



**Australian Government**  
**Department of Industry,  
Innovation and Science**

**Anti-Dumping  
Commission**

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## **INVESTIGATION 384**

**ALLEGED DUMPING OF ALLOY ROUND BAR  
EXPORTED FROM THE PEOPLE'S REPUBLIC OF  
CHINA**

**VISIT REPORT - AUSTRALIAN  
INDUSTRY**

**Milltech Pty Ltd**

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

**June 2017**

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## Abbreviations

<b>Abbreviations</b>	<b>Full reference</b>
the Act	the <i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
the applicant	OneSteel Manufacturing Pty Ltd (OneSteel)
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CON 384	<i>Anti-Dumping Commission Consideration Report No. 350</i>
CTMS	Cost to Make and Sell
Dumping Duty Act	the <i>Customs Tariff (Anti-Dumping) Act 1975</i>
the goods	the goods under consideration, or GUC
HT	Heat Treated, e.g. Quenched and tempered or annealed (round bar)
INV 384	Anti-Dumping Commission Investigation No. 384
NIP	Non-Injurious Price
OneSteel	OneSteel Manufacturing Pty Ltd
Parliamentary Secretary	the Assistant Minister for Industry, Innovation and Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science
PG	Precision Ground (round bar)
P&P	Peeled and Polished(round bar)
Round bar	Alloy steel round bar
Tariff Act	<i>Customs Tariff Act 1995</i>
USP	Unsuppressed Selling Price

# 1 Background and purpose

On 15 November 2016 an application was lodged with the Anti-Dumping Commission (the Commission) by OneSteel Manufacturing Pty Ltd (OneSteel) requesting that the Assistant Minister for Industry, Innovation and Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science (Parliamentary Secretary)<sup>1</sup> publish a dumping duty notice in respect of alloy steel round bar (round bar)<sup>2</sup> exported to Australia from the People's Republic of China (China).

Public notification of initiation of the investigation (INV 384) was made on 10 January 2017 in *Anti-Dumping Notice No. 2017/02* (ADN 2017/02).

Since initiating the investigation on 10 January 2017, the Commission received a number of submissions in relation to the scope of the good description. More specifically, whether round bars that have had additional heat treatment (e.g. quenched and tempered) and additional surface treatment are included within the scope of the goods description.

On 4 May 2017, the Anti-Dumping Commission published a position paper on the public record<sup>3</sup> setting out its preliminary assessment of the scope of the goods description. The Commission received five submissions in response to the position paper.

On 7 June 2017, The Commission determined that round bar which has been subject to heat and/or surface treatment is not excluded from the goods description, a view that differs from the view proposed by the Commission in the position paper published on 4 May 2017. However, the Commission notes that 'chromium plated steel', which is a type of surface treatment, is specifically excluded from the goods description.

The Commission recognised that the revised position required it to examine other parties in the Australian industry, in order to assess whether dumping has caused material injury to the Australian industry as a whole.

The Commission sought to obtain relevant data and information from Milltech Pty Ltd (Milltech), a small to medium enterprise (SME) and another member of the Australian industry for alloyed round bar as defined in the file note of 7 June 2017, in order to undertake further verification activities.

Further details regarding the background of the case can be found on the public record for this investigation, which includes a copy of *Anti-Dumping Commission Consideration Report 384* (CON 384).

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<sup>1</sup> On 19 July, the Prime Minister appointed the Parliamentary Secretary to the Minister for Industry, Innovation and Science as the Assistant Minister for Industry, Innovation and Science. For the purposes of this decision the Minister is the Parliamentary Secretary to the Minister for Industry, Innovation and Science.

<sup>2</sup> For a full goods description, please refer to Chapter 2 of this Report

<sup>3</sup> [www.adcommission.gov.au](http://www.adcommission.gov.au)

## **2 The goods**

### **2.1 Description**

The goods the subject of the 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 millimeters (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 the Tariff; or*
  - *'high-speed steel' as defined under Note (d) "High speed steel" to the Tariff;*
  - *steel reinforcing bar containing indentations, ribs, grooves or other deformations produced during the rolling process;*
  - *steel rod in coil;*
  - *chromium plated steel; and*
  - *solid sections of steel which may be square, rectangular or hexagonal in cross-section.*

### **2.2 Like goods**

Like goods are defined by section 269T of the *Customs Act 1901* (the Act) as:

*goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.*

Milltech advised in its application that it produces alloy round bar that has been heat treated (HT) and/or peeled and polished (P&P) and that it considers that the imported alloy round bar possesses the same essential characteristics as locally produced alloy round bar for the following reasons.

#### **2.2.1 Physical likeness:**

Locally produced alloy round bar and the imported goods have similar grades, weights, physical appearance and technical properties.

## 2.2.2 Commercial likeness:

Locally produced alloy round bar competes directly with imported alloy round bar in the Australian market.

## 2.2.3 Functional likeness

Both the locally produced and imported alloy round bar are used to perform the same function and have the same end-uses.

## 2.2.4 Production likeness

Milltech's round bars are produced from both domestic and imported "feed" or "as rolled" alloy round bar. Heat treated round bars manufactured by Milltech may be produced using different production techniques from imported alloy round bars.

## 2.3 Conclusion

The verification team observed Milltech's processes for manufacturing heat treated and peeled and polished round bar. From information submitted in its' application, information gathered during the visit to Milltech and other data and information provided by interested parties during the investigation, the visit team is satisfied that Milltech's alloy round bar and imported alloy round bar:

- are like in physical appearance and other characteristics including grade, composition and technical properties;
- compete directly with each other in the Australian market;
- have comparable or identical end-uses; and
- despite the different techniques for applying HT to round bars, the visit team considers that the manufacturing processes are similar.

The verification team is satisfied that, Milltech, a member of the Australian industry, produces like goods to the goods the subject of the application, as defined in section 269(T) of the Act. The issue of like goods will continue to be assessed throughout the investigation.

The verification team queried with Milltech whether its' manufacture of Precision Ground (PG) alloy round bar would also fall within the goods description. Milltech advised that it considered PG to be an end product in a finished state, which is different to HT and P&P round bars that require further processing. Milltech also stated that the PG process is not a minor modification process envisaged by the goods description but rather an extensive process of modification which changed the application of the product considerably.

The verification team considers that the goods description does not identify an interim or finished state of the goods (except for the exclusions listed) and that "minor modification" is the base line description of alloy round bar finish and does not prohibit a higher level finish, of which PG round bar could be included.

Notwithstanding this assessment, the decision of whether PG round bar falls within the goods description is a decision of the Case Manager, based on all available submissions and information.

## **3 Sales**

### **3.1 Verification of Australian sales to audited financial statements**

The verification team verified the completeness and relevance of Milltech's sales spreadsheet by reconciling it to its audited financial statement in accordance with Anti-Dumping Notice (ADN) No. 2016/30.

This verification was with regards to the HT and P&P bars, and the verification team found no issues. The verification team noted Milltech's view that the PG bars were not part of the goods description, and subsequent to the visit Milltech provided detailed information as to why the PG bars do not fit within that goods description. As noted above, the verification team confirmed that the Case Manager would consider the decision as to whether the PG bars should be included or not.

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

### **3.2 Verification of Australian sales to source documents**

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

The verification team noted that fourteen invoice values were missing in the Australian sales list of HT and P&P round bar. The verification team considers the exception to be immaterial and the missing invoice values were entered into the sales list during the visit and the values verified (in addition to the samples selected for downwards verification) at the visit.

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

### **3.3 Sales of "as rolled" bar**

During the visit, the verification team identified that Milltech also traded in "as rolled" bar of differing grades and finishes. The verification team sought clarification on the traded bar and specifically sought a list of purchases of all imported feed round bar. Milltech provided parts of this information during the visit, and subsequent to the visit provided additional sales data as requested. The verification team did not identify issues with this data.

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

### **3.4 Export sales of round bar**

Following the visit, the verification team also requested a sales list of Milltech's export sales. Milltech referred the verification team to the information contained in confidential appendices they provided, relating to export sales volumes and values. The verification team found no issues with this data.

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

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### **3.5 Sales to related parties**

The verification team found that Milltech does not have any related parties and all transactions are arms length.

### **3.6 Conclusion**

The verification team is satisfied that the sales listing provided by Milltech for its Australian sales of HT and P&P round bar is complete, relevant and accurate.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.



## **4 Cost to make and sell**

### **4.1 Verification of costs to audited financial statements**

The visit team verified the completeness and relevance of Milltech's costs spreadsheet by reconciling it to audited financial accounts in accordance with Anti-Dumping Notice (ADN) No. 2016/30.

The verification team noted that the original costs spreadsheet provided by Milltech did not contain CTMS data on a quarterly basis, but provided an aggregate total for the investigation period and aggregate totals for each of the preceding three years in the injury period. However, during the verification process, Milltech provided the verification team with the underlying data, used to calculate its original CTMS submission.

The verification team identified and updated the data for minor allocation issues in relation to the costs presented with no material impact.

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

#### **4.1.1 Verification of costs to source documents**

The visit team verified the accuracy of Milltech's cost to make and sell spreadsheet by reconciling it to source documents in accordance with ADN 2016/30.

The verification team did not identify any issues during this process.

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

### **4.2 Conclusion**

The visit team considers that Milltech's cost to make and sell data are a reasonably complete, relevant and accurate reflection of the cost to make and sell alloy round bar.

## 5 Economic condition

### 5.1 Applicant's injury claims

Milltech claimed that the alleged dumping of imports of alloy round bar had caused injury through:

- price depression;
- price suppression;
- reduced profits;
- reduced sales volume
- loss of manufacturing capacity

### 5.2 Commencement of injury, and analysis period

Milltech alleges that the Australian industry has suffered material injury caused by alloy bar exported to Australia from China from late 2015. The investigation team has set the injury analysis period from 1 July 2012. This chapter charts and examines Milltech's performance over the injury analysis period, using data verified with Milltech during the verification visit.

### 5.3 Price suppression and depression

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise might have occurred, have been prevented. An indicator of price suppression may be the margin between prices and costs.

Figures 1 and 2 below illustrates the movements in and relationship between Milltech's unit CTMS and unit selling prices for HT and P&P round bar.

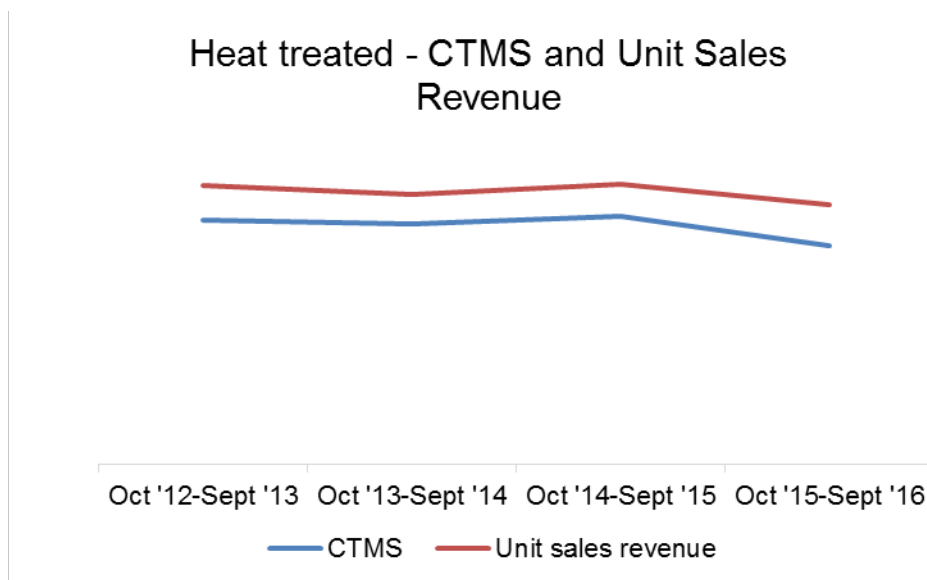
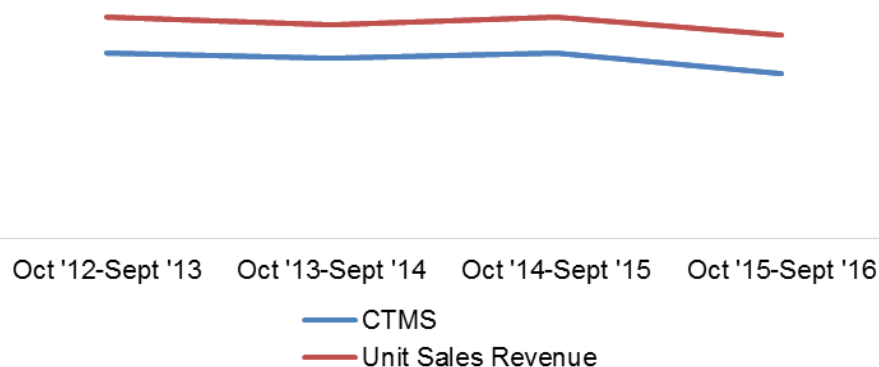


Figure1: Milltech's unit selling price and unit CTMS Heat treated

**Peeled and polished - CTMS and Unit Sales Revenue**



**Figure 2:** Milltech's unit selling price and unit CTMS - Peeled and polished

Figures 1 and 2 above shows that Milltech's unit selling price has declined over the investigation period. The decline in unit selling price over the injury analysis period is supportive of Milltech's claims of price suppression and depression. CTMS has declined to a greater extent in the investigation period compared to unit sales revenue.

Milltech also provided information in its application showing the movement in average selling price per tonne showing declines in the investigation period. The visit team verified the data for the investigation period.

#### **5.4 Reduced sales volumes**

While Milltech did not claim overall loss of sales volume, it did claim that it did not receive all of the orders it would expect to following offers it made to suppliers. Based on the material provided, the visit team did not consider that this constituted injury in the form of loss of sales volume.

#### **5.5 Profit and profitability**

Milltech has been profitable over the injury analysis period and has shown increased profit and profitability over the investigation period. The visit team notes Milltech's claims that its profits should otherwise have been higher given the closure of a domestic competitor in 2015 and the cost reduction program it embarked on. This will be examined further in the causation section.

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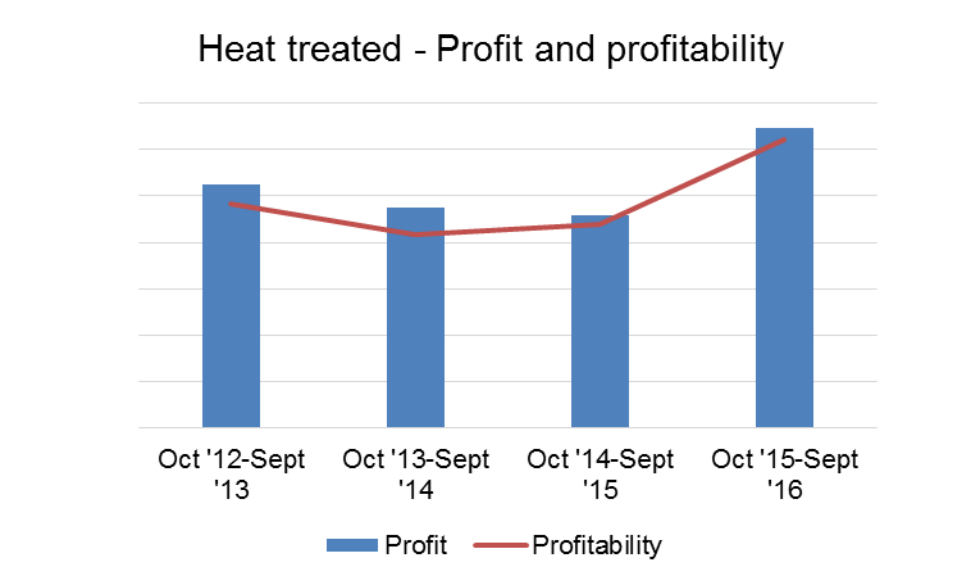


Figure 3: Profit & profitability, Heat Treated

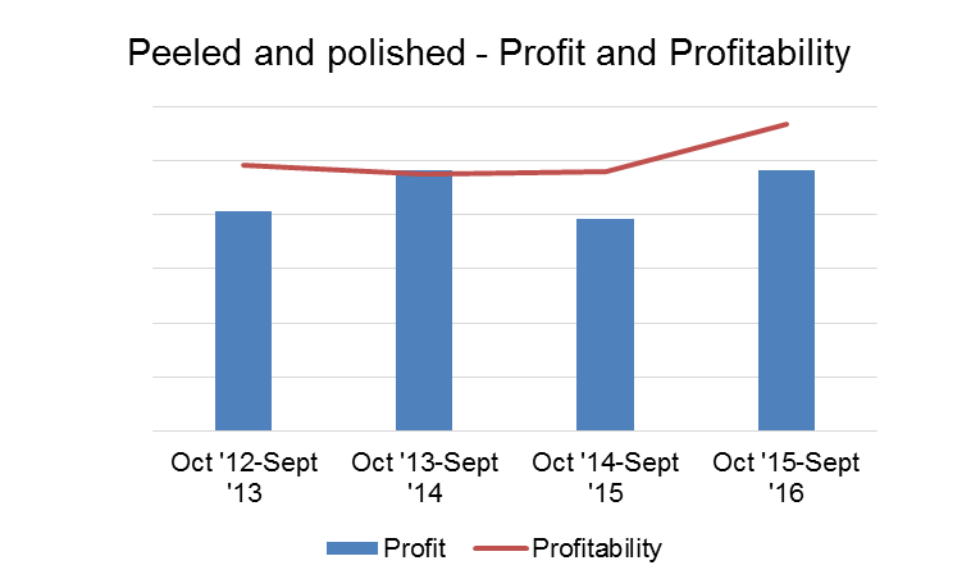


Figure 4: Profit & profitability, Peeled and polished

### 5.6 Other economic factors

Milltech completed Confidential Appendix A7 for the injury analysis period in relation to certain other economic factors. It did not claim other economic factors except in relation to a loss of manufacturing capacity relating to the closure of a domestic competitor in 2015. This is not able to be considered in the context of the verification as the closed domestic competitor is not part of the investigation.

### 5.7 Conclusion

The verification team has considered the other injury factors outlined above and there appear to be reasonable grounds to support the claim that Milltech has suffered injury with respect to:

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- price depression;
- price suppression; and
- reduced profits.

### **5.8 Factors other than dumping**

In their application, Milltech identified the following other possible causes of injury:

- effect of imports from countries other than China; and
- cyclical demand in mining and industry.

At the visit, these claims were discussed, but Milltech did not provide further information beyond that provided in their application in relation to these claims.

In relation to imports from countries other than China, this does not appear to be impacting on price offers Milltech are able to make in the market. In relation to mining and industry demand, the visit team notes that sales volumes and market share were not claimed as injury factors.

## 6 Causal link

The verification team discussed with Milltech whether the alleged dumping of imported round bar can be demonstrated to be causing material injury to the Australian industry.

### 6.1 Pricing effect

As noted in Chapter 5, Milltech's unit selling price has declined over the investigation period after experiencing reasonably flat performance in the three years of the injury analysis period in the lead up to the investigation period. The coincidence of reduced prices over the investigation period is supportive of Milltech's claims of price suppression and depression caused by the alleged dumping of imported round bar.

### 6.2 Profit effect

While Milltech is profitable, Milltech claimed that its profits were lower during the investigation period than they otherwise would be given its cost reduction program and the closure of a domestic competitor. The effect of Milltech's cost reduction program, reflected in its reduced cost to make and sell figures, was noticeable from around the beginning of the investigation period. This lends support to the claim that absent other effects, its profits should be higher during the investigation period. Noting the timing in particular of its cost reduction program beginning to have a significant effect immediately before the commencement of the investigation period, the visit team considers there is reasonable basis for this claim.

The tables below comparing CTMS and unit profit for HT and P&P round bar indicate that CTMS in both cases declined to a greater extent in the investigation period compared to the increase in profit. Combined with the observations on pricing, this supports Milltech's claims that it was not able to benefit from the full effects of cost reductions as its prices were also depressed.

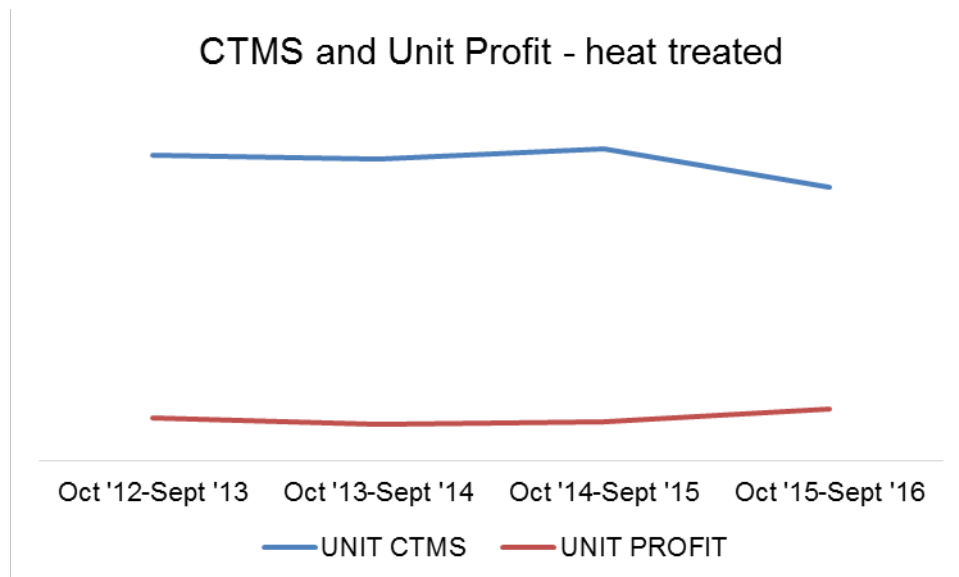


Figure 5: CTMS and Unit Profit – heat treated

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### CTMS and Unit profit - peeled and polished

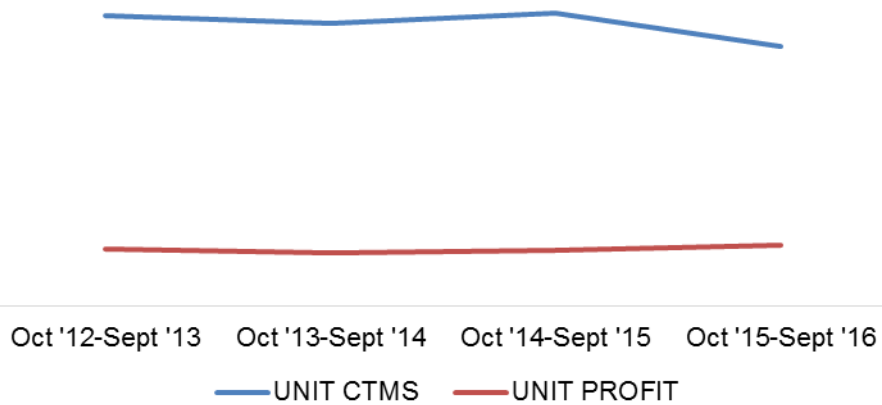


Figure 6: CTMS and Unit Profit – peeled and polished over the injury analysis period

### 6.3 Conclusion

The verification team has considers there appear to be reasonable grounds to support a causal link between the injury claimed and the alleged dumping.

## **7 Unsuppressed selling price**

During the verification visit, the verification team outlined the possible hierarchical approaches used by the Commission to establish an Unsuppressed Selling Price (USP), via:

- industry selling prices at a time when the Australian market was unaffected by dumping;
- constructed industry prices – industry CTMS plus profit; or
- selling prices of undumped imports in the Australian market.

The verification team then explained that having calculated the USP, the Commission then calculates the Non-Injurious Price (NIP) by deducting the importer costs incurred in getting the goods from the free on board point at export (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, duty, insurance, into store costs and amounts for importer expenses and profit.

Milltech expressed the view that they considered the constructed industry prices (CTMS plus a reasonable profit) would be a reasonable approach to calculating an unsuppressed selling price.



## **8 Appendices and attachments**

<b>Confidential Attachment 1</b>	Verification Work Program
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