contributed to high levels of overcapacity and producer fragmentation.

Support mechanisms included: cash grants; equity infusions; government-mandated mergers and acquisitions; preferential loans and directed credit; land use subsidies; subsidies for utilities; raw material price controls; tax policies; currency policies; and lax enforcement of environmental regulation."[55]

1.4.1 GOC involvement in strategic enterprises

The Commission in its *Analysis of Steel and Aluminium Markets Report*, identified the following forms of GOC involvement in strategic enterprises:

"The GOC maintains significant interests in a number of major Chinese steel producers. As a 'fundamental or pillar' industry, the Chinese Government retains a minimum of 50 per cent equity in the principal enterprises. State-owned steel producers constituted a majority of the top ten steel producers in China and accounted for a significant share of total steel production and capacity.[56]

Through its involvement in these companies, the Chinese Government is able to exert significant influence over the Chinese steel industry.

The importance of these state-owned steel producers is reflected in the Chinese Government's Guiding Opinions on Pushing Forward Enterprise Mergers and Acquisitions and Reorganisation in Key Industries (2013) document, which calls for the top ten steel producers to further consolidate control over Chinese steel production and hence increase their influence over domestic steel markets.

While there is limited transparency about the operations of Chinese state-owned corporations, the Commission understands that these companies can receive loans at less than commercial rates, that dividend policies can be set

[54] Original footnote 59: 9 Steel Industry Coalition, Steel Industry Coalition Report on Market Research into the People's Republic of China Steel Industry, Part 1, Final Report, 2016. Associations contributing to the report included the: American Iron and Steel Institute; Steel Manufacturers Association; Committee on Pipe and Tube Imports; Speciality Steel Industry of North America; and the American Institute of Steel Construction.
[55] Anti-dumping Commission, *Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission*, August 2016, pp. 44 - 45.
[56] Original footnote 66 citing 6 CBSA, 2014, p. 14. World Steel Association figures. In 2010, eight of the largest ten Chinese steel producers were state owned; these companies included Hebei Steel Group; Baosteel Group; Ansteel Group; Wuhan Steel Group; Shougang Group; Maanshan Steel; Tianjin Bohai Steel; and Benxi Steel Group. In 2013 the top steel companies accounted for 45 per cent of total Chinese crude steel production.

to pursue government objectives and that extended periods of lossmaking may be tolerated—all of which reduce the normal commercial pressures for companies to operate efficiently and for poorly performing firms to cut back or cease operations.

The OECD has found that China's steel industry has one of the lowest operating margins compared not only to the steel industries of many other economies but also relative to other domestic industries. China's steel industry is ranked 85th out of 94 Chinese service and manufacturing sectors, but is last amongst all domestic manufacturing industries.[57] *… average margins for Chinese steel producers were negative in 2015. The Commission notes that low and negative margins have been recorded despite the subsidies and tax concessions …*

"The weakening of normal commercial pressures on state-owned corporations may also lead to investments that would be unlikely to meet commercial rate of return criteria. These corporations' investment decisions may instead be directed towards implementing the objectives of the Chinese Government's planning directives. Examples include the involvement of Chinese state-owned steel companies in projects which have either been recently commissioned or are under development, despite the magnitude of global and Chinese overcapacity. These projects include: Anshan Iron & Steel's Bayuquan Steelworks (6.5 million tonnes per annum (mtpa), Liaoning Province, commissioned 2008); the Shougang Jingtang United Iron & Steel's Steelworks (Hebei Province, commissioned 2010); and the Fangchenggang Steel Company Limited (Wuhan Iron & Steel Group) Steelworks (9.2 mtpa, Guangxi Province, commissioned September 2014).[58„59]

1.4.2 Chinese Government plans and directives for the steel industry

According to the Commission in its *Analysis of Steel and Aluminium Markets Report,* the nature and extent of the GOC's influence within the Chinese steel industry is demonstrated by the major themes and objectives of the following series of plans and directives for the industry[60]:

(a) National Steel Industry Development Policy (2005): Structural adjustment of the Chinese steel industry; industry consolidations through mergers and acquisitions; regulation of technological upgrading to new standards; Government supervision and management.

[57] Original footnote 67
[58] Original footnote 68
[59] Anti-dumping Commission, *Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission*, August 2016, pp. 46 - 47.
[60] Anti-dumping Commission, *Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission*, August 2016, p. 48.

(b) Blueprint for the Adjustment and Revitalisation of the Steel Industry (2009): Domestic market stability; control of total steel production output and elimination of backward capacity; enterprise reorganisation and greater industry concentration; technical transformation and technical progress; guidelines for steel industry layout and development, steel product mix and product quality; iron ore import stability and 'rectifying' the market order; development of domestic and overseas resources.

(c) 2011-2015 Development Plan for the Steel Industry (2011): Increased mergers and acquisitions to create larger, more efficient steel companies; minimum capacity requirements to reduce the number of small steel producers; restrictions on steel capacity expansions; upgrades of steel industry technology; greater emphasis on high-end steel products; relocation of iron and steel companies to coastal areas.

(d) Guiding Opinions on Pushing Forward Enterprise Mergers and Acquisitions and Reorganisation in Key Industries (2013): Top ten companies to account for 60 per cent of production; three to five major steel corporations with core competency and international impact; six to seven steel corporations with regional influence; steel corporations to participate in foreign steel companies' mergers and acquisitions.

(e) Steel Industry Adjustment Policy (2015 Revision): Upgrades to product mix; rationalisation of steel production capacity; lift in capacity utilisation rates to 80 per cent by 2017; guidance for market exit; industry consolidation; orientation and oversight of mergers and reorganisations; improved organisational structures; Government supervision and administration; energy conservation, emission reductions, and environmental protection.

Although early plans and directives focussed on developing the Chinese steel manufacturing industry, supporting economic stability and employment (particularly during the 2009 GFC); the emphasis of more recent Chinese Government plans and directives is on promoting the orderly restructuring and reorganisation of the Chinese steel industry to address the issue of persistent overproduction and excess capacity. Thus, China's *13th Five Year Plan* (covering the period 2016-2020), was endorsed at the National People's Congress held in March 2016. As at the date of this application, plans for each region and major industry are yet to be released. Media summaries of the *13th Five Year Plan* report that it maintains the Government's focus on reform, including reducing excess capacity and improving environmental performance. The Plan also targets the maintenance of relatively solid economic growth of 6.5 to 7 per cent per annum. Actions to address overcapacity in Chinese industry include reforms to state-owned enterprises and greater market discipline. Similar objectives for the Chinese steel industry were identified by the Chinese Ministry of Industry and Information Technology in the draft Steel Industry Adjustment

Policy (2015 Revision).

If implemented according to the indicated timeframes, the GOC's policies would reduce overcapacity in the steel industry over time. However, in its recently completed Report the Commission considered that the GOC's desire for a 'soft landing' for the economy, its economic growth and employment objectives, and evidence of continued state-sponsored investment in steel production facilities suggest that the significant structural adjustment in the Chinese steel industry is unlikely to occur in the near-term.[61]

The difficulties facing the Chinese Government in restructuring the industry were demonstrated in the first four months of 2016, when an estimated 50 million tonnes of previously closed Chinese capacity was restarted. A Chinese news portal, *MySteel*, reported that the restarting of this capacity, as a result of improved profitability and access to credit, accounted for almost all of the 60 million tonnes of capacity taken off line in 2015.[62]

The Commission has previously observed that provincial and local governments implement a number of plans and measures to control the development of the iron and steel industry. The plans and directives issued at the central government level have often, in the past, been integrated and reinforced at the provincial level.[63] However, in spite of this provincial and local governments have recently prioritised policies to maintain or grow production and employment, sometimes in a manner contrary to central government policies to improve efficiency or increase the scale of production. For example, there have been increasing reports in recent times of so-called 'zombie' companies in steel manufacturing. These companies are financially unviable, or unable to repay debts, but are being supported and prevented from bankruptcy by local governments, in the hope that a recovery in steel prices would allow them to return to profitable operation.[64] Therefore, the Commission recently concluded that such actions are likely to further delay the necessary structural adjustment within the Chinese steel industry.

Such actions have been identified as explaining, in part, the limited success of China's 2013 plan to reduce steel capacity, supporting doubts about China's ability to reduce steel-making capacity and steel production:

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[61] Anti-dumping Commission, *Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission*, August 2016, p. 48.
[62] Australian Financial Review, 'China reopens steel mills as profits surge', 28/04/2016, p. 11.
[63] Anti-Dumping Commission, *Statement of Essential Facts No. 301: Alleged Dumping of Certain Steel Rod in Coils Exported from The People's Republic of China*, 15 February 2016, pp. 54-55. For example, the Chinese Government's 'Blueprint for the Adjustment and Revitalisation of the Steel Industry' (2009) and the 'Shandong Province Iron and Steel Industry Revitalisation Plan' (2009) identified a number of corresponding policy measures.
[64] http://www.ejinsight.com/20160312-how-china-could-put-zombie-companies-to-rest/ (accessed 6 October 2016)

> "The limited attempts that were made to reduce capacity in accordance with the 2013 plan were largely ineffectual. For example, in late 2013, China's Hebei province staged an event during which demolition squads blew up blast furnaces owned by 15 mills, all on Chinese state television. According to the Wall Street Journal, however, "[a]ll of the furnaces targeted for destruction turned out to be so outmoded that the companies that owned them didn't consider them spare capacity, steel-industry officials [said], meaning they didn't help reduce the province's extra volume." In part due to the lack of progress closing capacity in Hebei, "there is no reason to assume that [the government's 80-million ton closure] target will be met," let alone the larger level of capacity closure envisioned by China's newly announced plan."[65]

1.4.3 GOC subsidy programs and tax concessions

The nature of support provided by the GOC to the Chinese steel industry is also documented through previous investigations undertaken by the Commission. These programs were found in *Investigation No. 316* to have directly contributed to the state of the Chinese steel industry and grinding ball market during the, there relevant, investigation period, and by extension, must necessarily be found to have contributed to the alloy round bar market in this application:

- subsidisation of raw inputs (such as coal and electricity);
- land use tax deductions;
- tariff and value-added tax (VAT) exemptions on imported materials and equipment;
- preferential tax policies for enterprises with foreign investment;
- preferential tax policies for specific regions;
- preferential tax policies for high and new technology enterprises; and
- special support funds for non-state-owned enterprises.

In the Commission's *Analysis of Steel and Aluminium Markets Report,* it concluded that:

> *"these subsidies and tax concessions reduce the operating costs of Chinese steel enterprises, confer a competitive advantage through the ability to offer steel products at lower prices, and increase the profitability of steel production."*[66]

By altering the VAT rebates or export taxes applied to steel exports, the Chinese Government has altered the relative profitability of different types of steel exports and

[65] A Price, C Weld, L El-Sabaawi and A Teslik, Unsustainable: Government intervention and overcapacity in the global steel industry, op. cit., pp. 7-8.
[66] Anti-dumping Commission, Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission, August 2016, p. 45.

of exports compared to domestic sales. This has changed steel producers' relative incentives to sell steel products in domestic compared to export markets. Through these mechanisms for altering the relative supply of particular steel products in the domestic market, the Chinese Government has been able to influence the domestic price for those products.

For example, in January 2015, the Chinese Government reduced the VAT rebate on steel products containing boron, which accounts for around 40 per cent of exports.[67] While these VAT rebates have been reduced, they remain in place for other additives such as chromium.[68] And therefore clearly apply to all alloy round bar products that are not specifically alloyed with boron. Such rebates increase the profitability of alloyed steel products compared to non-alloyed products.

The Chinese Government also influences the domestic price for steel products through the application of export taxes on Chinese billets, which accounts for a significant proportion of the cost of steel fabricated products. For example, 80 to 85 per cent of the total production cost of alloy round bars is accounted for by the cost of billets.[69]

In *Investigation No. 316*, the Commission was satisfied that export taxes and export quotas on a number of key inputs in the steel making process including coking coal, coke, iron ore and scrap steel existed.[70] The Commission there found that these measures would keep input prices artificially low and create significant incentives for exporters to redirect these products into the domestic market, increasing domestic supply and reducing domestic prices to a level below what would have prevailed under normal competitive market conditions.

The Chinese Government was reported to be planning to reduce the export tax on steel with effect from 1 January 2016, from 25 per cent to 20 per cent for steel billet and 10 per cent for pig iron.[71]

This was expected to improve returns to Chinese steel producers, reducing the pressure on the industry to cut capacity and making exporting relatively more attractive. As at August 2016, the Commission report that it has not been able to confirm whether export taxes applied to Chinese steel billet and pig iron were reduced.[72]

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[67] Department of Industry and Science, Resources and Energy Quarterly, March 2015, p. 24

[68] [redacted]

[69] Refer appendix A6.1.

[70] EPR Folio No. 316/054 at p. 95.

[71] http://finance.yahoo.com/news/chinas-export-tax-cuts-could-worsen-global-steel-082427033--business.html (accessed 6 October 2016)

[72] Anti-dumping Commission, Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission, August 2016, p. 46.

The extent to which lower raw material prices would have a depressing effect on domestic Chinese steel prices will depend on the degree to which lower input costs are passed through into prices and the degree to which steel producers are able to retain the lower raw material costs in the form of increased profit. Where lower input costs are able to be retained as increased profit, this would increase steel producers' incentives to expand production.

In *Investigation No. 316*, the Commission held that lower raw material prices would have, in that case, a depressing effect on the domestic prices of Chinese grinding balls through both direct and indirect channels. The relative importance of these two channels would depend on the degree to which lower raw material costs flow through to lower billet and grinding ball prices and the degree to which billet and grinding ball producers are able to retain the lower raw material costs in the form of increased profit.

1.5 Overall assessment of particular market situation

Applied here, where a majority of the lower raw material costs flow through to lower billet and alloy round bar prices, the depressing effect on alloy round bar prices would be direct. Where lower raw material prices are able to be retained by billet and alloy round bar producers as increased profit, this would create incentives for these producers to expand production and hence have a depressing effect on domestic Chinese alloy round bar prices, by further increasing the level of domestic supply relative to demand.

To illustrate the practical impact of these forms of intervention by the GOC on the Chinese domestic price of billet, the applicant produces ***Figure B-3.1.5.1*** (below), which demonstrates that Chinese domestic billet pricing is consistently lower than other markets.

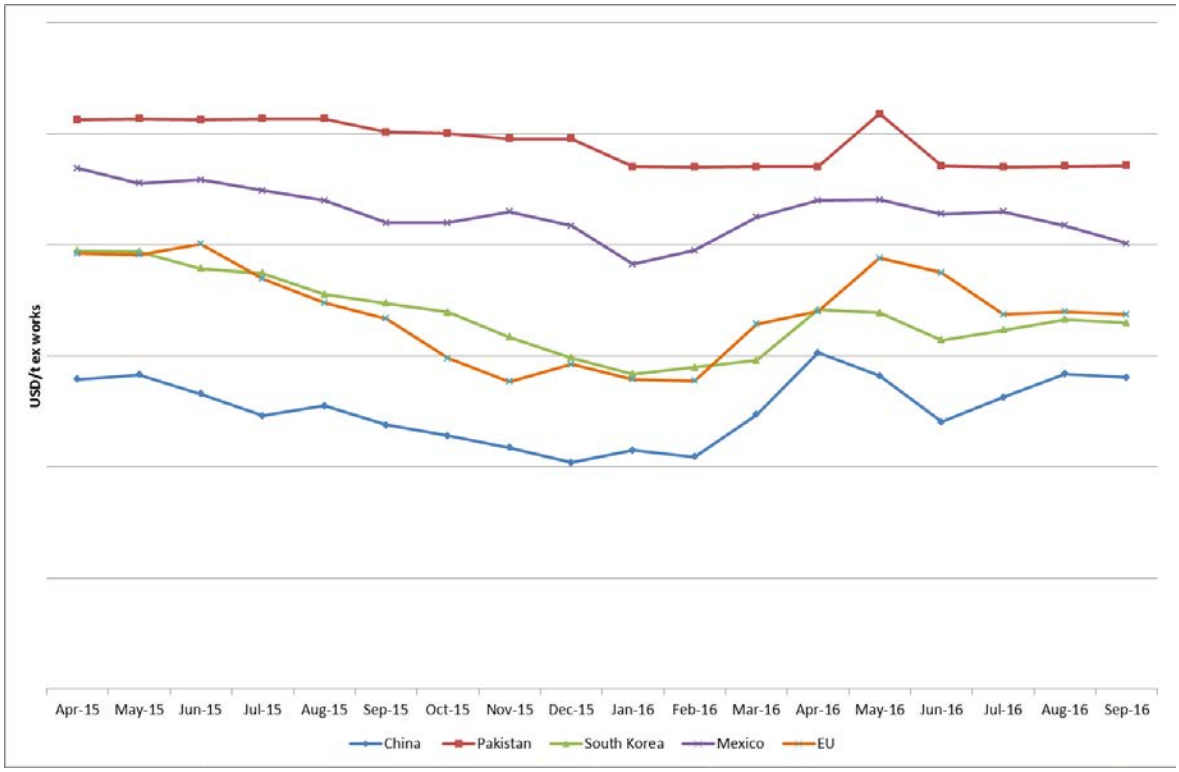

Figure B-3.1.5.1 Ex-Works domestic billet price comparison (CONFIDENTIAL ATTACHMENT B-3.1.5.1)

Based on the proceeding analysis, the applicant contends that the GOC materially influenced conditions within the Chinese alloy round bar market during the investigation period. The mechanisms through which the GOC exerted this influence include government directives and oversight, subsidy programs, taxation arrangements and the significant number of state owned steel companies.

The applicant therefore contends that because of the significance of this influence over the Chinese alloy round bar market, the domestic price for Chinese alloy round bar is likely to be substantially different to what it would have been without these interventions by the GOC. In the absence of available ex-works domestic pricing for alloy round bar, this is demonstrated through ex-works pricing comparison for another hot-rolled bar product i.e. merchant bar in ***Figure B-3.1.5.2*** (below):

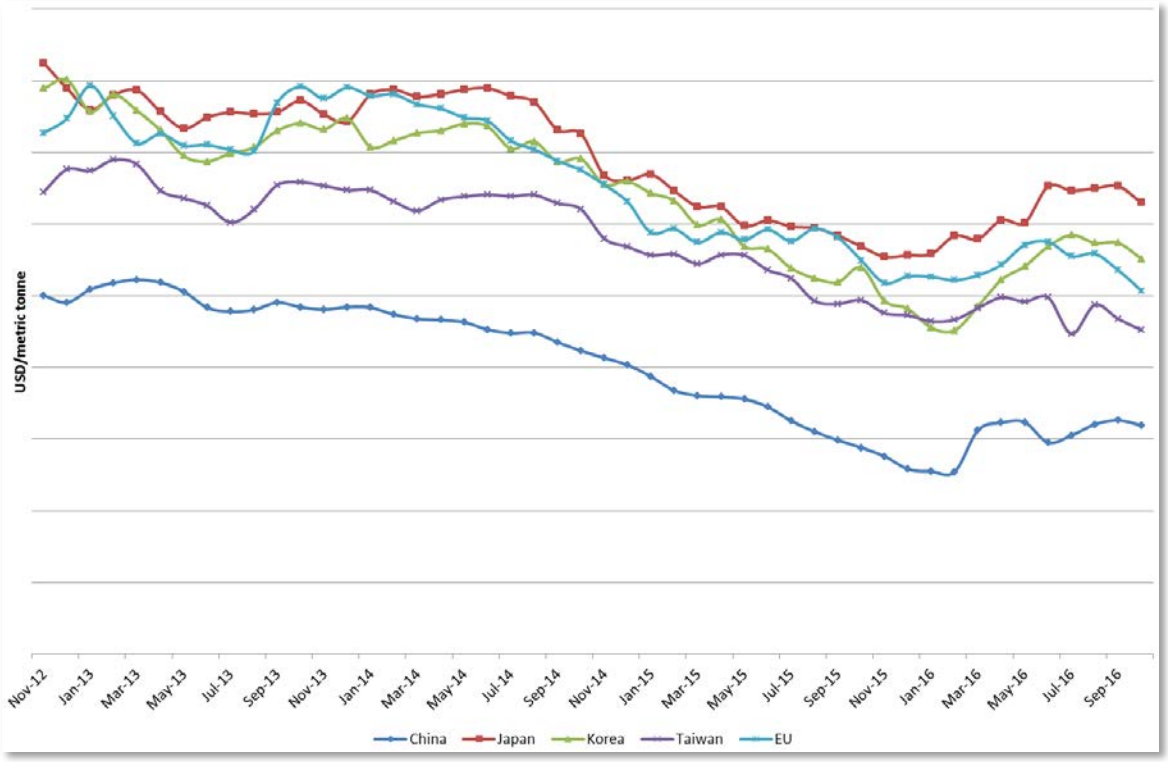

Figure B-3.1.5.2 Ex-works domestic merchant bar price comparison (CONFIDENTIAL ATTACHMENT B-3.1.5.2)

Based on this analysis, the applicant submits that during the investigation period the domestic price for Chinese alloy round bar was influenced by the GOC to a degree which makes domestic sales of alloy round bar unsuitable for use in determining normal values under subsection 269TAC(1).

2. Specify the terms and conditions of the sale, where known.

Refer to S***ection B-3.1*** (above).

3. Provide supporting documentary evidence.

Refer to S***ection B-3.1*** (above).

4. List the names and contact details of other known sellers of like goods in the domestic market of the exporting country.

Refer to S***ection B-3.1*** (above).

B-4 Estimate of normal value using another method.

This section is not mandatory. It need only be completed where there is no reliable information available about selling prices in the exporter's domestic market. Other methods of calculating a normal value include:

- the cost to make the exported goods plus the selling and adminstration costs (as if they were sold in the exporter's domestic market) plus an amount for profit (if applicable);
  OR
- the selling price of like goods from the country of export to a third country.

1. Indicate the normal value of the like goods in the country of export using another method (if applicable, use appendix B2 Constructed Normal Value).

As indicated above, the applicant considers that the domestic selling prices of alloy round bar sold in China are artificially low and/or there are conditions in the Chinese domestic alloy round bar market which render sales in that market not suitable for use in determining prices under subsection 269TAC(1).

The applicant has obtained on a subscription basis production cost economics for steel producers in certain countries, including China. The cost economics data is sourced from [redacted] analyses and reports on steel prices, steelmakers' costs, steel supply/demand and steel finances. Details concerning [redacted] form CONFIDENTIAL ATTACHMENT B-4.1.1.1.

[redacted][73]). [*cost model source*]

As asserted in ***Section B-3.1*** (above), the cost and price of billet in China is directly affected by the GOC's interventions in the Chinese iron and steel industry. Therefore, the applicant submits that the domestic selling prices for billet in China are not appropriate for the purpose of determining the competitive market costs of these goods. As China is the world's largest producer and exporter of iron and steel products, it is clear than any export-trade based international prices for billet will also be subject to the influence of Chinese pricing and supply behaviour.

In the recently concluded dumping investigations concerning steel reinforcing bar (INV

[73] Refer Confidential Appendix B2

300), steel rod in coil (INV 301) and grinding balls (INV 316) all exported from China, the Commission has selected the *Platts Latin American Billet FOB export price* as the external benchmark for use in the construction of cooperating exporters' normal values and dumping margin calculations.

The Australian industry applicant has consistently criticised the selection of an export-trade based international price as a competitive market cost benchmark. Instead, the applicant has advocated the use of competitive external benchmark prices based on domestic values from a source other than the country of origin (in this case, China). Indeed, in its recent application for review by the Anti-Dumping Review Panel, the Australian Industry applicant stated its objection in the following terms:

> *"WTO jurisprudence currently supports the view that when comparing domestic prices to a price benchmark (in the context of the related matter of alternative benchmark selection to test adequacy of remuneration claims under Article 14(d) of the Subsidies and Countervailing Measures Agreement), then competitive price benchmark should be based on domestic market conditions.*
>
> *"Therefore in US- Softwood Lumber IV[74], the United States' approach in constructing an alternative benchmark based on prices of stumpage in bordering states of the northern United States, was not overturned. Similarly in US – Anti-Dumping and Countervailing Duties (China)[75], the United States' reference to published domestic price information for hot rolled structural steel inputs was not overturned. Similarly, the Commission's approach in recent matters concerning the selection of a suitable competitive external benchmark prices for steel inputs have been based on domestic values.*
>
> - ***Hot rolled plate steel exported from China et Ors (REP 198)**: The Commission determined that an appropriate benchmark for HRC [hot rolled coil] costs in China is the weighted average domestic HRC price paid by cooperating exporters of galvanised steel and aluminium zinc coated steel from Korea and Taiwan, at comparable terms of trade and conditions of purchase to those observed in China.[76]*
>
> - ***Hollow structural sections exported from China et Ors (REP 177):***
>
> - *the weighted average of verified domestic black HRC costs incurred by exporters cooperating with the investigation into*

[74] Appellate Body Report, *United States – Final Countervailing Duty Determination with Respect to Certain Softwood Lumber from Canada, WT/DS257/AB/R,* adopted 19 January 2004
[75] Appellate Body Report, *United States – Definitive Anti-Dumping and Countervailing Duties on Certain Products from China, WT/DS379/AB/R,* adopted 11 March 2011
[76] EPR Folio No. 198/179 at pg. 67

HSS from Korea, Malaysia and Taiwan to arrive at a black HRC price; and

- *the weighted average of verified data of domestic pre-galvanised HRC costs incurred by cooperating exporters from Korea and Taiwan to arrive at a pre-galvanised HRC price.*[77]

- ***Zinc coated (Galvanised) steel and aluminium zinc coated steel exported from China et Ors (REP 190):***

  The benchmark for hot rolled coil was established by reference to domestic production costs of exporters from Korea and Taiwan.[78]

"Therefore, the Australian industry submits that it is not consistent with WTO best-practice or even the Commission's policy and practice to base an external competitive benchmark for market costs on an export price index. Instead, the use of other country domestic price information as a suitable external benchmark is consistent with the principle of trying to achieve parity between the market conditions for the supply of goods to the producer in the country of export, with the other, benchmark country. This is not so easily achieved through an export price benchmark which reflects market conditions that cannot be accounted for through adjustments if required.

"In the absence of verified, reliable domestic price information available concerning other countries, the applicant for review referred the Commission to the published price information available from MEPS (International) Ltd ("MEPS"). It was noted that the Commission considers MEPS "a reputable provider of steel price data"[79]*, having purchased MEPS data for use in Dumping and Subsidy Investigation No. 177 and Review of Anti-Dumping Measures No. 285. MEPS publishes monthly domestic EXW billet prices, denominated in US$/tonne for standard commercial quality steel billet for a number of domestic markets. MEPS steel price data is also endorsed on the Australian Steel Association's (ASA) website*[80]*, a significant endorsement as the ASA is the peak membership association for steel trading companies and stockists/distributors of imported steel products. OneSteel urged the Commission to obtain a MEPS report prior to concluding the Final Report 301, as it has previously done for other competitive cost benchmarking studies.*

[77] EPR Folio No. 177/410 at pg. 258
[78] EPR Folio No. 190/142 at pg. 55
[79] EPR Folio No. 285/022 at p. 2
[80] Cited in EPR Folio No. 300/061 as http://www.steelaus.com.au/global-steel-prices/

> *"In the submission dated 16 March 2016[81], OneSteel provided the Commission with domestic billet price data obtained through purchasing a subscription to MEPS Semi-Finished Steel Review for the period August 2014 to October 2015. "The express written permission from the publisher for the information to be used was also included as a confidential attachment to the submission."[82]*

Although only persuasive authority on the issue[83] of the use of sources other than the "cost of production in the country of origin", the recent decision of the WTO Appellate Body in *European Union – Anti-Dumping Measures on biodiesel from Argentina*, supports the view expressed by the applicant above. More precisely, the Appellate Body concluded:

> *"In light of our examination above of the phrases "cost of production in the country of origin" in Article 2.2 of the Anti-Dumping Agreement and "cost of production … in the country of origin" in Article VI:1(b)(ii) of the GATT 1994, we consider that these provisions do not limit the sources of information or evidence that may be used in establishing the costs of production in the country of origin to sources inside the country of origin.[84] For this reason, we do not consider that Argentina has demonstrated that the Panel erred in stating that these provisions "do not limit the sources of information that may be used in establishing the costs of production", and do not "prohibit an authority [from] resorting to sources of information other than producers' costs in the country of origin" but do "require that the costs of production* established by the authority reflect conditions prevailing in the country of origin". [85]

Therefore, for the purpose of calculating a constructed normal value, the applicant has selected domestic billet values from another domestic market.

In terms of Selling and General Administration ("SG&A") expenses, these have been determined by the actual costs of Chinese producer of hot rolled steel long products, namely [redacted], from its 31 December 2015 Annual Results Announcement filed with the Stock Exchange of Hong Kong Limited (refer

[81] Original footnote: CONFIDENTIAL ATTACHMENT 3

[82] http://adreviewpanel.gov.au/CurrentReviews/Documents/2016_40%20Rod%20in%20Coils%20Exported%20from%20People%27s%20Republic%20of%20China/FINAL%20-%20ADRP%20-%20Appln%20form%20-%20Min%20decision%20-%20REP301%20-%20PUBLIC.pdf at pp. 6 -8. (Accessed 6 October 2016)

[83] Australian legal authority requires some ambiguity to be identified in the relevant provisions of the Act and Regulation to justify reference to external jurisprudence. Further, the EU domestic legislation considered by the WTO Disputes Settlement bodies in WT/DS473/AB/R has no parallel in Australian domestic law, and the decision there relates to an interpretation of the word 'costs' in Article 2.2.1.1 and not to the phrase 'competitive market costs' in Australian domestic law.

[84] Original fn 233: *"This interpretation of Article 2.2 of the Anti-Dumping Agreement and Article VI:1(b)(ii) of the GATT 1994 is without prejudice to our interpretation of Article 2.2.1.1 of the Anti-Dumping Agreement."*

[85] Original fn 234: *"Argentina's other appellant's submission, para. 195 (quoting Panel Report, para. 7.171)."*

CONFIDENTIAL ATTACHMENT B-4.1.6.1).

To maintain a conservative estimate of the proposed constructed normal value, no profit has been allocated, but this should not preclude the Commission from applying a rate of profit under sub-paragraph 269TAC(2)(c)(ii) using the best available information to it from similar other investigations involving the named Chinese exporters.

Constructed Selling Prices

OneSteel has determined *prima facie* normal values for alloy round bar exported from China on the basis of a constructed selling price methodology. Again, to maintain a conservative approach, the billet benchmark substituted has not been adjusted for alloy additions and the associated costs that these would contribute.

Once alloy costs for appropriate models have been established, an adjustment for alloying will need to be made to any benchmark billet price substitute as these are likely to be a commercial (non-alloyed) billet grade. This adjustment is essential given the significant cost component imparted by alloy additions to the goods under consideration in this application.

2. Provide supporting documentary evidence.

Supporting information for normal values for China has been referenced in the preceding *sections B-3.1* and *B-4.1* of this application.

B-5 Adjustments.

A fair comparison must be made between the export price and the normal value. Adjustments should be made for differences in the terms and circumstances of the sales such as the level of trade, physical characteristics, taxes or other factors that affect price comparability.

1. Provide details of any known differences between the export price and the normal value. Include supporting information, including the basis of estimates.

The published export data is for FOB (free on board) prices (i.e. include local internal freight to wharf). It is also expected that the FOB price includes a containerisation charge.

Constructed normal values are also for FOB prices, as the SG&A expense identified therein assumes delivery charges.

As observed in ***Section B-3.1*** (above), the GOC does provide a VAT export rebate for alloy round bar of 9%. By comparison, Chinese domestic sales of alloy round bar are entitled to a full rebate of input VAT regardless of whether it is alloy or non-alloyed[86].

Therefore, the following adjustment needs to be made to the normal value:

Domestic sales (VAT refund)	Export sales (VAT rebate)	Adjustment to Normal value
Alloy round bar (17%)	Alloy round bar (9%)	Upward 8%

Source: NON-CONFIDENTIAL ATTACHMENT B-5.1

2. State the amount of adjustment required for each and apply the adjustments to the domestic prices to calculate normal values. Include supporting information, including the basis of estimates.

Given the variables, the applicant has not sought in this application to apply the adjustments specified in ***Section B-5.1*** (above), save to say that the Commission should fully consider the adjustment claims in light of the additional information available to it in the course of the investigation.

[86] http://www.by-cpa.com/html/news/20121/1701.html

B-6 Dumping margin.

1. Subtract the export price from the normal value for each grade, model or type of the goods (after adjusting for any differences affecting price comparability).

Period	1 Jul – 30 Sep 2015	1 Oct – 31 Dec 2015	1 Jan – 31 Mar 2016	1 Apr – 30 Jun 2016
Constructed Normal Value[#] (US$/ton)	[redacted]	[redacted]	[redacted]	[redacted]
less Export Price[*] (FOB, US$/ton)	[redacted]	[redacted]	[redacted]	[redacted]
Dumping margin (US$/ton)	[redacted]	[redacted]	[redacted]	[redacted]

Notes:
[#] Refer appendix B2
[*] Refer appendix A2

2. Show dumping margins as a percentage of the export price.

Period	1 Jul – 30 Sep 2015	1 Oct – 31 Dec 2015	1 Jan – 31 Mar 2016	1 Apr – 30 Jun 2016
Dumping margin[#] (US$/ton)	[redacted]	[redacted]	[redacted]	[redacted]
Export Price[*] (FOB, US$/ton)	[redacted]	[redacted]	[redacted]	[redacted]
Dumping margin (percentage,%)	**21.46%**	**33.73%**	**41.64%**	**50.42%**

Notes:
[#] Refer ***Section B-6.1*** (above)
[*] Refer appendix A2

PART C

SUPPLEMENTARY SECTION

IMPORTANT

Replies to questions in Part C are not mandatory in all instances, but may be essential for certain applications.

For advice about completing this part please contact the Commission's client support section on:

Phone: 13 28 46
Fax: (03) 8539 2499
Email: clientsupport@adcommission.gov.au

C-1 Subsidy

This section must be completed where countervailing duties are sought to offset foreign government assistance through subsidies to exporters or producers.

If the application is for countervailing duty alone, the domestic price information required by Part B of the application need not be supplied.

Responses to questions A-9 will need to identify the link between subsidisation and injury.

1. Identify the subsidy paid in the country of export or origin. Provide supporting evidence including details of:
   (i) the nature and title of the subsidy;
   (ii) the government agency responsible for administering the subsidy;
   (iii) the recipients of the subsidy; and
   (iv) the amount of the subsidy.

This application is a request for the publication of a *Dumping Duty Notice* only and does not include a request for countervailing measures. This question is therefore not applicable

C-2. Threat of material injury

Address this section if the application relies solely on threat of material injury (ie where material injury to an Australian industry is not yet evident).

1. Identify the change in circumstances that has created a situation where threat of material injury to an Australian industry from dumping/subsidisation is foreseeable and imminent, for example by having regard to:
   1. the rate of increase of dumped/subsidised imports;
   2. changes to the available capacity of the exporter(s);
   3. the prices of imports that will have a significant depressing or suppressing effect on domestic prices and lead to further imports;
   4. inventories of the product to be investigated; or
   5. any other relevant factor(s).

   OneSteel submits that a *preliminary affirmative determination* ("PAD") imposing provisional measures is necessary to minimise any future threat of material injury from the dumped and injurious exports.

2. If appropriate, include an analysis of trends (or a projection of trends) and market conditions illustrating that the threat is both foreseeable and imminent.

   This application is not based upon a "threat" of material injury.

C-3. Close processed agricultural goods

Where it is established that the like (processed) goods are closely related to the locally produced (unprocessed) raw agricultural goods, then – for the purposes of injury assessment – the producers of the raw agricultural goods form part of the Australian industry. This section is to be completed only where processed agricultural goods are the subject of the application**. Applicants are advised to contact the Commission's client support section before completing this section**.

1. Fully describe the locally produced raw agricultural goods.

Alloy round bar is not a processed agricultural good.

2. Provide details showing that the raw agricultural goods are devoted substantially or completely to the processed agricultural goods.

This question is not applicable to goods the subject of this application.

3. Provide details showing that the processed agricultural goods are derived substantially or completely from the raw agricultural goods.

This question is not applicable to goods the subject of this application.

4. Provide information to establish **either**:

- a close relationship between the price of the raw agricultural goods and the processed agricultural goods; **or**

- that the cost of the raw agricultural goods is a significant part of the production cost of the processed agricultural goods.

This question is not applicable to goods the subject of this application.

C-4. Exports from a non-market economy

Complete this section only if exports from a non-market economy are covered by the application. The domestic price information required by Part B of the application need not be supplied if this question is answered.

Normal values for non-market economies may be established by reference to selling prices or to costs to make and sell the goods in a comparable market economy country.

1. Provide evidence the country of export is a non-market economy. A non-market economy exists where the government has a monopoly, or a substantial monopoly, of trade in the country of export and determines (or substantially influences) the domestic price of like goods in that country.

The country nominated as the exporting country in this application is not considered

a 'non-market economy' country under Australia's Anti-Dumping provisions.

2. Nominate a comparable market economy to establish selling prices.

Not applicable.

3. Explain the basis for selection of the comparable market economy country.

Not applicable.

4. Indicate the selling price (or the cost to make and sell) for each grade, model or type of the goods sold in the comparable market economy country. Provide supporting evidence.

Not applicable.

C-5 Exports from an 'economy in transition'

An 'economy in transition' exists where the government of the country of export had a monopoly, or substantial monopoly, on the trade of that country (such as per question C-4) and that situation no longer applies.

Complete this section only if exports from an 'economy in transition' are covered by the application. **Applicants are advised to contact the Commission's client support section before completing this section**

1. Provide information establishing that the country of export is an 'economy in transition'.

The country nominated as the exporting country in this application is not considered a 'non-market economy' country under Australia's Anti-Dumping provisions.

2. A price control situation exists where the price of the goods is controlled or substantially controlled by a government in the country of export. Provide evidence that a price control situation exists in the country of export in respect of like goods.

Not applicable.

3. Provide information (reasonably available to you) that raw material inputs used in manufacturing/producing the exported goods are supplied by an enterprise wholly owned by a government, at any level, of the country of export.

Not applicable

4. Estimate a 'normal value' for the goods in the country of export for comparison with export price. Provide evidence to support your estimate.

Not applicable.

C-6 Aggregation of Volumes of dumped goods

Only answer this question if required by question B-1.5 of the application and action is sought against countries that individually account for less than 3% of total imports from all countries (or 4% in the case of subsidised goods from developing countries). To be included in an investigation, they must collectively account for more than 7% of the total (or 9% in the case of subsidised goods from developing countries).

Not applicable.

	Quantity	%	Value	%
All imports into Australia		100%		100%
Country A*				
Country B*				
etc*				
Total				

* Only include countries that account for less than 3% of all imports (or 4% in the case of subsidised goods from developing countries). Use the data at Appendix A.2 (Australian Market) to complete the table.

APPENDICES

Appendix A1	Australian Production
Appendix A2	Australian Market
Appendix A3	Sales Turnover
Appendix A4	Domestic Sales
Appendix A5	Sales of Other Production
Appendix A6.1	Cost to Make and Sell (& profit) Domestic Sales
Appendix A6.2	Cost to Make and Sell (& profit) Export Sales
Appendix A7	Other Injury Factors
~~Appendix A8~~	~~Authority to Deal With Representative~~
~~Appendix B1~~	~~Deductive Export Price~~
Appendix B2	Constructed Normal Value