



Australian Industry Verification Report

Verification & Case Details

Initiation Date	3/03/2020	ADN:	2020/020
Case	Steel Reinforcing Bar - Continuation of Measures - InfraBuild (Newcastle) Pty Ltd		
Case Number	546		
Australian Industry	<i>InfraBuild</i> , comprising InfraBuild (Newcastle) Pty Ltd, InfraBuild NSW Pty Ltd; and The Australian Steel Company (Operations) Pty Ltd		
Verification from	Desktop verification		
Inquiry period	1/01/2019	to	31/12/2019

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 THE ANTI-DUMPING COMMISSION

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1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

The applicant of the continuation inquiry is InfraBuild (Newcastle) Pty Ltd, formerly Liberty OneSteel (Newcastle) Pty Ltd. It is a proprietary limited company that manufactures and sells steel reinforcing bars (rebar) that are 'like' to the goods subject to anti-dumping measures.

In its application InfraBuild (Newcastle) Pty Ltd identified the following two (2) domestic producers of like goods, both of whom are associated entities:

- InfraBuild NSW Pty Ltd (formerly, OneSteel NSW Pty Ltd); and
- The Australian Steel Company (Operations) Pty Ltd.

Collectively, the applicant and its related party producers of the like goods are referred to as 'InfraBuild'.

OneSteel was first listed on the Australian Stock Exchange in October 2000 following a spin-off from BHP. In 2009, OneSteel completed a merger with Smorgon Steel Group. In 2012, OneSteel became Arrium Limited (Arrium) with many of the steel businesses continuing to trade under the OneSteel brand. Arrium was placed into voluntary administration on 7 April 2016.

On 5 July 2017, a binding arrangement was effected for the sale of Arrium to GFG Alliance. On 1 September 2017, Arrium and its subsidiaries were acquired by the GFG Alliance. The GFG Alliance is an international coalition of companies founded by the Gupta family (in Britain).

On July 2019, Liberty OneSteel announced the rebranding of its electric arc furnace (EAF) steel manufacturing, processing, distribution and recycling businesses to 'InfraBuild'. The integrated blast furnace-basic oxygen furnace manufacturing operation at Whyalla remains branded 'Liberty Primary Steel.'

The InfraBuild entities are wholly owned by InfraBuild (Manufacturing) Pty Ltd. The parent and reporting entity for the InfraBuild Group (which consists of numerous other entities) is Liberty InfraBuild Limited.

The InfraBuild Group is organised across three portfolios:

- InfraBuild Integrated Steel and Recycling;
- Building products; and
- Tubular products.

Production of rebar resides within the InfraBuild Integrated Steel and Recycling portfolio at the Rod and Bar division. The InfraBuild entities listed above are a part of the Rod and Bar division and form the Australian industry for rebar.

1.2 Related Parties

The verification team examined the relationships between related parties involved in the manufacture and sale of like goods.

The verification team found that InfraBuild transacted with a number of related entities in respect of the sale and production of rebar during the inquiry period.

1.2.1 Related suppliers

InfraBuild sourced steel billet, a primary raw material input for the manufacture of rebar from the related party, Liberty Primary Steel within the 'Mining and Primary Steel Group' during the inquiry period. Entities within Mining and Primary Steel Group, while not within the InfraBuild Group, form part of the GFG Alliance.

InfraBuild also purchased scrap materials consumed in the production of billet, primarily at the EAF at its Laverton production facility, from InfraBuild Recycling during the inquiry period.

The verification team further notes that one mill concerned with the production of rebar, procured labour services from a related provider within the InfraBuild Group.

1.2.2 Related customers

During the inquiry period, InfraBuild sold the goods to related parties within InfraBuild (Australian Reinforcing Company and InfraBuild Wire Pty Ltd) as well as entities that resided in the Building products portfolio of the InfraBuild Group (InfraBuild Construction Solutions Pty Ltd). The verification team observed that related customers were producers of downstream fabricated products and wire products.

Further details in respect of InfraBuild's related parties are set out in the verification work program at **Confidential Attachment 1**.

2 THE AUSTRALIAN INDUSTRY MANUFACTURING LIKE GOODS

2.1 Manufacturing in Australia

InfraBuild asserts in its application that it is the sole Australian producer of rebar in Australia. The Australian industry produces rebar at its facilities in Laverton North in Victoria, and Rooty Hill and Newcastle in New South Wales. The Commission is not aware of any other producer of rebar in Australia and therefore considers that the Australian industry for rebar is represented by InfraBuild.

2.2 Like goods

The goods subject to the anti-dumping measures and this inquiry are:

Hot-rolled deformed steel reinforcing bar whether or not in coil form, commonly identified as rebar or debar, in various diameters up to and including 50 millimetres, containing indentations, ribs, grooves or other deformations produced during the rolling process. The goods include all steel reinforcing bar meeting the above description of the goods regardless of the particular grade or alloy content or coating.

The goods subject to the anti-dumping measures do not include:

- plain round bar;
- stainless steel; and
- reinforcing mesh.

Like goods are defined under section 269T(1) of the *Customs Act 1901* (the Act)¹ 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.

The production processes relevant to rebar were previously observed by the Commission as part of Investigation 495 (Alleged dumping and subsidisation of rebar exported from the Republic of Turkey). The verification team understands that there have been no substantive changes to InfraBuild's manufacturing processes in the period between the Australian industry verification in respect of Investigation 495 and this desktop verification.

The verification team considers that the goods manufactured by InfraBuild are identical to, or have characteristics closely resembling, the goods exported to Australia, for the reasons outlined below.

2.2.1 Physical likeness

InfraBuild submitted that the Australian industry produces rebar in straight and coil forms with nominal diameters of a range from 10mm to 50mm.

InfraBuild further submitted that all rebar sold on the Australian market must be manufactured to the Australian/New Zealand Standard AS/NZS 4671.2001 (Australian Standard). The Australian Standard specifies requirements for chemical, mechanical and

¹ References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

physical properties for different steel strength grades, as denoted by the minimum yield strength in megapascals (MPa) (250 MPa, 300 MPa, and 500 MPa) and different ductility classes (low, normal and earthquake).

The verification team understands that rebar is broadly distinguished by MPa as defined by the Australian standard. 500 MPa represents the minimum standard yield strength for rebar commonly specified for the Australian market. Rebar of 250 MPa amounts to a small proportion of rebar produced by the Australian industry and is predominantly used for swimming pool construction.

Australasian Certification Authority for Reinforcing and Structural Steels (ACRS) accreditation is a generally preferred minimum market requirement for the exporting of rebar to Australia. ACRS accreditation is a means of demonstrating conformity to the Australian Standard. InfraBuild has indicated and the verification team has found that exporters of rebar from Korea, Singapore, Taiwan and Spain have maintained ACRS accreditation.

The verification team is satisfied of the physical likeness between the locally produced goods and the goods the subject of the application.

2.2.2 Commercial likeness

InfraBuild asserts that imported rebar competes directly with locally manufactured rebar in the Australian market. Rebar is generally further processed before the end use application by processors/fabricators. Processors and distributors purchase locally made and imported rebar and can readily switch between suppliers.

The verification team observed that locally produced and imported rebar use similar distribution channels, are sold to common customers and are commercially interchangeable.

The verification team is satisfied of the commercial likeness between the locally produced goods and the goods the subject of the application.

2.2.3 Functional likeness

InfraBuild has stated that imported rebar and locally manufactured rebar have comparable end use applications. The verification team understands that imported and locally produced rebar can either be used without being further worked or subject to further production processing such as bending, welding and cutting.

Rebar, whether imported or produced locally is predominantly used as a concrete strengthening device in residential, commercial and infrastructure/construction applications. The verification team notes that rebar straights and rebar coils of the equivalent MPa and nominal diameter are substitutable in terms of end use applications, albeit, may be processed using different equipment.

The verification team is satisfied of the functional likeness between the locally produced goods and the goods the subject of the application.

2.2.4 Production likeness

Imported and locally manufactured rebar are produced using comparable methods, although certain aspects of the production process may vary to yield rebar products of the desired physical, mechanical and chemical properties.

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The verification team understands that the Australian industry's mills and mills of the exporters from Korea, Spain, Singapore and Taiwan hold ACRS certification, indicating that these mills are subject to similar manufacturing and validation processes prescribed by the ACRS to fulfil the requirements of the Australian Standard.

The verification team is satisfied of the production likeness between the locally produced goods and the goods the subject of the application.

2.3 Preliminary like goods assessment

The verification team is satisfied that:

- rebar manufactured by InfraBuild is like to the goods;²
- at least one substantial process of manufacture of the like goods is carried out in Australia;³
- the like goods were, therefore, wholly or partly manufactured in Australia by InfraBuild;⁴ and
- there is an Australian industry, consisting of InfraBuild, which produces like goods in Australia.⁵

The verification team is satisfied that the Australian industry produces like goods to the goods the subject of the application, as defined in section 269(T) of the Act.

2.4 Verification of MCCs

The Model Control Code (MCC) for this continuation inquiry as set out in ADN No. 2020/020 is as follows:

Item	Category	Sub-category	Identifier	Sales Data	Cost Data
1	Prime	Prime	P	Mandatory	Optional
		Non-Prime	N		
2	Minimum yield strength specified by product standard (Mega Pascals or "MPa")	Less than or equal to 300	A	Mandatory	Mandatory
		Greater than 300 but less than or equal to 480	B		
		Greater than 480 but less than 550	C		
		Equal to or greater than 550	D		
3	Finished form	Rebar in length/straight	S	Mandatory	Mandatory
		Rebar in coil	C		
4	Nominal diameter (millimetres or "mm")	Less than 12	A	Mandatory	Optional
		Greater than or equal to 12 and less than or equal to 16	B		
		Greater than 16 and less than or equal to 32	C		

² Section 269T(1).

³ Section 269T(3).

⁴ Section 269T(2).

⁵ Section 269T(4).

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Item	Category	Sub-category	Identifier	Sales Data	Cost Data
		Greater than 32 and less than or equal to 50	D		
5	Length (metres or "m")	Less than or equal to 6	1	Mandatory	Optional
		Greater than 6 and less than or equal to 12	2		
		Greater than 12	3		
		Coil product	C		
6	Deformation pattern along Length	Threaded	T	Mandatory	Optional
		Non-Threaded	N		

Table 1 Model Control Code for Continuation Inquiry 546

InfraBuild’s sales data was provided in accordance with the above MCC structure, while its cost data could only be differentiated by “Finished Form” and where applicable, “Deformation pattern along Length”. Further, the volumes of rebar that InfraBuild manufactured and sold outside of the MPa parameters ‘Greater than 480 but less than 550’ were not significant.

Table 2 below provides detail on how the MCC sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Prime/Non-prime	Reconciled to: <ul style="list-style-type: none"> - Product code information - Commercial invoices - Despatch advices
Minimum yield strength	
Form	
Nominal diameter	
Length	
Deformation of pattern along length	

Table 2 MCC sub-category determination

InfraBuild sold goods with the following MCCs during the inquiry period:

InfraBuild Australian sales MCC		Straight	
Coil			
1	P-C-C-A-C-N	4	P-A-S-B-1-N
2	P-C-C-B-C-N	5	P-A-S-B-2-N
3	P-C-C-C-C-N	6	P-A-S-C-2-T
		7	P-C-S-B-1-N
		8	P-C-S-B-1-T
		9	P-C-S-B-2-N
		10	P-C-S-B-2-T
		11	P-C-S-B-3-N
		12	P-C-S-C-1-N
		13	P-C-S-C-2-N
		14	P-C-S-C-2-T
		15	P-C-S-C-3-N
		16	P-C-S-C-3-T
		17	P-C-S-D-2-N
		18	P-C-S-D-3-N
		19	P-D-S-B-1-T
		20	P-D-S-B-3-T
		21	P-D-S-C-1-T
		22	P-D-S-C-2-T

Table 3 InfraBuild’s MCCs

3 AUSTRALIAN MARKET

3.1 Background

InfraBuild submitted that the Australian market is supplied by itself and imports from a range of countries including Korea, Singapore, Spain and Taiwan. It considers rebar a commodity product such that the supply source is readily interchangeable between exporters and countries for the end user.

3.2 Market structure

The Australian rebar market comprises a single Australian producer, exporters, importers, and distributors/processors who process and sell rebar into the construction sector.

According to the applicant, the key market segments for rebar, in order of significance are:

- engineering construction which also includes mining construction;
- non-residential commercial construction;
- residential construction; and
- swimming pools.

The applicant is of the view that rebar is primarily purchased for:

- cutting bending and/or welding into various shapes;
- sale into residential, commercial and engineering construction sectors; and
- used in concrete reinforcement as a tension device.

Final end uses include concrete slabs, prefabricated concrete beams, columns, cages and precast products. Steel service centres will also purchase local or imported rebar to stock for re-sale, mainly to smaller rebar processors for use in concrete reinforcement.

The majority of rebar is fabricated/shaped/processed in some way, but there are instances where no cutting, bending or welding is needed before use.

3.2.1 Marketing and distribution

InfraBuild sells rebar nationally with distribution via rail and road between the capital cities of Adelaide, Brisbane, Melbourne, Sydney and Perth. Rebar is also dispatched by sea freight to Perth and Tasmania.

3.2.2 Supply

InfraBuild's channel to market is predominantly reinforcing processors who may also function as distributors to smaller processors and end-users.

During the inquiry period, InfraBuild engaged with individual customers on a monthly basis to negotiate prices. Agreed prices typically applied to sales occurring up to two months later.

3.2.3 Demand

There are multiple factors which influence the demand of the goods as well as the source of the goods.

Demand for the goods is largely influenced by the commercial construction sector, which has some seasonal fluctuation with a downturn at the end of the year (Christmas) as well as around the wet season in northern Australia.

3.3 Pricing

In the original investigation that led to the anti-dumping measures (Investigation 264), the Commission found that the Australian industry set its prices applying an Import Parity Pricing model (IPP model), whereby prices were negotiated and established with reference to offers made in the rebar market for imported goods. It was found that rebar exported to Australia from the subject countries at dumped prices required the Australian industry to match those prices. Consequently, the Australian industry achieved lower selling prices than it might have otherwise.

In its application for the continuation of measures, InfraBuild asserted that it applied the IPP process in the period following the imposition of measures and throughout the inquiry period. It further claimed that pricing in the Australian market is driven by prices of exported rebar, and that under the IPP model, it only accepted the lowest credible import offer.

The verification team has found that during the inquiry period, the Australian industry applied the IPP model.

Refer to section 9.2.1 of this report for further discussion in respect of InfraBuild's pricing.

3.4 Market size

In its application, InfraBuild estimated the size of the Australian market with reference to:

- import data obtained from an independent recognised international supplier of trade statistics via paid subscription; and
- sales data in relation to rebar of its own production.

For the purposes of estimating the size of the Australian market for rebar, the verification team amalgamated InfraBuild's data of sales of its own production with import data extracted from the Australian Border Force (ABF) database. Data sourced from the ABF import database was cleansed with reference to tariff subheadings and statistical codes, the description of the goods provided in declarations, import quantities and price. Line items where the free on board (FOB) price per tonne and shipment quantities were outside specified parameters considered reasonable (based on previous investigations, reviews and inquiries into rebar) were excluded.

The verification team considers that its approach to estimating the size of the Australian market for rebar is relevant and reasonable as:

- the ABF database is an independent and reliable source of data in relation to imported rebar; and
- the completeness, relevance and accuracy of the sales data compiled by InfraBuild was validated by the verification team (sections 4 and 5 of this report refer).

4 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team verified the completeness and relevance of the Australian sales listings by reconciling these to audited financial statements in accordance with ADN No. 2016/30.

The verification team verified the relevance and completeness of the sales data as follows:

- the consolidated group of Liberty InfraBuild Ltd was subject to a financial statement audit for the period 1 July 2018 to 30 June 2019, which encompasses a portion of the inquiry period;
- the total revenue as reported in the audited financial statements for the consolidated group was reconciled to reports from InfraBuild's consolidation system without discrepancy;
- InfraBuild's consolidation system disaggregates revenue by income segments;
- the total revenue for the period ended 30 June 2019 for the income segment which captures the like goods was reconciled to detailed consolidation reports which indicated revenue prior to adjustments for statutory reporting requirements;
- the amount of revenue was reconciled to sales summary reports from InfraBuild's accounting system, in concert with trial balances for entities concerned with the production and sale of like goods. The verification team was broadly satisfied of the integrity and propriety of InfraBuild's accounting systems and records as they pertain to its sales;
- June 2019 summary sales reports of the nature described above were generated from InfraBuild's accounting system for entities concerned with the production and sale of like goods. InfraBuild provided the verification team a breakdown of revenue attributable to its range of products. Revenue attributable to like goods was reconciled to detailed sales/bill listings from InfraBuild's accounting system for June 2019; and
- InfraBuild's sales listing for the inquiry period relied primarily on detailed sales listings extracted from its accounting system, validated by the verification team in the manner set out above. InfraBuild also demonstrated its ability to differentiate:
 - the like goods from non-like goods; and
 - sales within Australia from exports salesby way of product code and customer criteria respectively, within sales/billing data; and
- verified sales/billing data relating to like goods was reconciled to the sales listings compiled by InfraBuild as part of its application.

The verification team identified the issues below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

No.	Exception	Resolution
1	<p>InfraBuild’s application initially provided sales data for the period 1 October 2018 to 30 September 2019 as this was the data available to it at the time the application was compiled.</p> <p>The Commission requested that the applicant provide sales data for the period from 1 January 2019 to 31 December 2019 such that the continuation inquiry examines contemporaneous data and information.</p>	<p>InfraBuild compiled revised sales data to incorporate relevant sales for the period from 1 October 2019 to 31 December 2019.</p>

Table 4 Exceptions during verification of the completeness and relevance of sales

4.1 Import sales by applicant

InfraBuild sold imported rebar in the Australian market during the inquiry period. The verification team observed that sales of imported rebar represented an insignificant proportion of its sales of self-produced goods.

In the sales data compiled by InfraBuild, imported goods were distinguished from that of its sales of self-produced goods. The verification team has reconciled the import sales data submitted by InfraBuild to accounting system data extracts as part of the upwards sales verification process described earlier in this section.

4.2 Export sales by applicant

InfraBuild exported like goods to overseas markets during the inquiry period which the verification team observed amounted to an insignificant proportion of InfraBuild’s domestic sales of self-produced goods.

The value and volume of exported sales claimed by InfraBuild in respect of the inquiry period was validated to accounting system data extracts as part of the upwards sales verification process.

4.3 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided in the application by InfraBuild is complete and relevant.

5 VERIFICATION OF SALES ACCURACY

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the Australian sales listings submitted by InfraBuild by reconciling these to source documents in accordance with ADN No. 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5.1 Exceptions during verification of sales accuracy

No.	Exception	Resolution
2	The verification team observed from its examination of InfraBuild's sales data, that threaded rebar had not been assigned MCC codes.	InfraBuild submitted a revised sales listing which designated MCC codes to its sales of threaded rebar.
3	InfraBuild had not assigned a subcategory to the MCC characteristic of "Length" to a portion of its sales in a manner that was aligned with the identifying codes set out in the Commission's structure.	InfraBuild submitted a revised sales listing which had appropriately assigned a MCC subcategory of "Length" to the affected transactions in a manner consistent with the Commission's MCC structure.
4	The verification team observed that certain monthly adjustments associated with InfraBuild's sales of rebar during the inquiry period were not allocated to specific sales transactions, such that net invoice values of the goods at the product/material code level were not accurately reflected.	The unallocated adjustments were linked by InfraBuild to a month, customer and form of rebar (i.e. straight, coil or threaded). The verification team modified the sales listing by allocating a monthly unit adjustment to the relevant sales transactions. The monthly unit adjustment amount was derived with reference to the adjustment amount and sales volumes of a particular form of rebar to a customer.
5	The incorrect quantities in respect of a sale and adjustment note transaction were captured in InfraBuild's sales listing. The verification team does not consider the error to be prevalent in the sales listing based on its examination of sales data for other sales samples subject to downwards verification procedures.	The verification team revised the sales listing to reflect the correct quantities as corroborated by commercial invoices and adjustment notes.

Table 5 Exceptions during verification of accuracy of sales data

5.2 Related party customers

The verification team observed that the applicant sold goods to related customers during the inquiry period. The applicant explained the manner in which its selling prices were established for unrelated and related party customers and provided evidence in respect of the same. The verification team considers that InfraBuild's prices to its customers,

irrespective of any relationship, was based on the prevailing import price offers presented by customers, with which the process has been described at section 3.3 of this report.

The verification team further analysed the prices for unrelated and related customers and did not find evidence of a distinct and consistent pattern that would suggest price discrimination and therefore considers InfraBuild's sales to its related customers to be arms length transactions during the inquiry period.

In the context of the above findings, the verification team is satisfied that InfraBuild's selling prices for goods to related customers can be relied upon in the assessment of the economic condition of the Australian industry.

5.3 Sales accuracy finding

The verification team is satisfied that the sales data provided in the application by InfraBuild including any required amendments as outlined in the exception tables above is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

Accordingly, the verification team considers InfraBuild's sales data suitable for analysing the economic performance of its rebar operations for the purposes of this continuation inquiry.

6 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts to audited financial accounts. The total cost to make (CTM) data is reconciled to the cost of production in the management reports with particular attention given to ensuring that all relevant costs are included and irrelevant costs have been excluded. The cost of production data is then reconciled, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that were excluded or should be excluded.

The verification team verified the completeness and relevance the cost to make and sell (CTMS) information provided in the application by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team verified the relevance and completeness of the cost data as follows:

- the consolidated cost of goods sold (COGS) as reported in Liberty InfraBuild Ltd's audited financial statements (which had six months in common with the inquiry period) was reconciled to reports from InfraBuild's consolidation system;
- the consolidation system reports identified COGS by segments, with which Rod and Bar is relevant to the goods subject to measures which was further validated by accounting ledgers; and
- individual components of the CTMS data in respect of coiled rebar for the month of June 2019 were reconciled to InfraBuild's financial statements from its accounting and management systems.

The verification team verified the relevance and completeness of the SG&A data as follows:

- relevant SG&A costs were traced back to trial balances and the audited financial statements referred to above; and
- SG&A costs relevant to the Rod and Bar segment were traced to InfraBuild's accounting and management systems.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

6.1 Exceptions during verification of completeness and relevance of CTMS data

No.	Exception	Resolution
6	<p>InfraBuild's application initially provided CTMS data for the period 1 October 2018 to 30 September 2019 as this was the data available to it at the time the application was compiled.</p> <p>The Commission requested that the applicant provide CTMS data for the period from 1 January 2019 to 31 December 2019 such that the continuation inquiry examines contemporaneous data and information.</p>	<p>InfraBuild compiled revised CTMS data to incorporate relevant production costs for the period from 1 October 2019 to 31 December 2019.</p>

Table 6 Exceptions during verification of completeness and relevance of CTMS data

6.2 CTMS completeness and relevance finding

The verification team is satisfied that the CTMS data provided in the application by InfraBuild, including any required amendments as outlined in the exception table above, is complete and relevant.

7 VERIFICATION OF CTMS ACCURACY

7.1 Cost allocation method

The verification team verified the reasonableness of the method used to allocate the cost information, in accordance with ADN No. 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**.

Table 7 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw materials	Unit raw material costs are calculated with reference to actual billet production quantity. Subsequent allocation is based on billet consumption quantity at the relevant mill.
Scrap allocation	Allocated based on production quantity.
Manufacturing overheads (including labour and depreciation)	Manufacturing overhead costs are classified as variable and fixed costs. Overheads are allocated to rebar based on a weighted average basis and with reference to production quantity.
Selling, distribution and administration costs	Cost centres determine whether the account is relevant to the Rod and Bar division. Relevant costs are allocated based on sales quantity.
Freight costs	Freight costs for the entire Rod and Bar division are allocated to the rebar sales based on sales quantity.

Table 7 Cost calculation method

7.2 Verification of accuracy of CTMS data

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the cost data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTMS information by reconciling it to source documents in accordance with ADN No. 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**.

7.3 Related party suppliers

7.3.1 Raw materials

As discussed at section 1.2.1 of this report, InfraBuild sourced raw materials from related suppliers within InfraBuild Recycling and the Mining and Primary Steel Group during the inquiry period.

InfraBuild demonstrated how costs for billet from its related suppliers were set with regard to external commodity benchmark prices, with CTM data pertaining to such billet reasonably adjusted for fully absorbed costs of production.

PUBLIC RECORD

In respect of its related party acquisitions of scrap material from InfraBuild Recycling, the applicant showed the manner in which purchase prices were set with regard to relevant external and independent benchmark prices. Additionally, InfraBuild demonstrated that the price mechanism for its scrap material purchases were equivalent, regardless of whether the ultimate source of the scrap was from a related or unrelated merchant.

The verification team considers InfraBuild's related party purchases of scrap during the inquiry period to be arms length transactions.

7.4 Cost to make and sell verification finding

The verification team is satisfied that the CTMS data provided in the application by InfraBuild is accurate.

Accordingly, the verification team considers InfraBuild's CTMS data suitable for analysing the economic performance of its rebar operations for the purposes of this continuation inquiry.

8 ECONOMIC CONDITION

8.1 Applicant's injury claims

InfraBuild claims that during the inquiry period it experienced injury in the forms of:

- reduced market share;
- price suppression;
- reduced profit and profitability;
- reduced capital investment;
- reduced return on investment;
- reduced research and development expenditure;
- reduced productivity;
- increased stock on hand, and
- reduced employment levels.

8.2 Approach to injury analysis

The verification team analysed InfraBuild's financial data which it provided in support of its claims of injury. The data provided was from the period commencing 1 January 2015. The verification team also reviewed trends in imports of rebar from Korea, Singapore, Taiwan and Spain.

The data and analysis on which the Commission has relied to assess the economic position of the Australian industry is at **Confidential Attachment 1**.

8.3 Background - commencement of measures

On 19 November 2015, anti-dumping measures in the form of interim dumping duties (IDD) were imposed on rebar exported from Korea, Singapore, Spain and Taiwan (except for Power Steel Co., Ltd), following Investigation 264.⁶

The then Parliamentary Secretary's decision in respect of REP 264 was reviewed by the Anti-Dumping Review Panel (ADRP) and on 4 March 2016, the ADRP found that the decision of the then Parliamentary Secretary in REP 264 was the correct and preferable decision, except as it related to the Spanish exporter Nervacero S.A. Consequently, rebar exported from Spain by Nervacero S.A is not subject to the dumping duty notice that applies to rebar from Korea, Singapore, Spain and Taiwan.

On 7 March 2018, anti-dumping measures in the form of IDD were imposed on rebar exported from Nervacero S.A (Spain), Power Steel Co., Ltd (Taiwan), Indonesia, Greece and Thailand as a result of the findings from Investigation 418.⁷

On 31 May 2019, anti-dumping measures in the form of IDD were altered on rebar exported from Korea and Taiwan (except Power Steel), following Review of Measures 486 and 489.⁸

⁶ Refer to the Final Report REP 264 and Anti-Dumping Notice No. 2015/133.

⁷ Refer to the Final Report REP 418 and Anti-Dumping Notice No. 2018/10.

⁸ Refer to the Final Report REP 486/489 and Anti-Dumping Notice No. 2019/54.

8.4 Volume effects

8.4.1 Sales volume

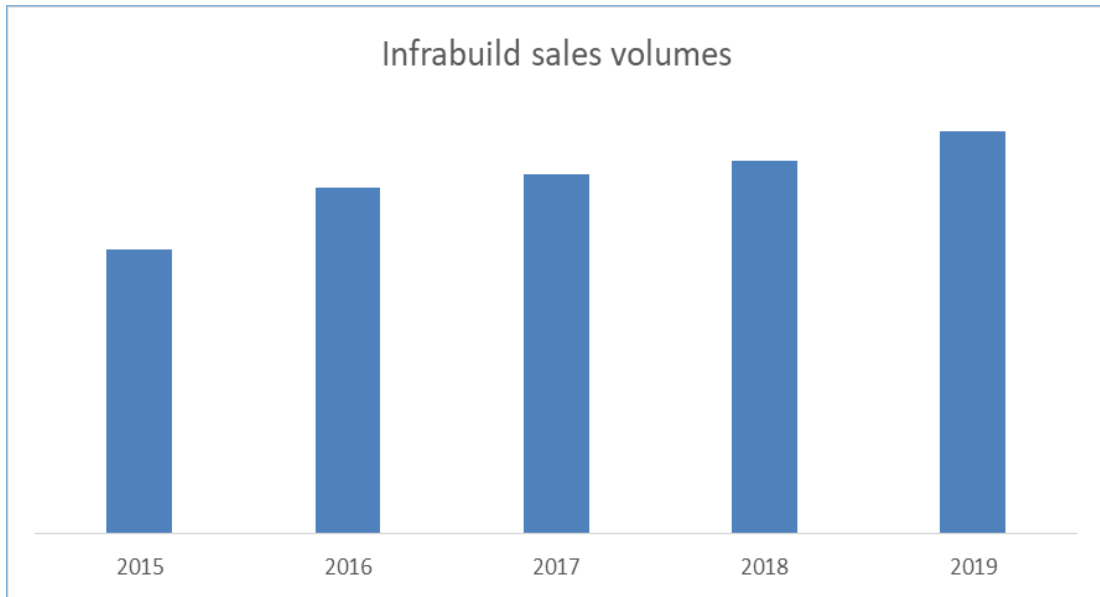


Figure 1: Sales volume

Figure 1 shows that InfraBuild has experienced a recovery in its sales volumes following the imposition of measures in November 2015.

8.4.2 Market share

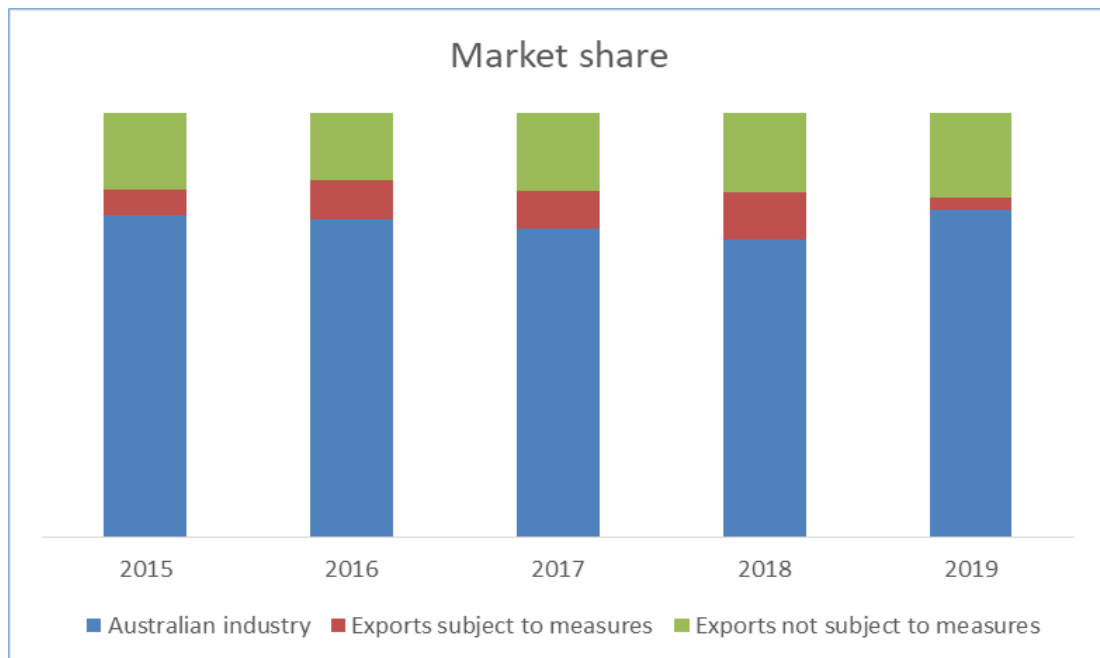


Figure 2: Market share

Figure 2 illustrates that InfraBuild has experienced injury in the form of reduced market share following the imposition of measures, with recovery observed in 2019. The exports not subject to measures relate to exports that are not subject to these dumping duties however,

include exports that are subject to dumping duties under separate anti-dumping notices as detailed in section 8.3 above.⁹

8.4.3 Conclusion – volume effects

While InfraBuild has experienced improvement in its sales volumes, there is reasonable grounds for the verification team to consider that it has experienced injury in the form of lost market share following the imposition of measures.

8.5 Price effects

8.5.1 Price depression and suppression

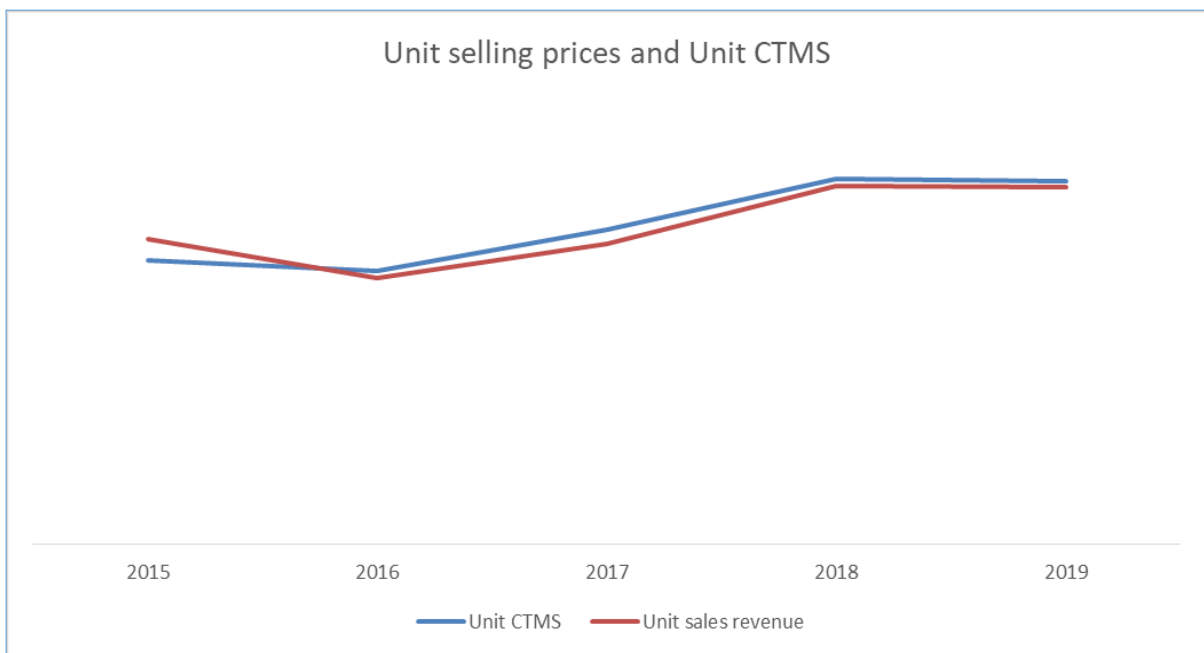


Figure 3: Unit selling price and CTMS

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.

Since 2016, the Australian industry’s unit selling price of the goods has experienced an upward trend however, the unit CTMS has been consistently above the selling price. This suggests that InfraBuild has not been able to increase its selling price in order to move from a unit loss to a unit profit position. The verification team notes that more recently, there has been a narrowing of the margin between unit selling prices and unit CTMS.

⁹ InfraBuild also imported the goods for sale on the Australian market from various countries including those subject to this inquiry. Such imports are assimilated in data extracted from the ABF. Its sales of imported goods formed a small proportion of its overall sales volumes.

8.5.2 Conclusion – price effects

There are reasonable grounds to consider that InfraBuild has experienced injury in the form of price suppression despite the imposition of the measures, with some recent improvement.

8.5.3 Profit and profitability

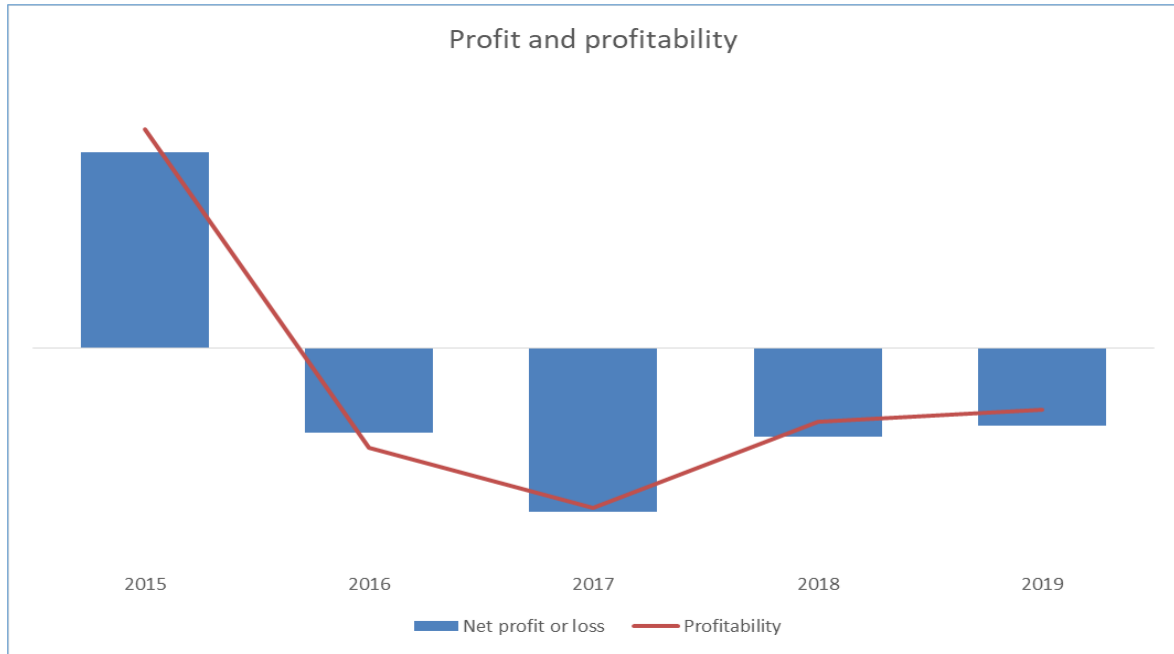


Figure 4: Profit and profitability

InfraBuild has continued to experience a net loss on its sales of the goods since 2016, despite the measures, with some improvement in profitability after 2017.

8.5.4 Conclusion – profit effects

There are reasonable grounds to consider that InfraBuild has continued to experience injury in the form of reduced profits and profitability with some improvement following the imposition of measures.

8.6 Other economic factors

InfraBuild provided information on a range of other economic factors to further underpin data submitted in its application to this continuation inquiry. The verification team reconciled data to source documentation as well as verified sales and cost data. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

A summary of these economic factors and the calculation of an index for each of these factors is at **Confidential Appendix 2**.

Index of other economic factors	2015	2016	2017	2018	2019
Assets (\$)	100	101	99	95	122
Capital investment (\$)	100	89	174	181	321

PUBLIC RECORD

Index of other economic factors	2015	2016	2017	2018	2019
R & D Expense (\$)	100	217	-	144	121
Revenue (\$)	100	106	125	154	166
Return on investment (%)	100	-44	-91	-57	-33
Capacity (MT)	100	104	103	106	108
Actual production (MT)	100	121	117	124	139
Capacity utilisation (%)	100	107	107	112	105
Employment (persons)	100	109	110	111	135
Productivity (MT per shift)	100	108	108	113	110
Stock/inventory (closing stock MT)	100	133	105	142	106
Cash flow (receivables turnover)	100	95	78	92	87
Wages (\$)	100	110	119	132	142
Average wage (\$ per person)	100	102	108	120	105

Table 8: Indices of other economic factors

With the exception of R&D expense, return on investment, stock/inventory holdings and cash flow, all of the above metrics show a general improvement since 2015, which is the year the anti-dumping measures were imposed. The reduced return on investment mirrors InfraBuild's profitability performance for like goods as shown at section 8.6 and the cash flow metric reflects a slower rate of turnover of its accounts receivables for like goods. The significant increase in R&D expense in 2016 appears to coincide with the voluntary administration of InfraBuild (then Arrium) in 2016. The Commission will give further consideration to this during the course of the inquiry.

8.6.1 Conclusion – other economic factors

Based on an analysis of the information contained in the application and verified by the verification team, there appears to be reasonable grounds to support InfraBuild's claims that it has continued to experience injury. The verification team has also identified an improvement in many economic factors following the imposition of measures.

9 CLAIMS CONCERNING THE CONTINUATION OF MEASURES

9.1 Background

Under the terms of section 269ZHF(2) of the Act, in order to recommend that the Minister take steps to secure the continuation of the anti-dumping measures, the Commissioner must be satisfied that the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of:

- dumping; and
- the material injury that the anti-dumping measures are intended to prevent.

Accordingly, the verification team sought InfraBuild's views on these matters.

9.2 Applicant's claims

9.2.1 IPP model

Until 31 December 2019, InfraBuild claims that it set its prices in respect of the goods applying its IPP model, whereby it either references monthly import price offers from customers or in the case of related party sales, import price offers are the basis for determining monthly prices.

InfraBuild has provided the verification team with information related to its new pricing model which commenced on 1 January 2020. The verification team understands that a part of the new pricing model is affected by import pricing and a market price comparison impacts the final selling price. The verification team also found that the IPP model will continue to apply to a subset of the goods.

The Commission will review InfraBuild's revised pricing model further during the course of the inquiry.

9.2.2 Maintenance of distribution links

InfraBuild claims that exporters from all of the subject countries have maintained distribution links with Australia.

From its examination of ABF data, the verification team has observed that certain exporters of the goods from the subject countries have continued trading with Australia since the imposition of measures and in some instances, exporters have traded with the same importers. Further analysis will be undertaken in the Statement of Essential Facts.

9.2.3 Maintenance of ACRS certification

InfraBuild claims that there is an ongoing commitment required of producers of rebar to maintain their ACRS accreditation and that specific exporters from all of the subject countries have maintained their ACRS certification. InfraBuild is of the view that this signals the intent of exporters to continue to supply the Australian rebar market.

9.2.4 Substitutability of goods

InfraBuild claims that due to a degree of transparency and high sensitivity to price, and the ACRS accreditation of mills in the subject countries, goods of the same specification from different sources are interchangeable.

The verification team considers that the goods exported to Australia from the subject countries are manufactured to the same standards and comparable specifications to that of the goods produced by the Australian industry and as such, different supply sources are readily interchangeable.

9.2.5 Over-capacity in global steel markets

It is InfraBuild's view that there are investment projects underway globally, that if realised, will result in an increase in global steel-making capacity in the next few years. InfraBuild further contends that this global overcapacity in rebar may be diverted to the subject countries, who in turn, will seek overseas markets for their own steel production. This claim will be reviewed further during the course of the inquiry.

9.2.6 Price undercutting

InfraBuild claims that it has experienced price undercutting by exports from the subject countries since the imposition of the measures. The Commission will examine these claims and associated pricing matters further during the course of the inquiry.

9.2.7 Measures imposed by other countries

InfraBuild claims that trade defence measures imposed on the goods in the USA, Canada and the European Union will result in excess capacity of the goods in the subject countries. It claims that this excess capacity will be exported to Australia in the absence of measures, resulting in a recurrence of the injury that the measures were intended to prevent.

9.2.8 Impact of voluntary administration on injury indicators

InfraBuild claims that the reductions in capacity utilisation and employment numbers in 2016 and 2017 were a result of it (then Arrium) entering into voluntary administration in April 2016. However, the verification team did not find any sustained decrease in these factors over the period.

10 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Verification work program
Confidential Appendix 1	Australian market share and economic performance
Confidential Appendix 2	Other economic factors