



**Australian Government**  
**Department of Industry, Science,  
Energy and Resources**

**PUBLIC RECORD**

**Anti-Dumping  
Commission**

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## **Consideration report number: 553**

Application for a dumping duty notice and a countervailing duty notice

In relation to painted steel strapping exported to Australia from the People's Republic of China

- and -

Application for a dumping duty notice

In relation to painted steel strapping exported to Australia from the Socialist Republic of Vietnam

Submitted by: Signode Packaging Group Australia Pty Ltd

**27 May 2020**

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<b>ABBREVIATIONS</b>
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Abbreviation / short form	Full reference
ABF	Australian Border Force
the Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
the applicant	Signode Packaging Group Australia Pty Ltd
the application	the application lodged by Signode with the Commission on 31 March 2020 as described in section 2.1.2
China	the People's Republic of China
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CTMS	cost to make and sell
the Direction	<i>Ministerial Direction on Material Injury 2012</i>
EPR	electronic public record
EXW	Ex Works
FOB	Free on Board
GOC	Government of the People's Republic of China
the goods	painted steel strapping, as described at section 2.3
GOV	Government of the Socialist Republic of Vietnam
HRC	hot rolled coil
investigation period	1 April 2019 to 31 March 2020
the Minister	the Minister for Industry, Science and Technology
SG&A	selling, general and administration
Signode	Signode Packaging Group Australia Pty Ltd
the subject countries	collectively, China and Vietnam
Vietnam	the Socialist Republic of Vietnam

## 1 FINDINGS AND RECOMMENDATIONS

This report provides the result of the consideration by the Anti-Dumping Commission (the Commission) of an application under section 269TB(1) of the *Customs Act 1901* (the Act)<sup>1</sup> by Signode Packaging Group Australia Pty Ltd (Signode or the applicant). Signode seeks the publication of a dumping duty notice in respect of painted steel strapping (the goods) imported into Australia from the People's Republic of China (China) and the Socialist Republic of Vietnam (Vietnam) (collectively, the subject countries) and a countervailing duty notice in respect of the goods from China.

Signode alleges that the Australian industry for like goods has suffered material injury caused by the goods exported to Australia from:

- China at dumped and subsidised prices; and
- Vietnam at dumped prices.

The legislative framework that underpins the making of an application and the Commission's consideration of an application is contained in Divisions 1 and 2 of Part XVB.

### 1.1 Findings

In accordance with section 269TC(1), the Commission has examined the application and is satisfied that:

- the application complies with the requirements of section 269TB(4) (section 2.2);
- there is an Australian industry in respect of like goods (section 2.4); and
- there appear to be reasonable grounds for the publication of a dumping and/or a countervailing duty notice in respect of the goods the subject of the application exported from the subject countries (chapters 3, 4, 5 and 6).

### 1.2 Recommendations

Based on the above findings, the Commission recommends that the Commissioner of the Anti-Dumping Commission (Commissioner) decide not to reject the application and initiate an investigation to determine whether a dumping and/or a countervailing duty notice in respect of the goods exported from the subject countries should be published.

The Commission further recommends that:

- exports to Australia during the period 1 April 2019 to 31 March 2020 (the investigation period) be examined for dumping and/or subsidisation; and
- details of the Australian market from 1 April 2016 be examined for injury analysis purposes.

If the Commissioner agrees with these recommendations, the Commissioner must give public notice of the decision in accordance with the requirements set out in section 269TC(4).<sup>2</sup>

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<sup>1</sup> All legislative references in this report are to the *Customs Act 1901* unless otherwise specified.

<sup>2</sup> The Commission notes that, if the investigation is initiated, Signode will be asked to provide updated data and information for the most recently completed quarter, 1 January 2020 to 31 March 2020. The Commission

## 2 THE APPLICATION AND THE AUSTRALIAN INDUSTRY

### 2.1 Lodgement of the application

#### 2.1.1 Legislative framework

The procedures for lodging an application are set out in section 269TB. The procedures and timeframes for the Commissioner's consideration of the application are set out in section 269TC.

#### 2.1.2 The Commissioner's timeframe

Event	Date	Details
Application lodged and receipted by the Commissioner under sections 269TB(1) and (5)	31 March 2020	The Commission received an application from Signode alleging that the Australian industry has suffered and continues to suffer material injury caused by the goods imported into Australia from the subject countries at dumped and/or subsidised prices.
	Between 9 April 2020 and 6 May 2020	The Commission notified Signode that the application contained important deficiencies which, if left unaddressed, create doubt on the reasonableness of the grounds for the publication of a dumping duty and/or a countervailing duty notice.
Applicant provided further information in support of the application under section 269TC(2A)	Between 17 April 2020 and 7 May 2020	Signode provided further information and/or data in support of its application without having been requested to do so on various dates between 17 April 2020 and 7 May 2020. Each occasion restarted the 20 day period for consideration of the application.
Consideration decision due under section 269TC(1)	27 May 2020	The Commissioner shall decide whether to reject or not reject the application within 20 days of receiving a formally lodged application, being the first working day after the deadline.

Table 1: Timeframe for Commissioner's decision

### 2.2 Compliance with section 269TB(4)

#### 2.2.1 Finding

Based on the information submitted by Signode, the Commission considers that the application complies with section 269TB(4).

#### 2.2.2 Legislative framework

Section 269TC(1) requires that the Commissioner reject an application for a dumping and/or a countervailing duty notice if, among other things, the Commissioner is not satisfied that the application complies with section 269TB(4).

#### 2.2.3 The Commission's assessment

The table below summarises the Commission's assessment of compliance with section 269TB(4).

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will use the contemporary data in its analysis for the purposes of the investigation. This necessarily means that certain preliminary conclusions in this report are subject to change.

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<b>Requirement for the application</b>	<b>Details</b>
Lodged in writing under section 269TB(4)(a)	Signode lodged, in writing, confidential and non-confidential versions of the application. The non-confidential version of the application can be found on the electronic public record (EPR) on the Commission website at <a href="http://www.adcommission.gov.au">www.adcommission.gov.au</a> .
Lodged in an approved form under section 269TB(4)(b)	The application is in the approved form (Form B108) for the purpose of making an application under section 269TB(1).
Contains such information as the form requires under section 269TB(4)(c)	Signode provided: <ul style="list-style-type: none"> <li>• a completed declaration;</li> <li>• answers to all questions that were required to be answered;</li> <li>• all relevant appendices; and</li> <li>• sufficient detail in the non-confidential version of the application to enable a reasonable understanding of the substance of the information submitted in confidence.</li> </ul>
Signed in the manner indicated in the form under section 269TB(4)(d)	The application was signed in the manner indicated in Form B108 by a representative of Signode.
Supported by a sufficient part of the Australian industry under section 269TB(4)(e) and determined in accordance with section 269TB(6)	Signode claims it is the only Australian manufacturer of like goods. The Commission has reviewed its own data on manufacturers of steel products and conducted an online search for Australian manufacturers of painted steel strapping and has not identified any other Australian industry member who manufactures painted steel strapping. Accordingly, the Commission is satisfied that Signode represents the entire Australian industry and accounts for more than 50 per cent of the total Australian production of like goods.
Lodged in the manner approved under section 269SMS for the purposes of section 269TB(4)(f)	The application was lodged in a manner approved in the Commissioner's instrument made under section 269SMS, being by email to the Commission's nominated e-mail address provided in that instrument. <sup>3</sup>

**Table 2: Commission's assessment of compliance with section 269TB(4)**

## 2.3 The goods the subject of the application

The table below outlines the goods as described in the application.

<b>Full description of the goods, as subject of the application</b>
Painted steel strapping, of carbon steel, whether or not in coils, whether or not waxed, with a nominal width of 12 mm to 32 mm, a nominal thickness of 0.5 mm to 1.5mm. Stainless steel strapping and galvanised steel strapping are excluded from the goods.
<b>Further information</b>
The goods are used for the purposes of load containment or lifting in a range of industries. There are a number of grades of hot rolled coil (HRC) steel that can be used to manufacture painted steel strapping depending on the product that needs to be contained, how it is to be contained and where it is to be transported to.
<b>Previous investigations</b>
There have been no previous investigations concerning painted steel strapping exported to Australia.

<sup>3</sup> The instrument is available on the Commission [website](#).

**Other administrations**

On 30 August 2017, India imposed measures on imports from China of Colour Coated/ Pre-Painted Flat Products of alloy and Non Alloy Steel.<sup>4</sup>

**Table 3: The goods**

**2.3.1 Tariff classification**

In its application, Signode indicated that the goods are generally classified in Schedule 3 to the *Customs Tariff Act 1995* as follows:

Tariff Subheading	Statistical Code	Description
7212		FLAT-ROLLED PRODUCTS OF IRON OR NON-ALLOY STEEL, OF A WIDTH OF LESS THAN 600 mm, CLAD, PLATED OR COATED:
7212.40.00		Painted, varnished or coated with plastics:
	62	Of a width not exceeding 32 mm

**Table 4: General tariff classification for the goods**

The Commission has examined the Australian Border Force (ABF) import database in respect of imports of goods falling within the goods description and is satisfied that tariff code 7212.40.00 statistical code 62 is generally used to classify the goods.

**2.4 Like goods and the Australian industry**

**2.4.1 Finding**

The Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application, on the basis that:

- Signode produces goods that are identical in all respects to, or closely resemble, the goods the subject of the application; and
- the goods are wholly manufactured in Australia.

**2.4.2 Legislative framework**

Section 269TC(1) requires that the Commissioner reject an application for a dumping or a countervailing duty notice if, among other things, the Commissioner is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

Like goods are defined under section 269T(1). Sections 269T(2), (3), (4) and (4A) are used to determine whether the like goods are produced in Australia and whether there is an Australian industry.

**2.4.3 Locally produced like goods**

The table below summarises the Commission’s assessment of whether the locally produced goods are identical to, or closely resemble, the goods the subject of the application and are, therefore, like goods.

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<sup>4</sup> Government of India, Directorate General of Trade Remedies: <http://www.dgtr.gov.in/anti-dumping-cases/colour-coated-pre-painted-flat-products-alloy-non-alloy-steel-chinapr-eu>



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<b>Factor</b>	<b>Signode's claims</b>	<b>The Commission's assessment</b>
Physical likeness	The primary physical characteristics of the imported goods and locally produced goods are the same or similar. The goods and the imported goods are used in similar applications using similar tools/equipment for application.	The information presented by Signode indicates that the locally produced and imported goods appear to be traded in a similar range of steel grades, coating types, lengths, widths, thicknesses and elongations. This is supported by the Commission's own analysis of the ABF import database. The Commission is therefore satisfied that the locally produced and imported painted steel strapping have similar physical characteristics.
Commercial likeness	The goods and locally produced goods are commercially alike as they are sold to common users, and directly compete in the same market.	The Commission reviewed the confidential attachments provided with the application and found that there appears to be direct price competition in the Australian market for painted steel strapping between the imported and locally produced goods. The Commission is therefore satisfied that there is a commercial likeness.
Functional likeness	The goods and locally produced goods are functionally alike as they have a similar range of end-uses.	The Commission notes the interchangeable nature of the imported and Australian industry produced goods, in that they compete for sales to the same customers for similar (or the same) end-uses. The Commission is therefore satisfied that the locally produced and imported goods are functionally alike.
Production likeness	The goods and locally produced goods are manufactured in a similar manner.	The Commission reviewed the application and conducted online research and found that the production process (splitting, slitting, heat processing and painting) and raw material inputs are substantially identical for locally produced and imported goods. The Commission is therefore satisfied that the locally produced and imported goods are manufactured using the same or similar production process.
<b>Commission's assessment</b>		
Based on the analysis above, the Commission considers that locally produced painted steel strapping has characteristics that closely resemble the goods comprising the subject of the application and are, therefore, like goods.		

**Table 5: Like goods assessment**

#### **2.4.4 Manufacture in Australia**

The table below summarises the Commission's assessment of whether the goods are wholly manufactured in Australia and whether the like goods are therefore considered to have been manufactured in Australia.

<b>Signode's claims</b>
Signode claims that it manufactures the goods at its facility in Kurri Kurri, New South Wales using locally sourced HRC for its raw material input. Signode describes its production process on pages 10-11 of its application.
<b>The Commission's assessment</b>
Based on the description of the manufacturing process provided by Signode in the application, the Commission is satisfied that Signode transforms HRC into painted steel strapping through a substantial splitting, slitting, heat processing and painting process, and that this process takes place at facilities in Australia.  The Commission is therefore satisfied that the goods are manufactured in Australia, with at least one substantial process in the manufacture of these goods being carried out in Australia.

**Table 6: Manufacture of the goods in Australia**

## 2.5 Australian industry information

The table below summarises the Commission’s assessment of whether Signode has provided sufficient information in the application to analyse the performance of the Australian industry:

<b>Have the relevant appendices to the application been completed?</b>		
A1	Australian production	Yes
A2	Australian market	Yes
A3	Sales turnover	Yes
A4	Domestic sales	Yes
A5	Sales of other production	Not applicable
A6.1	Cost to make and sell (& profit) – Domestic sales	Yes
A6.2	Cost to make and sell (& profit) – Export sales	Yes
A7	Other injury factors	Yes
<b>General administration and accounting information</b>		
Ownership	Signode is a fully owned subsidiary of Signode Industrial Group GMBH which is a fully owned subsidiary of Crown Holdings, Inc., USA.	
Operations	Signode is a private company that manufactures and supplies load containment and protective packaging systems.	
Financial year	1 January to 31 December	
Audited accounts and Annual reports	Signode included copies of its 2017 and 2018 Annual Financial Reports in its application. The 2019 Annual Financial Report had not been finalised as of the date of application.	
<b>Production and sales information</b>	<b>Cost to make and sell information</b>	<b>Other injury factors</b>
Signode has provided detailed sales information for the period 1 January 2019 to 31 December 2019 and detailed production information for the period 1 January 2016 to 30 December 2019.	Signode has provided detailed cost to make and sell (CTMS) information for the period 1 January 2016 to 31 December 2019.  Data has been provided based on various categories of the goods identified by Signode as well as in aggregate.	Signode has provided data on other injury factors on a calendar year basis for the period 1 January 2016 to 31 December 2019.
<b>The Commission’s assessment</b>		
Based on the information in the application, the Commission is satisfied that there is sufficient data to analyse the performance of the Australian industry for the purposes of this report. The analysis in chapters 3, 4, 5 and 6 has relied on the data submitted in the application.		

**Table 7: Australian industry information**

### 2.5.1 Market size

#### Applicant estimation

Signode has estimated the size of the Australian painted steel strapping market based on its own data and data from the Australian Bureau of Statistics (ABS) for imports declared under tariff code 7212.40.00 statistical code 62. Signode completed *Confidential Appendix A2* to the application, using the above data.

Commission analysis

The Commission is satisfied that the tariff classification identified by Signode is suitable for estimating the size of the Australian market.

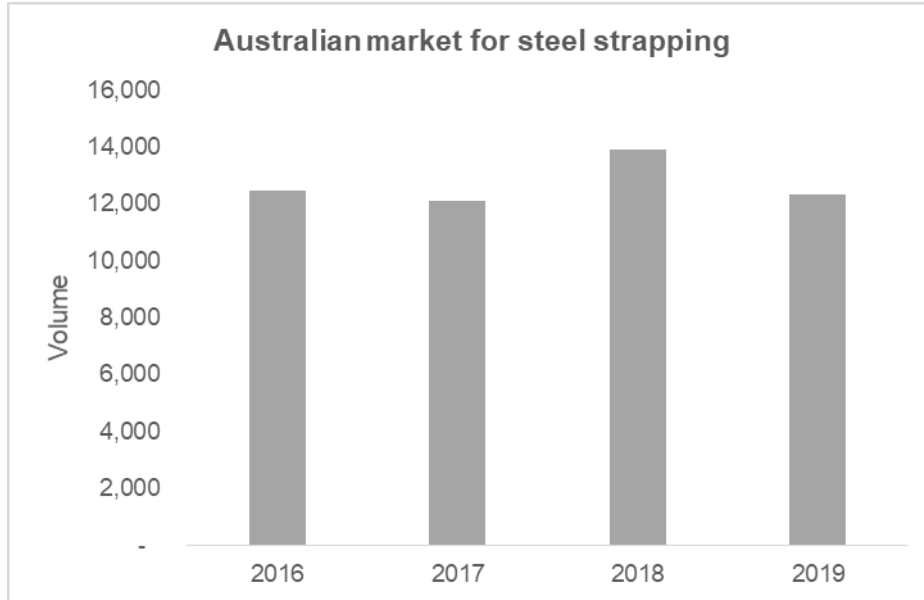
In its examination of the volume of imports of the goods into Australia, the Commission has used data extracted from the ABF import database in respect of consignments declared under the identified tariff classification. To exclude outlying data, which may distort any findings, the Commission has then filtered the data to exclude transactions where the Free on Board (FOB) price per tonne was outside a range of AUD\$100 to AUD\$10,000. This was considered a reasonable price range to use as a filter for the goods, based on the export price and normal values referred to in the application, and observations of the ABF data.

The Commission’s analysis of the size of the Australian market for the goods is provided at **Confidential Attachment 1**.

Findings

There is a minor variance between Signode’s estimates of import volumes of the goods, from both the subject countries and non-subject countries, and the import volumes calculated by the Commission. On account of this variance, the Commission has relied on data from the ABF import database (because it enables a more granular analysis of import data) and Signode’s sales volume in Australia to estimate the size of the Australian market for the goods.

In line with the above, the size of the Australian market for calendar years 2016 to 2019 is estimated and depicted in Figure 1 below. It should be noted that imports from both subject and non-subject countries have been included.



**Figure 1 – Australian market for the goods (MT)**

The Commission estimates that the size of the Australian market for the goods has remained relatively steady since 2016, other than a temporary increase in 2018.

The market in 2019 was approximately 12,000 tonnes. The Commission will further examine the size of the Australian market throughout the course of the investigation.

## **2.6 Consultation with the Governments of China and Vietnam**

In accordance with section 269TB(2A), the Commission notified the Government of China (GOC) and the Government of the Socialist Republic of Vietnam (GOV) of the receipt of an application in respect of their countries' exporters. Both the GOC and the GOV were provided with a non-confidential version of the application.

The GOV wrote to the Commission on 15 May 2020. The GOV raised a number of points regarding the application for the consideration of the Commission. This included:

- the definition of what is an Australian manufacturer of the goods;
- the basis for the claim that there is a particular market situation in Vietnam;
- the basis for the claim that Australian industry has suffered injury; and
- whether applying anti-dumping measures would be in the Australian public interest.

This information has been considered by the Commission in preparing this report.

The Commission will continue to seek information from the GOC and the GOV through the course of the investigation.

## 3 REASONABLE GROUNDS – DUMPING

### 3.1 Findings

Pursuant to section 269TC(1)(c), the Commission considers that there appears to be reasonable grounds to support the claims that:

- the goods have been exported to Australia from the subject countries at dumped prices;
- the estimated dumping margins are greater than 2 per cent and are therefore not negligible; and
- the estimated volume of goods from each of the subject countries that appear to have been dumped is greater than 3 per cent of the total Australian import volume of goods and is, therefore, not negligible.

### 3.2 Legislative framework

Section 269TC(1) requires that the Commissioner reject an application for a dumping duty notice if, among other things, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

Under section 269TG, one of the matters that the Minister for Industry, Science and Technology (the Minister) must be satisfied of in order to publish a dumping duty notice is that the export price of goods that have been exported to Australia is less than the normal value of those goods, i.e. that dumping has taken place (to an extent that is not negligible). This matter is considered in the following sections.

### 3.3 Export price

#### 3.3.1 Legislative framework

Export price is determined by applying the requirements in section 269TAB, taking into account whether the purchase or sale of goods comprised an 'arms length' transaction under section 269TAA.

#### 3.3.2 Signode's estimate

The table below summarises the approach taken by Signode to estimate export prices and the evidence relied upon:

Country	Basis of estimate	Details
China	ABS data	Signode has used import data from the ABS to determine export prices for goods classified under tariff and statistical code 7212.40.00/62 exported from the subject countries. Signode aggregated this data to determine quarterly weighted average export prices for the goods on a whole-of-country level.
Vietnam		

**Table 8: Signode's estimate of export prices from the subject countries**

#### 3.3.3 The Commission's assessment

The Commission examined the export price calculations and supporting evidence provided by Signode. The Commission considers that Signode's approach to estimating export prices is reasonable, considering the potential limitations of the information available to Signode.

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To assess the reliability of the export price estimated by Signode, the Commission calculated an export price for each country using data obtained from the ABF import database. These calculations were compared to the export prices for each country in Signode's application. As a result of this analysis, the Commission has observed only minimal variance between the weighted average export prices calculated by Signode and those calculated by the Commission. The Commission's approach was consistent with the approach taken in section 2.5.1 to filter the ABF data.

In light of the above, the Commission considers that the export prices estimated by Signode for China and Vietnam are reasonable.

Signode's calculation of export price and the Commission's comparison is provided at **Confidential Attachment 2**.

### **3.4 Normal value**

#### **3.4.1 Legislative framework**

Normal value is determined by applying the requirements set out in section 269TAC, taking into account whether:

- the purchase or sale of the goods comprised an 'arms length' transaction under section 269TAA;
- the goods were sold in the 'ordinary course of trade' under section 269TAAD;
- there has been an absence (or low volume) of sales of like goods in the country of export; and
- the situation in the market of the country of export is such that sales in that country are not suitable for determining normal value under section 269TAC(1).

If there has been an absence (or low volume) of sales of like goods in the country of export or the situation in the market of the country of export is such that sales in that country are not suitable for determining normal value (referred to as "a particular market situation"), normal value is calculated to take into account, either:

- Section 269TAC(2)(c): the cost of production or manufacture of the goods in the country of export; plus administrative, selling and general costs associated with the sale and the profit on that sale; or
- Section 269TAC(2)(d): the price paid (or payable) for like goods sold in the ordinary course of trade in 'arms length' transactions for exportation from the country of export to an appropriate third country.

#### **3.4.2 Signode's estimate of normal values**

The table below summarises the approach taken by Signode to estimate normal values for each country and the evidence Signode relied upon:

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Country	Basis of estimate	Details
China	<p>Signode claims that there is a particular market situation in China and Vietnam (see below).</p> <p>On this basis, Signode has calculated constructed normal values using:</p> <ul style="list-style-type: none"> <li>• a HRC cost benchmark based on selling prices for Korea and Taiwan;</li> </ul>	<p>Signode has estimated quarterly normal values for the goods for the YE 31 December 2019 at ex-works (EXW) terms on a constructed basis.</p> <p><u>Raw material costs</u></p> <p>On the basis that HRC prices have been distorted by government interference, raw material costs have been estimated by Signode using HRC selling prices in Korea and Taiwan (sourced from an independent steel industry subscription service) as a benchmark.</p> <p><u>Labour, conversion and SG&amp;A costs</u></p> <p>Labour, conversion and SG&amp;A costs have been estimated based upon Signode’s own costs. A downwards adjustment has been made to account for labour cost variances using Signode’s affiliate production labour cost in China and Vietnam.</p> <p><u>Other variable and fixed costs</u></p> <p>Other variable and fixed costs have been estimated based upon Signode’s own costs.</p> <p><u>Profit margin</u></p> <p>Signode has applied an amount of profit based on its own average profit on domestic sales from 2016 to 2018.</p>
Vietnam	<ul style="list-style-type: none"> <li>• estimated conversion costs;</li> <li>• a labour cost adjustment;</li> <li>• estimated selling, general and administrative (SG&amp;A) costs; and</li> <li>• a profit margin.</li> </ul>	

**Table 9 - Signode estimate of normal values in the subject countries**

Signode determined normal values for each country at EXW level, while export prices were determined at the FOB level. As it does not have the relevant information to be able to do so, Signode has made no adjustments for:

- domestic and export inland freight costs;
- domestic and export credit terms;
- domestic and export packaging; and
- differences between value added tax (VAT) levied on domestic goods in China and VAT levied on exported goods from China.

**3.4.3 The Commission's assessment**

The Commission must determine whether there appear to be reasonable grounds for supporting a claim that the goods have been exported at dumped prices. The Commission is therefore required to assess whether the estimated normal value provided in the application is a reasonable estimate.

For an estimated constructed normal value, as in the present application, the Commission will assess whether the costs used by Signode to construct the normal value reasonably reflect the costs of production in the subject countries. When making this assessment, the Commission is cognisant of the fact that applicants usually have access to limited data to enable them to estimate the costs in the country of production. The Commission considers it reasonable for applicants to use their own costs, but where it is reasonable and practicable to do so, the Commission considers that those costs should be adjusted to reflect costs in the country of production.

In certain circumstances, the Commission will have access to information which will enable it to make an assessment of the reasonableness of the information relied on by the applicant, on a comparison basis. The Commission may also have other sources of information that are directly relevant to the application, which the Commission may prefer

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to use in making its own assessment, particularly if that information is considered more relevant and reliable than the information relied upon by the applicant.

### Particular market situation claims

Signode claims that sales of painted steel strapping in China are not suitable for use in determining the normal value of like goods sold in China because of the situation in the Chinese market. Signode has based its claim that a particular market situation exists within China primarily on previous findings by the Commission. The application specifically refers to findings relating to GOC influence in steel markets and the impact on HRC prices, which is the key raw material used in the manufacture of painted steel strapping.<sup>5</sup>

Signode also claims that sales of painted steel strapping in Vietnam are not suitable for use in determining the normal value of like goods sold in Vietnam because of the situation in the Vietnamese market. Signode has based its claim that a particular market situation exists within Vietnam on evidence that the GOV has intervened in the domestic steel industry through:

- 'Steel Master Plans';
- state ownership in and active management of large steel industry companies;
- the ability to apply price controls;
- control over investment and project development in the steel industry; and
- subsidisation.

The Commission notes that during the consideration phase of this application, the GOV submitted claims that its Master Plans no longer extend to steel manufacturing. Whilst the Commission has taken this information into account, the Commission considers it appropriate to further examine Signode's market situation claims during the course of the investigation, noting that it is a key question to resolve in establishing the normal value. In doing so, the Commission will seek to gather additional information from the GOV regarding the factors Signode considers lead to a particular market situation in relation to the like goods, e.g. state ownership of steel companies, price controls and subsidisation.

The Commission will also seek the necessary information from exporters and from the GOC in order to independently assess Signode's claims.

### Normal value

The Commission has assessed the elements of the normal value calculations and considers the approach taken by Signode appears reasonable. In making its assessment of whether Signode's estimate of normal value is reasonable, the Commission has had regard to the information contained in the application.

The Commission's general practice is to compare export prices and normal values at a FOB level. Comparing an export price and normal value on equal delivery terms provides a more accurate estimate of a dumping margin. However, Signode has access to limited information to adjust the EXW normal value it has calculated to ensure a fair comparison with FOB export prices. In its consideration of previous applications where limited or no information has been provided to enable a fair comparison, the Commission has used verified information from earlier cases examining similar goods. However, this approach

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<sup>5</sup> See, for example, findings set out in *Anti-Dumping Commission Report No. 441* (steel pallet racking).



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cannot be taken in the present application, as painted steel strapping is a new good which has not been previously examined by the Commission.

As a result, the Commission compared the estimated FOB export price with the estimated EXW normal value.

The Commission notes that this approach results in a conservative estimate of the dumping margin, as any upwards adjustments to calculate a FOB normal value would have the effect of increasing the dumping margin.

Signode's calculation of normal value is provided at **Confidential Attachment 3**. The Commission's analysis of normal value is provided at **Confidential Attachment 4**.

### Raw material costs

The Commission notes that HRC costs make up the majority of Signode's estimate of the cost of production for painted steel strapping in the subject countries.

The Commission considers the use of HRC selling prices sourced from an independent steel industry subscription service is a reasonable basis for estimating the domestic raw material costs of HRC. For both China and Vietnam, Signode has used a benchmark comprising of HRC prices from Korea and Taiwan as a substitute for domestic prices, on the basis that Chinese and Vietnamese domestic HRC prices have been distorted by government interference.

On the basis that a particular market situation has been alleged by Signode in respect of HRC in China, the Commission is satisfied that the use of HRC prices from Korea and Taiwan is a reasonable basis at this stage of the investigation for estimating HRC costs in China.

For estimating HRC costs in Vietnam, the Commission considered the use of a HRC benchmark price from Southeast Asia, also available from an independent steel industry subscription service. However, in its examination of this benchmark, the Commission has noted that it is derived from prices based out of Vietnam.<sup>6</sup> As Signode has also alleged that there is a particular market situation in respect of HRC in Vietnam, at this stage of the investigation, the Commission is satisfied that Signode's use of HRC prices from Korea and Taiwan is a reasonable basis for estimating HRC costs in Vietnam.

### Labour, conversion and SG&A costs

The Commission considers the use of a benchmark, derived from Signode's own labour, conversion and SG&A costs, in respect of the goods, to be a reasonable basis for estimating such costs in each of the subject countries. The Commission notes that labour costs have been adjusted to account for an estimated difference in labour costs in each of the subject countries.

### Other variable and fixed costs

The Commission considers the use of a benchmark, derived from Signode's own other variable and fixed costs, in respect of the goods, to be a reasonable basis for estimating such costs in each of the subject countries.

### Profit

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<sup>6</sup> Confidential Attachment 7 - Independent steel industry subscription service price specifications guide

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At this stage of the investigation, the Commission does not have any data relating to the production and sale of painted steel strapping in the Chinese and Vietnamese domestic markets which could be used to determine a profit amount. In previous consideration reports, the Commission has used verified data from other investigations into similar goods in the same general category as the goods being investigated. However, this approach cannot be taken in the present case as the Commission has not previously examined painted steel strapping.

For the purposes of this report, the Commission considered the following methods for determining profit in its calculation of normal value:

1. a profit margin, in AUD, based on Signode's average profit on its Australian sales from 2016 to 2018, being the approach taken by Signode in the application;
2. a profit margin, as a percentage of Signode's 2019 costs, based on Signode's average profit on its Australian sales from 2016 to 2018;
3. a profit margin, as a percentage of Signode's 2019 costs, based on Signode's profit on its Australian sales from 2016, being from a period prior to the alleged dumping; and
4. a profit margin, as a percentage of costs, based on previously verified data for other manufactured goods from the subject countries which use HRC as a key raw material, specifically HSS for China and zinc coated (galvanised) steel for Vietnam.

The above profit margin methods were utilised to calculate a range of normal values, which the Commission used to test the veracity of the dumping estimate as outlined below.

### 3.5 Dumping margins

#### 3.5.1 Legislative framework

Dumping margins are determined in accordance with the requirements set out in section 269TACB.

Dumping margins and dumping volumes cannot be negligible, otherwise the investigation is terminated. Whether the dumping margins and dumping volumes are negligible is assessed under section 269TDA.

#### 3.5.2 The Commission's assessment

The table below summarises the dumping margins estimated by Signode and the dumping margins calculated by the Commission, using the method described in sections 3.3.3 and 3.4.3. As the Commission has used different methods for determining profit in its calculation of normal values (see section 3.4.3), it has determined an estimated range for the dumping margins.

Dumping margins are expressed as a percentage of the export price.

Country	Applicant estimate	Commission estimate
China	32.6%	26.6% to 44.9%
Vietnam	21.4%	14.4% to 21.1%

**Table 10: Estimated dumping margins**

Based on the above, the Commission is satisfied that there appears to be reasonable grounds that the dumping margins are above negligible levels for the subject countries.

The Commission's assessment of dumping is provided at **Confidential Attachment 5**.

### **3.5.3 Volume of dumped goods**

Sections 269TDA(3) and (4) provide that an investigation into dumping must be terminated if the total volume of goods exported to Australia over the relevant investigation period that may have been dumped is negligible. A negligible volume of goods is less than 3 per cent of the total Australian import volume.

Using the method set out in section 2.5.1, the Commission has estimated the volumes of goods exported from each of the subject countries.

Based on the Commission's assessment, the Commission is satisfied that there appears to be reasonable grounds to consider that the volume of dumped goods are above negligible levels for both China and Vietnam.

## 4 REASONABLE GROUNDS - SUBSIDISATION

### 4.1 Findings

Pursuant to section 269TC(1)(c), the Commission considers that there appears to be reasonable grounds to support the claims that:

- the goods exported to Australia from China have been subsidised;
- the estimated subsidy margin for exports from China is greater than 2 per cent and therefore is not negligible<sup>7</sup>; and
- the estimated volume of goods from China that appear to have been subsidised is greater than 4 per cent of the total Australian import volume of the goods, and therefore is not negligible.

### 4.2 Legislative framework

Section 269TC(1) requires the Commissioner to reject an application for a countervailing duty notice, if (among other things) the Commissioner is not satisfied that there appear to be reasonable grounds for its publication. This requires, consistent with section 269TJ, satisfaction that subsidisation has taken place to an extent that is not negligible. This issue is considered in the following chapter.

### 4.3 Subsidy programs

#### 4.3.1 Legislative framework

The determination as to whether there is a countervailable subsidy is made in accordance with sections 269T(1), 269T(2AA), 269TACC and 269TAAC.

#### 4.3.2 Signode's claims – China

Signode states that the proportional cost of HRC in the total manufacturing cost for painted steel strapping is approximately 70 per cent. Signode claims that previous findings made by the Commission of subsidies received for goods manufactured from HRC in China would therefore be applicable to painted steel strapping. It is claimed that painted steel strapping is manufactured from the same feedstock as hollow structural sections (HSS), i.e. HRC, and both HSS and HRC have been the subject of findings in relation to countervailable subsidies from China. Consequently, Signode considers that painted steel strapping from China would be in receipt of the same benefits.

The subsidy programs which Signode claims would be relevant to painted steel strapping from China are those examined with respect to HSS exported from China and set out in REP 419. These programs are summarised in **Non-confidential Attachment 1**.

#### 4.3.3 The Commission's assessment

Based on the production process described in the application and costs of production of the goods discussed in section 3.4.3, the Commission is satisfied that HRC makes up a significant proportion of total manufacturing cost for painted steel strapping.

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<sup>7</sup> China is a developing country and accordingly the threshold for determining whether countervailable subsidies are negligible is 2 per cent (section 269TDA(16) refers).

The Commission assessed the claims made by Signode, with respect to the provision of subsidies granted by the GOC which impact HRC production, which exporters of painted steel strapping from China may have received. In doing so, the Commission assessed the relevance of the Commission's previous findings in relation to HSS and considered those findings having regard for the goods comprising the subject of the application. In particular, the Commission had regard for the findings of REP 419, concerning a relatively contemporaneous review of anti-dumping measures of HSS exported from China which Signode has also relied upon in its application.<sup>8</sup>

In REP 419, the Commission determined that all 45 assessed programs were countervailable in respect of exports of HSS. The assessed programs appear to be also applicable to the production, physical, commercial and functional characteristics of painted steel strapping, which is manufactured from the same feedstock as HSS. The Commission considers that there appear to be, therefore, reasonable grounds to conclude that the financial contributions or income or price supports available under the 45 countervailable programs assessed for HSS in REP 419 could have conferred a benefit (whether directly or indirectly) in relation to painted steel strapping exported to Australia from China.

The Commission will further assess during the course of the investigation to what extent Chinese exporters utilised the identified countervailable subsidy programs for the production or export of painted steel strapping exported to Australia.

## **4.4 Amount of countervailable subsidy**

### **4.4.1 Legislative framework**

The amount of a countervailable subsidy that has been received in respect of goods is determined by the Minister under section 269TACD.

The amount of the countervailable subsidisation and the volume of subsidised goods cannot be negligible. Whether the countervailable subsidisation and the volume of subsidised goods are negligible is assessed under section 269TDA.

For current purposes, the Commission must assess whether there appear to be reasonable grounds for asserting that the rate of countervailable subsidisation and the volume of subsidised goods are not negligible.

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

Signode has not provided an estimated amount of subsidy received overall, or subsidy margins for the programs identified in section 4.3 in relation to exports of painted steel strapping from China. However, the Commission accepts that evidence regarding amounts of subsidies received is not always publicly available and estimating subsidy margins can be difficult.

The subsidy margins calculated for HSS in REP 419 with respect to exports from China ranged from 1.3 per cent to 47.7 per cent, although the Commission notes that REP 419 found that HRC typically accounts for over 90 per cent of the cost to make HSS.

Notwithstanding that HRC constitutes a lower proportion of production costs for painted strapping compared to HSS, the Commission considers that based on its assessment in section 4.3.3, for the purposes of this report, the subsidy margins determined in REP 419

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<sup>8</sup> Refer [REP 419](#), EPR 419, document 056.

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are a reasonable basis for concluding that the subsidy margins for exports of the goods for China are not negligible.

### **4.4.3 Volume of subsidised goods**

Sections 269TDA(7) and (8) provide that an investigation into whether there are countervailing subsidies must be terminated if the total volume of goods exported to Australia over the relevant investigation period that may be subsidised is negligible. A negligible volume of goods is less than 4 per cent of the total Australian import volume.

Using the method set out in section 2.5.1, the Commission has estimated the volumes of goods exported from China.

Based on the Commission's assessment, the Commission is satisfied that there appears to be reasonable grounds to consider that the volume of subsidised goods is above negligible levels for China.

## 5 REASONABLE GROUNDS - INJURY TO THE AUSTRALIAN INDUSTRY

### 5.1 Findings

Pursuant to section 269TC(1)(c), having regard to the matters contained in the application, the Commission considers that there appear to be reasonable grounds to support the claims that the Australian industry has experienced injury in the form of:

- price depression;
- price suppression;
- loss of profits;
- reduced profitability; and
- a decline in capital investment.

### 5.2 Legislative framework

Under sections 269TG and 269TJ, one of the grounds that must be satisfied before a dumping duty and/or a countervailing duty notice may be published is that the dumping and/or subsidisation has caused material injury to the Australian industry. This issue is considered in the following chapters.

### 5.3 Signode claims

Signode claims that the Australian industry has been injured through:

- loss of sales volume;
- reduced market share;
- price depression;
- price suppression;
- loss of profits;
- reduced profitability;
- reduced revenue;
- a decline in capital investment;
- a decline in return on investment; and
- reduced capacity utilisation.

Signode claims that it suffered material injury as a result of dumped and subsidised imports of painted steel strapping commencing in 2017.

### 5.4 Approach to injury analysis

#### 5.4.1 Legislative framework

The matters that may be considered when determining whether the industry has suffered material injury are set out in section 269TAE. The Commission has also had regard to the *Ministerial Direction on Material Injury 2012* (the Direction).

#### 5.4.2 The Commission's approach

This chapter analyses the economic condition of the Australian industry and provides an assessment as to whether there appear to be reasonable grounds to support a claim that the Australian industry has suffered material injury.

In its analysis of volume effects and market share, the Commission has used data provided by the applicant in respect of Australian industry sales, and import data from the ABF imports database. The method for determining volumes is discussed in section 2.5.1.

The Commission’s assessment of the economic condition of the Australian painted steel strapping industry (and therefore the basis for the figures set out in this chapter) forms **Confidential Attachment 6**.

### **5.4.3 Injury analysis period**

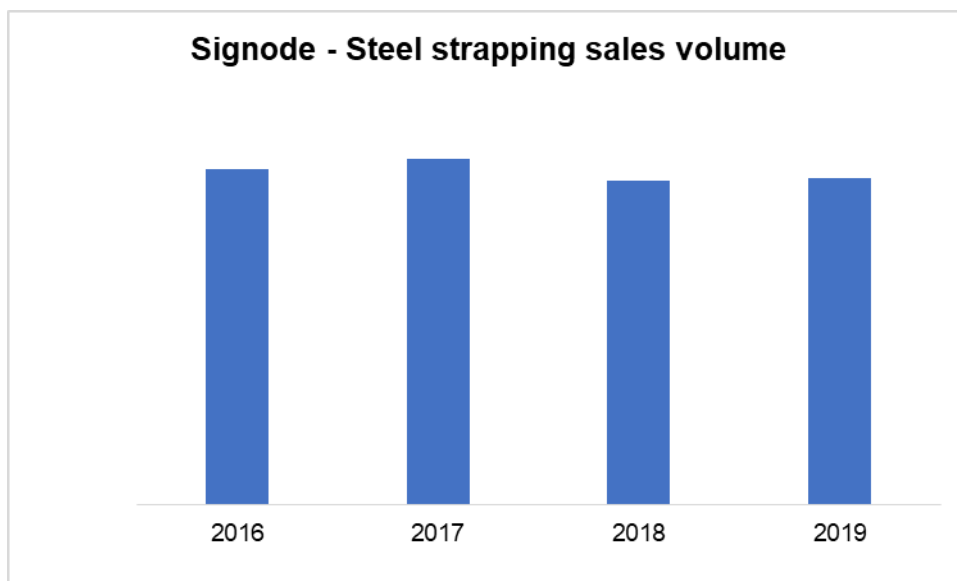
The purpose of the injury analysis period is to enable the Commission to identify and examine trends in the Australian market, which in turn assists the Commission in its examination of whether material injury has been caused by dumping. Signode has provided data from 1 January 2016 to 31 December 2019 for this purpose.

## **5.5 Volume effects**

Signode reports that it suffered a drop in sales volumes and market share in 2018 due to increased imports from China and Vietnam, although it has maintained relatively stable domestic sales volumes of the goods over the four-year period from 2016 to 2019.

### **5.5.1 Sales volume**

The figure below depicts the applicant’s total sales volumes for the last four calendar years. The Commission notes that sales have remained generally steady over this period, with a slight increase in 2017 and a slight decrease in 2018. Sales in 2019 were slightly less than they were in 2016.



**Figure 2 – Australian industry sales volume**

### **5.5.2 Market share**

Signode claims that in 2018, it suffered a reduction in its market share as a result of increased imports from China and Vietnam.

Figure 3 below sets out the Commission’s assessment of the market shares held by the Australian industry (made up solely by Signode), imports from the subject countries, and imports from all other countries since 1 January 2016.



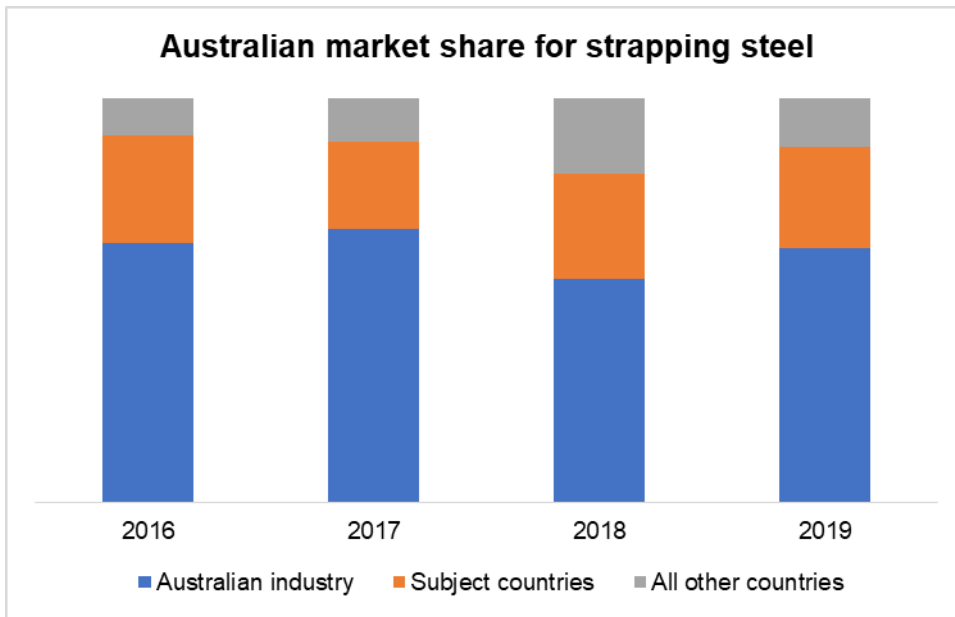


Figure 3 - Australian market share for painted steel strapping

The Commission notes there has been some variation in the break-up of market share between Signode, the subject countries and all other countries between 2016 and 2019.

In the most recent calendar year, Signode’s market share is generally consistent with its share in 2016. But in 2018, Signode suffered a loss of share, with the difference made up by increases of imports from China and Vietnam, as well as other countries not subject to this application.

**5.5.3 Import volumes**

The figure below depicts import volumes from both subject and non-subject countries.

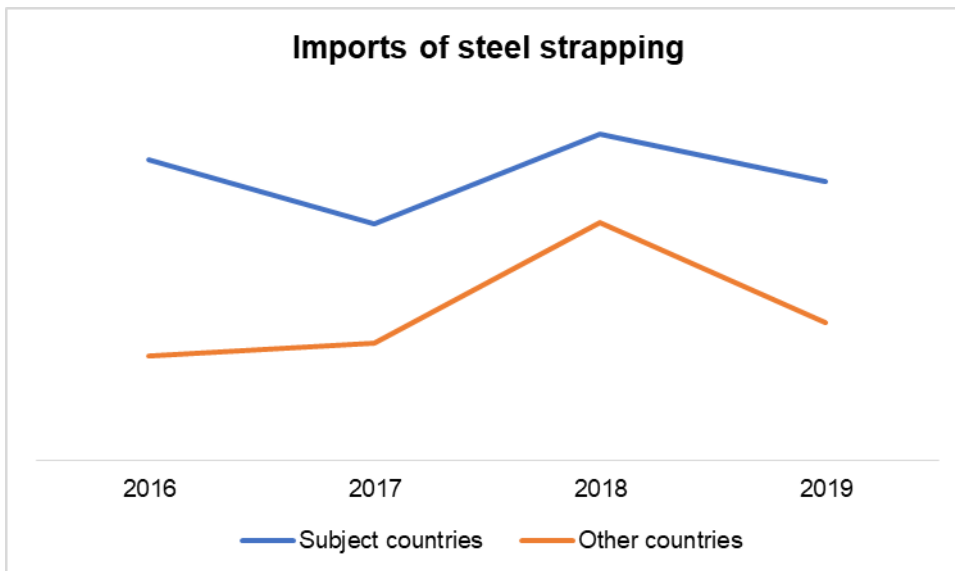


Figure 4 – Imports of painted steel strapping

Import volumes from the subject countries in 2019 are down marginally from 2016 volumes, after an increase in 2018. Imports volumes from other countries have increased since 2016, although down from the highs of 2018.

#### **5.5.4 Conclusion – volume effects**

The Commission's analysis of volume from 1 January 2016 to 31 December 2019 is largely consistent with the claims made by Signode in its application.

Australian industry volumes and market share have remained relatively steady in 2019, albeit slightly down when compared to 2016, though it is noted volume and share did vary in the intervening years.

In 2018 there was significant movement in market share, with the Australian industry share of the Australian painted steel strapping market dropping by more than 19 per cent compared to 2017. However, as noted above, in 2019 volumes and market share returned to 2016 levels for Australian industry, with the market share held by the subject countries slightly down on 2016 levels.

Based on the above and the current information available to the Commission, the Commission is not satisfied that there appear to be reasonable grounds to conclude that the Australian industry has suffered injury in the form of lost sales volume and reduced market share.

#### **5.6 Price effects**

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

##### **5.6.1 Price effects – analysis**

Signode claims that it has suffered both price depression and price suppression. It states in the application that:

In 2019, Signode Australia weighted average selling price declined by approximately 4 per cent, whereas costs increased by more than 2 per cent. Signode Australia has experienced price undercutting, price depression and price suppression in 2019 as it competes with dumped imports of steel strapping from China and Vietnam.

...

The Australian market for painted steel strapping is price sensitive and relatively transparent. Customers will shift source of supply to achieve relatively minor gains. Signode Australia has not been able to increase selling prices to recover cost increases – it has been required to absorb higher input costs and has therefore experienced price suppression, flowing through to reduced profits and profitability in 2018 and 2019.

The figure below depicts the movement in weighted average unit CTMS and unit selling price since 1 January 2016.

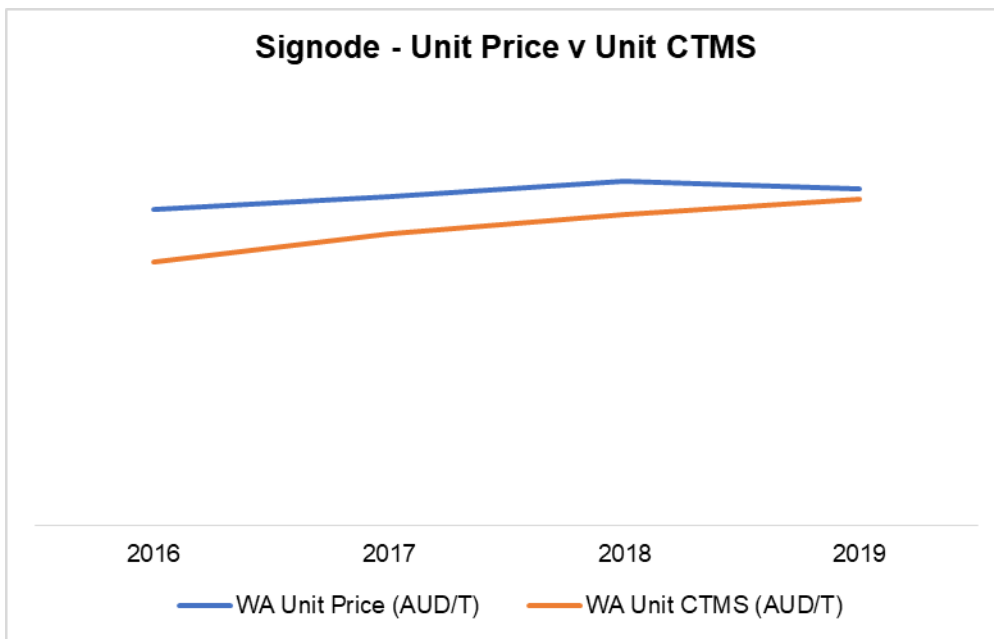


Figure 5 – Unit Price and Unit CTMS comparison

It can be seen that the margin between the unit price and unit CTMS for the goods has narrowed consistently year on year since 2016, with prices increasing only slightly until 2018 before dropping in 2019, while CTMS costs have risen each year.

### 5.6.2 Conclusion – price effects

Based on the above, there appears to be evidence of price suppression, with Signode maintaining its price for like goods while costs have increased. There is also some recent evidence of price depression, with prices falling in 2019. The Commission is satisfied that there are appear to be reasonable grounds to conclude that the Australian industry has suffered injury in the form of price suppression and price depression.

## 5.7 Profit and profitability effects

Signode claims it has suffered material injury in the form of lost profit and profitability. It states in its application that:

The price suppression experienced by Signode Australia has been driven by lower prices from distributors purchasing dumped and subsidised imports from China and dumped imports from Vietnam at prices that undercut Signode Australia’s selling prices.

The price suppression experienced by Signode has caused an almost 80 per cent decline in Signode Australia’s domestic profit since 2016 (with a 35 per cent deterioration evident in 2019).

The figure below depicts the applicant’s total profit and unit profitability in respect of the goods since 1 January 2016.

Signode - Profit and profitability of the goods

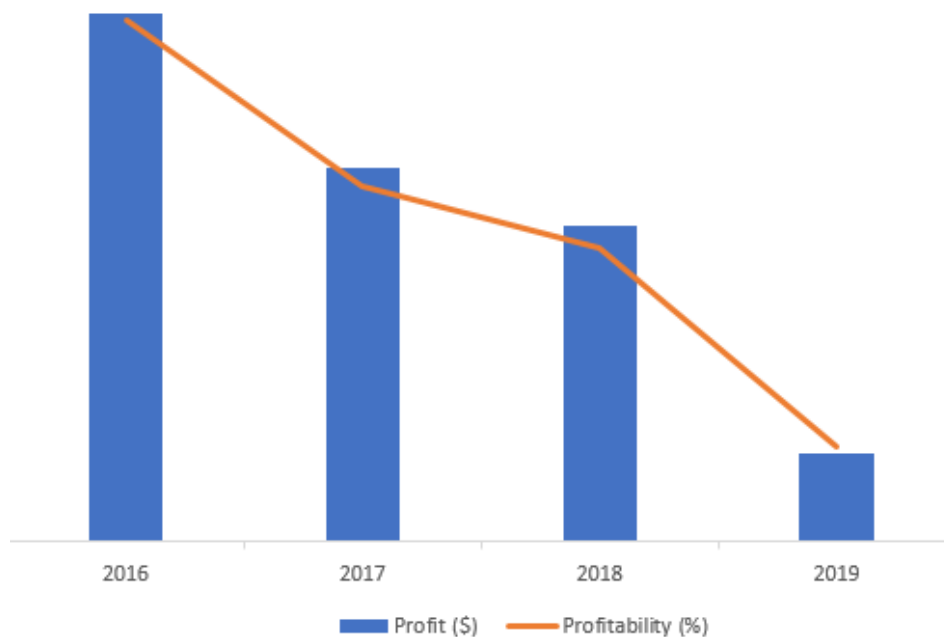


Figure 6 – Profit and profitability

Consistent with Signode’s application, there is a downward trend in both profit and profitability in respect of like goods.

**5.7.1 Conclusion – profit and profitability effects**

In light of the above, there appear to be reasonable grounds to support the claim that Signode has suffered injury in the form of lost profits and profitability.

**5.8 Other injury factors**

Signode also claims injury in the form of:

- reduced revenue;
- a decline in capital investment;
- a decline in return on investment; and
- reduced capacity utilisation.

The Commission has examined the data provided by the applicant in respect of each of these claims.

**5.8.1 Reduced revenue**

Signode states that it has experienced a decline in revenue from the sale of painted steel strapping in 2019 compared to the previous year, although it notes that 2019 domestic revenue has been relatively stable compared to 2016.

The Commission has examined sales data provided by Signode for the last four calendar years. It indicates that domestic sales revenue has remained generally steady over this period, with a slight increase in 2017. Revenue in 2019 was slightly less than it was in 2016. These findings are consistent with the Commission’s findings in respect of sales volume in section 5.5.1 of this report.

### **5.8.2 Decline in capital investment and in return on investment**

Signode states in its application that it has reduced its capital investment in painted steel strapping as profit and profitability has deteriorated to levels where reinvestment cannot achieve an adequate return on investment. Year-on-year investment has fallen since 2016, with a substantial decline in 2019.

Based on the data provided by Signode, the Commission is satisfied that there are reasonable grounds for supporting a claim of declining capital investment. However, at this stage of the investigation, the Commission considers there is insufficient data to consider a claim for a decline in return on investment.

### **5.8.3 Reduced capacity utilisation**

Signode states that its capacity utilisation in respect of the goods decline 14 percent from 2018 levels, due to a deterioration in sales volumes.

The Commission has examined Signode's production volumes for the last four calendar years. It indicates that domestic production volumes have steadily fallen since 2016 but at lower levels than the falls reported by Signode for capacity utilisation. The Commission would have expected to see corresponding falls between capacity utilisation and production volumes. The Commission also notes that sales volumes have remained relatively steady over this period, as discussed in section 5.5.1.

Given these inconsistencies, at this stage of the investigation, the Commission considers there is insufficient data to support a claim for reduced capacity utilisation. However, this will be examined further during the course of the investigation.

### **5.8.4 The Commission's assessment – other injury factors**

The Commission has considered the other injury factors outlined above and there appear to be reasonable grounds to support the claim that Signode has experienced injury in respect of a decline in capital investment.

At this stage, the Commission considers that it has insufficient data to assess Signode's further claims in respect of reduced revenue, declining return on investment and reduced capacity utilisation. The Commission will assess these, and other areas of injury, during the course of the investigation.

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

The Commission considers that there appear to be reasonable grounds to support claims that the Australian industry (represented in its entirety by Signode) has experienced injury in the form of:

- price depression;
- price suppression;
- loss of profits;
- reduced profitability; and
- a decline in capital investment.

**6 REASONABLE GROUNDS - CAUSATION FACTORS**

**6.1 Findings**

Having regard to the matters contained in the application and to other information considered relevant, the Commission considers that there appear to be reasonable grounds to support the claims that the Australian industry has suffered injury:

- caused by dumping and that the injury caused is material; and
- caused by subsidisation and that the injury caused is material.

**6.2 Legislative framework**

Under sections 269TG and 269TJ, one of the matters that the Minister must be satisfied of in order to publish a dumping duty and/or a countervailing duty notice is that the material injury suffered by the Australian industry was caused by dumping and/or subsidisation. This is considered in this chapter.

Matters that may be considered in determining whether the Australian industry has suffered material injury caused by dumped or subsidised goods are set out in section 269TAE.

**6.3 Signode’s claims**

The table below summarises the causation claims of Signode:

<b>Injury caused by dumping and/or subsidisation</b>
<p><u>Volume effects</u></p> <ul style="list-style-type: none"> <li>• Signode states it has maintained relatively stable domestic sales volumes of steel strapping over the four-year period 2016 to 2019 by lowering its selling price to respond to lower priced imports from China and Vietnam.</li> </ul> <p><u>Price effects</u></p> <ul style="list-style-type: none"> <li>• Signode claims that its production costs have increased since 2016, but it has been unable to increase its selling prices due to distributors purchasing dumped and subsidised imports from China and dumped imports from Vietnam at prices that undercut Signode Australia’s selling prices. Signode has had to reduce its selling prices in order to maintain sales volumes.</li> <li>• Signode states that its average selling price in 2019 has declined by approximately four per cent, whereas costs have increased by more than two per cent. Signode has experienced price undercutting, price depression and price suppression as it competes with dumped imports of steel strapping from China and Vietnam.</li> <li>• Signode has provided a series of examples of price undercutting and where it reduced its prices in order to compete with the goods imported from the subject countries.</li> </ul> <p><u>Profit and profitability</u></p> <ul style="list-style-type: none"> <li>• As a result of the price suppression experienced by Signode, it has suffered an 80 per cent decline in its domestic profit since 2016, including a 35 per cent profit decline in 2019.</li> </ul>
<b>Injury caused by other factors</b>
<ul style="list-style-type: none"> <li>• Signode claims that there has been an increase in HRC costs which it has not been able to pass on to customers due to price undercutting from dumped and/or subsidised goods from the subject countries.</li> <li>• Signode notes that demand for painted steel strapping by the wool industry varies as customers seek to look at other options for packaging wool, e.g. cheap containers to house wool.</li> </ul>

**Table 11: Signode’s injury claims**

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

### **6.4.1 Cumulative effect on injury**

Section 269TAE(2C) sets out the requirements for assessing the cumulative material injury effects of exports of goods to Australia from different countries, such as in the present case. Where exports are from more than one country and are simultaneously the subject of an investigation, the Minister may cumulatively assess the effects of such imports if:

- the margin of dumping established for each exporter and/or the amount of countervailable subsidy received is not negligible;
- the volume of dumped and/or subsidised imports from each country is not negligible; and
- a cumulative assessment is appropriate in light of the conditions of competition between the imported goods, and between all of the imported goods and the like domestic goods.

#### Margins of dumping and subsidisation

As outlined at sections 3.5.2 and 4.4.2, the dumping margins and subsidy margins for the subject countries are not negligible.

#### Volumes of dumping and subsidisation

As outlined at sections 3.5.3 and 4.4.3, the volumes of dumped and subsidised goods imported from the subject countries are not negligible.

#### Conditions of competition

The Commission's findings in section 2.4.3 are that there appears to be direct price competition in the Australian market for painted steel strapping between the imported and Australian industry produced goods, and these goods are interchangeable, in that they compete for sales to the same customers for similar (or the same) end-uses.

#### Conclusion

The Commission considers that there are reasonable grounds to conclude that:

- the dumping margin for exporters from the subject countries is not negligible;
- the overall volume of dumped imports is not negligible;
- the amount of the countervailable subsidy margin for exporters from China is not negligible;
- the overall volume of subsidised imports is not negligible; and
- the conditions of competition between the imported goods, and between all of the imported goods and the like domestic goods, are essentially the same.

Accordingly, for the purposes of this report the Commission considers that the requirements of section 269TAE(2C) have been satisfied and that it is appropriate to examine the cumulative effect of the exports from the subject countries to determine whether the Australian industry has experienced injury caused by dumped goods.

The analysis in the remainder of this chapter is therefore based on the cumulative effect of exports from the subject countries.

#### 6.4.2 Margins of dumping and subsidisation

Under section 269TAE(1)(aa) the Minister may have regard to the size of the dumping margins worked out in respect of the goods exported to Australia. As set out in section 3.5.2, there are reasonable grounds for concluding that the goods exported from the subject countries are dumped at margins ranging between 14.4 and 44.9 per cent.

Under section 269TAE(1)(ab) the Minister may have regard to the particulars of any countervailable subsidy received in respect of the goods exported to Australia. As set out in section 4.4.2, the Commission considers that there are reasonable grounds for concluding that the amount of countervailable subsidy received in respect of the goods exported from China is greater than 2 per cent.

#### 6.4.3 Volume effects

As noted in section 5.5 and in **Confidential Attachment 6**, the Commission considers that Signode's sales volumes and market share have been relatively stable in the period from 1 January 2016 to 31 December 2019. The Commission also considers that, based on its analysis of the ABF import database, sales volumes and market share of the subject countries has slightly dropped over the same period. As a result, the Commission's preliminary view is that there do not appear to be reasonable grounds to establish that the Australian industry has experienced volume injury as a result of dumped or subsidised goods exported from the subject countries.

#### 6.4.4 Price effects

The Commission accepts that customers can purchase either from the Australian industry or from an import supply source. Import offers and movement in the price of import offers can therefore be used to negotiate prices with the Australian industry.

Signode states in its application that the market for painted steel strapping is price sensitive, with even small changes in price influencing a customer's purchasing decision.

This view is supported by the examples of sale negotiations presented by Signode in its application.<sup>9</sup> The Commission considers it reasonable to conclude that the Australian industry is therefore required to respond to the price of imports in order to remain price competitive.

Signode claims that this injury is due to it being unable to increase its prices as a result of distributors purchasing dumped and subsidised imports from China and dumped imports from Vietnam at lower prices.

As discussed in section 5.6, the Commission is satisfied that Signode has suffered injury in the form of price depression and price suppression. This coincides with the finding made by the Commission in sections 3.5.2 and 4.4.2 that there are reasonable grounds for concluding dumped and subsidised goods from the subject countries were imported during 2019.

The Commission is also satisfied that the margins of dumping and subsidisation for imports from the subject countries provides exporters from China and Vietnam with a price advantage over Australian industry.

In light of the above, the Commission considers there appear to be reasonable grounds to support Signode's claim that the importation of dumped goods and subsidised goods from

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<sup>9</sup> Confidential Application, pp. 22-24.



China and the importation of dumped goods from Vietnam has led to Australian industry suffering price depression and price suppression.

#### **6.4.5 Price undercutting**

Signode has provided examples in its application to demonstrate it has lowered its prices as a result of price undercutting by exporters from the subject countries. The examples provided are based on Signode's own experiences within the Australian market.

The Commission will undertake an undercutting analysis as part of the investigation once it has obtained sufficient information to compare export price information for the subject countries with Australian industry prices for the goods.

#### **6.4.6 Profit effects**

The narrowing in the margin between Signode's unit CTMS and unit selling price as shown in Figure 5, along with the decline in Signode's profit and profitability as shown in Figure 6 has coincided with its claimed experience of increased pricing pressure from the subject countries. With its consistent sales volumes as depicted in Figure 2, this supports Signode's claims it has reduced its prices in response to import prices in order to maintain sales volume.

The period of decline in profit and profitability coincides with the dumping and subsidy allegations.

The Commission considers that there appear to be reasonable grounds to support Signode's claim that the dumped and/or subsidised goods have caused injury to the Australian industry in the form of reduced profit and profitability.

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

As set out in its application, Signode has acknowledged that it experienced an increase in its HRC costs over the period from 1 January 2016. It is also noted that demand for painted steel strapping by the wool industry can vary, which may have an effect on injury suffered by Australian industry.

In accordance with section 269TAE(2A), the Commission will assess these and other potential causes of injury to the Australian industry during the course of the investigation.

#### **6.4.8 Is the injury material?**

Based on information available at this time, the Commission considers it is reasonable to find that increasing raw material costs have likely impacted the Australian industry in 2019. However, these increased costs have occurred at a time when the Australian market appears to have been impacted by the alleged presence of dumped and/or subsidised goods.

On the basis that Signode appears to have reduced its margins to respond to import prices, and noting the corresponding decline in its profit and profitability, the Commission considers that there appear to be reasonable grounds to conclude that any injury to the Australian industry caused by dumping and/or subsidisation is material in degree.

### **6.5 Conclusion**

The Commission considers that:

- the level of the dumping and/or countervailing margins indicated in the application and in the Commission's calculations;

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- the preliminary assessment of price suppression and depression;
- the preliminary assessment of reduced profit and profitability; and
- the preliminary assessment of a decline in capital investment,

support Signode's claim that there appear to be reasonable grounds that exports of the goods from the subject countries at dumped and/or subsidised prices have caused material injury to the Australian industry.

**7 APPENDICES AND ATTACHMENTS**

<b>Attachments</b>	<b>Title</b>
<b>Confidential Attachment 1</b>	Commission Australian market analysis
<b>Confidential Attachment 2</b>	Commission export price analysis
<b>Confidential Attachment 3</b>	Signode estimate of normal value and dumping margin
<b>Confidential Attachment 4</b>	Commission normal value analysis
<b>Confidential Attachment 5</b>	Commission dumping margin calculations
<b>Confidential Attachment 6</b>	Commission injury analysis
<b>Confidential Attachment 7</b>	Independent steel industry subscription service price specifications guide
<b>Non-confidential Attachment 1</b>	Report 419 extract on Chinese subsidy programs

**8 NON-CONFIDENTIAL ATTACHMENT 1**

Summary of Signode’s claims of countervailable programs relevant to China.

No.	Program name	Type
1	Preferential Tax Policies for Enterprises with Foreign Investment Established in the Coastal Economic Open Areas and Economic and Technological Development Zones	Tax
2	One-time Awards to Enterprises Whose Products Qualify for ‘Well-Known Trademarks of China’ and ‘Famous Brands of China’	Grant
5	Matching Funds for International Market Development for Small and Medium Enterprises	Grant
6	Superstar Enterprise Grant	Grant
7	Research & Development (R&D) Assistance Grant	Grant
8	Patent Award of Guangdong Province	Grant
10	Preferential Tax Policies for Foreign Invested Enterprises– Reduced Tax Rate for Productive Foreign Invested Enterprises scheduled to operate for a period of not less than 10 years	Tax
11	Preferential Tax Policies for Enterprises with Foreign Investment Established in Special Economic Zones (excluding Shanghai Pudong area)	Tax
12	Preferential Tax Policies for Enterprises with Foreign Investment Established in Pudong area of Shanghai	Tax
13	Preferential Tax Policies in the Western Regions	Tax
14	Tariff and VAT Exemptions on Imported Materials and Equipment	Tax
15	Innovative Experimental Enterprise Grant	Grant
16	Special Support Fund for Non State-Owned Enterprises	Grant
17	Venture Investment Fund of Hi-Tech Industry	Grant
18	Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment	Grant
19	Grant for key enterprises in equipment manufacturing industry of Zhongshan	Grant
20	Hot rolled steel provided by government at less than fair market value	Less than adequate remuneration (LTAR)
21	Water Conservancy Fund Deduction	Grant
22	Wuxing District Freight Assistance	Grant
23	Huzhou City Public Listing Grant	Grant
27	Huzhou City Quality Award	Grant
28	Huzhou Industry Enterprise Transformation & Upgrade Development Fund	Grant
29	Land Use Tax Deduction	Tax
30	Wuxing District Public Listing Grant	Grant
31	Anti-dumping Respondent Assistance	Grant
32	Technology Project Assistance	Grant
34	Balidian Town Public Listing Award	Grant
35	Preferential Tax Policies for High and New Technology Enterprises	Tax

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No.	Program name	Type
36	Local Tax Bureau Refund	Tax
37	Return of Farmland Use Tax	Tax
38	Return of Land Transfer Fee	Tax
39	Return of Land Transfer Fee From Shiyou	Tax
40	Dining lampblack governance subsidy of Jinghai County Environmental Protection Bureau	Grant
41	Discount interest fund for technological innovation	Grant
42	Energy conservation and emission reduction special fund project in 2015	Grant
43	Enterprise famous brand reward of Fengnan Finance Bureau	Grant
44	Government subsidy for construction	Grant
45	Infrastructure Construction Costs Of Road In Front Of No.5 Factory	Grant
46	New Type Entrepreneur Cultivation Engineering Training Fee Of Jinghai County Science And Technology Commission	Grant
47	Subsidy for Coal-Fired Boiler of Fengnan Subtreasury	Grant
48	Subsidy for Coal-Fired Boiler Rectification	Grant
49	Subsidy for District Level Technological Project	Grant
50	Subsidy For Pollution Control Of Fengnan Environmental Protection Bureau	Grant
51	Subsidy from Science and Technology Bureau of Jinghai County	Grant
52	Subsidy of Environment Bureau transferred from Shiyou	Grant

**Table 12: Summary of applicant's claims of countervailable programs relevant to China**