



Australian Industry Verification Report

Verification & Case Details

Initiation Date	27/05/2020	ADN:	2020/050
Case Number	553		
The goods under consideration	Steel Strapping		
Case type	Dumping and Subsidy Investigation		
Australian Industry	Signode Australia Pty Ltd (Formally Signode Packaging Group Australia Pty Ltd)		
Investigation Period	1/04/2019 to 31/03/2020		

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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PREFACE

On 31 March 2020, Signode Packaging Group Australia Pty Ltd lodged an application under section 269TB(1) of the *Customs Act 1901* (the Act)¹ seeking the publication of a dumping duty notice in respect of the painted steel strapping exported to Australia from China and Vietnam and a countervailing duty notice in respect of the goods from China. Subsequent to lodging the application, the applicant changed its name to Signode Australia Pty Ltd.

This report details the findings, analysis, evidence relied upon and reasoning on key verification outcomes by the verification team of data submitted to the Anti-Dumping Commission (Commission) by the applicant, to be published on the public record.

It provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

Verification teams are authorised to conduct verifications under sections 269SMG and 269SMR of the Act.

¹ Reference to any sections in this report relate to provisions of the *Customs Act 1901*, unless specifically stated otherwise.

1 COMPANY BACKGROUND

1.1 Corporate structure and ownership

Signode Packaging Group Australia Pty Ltd² is a fully owned subsidiary of Signode Industrial Group GmbH (Signode Industrial). Crown Holdings, Inc., USA (Crown Holdings) is the major shareholder of Signode Industrial and the ultimate parent company of Signode Australia.

Signode Packaging Group Australia Pty Ltd is a private company with its principal activity consisting of manufacturing load containment and protective packaging systems under the trading name 'Signode Australia'.

'Kiwiplan Australia' (Kiwiplan) is the trading name of a software company which is part of the Signode Packaging Group Australia Pty Ltd legal entity. The two entities have entirely separate operations. Reference to 'Signode Australia' hereafter solely refers to the entity trading as 'Signode Australia'.

Signode Australia manufactures painted steel strapping using locally sourced hot rolled coil (HRC) at its facility in Kurri Kurri, New South Wales.

1.2 Related parties

The verification team found that Signode Australia did not have any related party customers of the goods in the domestic market, or any related party suppliers during the investigation period.

² Subsequent to lodging the application, Signode Packaging Group Australia Pty Ltd changed its name to Signode Australia Pty Ltd. There was no change to its cooperate structure or ownership.

2 THE AUSTRALIAN INDUSTRY MANUFACTURING LIKE GOODS

2.1 Manufacturing in Australia

Signode Australia in its application claims it is the only Australian manufacturer of painted steel strapping. The verification team is satisfied that Signode Australia represents the whole of the Australian industry manufacturing like goods as no further Australian manufacturers of like goods identified themselves to the Commission following the initiation of the investigation, nor were any further Australian industry manufacturers identified by the Commission during the investigation.

In addition to the goods, Signode Australia manufactures angleboard and seals for painted steel strapping at its facility in Kurri Kurri, NSW as well as plastic strapping at its facility in Derrimut, Victoria.

2.1.1 Production process

The goods are produced as follows:

- HRC master coil is processed through a splitter into smaller coil widths
- Smaller coils are fed through a slitting line and cut into strips
- Strips are processed through a heat treatment line to achieve desired tensile and elongation properties
- Strips pass through an inline paint process and then through an infra-red oven
- Strips are re-wound into coils ranging of varying weights and packaged.
- Strapping is cut to length, typically by end-users, following production.
- Finished product is distributed to distribution centres and then on to customers by road.

2.2 Model Control Codes

The model control code (MCC) proposed by Signode Australia in its application broadly categorised painted steel strapping into the three models produced by Signode Australia and is different from the MCC structure outlined at initiation. Information provided by Signode Australia in its application was considered in constructing the MCC structure.

On 12 June 2020, additional instruction for completing the MCC was published on the EPR to incorporate various steel base used in the production of steel strapping.³

Signode Australia provided all the data relating to mandatory and optional categories in its Australian sales listing. The cost data provided cost details according to HRC carbon content, being the only mandatory category.

³ Additional instruction for completing the Model Control Code (MCC), EPR 553, item 5

2.2.1 Amendment to MCC

Signode Australia provided its Australian sales data based on the MCC structure proposed in its application. The Case Team proposed a different MCC structure. The differences between the two structures are as follows:

Commission MCC category	Signode Australia structure difference
Category 1: Hot rolled coil carbon content	Not included as a category.
Category 2: Width	Not included as a category.
Category 3: Thickness	Not included as a category.
Category 4: Break force	Not included as a category.
Category 5: Metres per kilogram	Not included as a category.
Category 6: Coil winding	Not included as a category.

Table 1 – Differences in MCC structure

The difference between the two structures was resolved by using the model specification information provided by Signode Australia to convert the data provided in the Australian sales listing to determine MCC values in accordance with the Commission proposed MCC structure.

The verification team noted that the HRC carbon content for High Strength Apex (HSA) model painted steel strapping encompasses two subcategories (C1 and C2). Signode Australia was consulted if the proposed carbon content sub-categories required modification to accommodate HSA model. Signode Australia confirmed that modification is not required as HSA steel strapping is sold in small volumes and can be categorised with Apex steel strapping. The verification team agreed and accepted this proposal.

2.3 Verification of model control codes

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

Category	Determination of the sub-category
1. Hot rolled coil carbon content	Based on Signode Australia’s product model of steel strapping as shown on customer invoices. Signode Australia identified the following product grades: <ul style="list-style-type: none"> • Apex • HSA • Lashing • Magnus • USLM⁴

⁴ Unit Strap Lifting Method

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Category	Determination of the sub-category
	<p>The item number on the invoice corresponds to the item number in the product specification sheet.</p> <p>Table 3 below outlines how the product model is mapped to the HRC carbon content in the specifications for steel strapping feed. HRC carbon content specified in steel specifications is validated by the mill certificate for each HRC grade.</p> <p>As noted in chapter 2.2.1, HRC carbon content for HSA model is to be sub-categorised as Apex model.</p>
2. Width	<p>As per ADN 2020/050, sub-categories based on nominal width (in mm) being:</p> <ul style="list-style-type: none"> • Less than or equal to 12.7mm • Greater than 12.7mm and less than or equal to 16.0mm • Greater than 16.0mm and less than or equal to 19.1mm • Greater than 19.1mm and less than or equal to 32.0mm <p>Determined with reference to item number shown on the invoice, which corresponds to the item number in the product specification sheet specifying the nominal width for the item.</p>
3. Thickness	<p>As per ADN 2020/050⁵, sub-categories based on nominal thickness (in mm) being:</p> <ul style="list-style-type: none"> • Less than or equal to 0.7mm • Greater than 0.7mm and less than or equal to 1.0mm • Greater than 1.0mm <p>Determined with reference to item number shown on the invoice, which corresponds to the item number in the product specification sheet specifying nominal thickness.</p>
4. Break force	<p>As per ADN 2020/050, sub-categories based on break force (in kilo newtons - KN) range being:</p> <ul style="list-style-type: none"> • Less than or equal to 10 KN • Greater than or equal to 10 KN and less than 15 KN • Greater than or equal to 15 KN and less than 25 KN • Greater than or equal to 25 KN <p>Determined with reference to item number shown on the invoice, which corresponds to the item number in the product specification sheet specifying the break force.</p>
5. Metres per kilogram	<p>As per ADN 2020/050, sub-categories based on weight of steel strapping (in m/kg) being:</p> <ul style="list-style-type: none"> • Less than or equal to 5 m/kg • Greater than or equal to 5 m/kg and less than 10 m/kg • Greater than or equal to 10 m/kg

⁵ EPR 553, item 3

PUBLIC RECORD

Category	Determination of the sub-category
	Determined with reference to item number shown on the invoice, which corresponds to the item number in the product specification sheet specifying the weight (in m/kg).
6. Coil winding	<p>Based on categories of coil winding identified by Signode Australia, each categorised depending on the general weight of the coil (in kgs).</p> <p>Determined with reference to coil winding type specified on the invoice.</p> <p>Cut to length and Balelocks identified as 'N/A' in sales listing.</p>

Table 2 - MCC sub-category determination

Table 3 below displays the relationship between product model and MCC category.

Product Grade	MCC Hot rolled coil carbon content
Apex	C1
HSA	C1
Lashing	C2
Magnus	C2
USLM	C3

Table 3 - MCC mapping

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Signode Australia sold goods with the following MCCs during the investigation period:

Australian Sales
C1-W2-T1-B1-L-M
C1-W2-T1-B1-L-R
C1-W2-T1-B1-S-M
C1-W3-T1-B1-L-M
C1-W3-T1-B1-L-O
C1-W3-T1-B1-L-R
C1-W3-T1-B2-L-M
C1-W3-T2-B2-M-M
C1-W4-T2-B3-S-M
C2-W2-T1-B1-L-M
C2-W3-T1-B2-L-M
C2-W3-T1-B2-L-O
C2-W3-T1-B2-L-R
C2-W3-T2-B2-M-M
C2-W3-T2-B2-M-O
C2-W3-T2-B2-M-R
C2-W3-T2-B3-M-M
C2-W3-T2-B3-M-O
C2-W3-T2-B3-S-O
C2-W4-T2-B2-S-R
C2-W4-T2-B3-M-O
C2-W4-T2-B3-S-O
C2-W4-T2-B3-S-R
C2-W4-T3-B4-S-M
C3-W4-T3-B4-S-O
C3-W4-T3-B4-S-R

Table 4 - MCCs sold in Australian market

2.4 Like goods

Like goods are defined under section 269T(1) of the Act as:

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

The verification team considers that steel strapping manufactured by Signode Australia is identical to, or has characteristics closely resembling, the goods exported to Australia, for the reasons sets out in sections 2.4.1 to 2.4.4 below.

2.4.1 Physical likeness

Painted steel strapping manufactured by Signode Australia are traded in a similar range of steel grades, coating types, lengths, widths, thicknesses and elongations to goods exported to Australia.

2.4.2 Production likeness

Painted steel strapping manufactured by Signode Australia use a substantially identical production process to the goods exported to Australia, using the same raw material inputs.

2.4.3 Commercial likeness

Painted steel strapping manufactured by Signode Australia directly competes in the Australian market with goods exported to Australia as they are commercially interchangeable, use similar distribution channels and are sold on much the same terms.

2.4.4 Functional likeness

Painted steel strapping manufactured by Signode Australia are used by the same customers for similar range of end-uses as goods exported to Australia, such as load containment or lifting in a range of industries.

2.5 Preliminary like goods assessment

The verification team is satisfied that:

- Painted steel strapping manufactured by Signode Australia is like to the goods;⁶
- at least one substantial process of manufacture of painted steel strapping is carried out in Australia;⁷
- the like goods were, therefore, wholly or partly manufactured in Australia by Signode Australia;⁸ and
- there is an Australian industry, consisting solely of Signode Australia, which produces like goods in Australia.⁹

⁶ Section 269T(1).

⁷ Section 269T(3).

⁸ Section 269T(2).

⁹ Section 269T(4).

3 AUSTRALIAN MARKET

3.1 Background

The key players in the Australian market for painted steel strapping are Signode Australia (the sole local manufacturer), exporters/importers, distributors and end users.

The main exporters of steel strapping supplying the Australian market originate from China, Vietnam, the Republic of Korea and Germany. There are no measures in place for steel strapping exported to Australia.

3.2 Market structure

The Australian market for painted steel strapping consists of Signode Australia as the sole local manufacturer, exporters and importers, distributors, re-sellers and end-users.

Painted steel strapping is used for load containment or lifting in a range of industries including food production, steel manufacturing, mining, paper, timber, wool and recycling.

3.2.1 Marketing and distribution

Like goods manufactured by the Australian industry are produced for various markets within Australia, but not for any particular application or market segment. Like goods are usually available in stock to fulfil orders, with some products produced on request. Signode Australia distributes its goods by road from its warehouses located around Australia, either directly to its end-user customers or to third party distributors. There is no formal distribution arrangement between Signode Australia and the third-party distributors, who may also import the goods.

Signode Australia supplies the Australian painted steel strapping market via distributors or directly to customers. Signode Australia has no formal arrangements with distributors who may also import the goods from its competitors.

3.2.2 Supply

Painted steel strapping is a commodity product. Provided the goods meet the relevant grade requirements for the desired end-use, there are limited ways in which suppliers can differentiate their offering beyond price and service. In most circumstances, customers are able to easily change suppliers.

Signode Australia supplies like goods to end-users, either directly or through third party distributors, who use the goods, with no or only minimal alteration, for load containment.

3.2.3 Demand

Demand for painted steel strapping is driven by the output of its end-users, primarily from the following industries within Australia:

- steel manufacturing
- timber
- mining
- food production
- paper
- wool
- recycling

The verification team considers that movements in these industries will accordingly impact demand for the goods and like goods.

3.3 Pricing

Signode Australia submitted it is a 'price taker' in the market and bases its prices on an import price parity pricing strategy, also taking into account its cost to make the goods, largely driven by raw material costs. However, there is little price transparency in the Australian market for painted steel strapping. As a result, its awareness of price in the market is generally via interactions with its customers or other publicly accessible market intelligence. Signode Australia explained that it relies on offering a higher level of service and quality to its customers to compete against lower priced imports.

The price sensitivity of steel strapping is dependent on its application, with strapping used in simple applications being particularly price sensitive.

3.4 Market size

In its application, Signode Australia relied upon its own sales data in relation to the goods and import data for HTISC¹⁰ 7212400062, 'Flat-rolled products of iron or non-alloy steel, painted, with a width not exceeding 32 mm' sourced from the Australian Bureau of Statistics.

The HTISC used by Signode Australia in its application is the same as tariff subheading 7212.40.00, statistical code 62 in Schedule 3 to the *Customs Tariff Act 1995*.

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

¹⁰ Harmonised Tariff Item Statistic Code

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:

- Reconciled audited financial report to Signode Australia profit and loss (P&L) income statement for financial year 2019 (1 January – 31 December 2019);
- Reconciled Signode Australia P&L income statement to the corresponding trial balances for financial year 2019;
- Signode Australia P&L income statement for Quarter 1 2020 was added to the verified data of the last three quarters of 2019 to give a result for the investigation period;
- Reconciled Signode Australia's P&L for each quarter of the investigation period to the sales listing; and
- Reconciled Signode Australia's P&L to totals of the domestic and export sales listing for the investigation period.

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**.

4.1 Exceptions during verification of sales completeness and relevance

No.	Exception	Resolution
1	In reviewing the Australian sales listing, the verification team found Signode Australia included sales of goods with a nominal thickness of 0.49mm.	The verification team has removed these sales from the Australian sales listing.

Table 5 Exceptions during verification of completeness and relevance of sales data

4.2 Import sales by applicant

Signode Australia did not import the goods during the investigation period.

4.3 Export sales by applicant

Signode Australia exported the goods during the investigation period which was verified by the team as part of upwards sales verification.

4.4 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided in the application by applicant, including any required amendments as outlined in the exception table above 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 accuracy of the Australian sales listings submitted in the application by reconciling these 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**.

5.1 Sales accuracy finding

The verification team is satisfied that the sales data provided in the application by Signode Australia is accurate. Details of this verification process are contained in the verification work program and its relevant attachments.

Accordingly, the verification team considers Signode Australia's sales data suitable for analysing the economic performance of its painted steel strapping operations from 1 April 2019 to 31 March 2020.

6 VERIFICATION OF CTMS 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 cost to make data is reconciled to the cost of goods sold 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 (COGS) 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 of 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 verification team was furnished with system derived detailed P&L and trial balance data which balanced back to the Audited accounts. This was tested and reconciled back to the COGS for the goods.
- Costs were validated at the account code and summary code level with some costs traced back to invoices and proof of payment, including Raw materials and energy costs.

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

- The SG&A was reconciled through the profit and loss at the summary account (trial balance) level by month.
- The totals were balanced back to the upwards costs summary and the detail was balanced back to the CTMS worksheets provided by Signode Australia.

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
2	Part of Signode Australia's CTM allocation formula was not in line with the Commission's preferred cost allocation methodology.	The company recalculated and resubmitted the cost to make calculations.
3	Signode Australia had excluded certain SG&A costs they considered to be non-trade related.	SG&A was recalculated and these costs were included in the SG&A total.

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 Signode Australia, 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	Standard raw material costs for coil sourced from an unrelated supplier, inclusive of freight costs. Evidence relied on: <ul style="list-style-type: none"> • COGS spreadsheet broken down into separate product groupings for like goods; • COGS cost allocation methodology calculations contained in COGS spreadsheet; and • accounting records and source documents.
Scrap Allocation	Actual value of scrap sold, allocated to the goods by product sales volume.
Manufacturing Overheads	Total actual costs allocated within company accounting system based on proportion of sales volume.
Labour	Total actual costs allocated within company accounting system based on proportion of sales volume.
Depreciation	Total actual costs allocated within company accounting system based on proportion of sales volume.

Table 7 Cost calculation method

7.2 Exceptions during verification of CTMS allocation method

See Exceptions 1 and 2 at chapter 6.1 above.

7.3 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.

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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**.

7.4 CTMS verification finding

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

Accordingly, the verification team considers Signode Australia's CTMS data is suitable for analysing the economic performance of its Steel Strapping operations.

8 ECONOMIC CONDITION

8.1 Applicant's injury claims

In its application, Signode Australia claimed that the Australian industry has experienced injury in the form of:

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

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

8.2 Approach to injury analysis

The verification team considers that the Australian industry is comprised solely of Signode Australia. The analysis detailed in this chapter is therefore based on verified financial information submitted by Signode Australia, as well as data from the Australian Border Force import database.

The verification team has assessed the economic condition of the Australian industry from 1 April 2016 using the information provided by Signode Australia. The figures presented have been compiled on an annual basis for years ending 31 March. This preliminary assessment is at **Confidential Appendix 1**.

8.3 Volume effects

8.3.1 Sales volume

Signode Australia claims it has suffered a decline in sales volumes and market share due to increased imports from China and Vietnam.

The figure below depicts domestic sales volumes of like goods for Signode Australia since April 2016.

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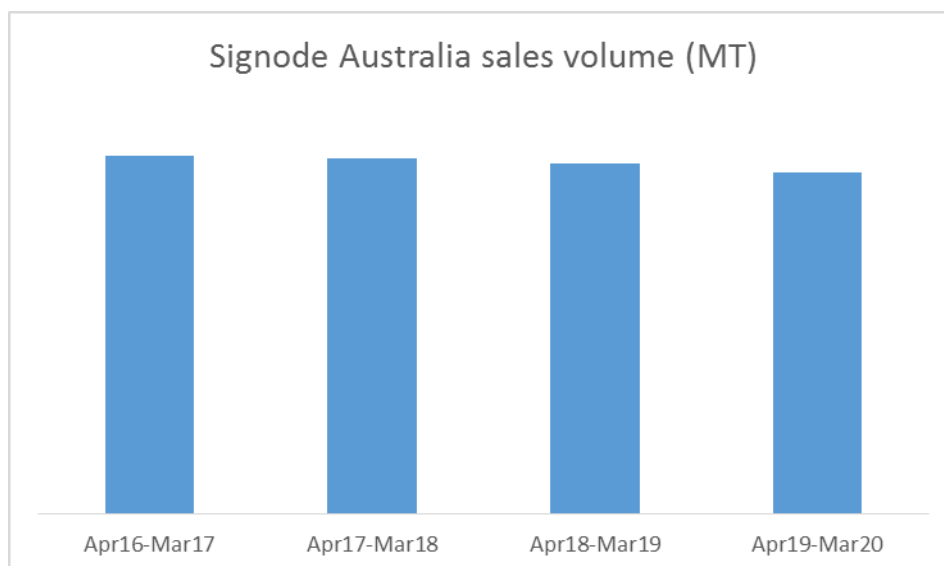


Figure 1 - Sales volume

The figure indicates a continuous decrease in sales volumes over the injury period. Based on this analysis, the verification team considers that Signode Australia has experienced injury in the form of a loss of sales volume during the injury period.

8.3.2 Market share

The figure below sets out the verification team's assessment of the market share held by the Australian industry, imports from China and Vietnam, and imports from all other countries over the injury period.

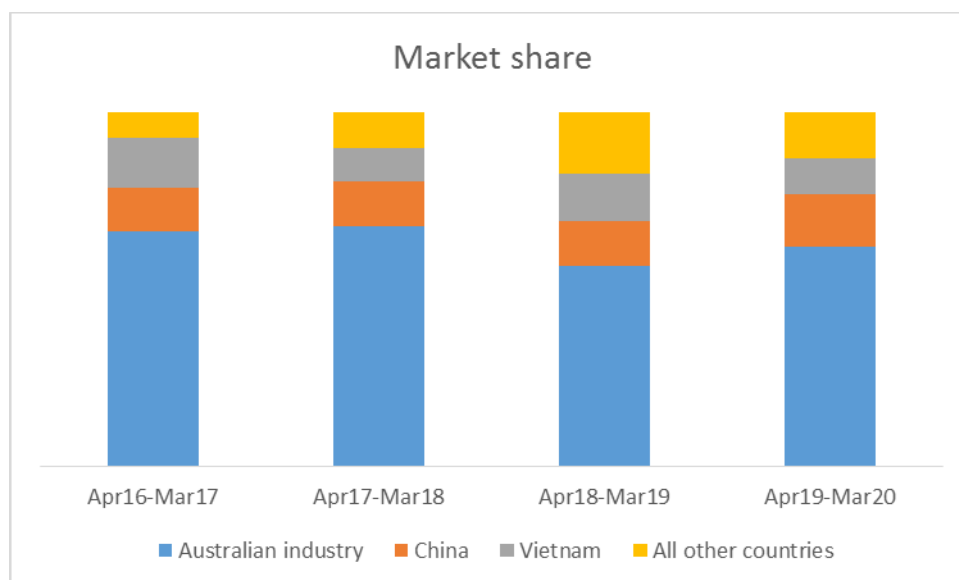


Figure 2 – Market share

The figure above indicates that the share of the Australian market for the goods held by Australian industry increased slightly over the first year of the injury period, before declining in period from April 2018 to March 2019. There was an increase in the following year (the investigation period) but to levels less than April 2016.

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The market share held by Chinese imports remained steady over the first year of the injury period, before increasing in the most recent two years.

Vietnamese imports have made up a fluctuating share of the Australian market for the goods over the injury period and are at a lower level in the most recent year of the injury period compared to the first.

Based on this analysis, the verification team considers that Signode Australia has experienced injury in the form of reduced market share during the injury period.

8.4 Price effects

Price depression occurs when a company, for some reason, 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.

Signode Australia claims that it has suffered both price depression and price suppression.

The figure below depicts the weighted average selling price of the goods sold by Signode Australia compared to its weighted average CTMS for the goods.

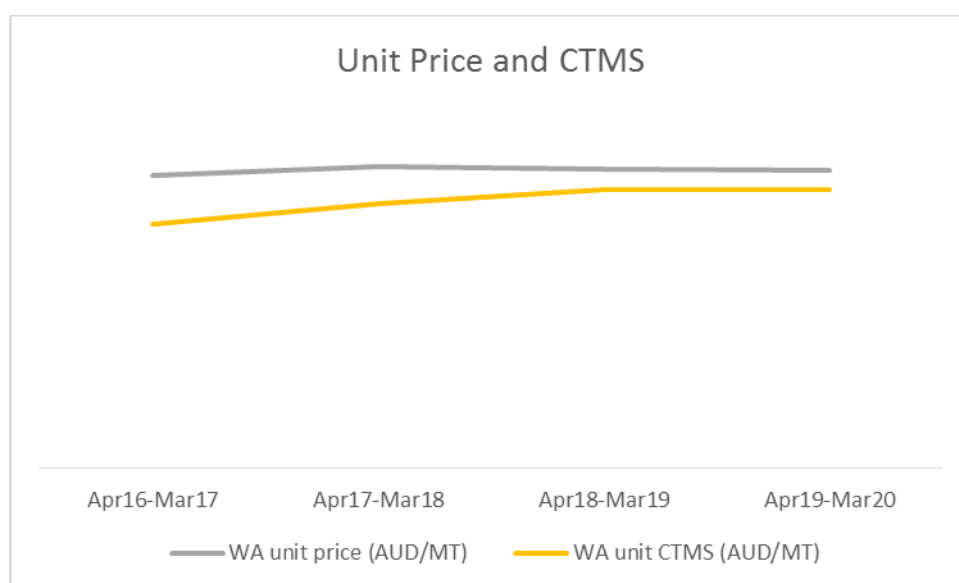


Figure 3 - Unit price and CTMS

It can be seen that the margin between the unit sales price and unit CTMS for the goods has narrowed consistently year on year over the injury period, with prices increasing only slightly in the first year period before steadying, while CTMS costs have continued to rise.

Based on this analysis, the verification team considers that Signode Australia has experienced injury in the form of price suppression. However, the verification team is not satisfied that it has experienced price depression. While there was a slight drop in the average selling price from April 2017 to March 2019, this drop is negligible.

Prices during the investigation period remain higher than at the beginning of the injury period.

8.5 Profit and profitability

Signode Australia claims it has suffered material injury in the form of lost profit and profitability.

The figure below depicts the Signode Australia's total profit and unit profitability in respect of goods over the injury period.

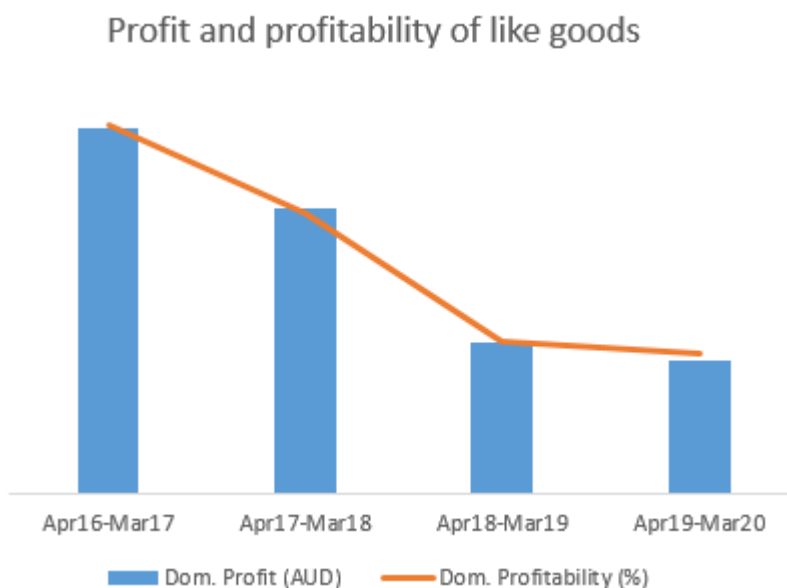


Figure 4 - Profit and profitability

The figure indicates Signode Australia's profit from the sale of like goods has dropped consistently each year over the injury period. Profitability has followed a similar decline.

Based on this analysis, the verification team considers that Signode Australia has experienced injury in the form of lost profits and reduced profitability during the injury period.

8.6 Other economic factors

Signode Australia has claimed injury in the form of:

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

The verification team has examined the data provided in respect of each of these claims.

8.6.1 Revenue

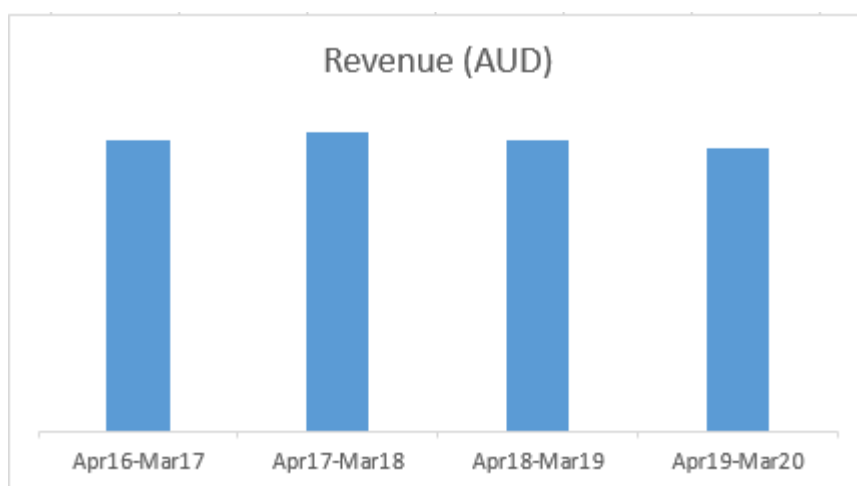


Figure 5 - Revenue

The figure above depicts Signode Australia revenue from the sale of like goods over the injury period. It indicates that revenue increased in the second year of the injury period, before dropping the following year and then dropping further in the investigation period.

8.6.2 Capital investment

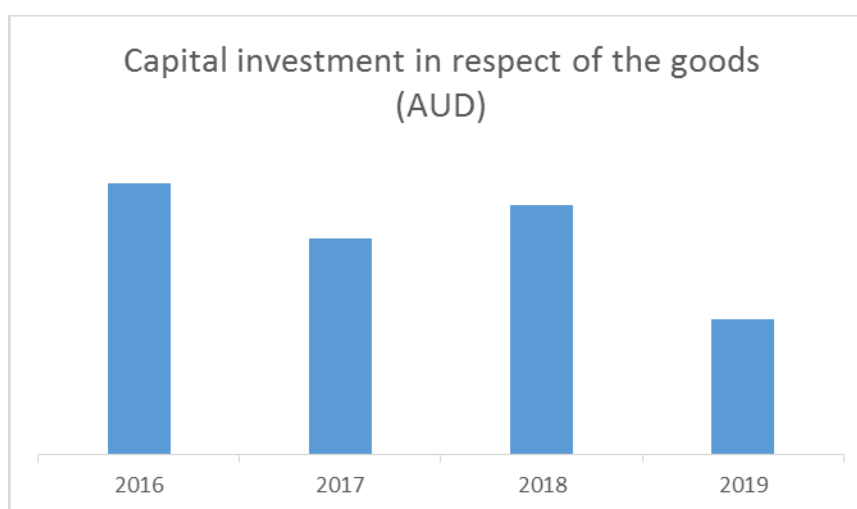


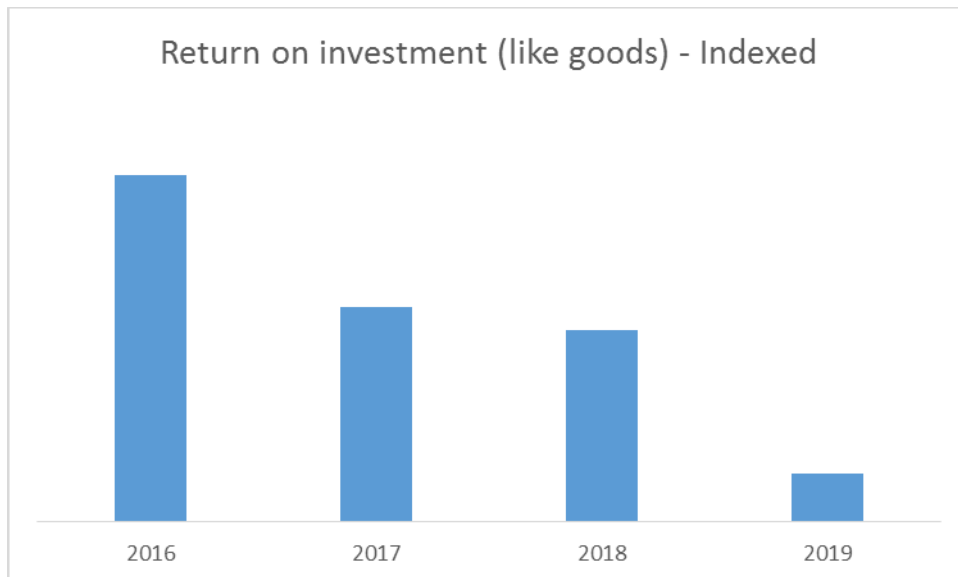
Figure 6 – Capital investment

The figure above depicts Signode Australia capital investment in respect of its manufacture of like goods on a calendar year basis, rather than on an April to March basis. The difference in reporting period is due to how capital investment data has been reported by Signode Australia. The verification team considers that due to the significant overlap of reporting periods, the difference in reporting will not impact the veracity of the data.

The figure indicates that capital investment has dropped over the course of the injury period.

8.6.3 Return on investment

Signode Australia calculated its return on investment as a return on sales, which is an accepted form of ROI calculation by the Commission. The following chart illustrates the movement over the injury period.



8.6.4 Capacity utilisation

The figure below depicts capacity utilisation using production data for all like goods, domestic and export, provided by Signode Australia. It indicates that capacity utilisation has dropped over the course of the injury period.

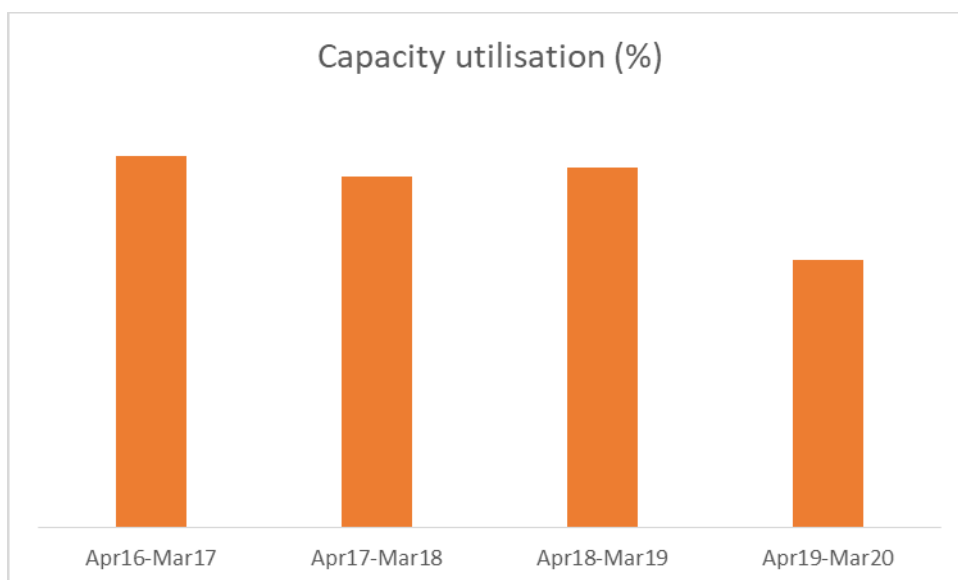


Figure 7 – Capacity utilisation

8.7 Conclusion

Based on an analysis of the information contained in the application and obtained and verified during our visit, the verification team considers that Signode Australia has experienced injury in the form of:

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

9 CAUSAL LINK CLAIMS

9.1 Background and approach to analysis

Under section 269TG, one of the matters that the Minister must be satisfied of in order to publish a dumping duty notice is that material injury to an Australian industry producing like goods has been or is being caused or is threatened.

The verification team discussed with Signode Australia whether the alleged dumping and/or subsidisation of imported painted steel strapping can be demonstrated to be causing material injury to the Australian industry, and collected evidence to support those claims. This evidence will be considered further during the course of the investigation.

The verification team also examined factors other than dumping and/or subsidisation to consider whether these may be causing injury.

This preliminary analysis is at **Confidential Appendix 1**.

9.2 Volume effects

Signode Australia submits that the injury it is suffering in the form of a loss of sales volume and market share is a result of increased import volumes of dumped goods from China and Vietnam.

As discussed in chapter 8.3, the verification team is satisfied that Signode Australia has suffered volume related injury.

The figures below depict the changes in sales volumes and changes in market share of Signode Australia and Chinese and Vietnamese exporters of the goods.

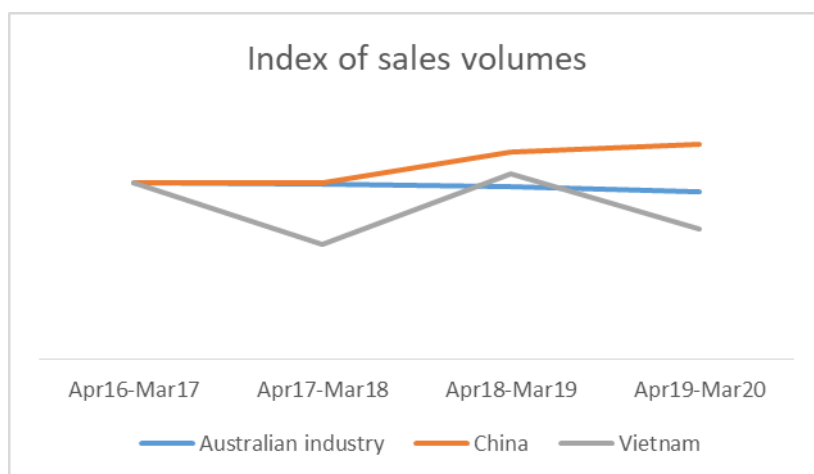


Figure 8 – Index of sales volumes

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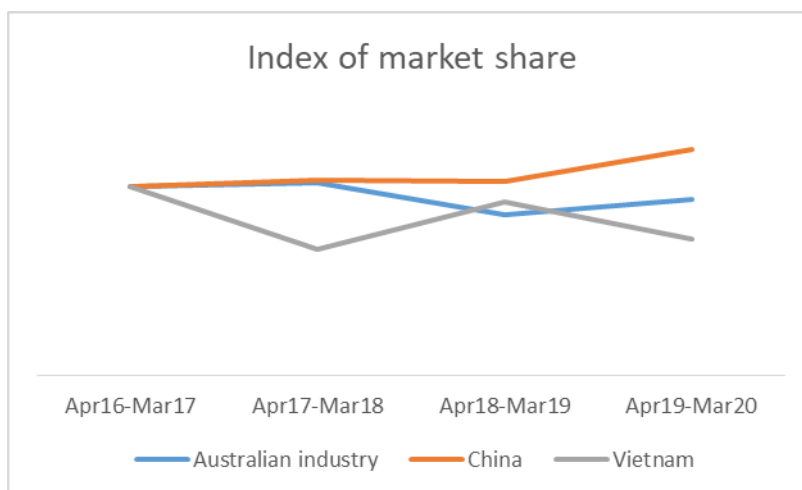


Figure 9 – Index of market share

The figures indicate that imports of Chinese painted steel strapping have increased over the injury period, both in terms of volume and as a share of the Australian market, while the corresponding results for Signode Australia show a decrease.

Vietnamese import volumes and market share are less consistent. The verification team notes that Vietnamese imports are at a lower level at the end of the injury period, both in terms of volume and market share, than at the beginning of the injury period.

Based on this analysis, the verification team considers that there is evidence to support Signode Australia's claim that its volume related injury corresponds to increased import volumes of goods from China. The impact of Vietnamese imports on volume related injury will be examined further during the course of the investigation.

9.3 Price effects

Signode Australia claims that its production costs have increased since 2016, but it has been unable to increase its selling prices due to Australian distributors purchasing dumped and subsidised imports from China and dumped imports from Vietnam at prices that undercut Signode Australia's selling prices. Signode Australia claims it has had to reduce its selling prices in order to maintain sales volumes.

As discussed in chapter 8.4, the verification team is satisfied that Signode Australia has suffered injury in the form of price suppression.

Signode Australia provided a number of examples of price undercutting to the verification team where it has as a result reduced its prices in order to compete with goods imported from China and Vietnam. The examples examined by the verification team referred to negotiations with its customers where imports of the goods (from both China and Vietnam) undercut the prices offered by Signode Australia, and the pressures on Signode Australia's margins caused by higher raw material costs.

Signode Australia submits it is a "price taker" in the market and accordingly responds to prices offered by Chinese and Vietnamese exporters of the goods.

Further analysis of price effects as a result of alleged dumping and the price undercutting claims will be undertaken during the course of the investigation and outlined in the Statement of Essential Facts.

9.4 Profit and profitability

Signode Australia submits that as a result of it not being able to increase selling prices to cover increases in its costs, due to the price effects of dumped Chinese and Vietnamese goods, it is suffering injury in the form of reduced profits and profitability.

As discussed in chapter 8.5, the verification team is satisfied that Signode Australia has suffered injury in the form of lost profits and reduced profitability in respect of the goods.

The figure below depicts the changes in sales volume, sales price, profit and per unit profit for Signode Australia over the injury period.

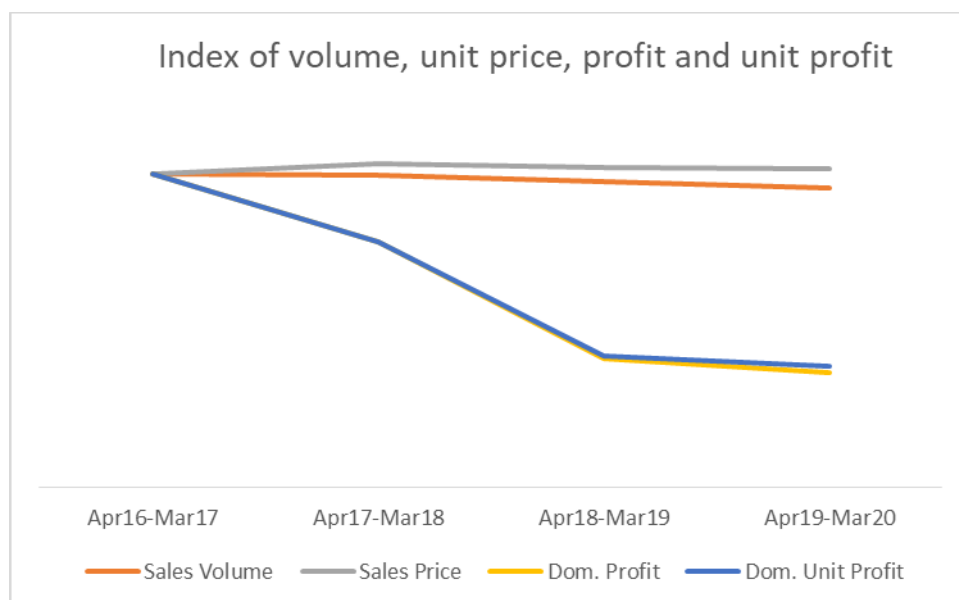


Figure 10 – Index of sales volume, unit price, profit and unit profit

The figure indicates there is a strong correlation between profit from the sale of the goods by Signode Australia and per unit profit. Sales volume and sale price appear to have negligible correlation to profit.

As the per unit profit of painted steel strapping is contingent on the sales price and CTMS of the goods, and noting that the sale price has remained relatively steady, the verification team considers the most significant driver of profit is CTMS. This is consistent with Signode Australia’s claims that it has been unable to increase its prices in a time of increasing costs.

9.5 Other economic factors

As discussed in chapter 8.6, the verification team is satisfied that Signode Australia has suffered injury in the form:

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

9.5.1 Revenue

Revenue is a product of sales volume and sales price. A decrease in either will result in a corresponding decrease in revenue. As discussed in chapters 8.3 and 8.4, the verification team is satisfied that sales volumes for Signode Australia have decreased over the injury period, while sales prices have remained steady. Accordingly, Signode Australia has suffered reduced revenue.

9.5.2 Capital investment and Return on Investment

Signode Australia submits it has reduced its capital investment in painted steel strapping as profit and profitability has deteriorated to levels where further investment cannot achieve an adequate return on funds.

The figure below depicts the changes in Signode Australia profit, capital investment and ROI over the injury period.

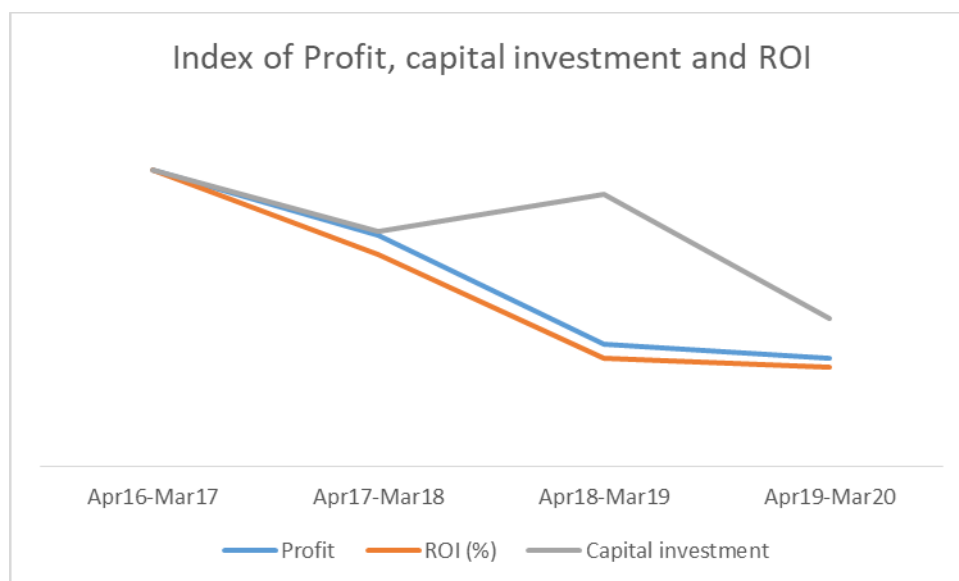


Figure 11 – Index of profit, capital investment and ROI

Consistent with Signode Australia's claims, capital investment and ROI have declined broadly in line with its decreasing levels of profit over the whole of the injury period, although it is noted there is an increase in capital investment in the April 2018 to March 2019 period.

9.5.3 Reduced capacity utilisation

Signode Australia's production capacity was unchanged over the injury period. The reduction in production volumes discussed above has resulted in a corresponding reduction in capacity utilisation.

9.6 Injury caused by factors other than dumping and/or subsidisation

Signode Australia submits that increases in the raw material costs for painted steel strapping is a factor outside of dumping and/or subsidisation that have likely contributed to the injury it has suffered, particularly when it is competing against dumped and subsidised goods.

As discussed in chapter 3.2, the verification team considers that movements in the industries of Signode Australia's customers will impact demand for the goods and like goods. A decrease in the production output in these industries would likely result in a drop in demand from customers and a corresponding drop in sales volume.

Further analysis of these factors will be undertaken in the Statement of Essential Facts.

10 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Verification work program
Confidential Appendix 1	Economic condition