



Australian Government
Department of Industry,
Innovation and Science

Anti-Dumping
Commission

Received

Anti-Dumping Commission 02/07/2020

Application for the
continuation of a dumping
and/or
countervailing notice
or
continuation of an undertaking

**Steel Rod in Coils
exported from the
People's Republic of China**

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**APPLICATION UNDER SECTION 269ZHC OF THE *CUSTOMS ACT 1901*
FOR THE CONTINUATION OF A DUMPING AND/OR COUNTERVAILING
DUTY NOTICE OR CONTINUATION OF AN UNDERTAKING**

I hereby request, in accordance with section 269ZHC of the *Customs Act 1901* (the Act) that the Minister:

- ☒ continue a dumping duty notice, or
- ☐ continue a countervailing duty notice, or
- ☐ continue the undertaking given under the Act by

INFRABUILD (NEWCASTLE) PTY LTD

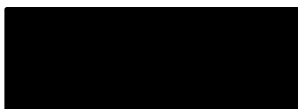
(Name of company or organisation)

in respect of the goods the subject of this application.

I believe that the information contained in this application:

- provides reasonable grounds for continuation of the anti-dumping measure; and
- is complete and correct to the best of my knowledge and belief.


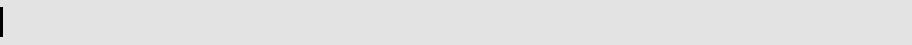
Signature:



Name:

Position:

Company:

INFRABUILD (NEWCASTLE) PTY LTD

ABN:

50 623 285 718

Date

2 July 2020

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Signature requirements

Where the application is made:

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

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

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

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

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

Assistance with the application

The Anti-Dumping Commission has published guidelines to assist applicants with the completion of this application. Please refer to the '*Instructions and Guidelines for applicants: Application for continuation*' on the Commission's website.

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

Phone: 13 28 46

Fax: (03) 8539 2499

Email: clientsupport@adcommission.gov.au

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

Small and medium enterprises (i.e., those with less than 200 full-time staff, which are independently operated and which are not a related body corporate for the purposes of the *Corporations Act* 2001), may obtain assistance, at no charge, from the Department of Industry, Innovation and Science's International Trade Remedies Advisory (ITRA) Service. For more information on the ITRA Service, visit www.business.gov.au or telephone the ITRA Service Hotline on +61 2 6213 7267.

Required information

1. Provide details of the name, street and postal address, of the applicant seeking the continuation.

Applicant details:-

Name: INFRABUILD (NEWCASTLE) PTY LTD* (**InfraBuild Steel**)

Street address: Level 28, 88 Phillip Street, SYDNEY NSW 2000

Postal address: LOCKED BAG 3050, ARTARMON NSW 1570

Note: * The applicant is a person representing a portion of the Australian industry producing like goods to the goods covered by the dumping duty notice the subject of this continuation application.

2. Provide details of the name of a contact person, including their position, telephone number and facsimile number, and e-mail address.

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Contact person for applicant:-

Full name: [REDACTED]

Position: [REDACTED]

Telephone number: [REDACTED]

Facsimile number: N/A

Email address: [REDACTED]

3. Provide the names, addresses, telephone numbers and facsimile numbers of other parties likely to have an interest in this matter e.g. Australian manufacturers, importers, exporters, users.

Australian manufacturers:-

The applicant, INFRABUILD (NEWCASTLE) PTY LTD; formerly LIBERTY ONESTEEL (NEWCASTLE) PTY LTD; ABN 50 623 285 718, is a proprietary company and manufactures and sells like goods to the goods the subject of the anti-dumping measures.

There is a further producer in Australia of like goods, who is related to the applicant, namely, THE AUSTRALIAN STEEL COMPANY (OPERATIONS) PTY LTD, ABN 89 069 426 955.

Collectively, the applicant and the related producer of the like goods in Australia are known as 'InfraBuild Steel', formerly known as 'Liberty Steel'.

The related Australian manufacturer shares the same registered address and telephone contact details listed above as that for the applicant.

Importers:-

Name: DITH AUSTRALIA PTY LIMITED

Address: [REDACTED]

Telephone number: [REDACTED]

Facsimile number: [REDACTED]

Name: MACSTEEL INTERNATIONAL AUSTRALIA PTY LTD

Address: [REDACTED]

Telephone number: [REDACTED]

Facsimile number: [REDACTED]

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Name: SANWA PTY LTD

Address: [REDACTED]

Telephone number: [REDACTED]

Facsimile number: [REDACTED]

Exporters:-

Name: HUNAN VALIN XIANGTAN IRON & STEEL CO., LTD (**Hunan Valin**)

Address: [REDACTED]

Telephone: [REDACTED]

Facsimile: [REDACTED]

Name: JIANGSU SHAGANG GROUP CO., LTD (**Shagang**)

Address: [REDACTED]

Telephone: [REDACTED]

Facsimile: [REDACTED]

4. The application must include a detailed statement setting out reasons for seeking continuation of the anti-dumping measure. Applicants must provide evidence addressing whether, in the absence of measures, dumped or subsidised imports would cause material injury to the local industry producing like goods. Applicants should refer to the "Guidelines for Preparing an Application for Continuation of Measures" for assistance.

Elaboration of the reasons for seeking continuation of the anti-dumping measures can be found at [Appendix A](#), attached.

In summary, the Australian industry considers that:

- exports of steel rod in coils (**wire rod**) to Australia from China were last at dumped prices with an estimated dumping margin of 23.0 per cent;
- strong demand for wire rod in Australia makes it an attractive destination for exporters;
- exporters of wire rod to Australia from China have demonstrated excess production capacity of wire rod, and are expected to continue to seek other markets including Australia;
- Chinese exporters of wire rod continue to be active participants in export

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- markets at prices that are at, or near, the lowest export prices for wire rod; and
- the Australian wire rod market is highly price sensitive and the Australian industry's prices for wire rod sold into the Australian market are mainly influenced by price competition from importers.

If Chinese export prices for wire rod were to translate into sales into the Australian domestic wire rod market, then they would do so at prices that undercut the Australian industry's wire rod prices. In other words, if measures were allowed to expire, then these export price offers by Chinese exporters would cause the Australian industry to achieve lower prices and sales volume than it may have otherwise. In turn, this will result in the Australian industry experiencing price suppression and injury in the forms of increased stock-on-hand and reduced:

- profit and profitability;
- market share;
- return on investment;
- research and development expenditure;
- capacity utilisation; and
- wages.

Based on the evidence available to the Australian industry, it considers that if the anti-dumping measures expire, it is likely that dumping of wire rod from China will continue or recur.

Based on the evidence available to the Australian industry, it considers that the expiration of anti-dumping measures might lead, or might be likely to lead, to a continuation of, or a recurrence of, the material injury that the anti-dumping measures are intended to prevent.

5. The applicant must provide details of the current anti-dumping measure(s) the subject of this continuation application, including:

The goods the subject of the current anti-dumping measures are:

Hot rolled rods in coils of steel, whether or not containing alloys, that have maximum cross sections that are less than 14mm.

The goods covered by the measures include all steel rods meeting the above

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description regardless of the particular grade or alloy content.

Goods excluded from the measures include hot-rolled deformed steel reinforcing bar in coil form, commonly identified as rebar or debar, and stainless steel in coils.

- tariff classification

The goods are classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

- 7213.91.00 (statistical code 44); and
- 7227.90.90 (statistical code 02).

- the countries or companies

People's Republic of China (**China**).

- specified date of publication of the measure

The anti-dumping measures were initially imposed by public notice (a dumping duty notice) on **22 April 2016** by the then Assistant Minister for Science and the Parliamentary Secretary to the Minister for Industry, Innovation and Science following consideration of *Anti-Dumping Report No. 301*.

Provision of data

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

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

Lodgement of the application

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

- preferably, email, using the email address clientsupport@adcommission.gov.au, or
- post to:
The Commissioner of the Anti-Dumping Commission
GPO Box 2013
Canberra ACT 2601, or
- facsimile, using the number (03) 8539 2499.

Public Record

During an investigation all interested parties are given the opportunity to defend their

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interests, by making a submission. The Commission maintains a public record of these submissions. The public record is available on the Commission's website at www.adcommission.gov.au.

At the time of making the application both a confidential version (for official use only) and non-confidential version (public record) of the application must be submitted. Please ensure each page of the application is clearly marked "FOR OFFICIAL USE ONLY" or "PUBLIC RECORD". The non-confidential application should enable a reasonable understanding of the substance of the information submitted in confidence. If you cannot provide a non-confidential version, contact the Commission's client support section for advice.

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APPENDIX A

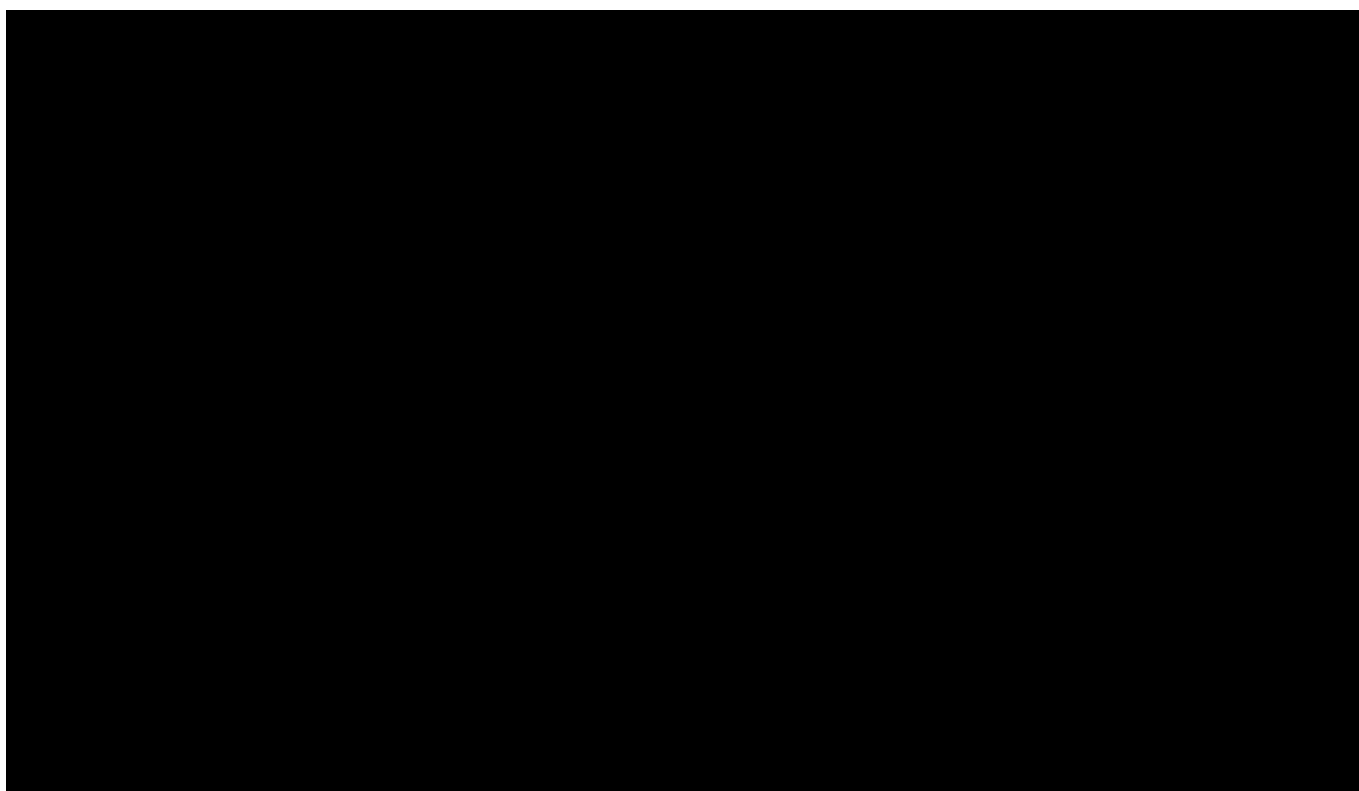
STATEMENT SETTING OUT REASONS FOR SEEKING CONTINUATION OF THE ANTI-DUMPING
MEASURES

1. Will the dumping continue or recur?

1.1 Export volumes

CONFIDENTIAL FIGURE 1.1 indicates that quarterly export volumes of steel rod in coils (**wire rod**) to Australia from China decreased following the initiation of *Dumping Investigation No. 301 (INV 301)* on 12 August 2015, in both the December 2015 and March 2016 quarters, then exiting the market. The Australian industry considers that the absence of volumes of wire rod following the imposition of measures reflect (a) the effectiveness of those measures (as reviewed), and (b) the Chinese exporters' inability to compete in the Australian market at non-dumped prices.

[The following figure is confidential in its entirety because it contains commercially sensitive market intelligence]



CONFIDENTIAL FIGURE 1.1 –Export volumes of wire rod from China¹

¹ Appendix A2

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Quarter	Apr - Jun 2013	Jul - Sep 2013	Oct - Dec 2013	Jan - Mar 2014	Apr - Jun 2014
China (volume)	100	0	0	0	82
Jul - Sep 2014	Oct - Dec 2014	Jan - Mar 2015	Apr - Jun 2015	Jul - Sep 2015	Oct - Dec 2015
1041	3491	6948	2168	9634	4920
Jan - Mar 2016	Apr - Jun 2016	Jul - Sep 2016	Oct - Dec 2016	Jan - Mar 2017	Apr - Jun 2017
3800	0	0	0	0	0
Jul - Sep 2017	Oct - Dec 2017	Jan - Mar 2018	Apr - Jun 2018	Jul - Sep 2018	Oct - Dec 2018
0	0	0	0	0	0
Jan - Mar 2019	Apr - Jun 2019	Jul - Sep 2019	Oct - Dec 2019	Jan - Mar 2020	
0	0	0	0	0	

Table 1.1 – Index of export volumes of wire rod from China²

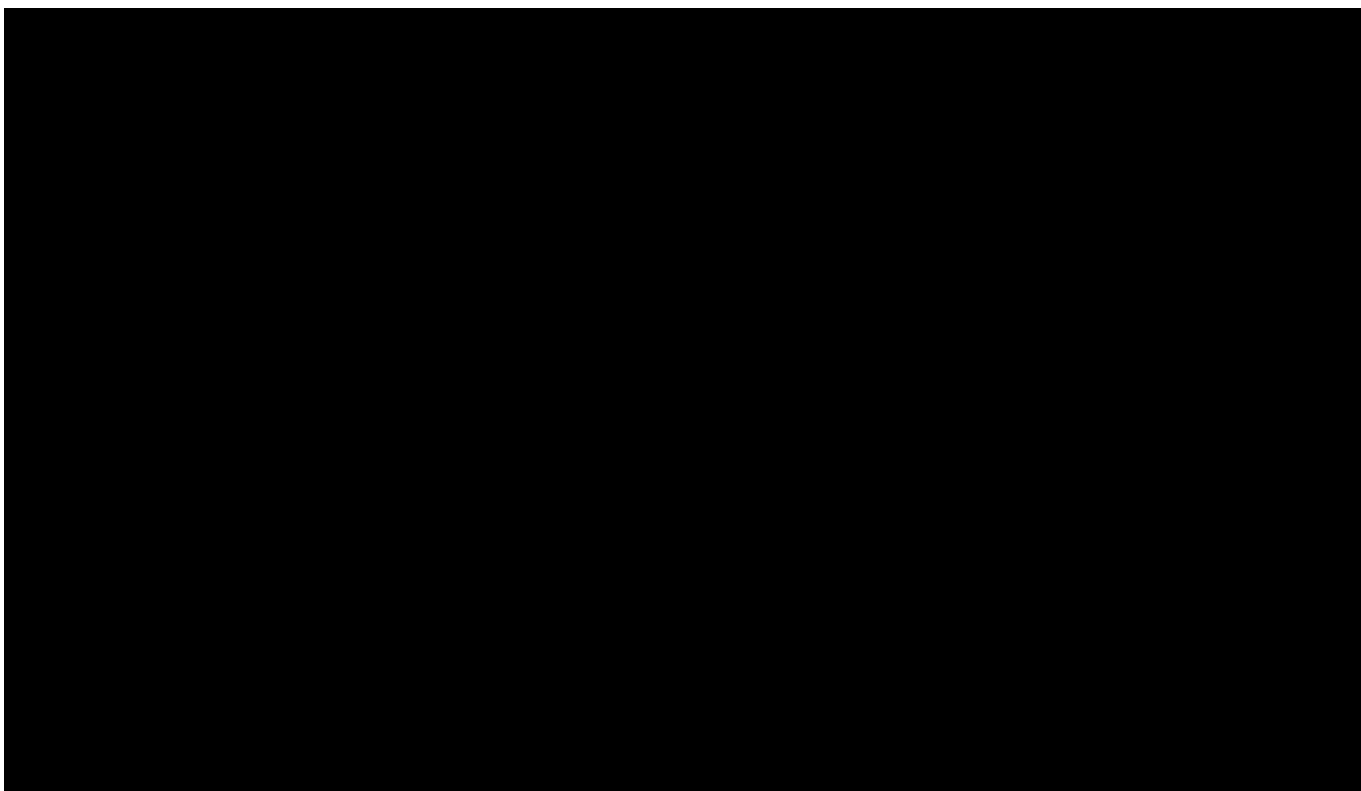
1.2 Estimated export prices and normal values

CONFIDENTIAL FIGURE 1.2 indicates that prior to the measures being imposed in April 2016, the weighted average export price of wire rod from China was less than the estimated normal value for every quarter except one.

² Appendix A2

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[The following figure is confidential in its entirety because it contains commercially sensitive market intelligence]



CONFIDENTIAL FIGURE 1.2 – Estimated export prices and normal values for wire rod exported from China³

The Australian industry member obtains, on a subscription basis, production cost economics data for steel producers in certain countries, including China. The cost economics data is sourced from [REDACTED].

[REDACTED] analyses and reports on steel prices, steelmakers' costs, steel supply/demand and steel finances. Details concerning [REDACTED] form CONFIDENTIAL ATTACHMENT 1.2.1.

The Australian industry member has examined [REDACTED] cost-economics modelling for wire rod production for one of the original and largest Chinese wire rod manufacturers, [REDACTED], on a monthly basis since April 2013⁴ as indicative of a constructed normal value for a Chinese wire rod manufacturer. To maintain a conservative estimate of a Chinese exporter's normal value for wire rod, no amount for profit has been added to the normal value calculation, neither have

³ CONFIDENTIAL ATTACHMENTS 1.1 and 1.2.2.

⁴ CONFIDENTIAL ATTACHMENT 1.2.2

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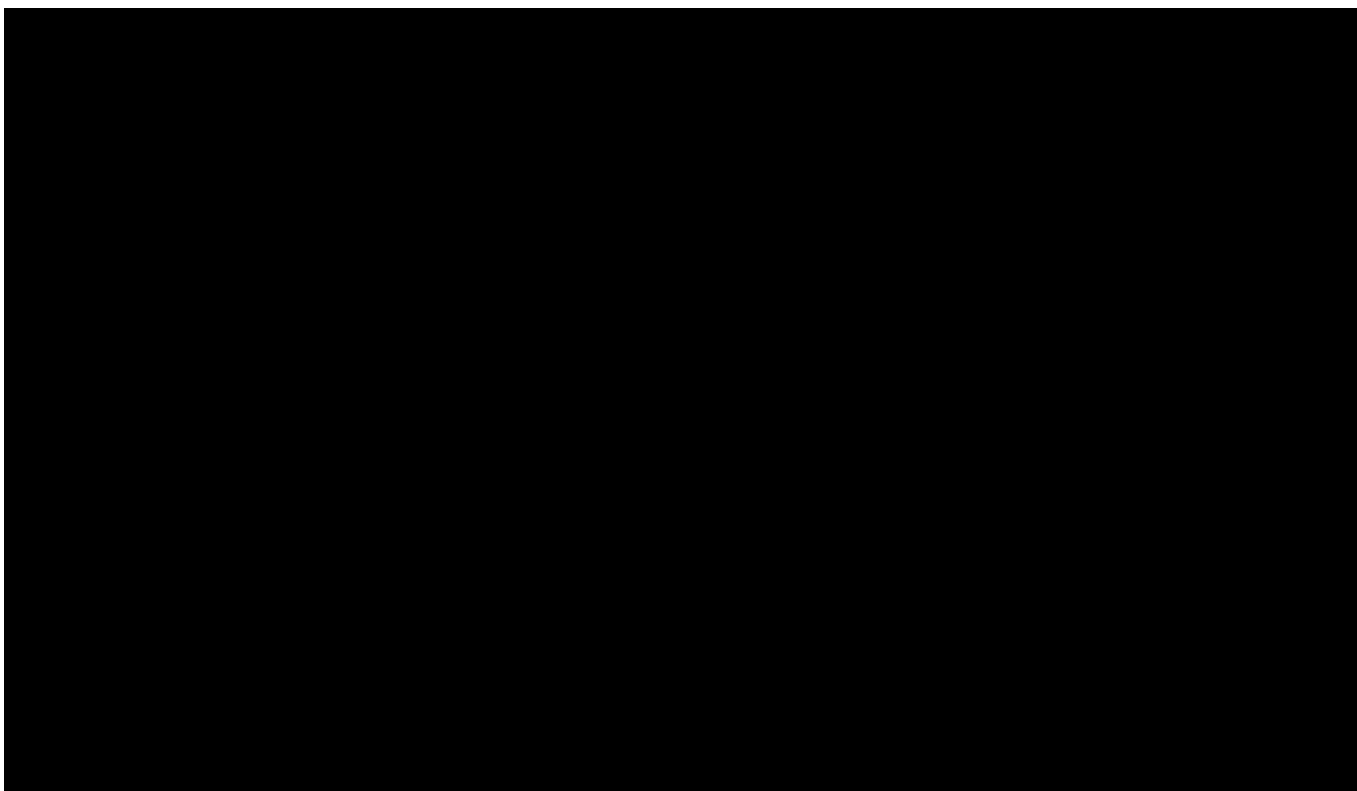
any adjustments to the normal value been made for, say, inland freight and port clearance to the FOB delivery point.

1.3 Estimated dumping margins

CONFIDENTIAL FIGURE 1.3.1 indicates that during and following the original investigation period, there was a positive correlation between the size of estimated quarterly dumping margins on wire rod exported to Australia from China and the quarterly volume of wire rod exported – that is to say, that during periods of higher dumping margins, the volume of wire rod exported from China grew (refer 1 July 2014 to 31 March 2016), and during periods of lower (or negative) dumping margins, the volume of wire rod exported declined or ceased altogether (refer June 2014 quarter and since 1 April 2016). In fact, due to the effectiveness of the measures imposed (and reviewed in REV 413/414 and REV 468) the volume of wire rod exported from China appears to have altogether ceased.

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[The following figure is confidential in its entirety because it contains commercially sensitive market intelligence]



CONFIDENTIAL FIGURE 1.3.1 – Estimated dumping margins for wire rod exported from China and corresponding quarterly export volumes⁵

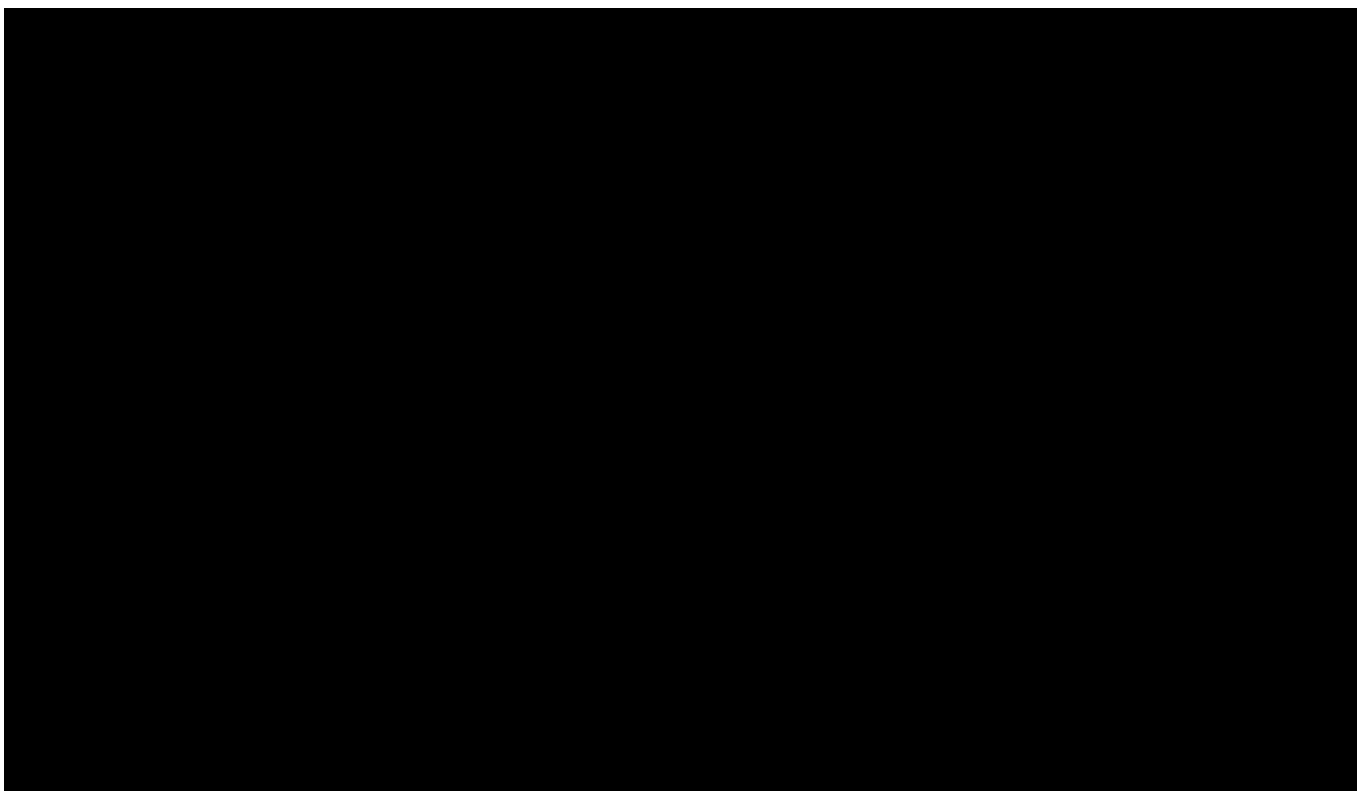
Given the apparent absence of wire rod exported to Australia from China during the likely inquiry period (1 July 2019 to 30 June 2020), analysis of Chinese wire rod price indices is presented in CONFIDENTIAL FIGURE 1.3.2 (below) to assess the relative movements in reported export prices and domestic sales prices, the latter being merely indicative of changes in the Chinese producers' costs of production, and administrative, selling and general costs and profit associated with the sale of wire rod in the Chinese domestic market.⁶

⁵ CONFIDENTIAL ATTACHMENT 1.1

⁶ Noting that due to the situation in the Chinese domestic wire rod market, under s.269TAC(2)(a)(ii), the price paid or payable in the Chinese domestic market are not a suitable basis to ascertain the normal value under s.269TAC(1).

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[The following figure is confidential in its entirety because it contains material subject to copyright and licensing restrictions]



CONFIDENTIAL FIGURE 1.3.2 – Chinese domestic and export price indices for wire rod since 1 June 2013 (RMB/t)⁷

CONFIDENTIAL FIGURE 1.3.2 indicates that since 1 April 2017, the relative disparity between domestic and export wire rod prices has grown, with the highest levels of difference occurring in November 2019 (20.9 per cent). Since February 2020, the wire rod export price has fallen by 5.1 per cent, whereas the reported domestic Chinese wire rod price has increased by 8.1 per cent. This trend is further illustrated in Figure 1.3.3 (below) which indicates that since June 2013, Chinese wire rod domestic values increased by 8 per cent, where Chinese wire rod export prices declined by 1 per cent. In other words, Chinese exporters have demonstrated a propensity to export wire rod at decreasing prices, despite increasing domestic Chinese prices, thereby increasing the likelihood of exporting goods to Australia at dumped prices.

⁷ CONFIDENTIAL ATTACHMENT 1.3.2

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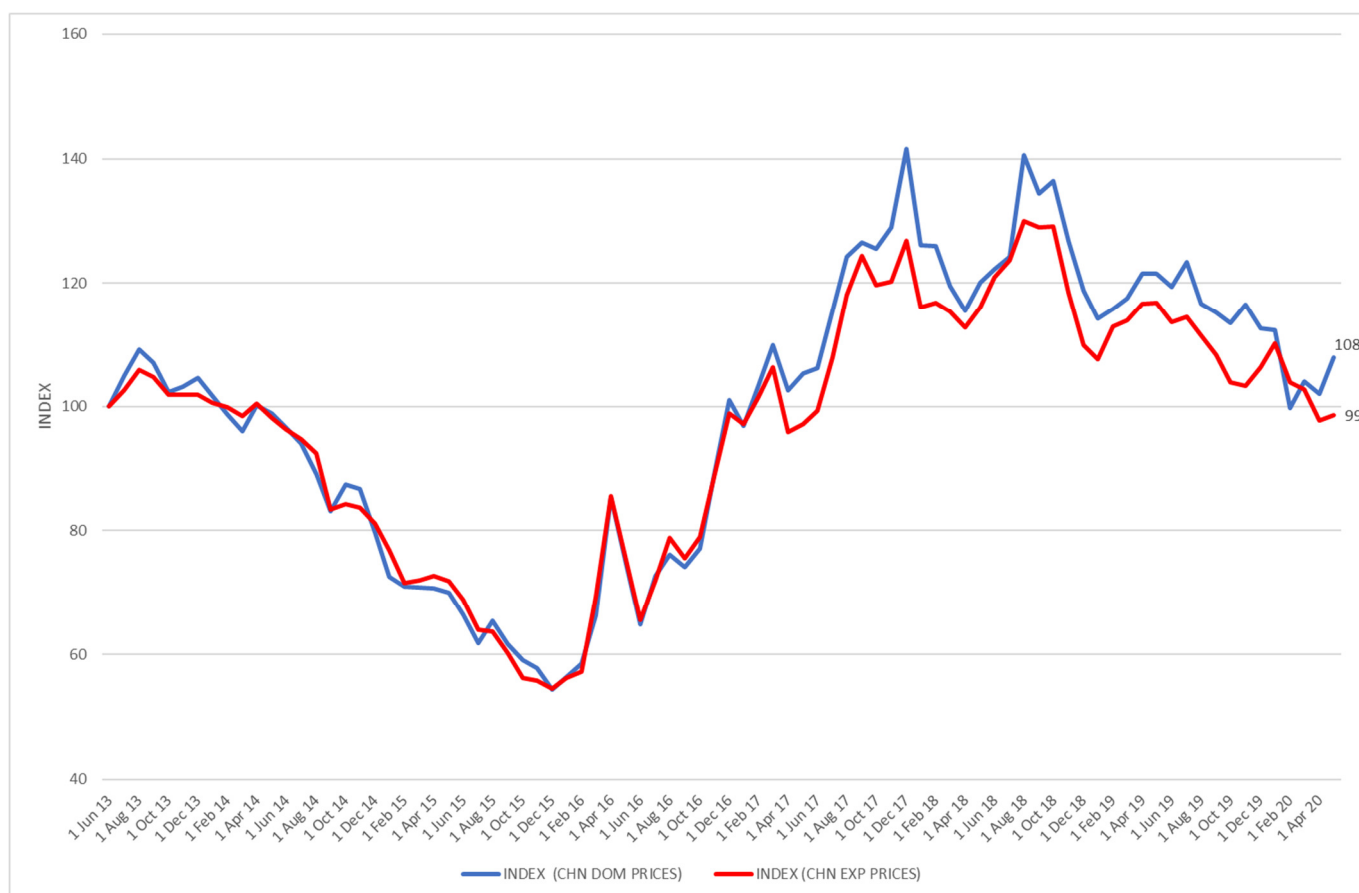


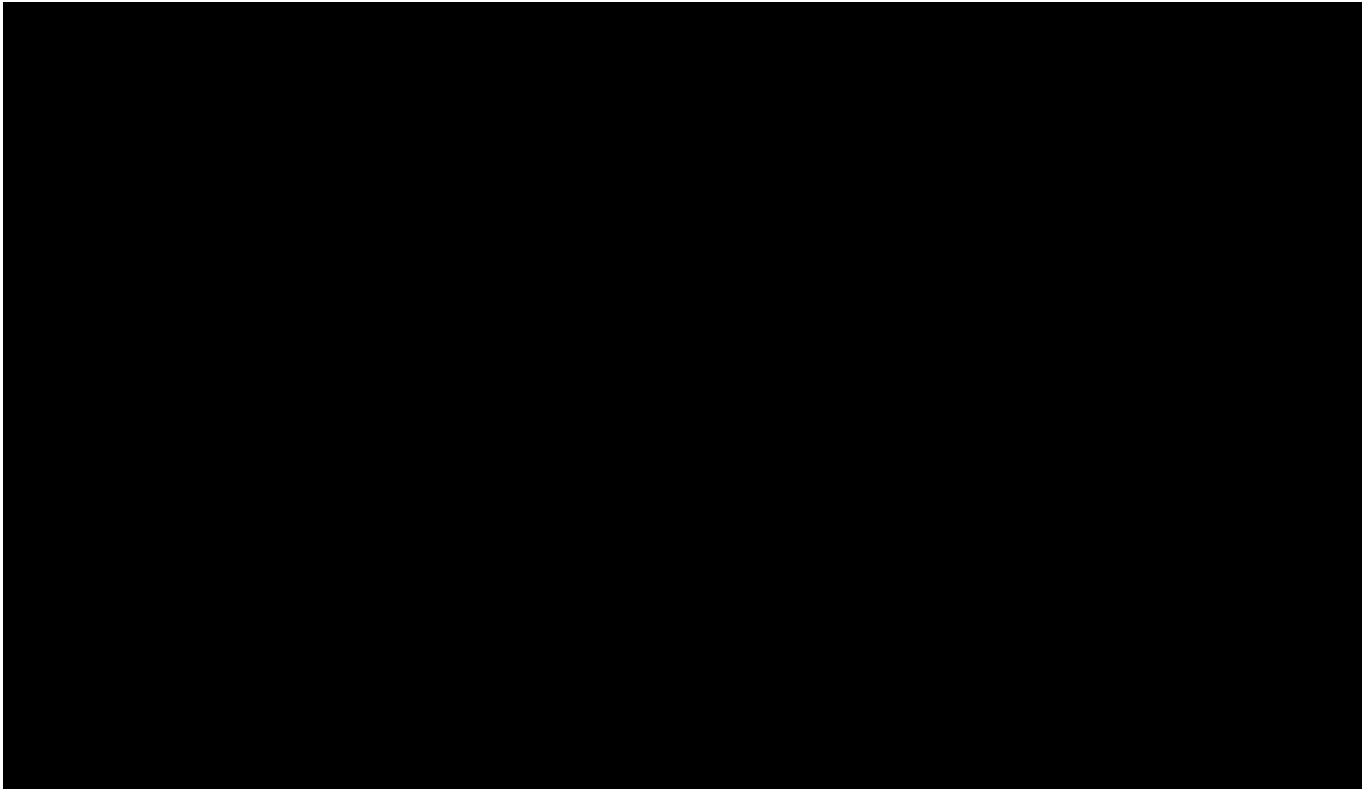
FIGURE 1.3.3 – Index of Chinese domestic and export price indices for wire rod since 1 June 2013 (RMB/t)⁸

To assist in the assessment of what the likely dumping margin in the event of a recurrence of exports of wire rod from China to Australia would be, CONFIDENTIAL FIGURE 1.3.4 is produced below which compares Chinese domestic sales values (ex-stock and exclusive of VAT) to Chinese FOB export prices to Indonesia, the Philippines, South Korea and Thailand.

⁸ CONFIDENTIAL ATTACHMENT 1.3.2

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CONFIDENTIAL FIGURE 1.3.4 – Chinese ex-stock (VAT excl.) domestic and FOB export prices to named destinations for wire rod since 1 January 2019 (USD/t) (x-intercept: $y \neq 0$)⁹

In summary, based on the export price to other Asian regional destinations, exporters of wire rod have continued to dump the goods by the following margins:

	INDONESIA	PHILIPPINES	SOUTH KOREA	THAILAND
Mar-19	-5.9%	7.5%	6.7%	6.3%
Apr-19	-1.9%	5.2%	4.7%	4.2%
May-19	-2.9%	3.4%	2.1%	-1.6%
Jun-19	-7.7%	1.2%	-3.2%	-5.2%
Jul-19	-2.0%	11.0%	6.1%	5.4%
Aug-19	-9.9%	-1.1%	0.5%	-2.8%
Sep-19	-10.4%	-5.2%	-4.9%	-6.4%

⁹ CONFIDENTIAL ATTACHMENT 1.3.4

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Oct-19	-5.4%	-3.0%	0.1%	-0.3%
Nov-19	5.1%	14.0%	13.6%	12.7%
Dec-19	4.2%	16.8%	10.2%	16.9%
Jan-20	-0.8%	7.3%	4.4%	0.3%
Feb-20	-1.1%	7.0%	4.1%	0.0%
WAV margin	-4%	6%	4%	2%

The range of estimated dumping margins has been assessed by comparing the weighted average Chinese wire rod export prices to regional Asian destinations to the corresponding monthly weighted average normal values for the period, 1 March 2019 to 28 February 2020. The estimated range of weighted average **dumping margins for exporters from China is between -4 and 6 per cent**.¹⁰

It is observed that for the final four quarters (1 March 2015 to 30 April 2016) of Chinese exports to Australia a **dumping margin of 23 per cent**¹¹ was calculated based on quarterly average export prices of the goods compared to the normal value of one of the largest exporters at that time (██████), calculated by reference to that exporter's cost to make and sell. To provide a conservative estimate of the normal value no amount for profit was included under subparagraph (c)(ii) of subsection 269TAC(2), and no adjustments were made under subsection 269TAC(9).

¹⁰ CONFIDENTIAL ATTACHMENT 1.3.4

¹¹ CONFIDENTIAL ATTACHMENT 1.1

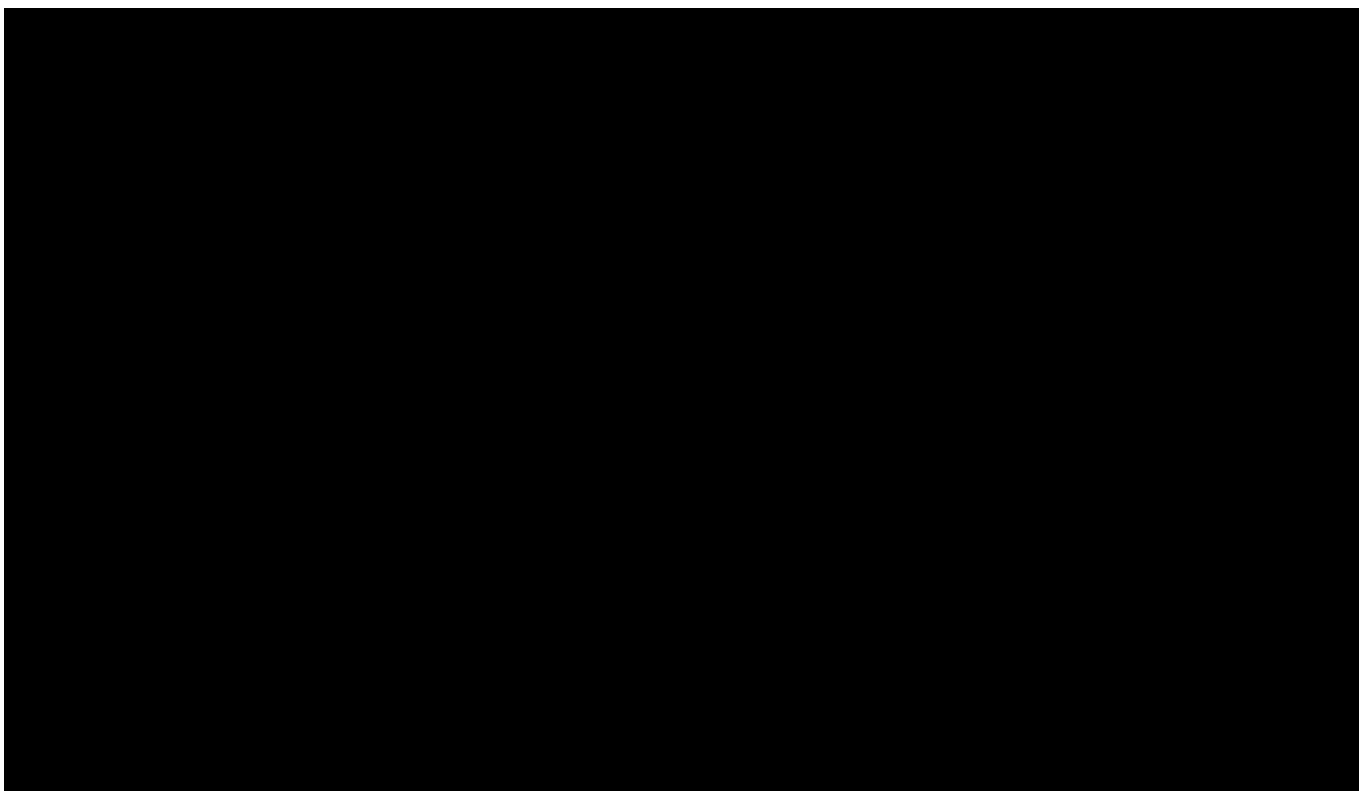
1.4 Maintenance of distribution links

(i) Maintenance of offers into the region

CONFIDENTIAL FIGURE 1.4 indicates that export sales of wire rod of Chinese origin continue to be made, and were at or near the lowest prices compared to other export sources of wire rod since 1 June 2013. This suggests that exporters of wire rod from China have continued to maintain a strong presence in export markets, offering FOB Shanghai terms that undercut other offers. It is the Australian industry's contention that if not for the effectiveness of the current anti-dumping measures those export prices would likely be accepted by Australian importers and translate into offers to supply to Australian customers. In terms of their competitiveness against export offers from either Turkish or Black Sea origin into Australia, the Chinese (Shanghai) FOB prices are more competitive than FOB offers from Turkish or Black Sea ports due to the reduced ocean freight expense from China.

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[The following figure is confidential in its entirety because it contains material subject to copyright and licensing restrictions]



CONFIDENTIAL FIGURE 1.4 – Minimum export price sales of wire rod of Chinese, Turkish, Black Sea and Latin American origin since 1 June 2013 (x-intercept: $y \neq 0$)¹²

(ii) Standards certification

Unlike steel reinforcing bar, there is no certification scheme for wire rod in the Australian market to demonstrate conformity to the applicable Australian/New Zealand Standard.

1.5 Anti-dumping actions by other countries

On 14 October 2015, the European Commission (**EC**) imposed a definitive anti-dumping duty on wire rod originating in China with an exporter specific dumping margin of 7.9 per cent for Hunan Valin and its associates, and a country rate of 24.0 per cent.¹³

On 4 June 2020, the United States' Department of Commerce (**US DOC**) published the

¹² CONFIDENTIAL ATTACHMENT 1.4

¹³ CONFIDENTIAL ATTACHMENT 1.5.1

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outcome of its sunset (continuation) review concerning wire rod exported from China and found that the revocation of the measures would be likely to lead to continuation or recurrence of dumping, and that the magnitude of the dumping margins likely to prevail would be weighted average dumping margins up to 110.25 percent for China.¹⁴

On 29 July 2016, the Mexican Ministry of Economy imposed a definitive anti-dumping duty on imports of steel wire rod from China. The rate of duty is USD 0.49 per kilogram. The measures remain current.¹⁵

On 13 May 2016, the Colombian Ministry of Commerce, Industry and Tourism imposed a definitive anti-dumping duty on imports of low carbon steel wires (circular cross section with diameter less than 14 mm) with a carbon content below 0.45% (by weight) from China. The amount of the duty is the difference between the FOB price declared by the importer and the FOB reference price set at USD 419 per metric ton. The measures remain current.¹⁶

On 10 March 2016, the Thai Ministry of Commerce imposed a definitive anti-dumping duty on imports of low carbon steel wire rods from China. The rate of the duty is between 12.81 and 31.15 per and remain in force.¹⁷

1.6 Commodity nature of wire rod

Generally, wire rod produced either by the Australian industry or by an overseas producer is physically interchangeable. Wire rod manufactured by overseas producers for sale to Australia are generally produced to similar sizes and grades. As such, the goods subject to the measures and domestically produced wire rods are commodity products that compete with one another in the Australian marketplace based on price and are otherwise fully interchangeable. This characteristic means wire rods must compete in a market that is price sensitive, where price is one of the primary factors affecting the customer purchasing decision. Furthermore, because of this high degree of price sensitivity, prices in a given market have historically tended to converge over time towards the lowest available price offering.

¹⁴ CONFIDENTIAL ATTACHMENT 1.5.2

¹⁵ <https://www.globaltradealert.org/intervention/12784/anti-dumping/mexico-definitive-antidumping-duty-on-imports-of-steel-wire-rod-from-china> (accessed on 15 June 2020)

¹⁶ <https://www.globaltradealert.org/intervention/20323/anti-dumping/colombia-definitive-antidumping-duty-on-imports-of-certain-types-of-low-carbon-steel-wire-from-china> (accessed on 15 June 2020)

¹⁷ <https://www.globaltradealert.org/intervention/12775/anti-dumping/thailand-definitive-antidumping-duty-on-imports-of-low-carbon-steel-wire-rods-from-china> (accessed on 15 June 2020)

1.7 Excess capacity that may be directed to Australia

According to the Organisation for Economic Co-operation and Development (**OECD**), steel market conditions have turned negative in 2020 and are facing contraction in the short and the medium term. Weakening economic conditions, increasing global trade restrictions, new capacity investments, the persistence of excess capacity all pose downside risks, and the evolving impact from the COVID-19 pandemic are all likely to have an impact on the steel industry.¹⁸ According to the World Steel Association (**WorldSteel**), global steel growth rates in 2019 and 2020 are expected to slow down with a slowing global economy. Uncertainties over the trade environment and volatility in the financial markets could pose downside risks to this forecast.¹⁹

In its Short Range Outlook (**SRO**) for 2020 and 2021, WorldSteel forecasts that steel demand will contract by 6.4% in 2020, dropping to 1,654 million MT (**metric tonnes**) due to the COVID-19 crisis. In 2021 steel demand is expected to recover to 1,717 million MT, an increase of 3.8 per cent over 2020.²⁰

Global demand for wire rod is also forecasted to slow. The International Rebar Producers and Exporters Association (**IREPAS**) said surplus supply and inadequate demand is set to dominate the long steel products markets (which includes wire rod), due to both the coronavirus outbreak and geopolitical issues.²¹ This forecast is consistent with a slowing global construction sector, with WorldSteel forecasting global construction growth to slow due to the construction industry in some countries suffering an abrupt halt of projects due to supply chain disruptions and a shortage of workers during the pandemic lockdown period. However, it is expected that the decline in the construction industry will be less severe than during the financial crisis.

Nevertheless, WorldSteel considers that new construction project starts have also worsened due to the deteriorated balance sheets of consumers and businesses. Similarly, government attempts to put a focus on new construction projects in an effort to support demand may be hindered by significantly worsened government balance sheets that will confine their ability to carry out public infrastructure investments.²²

¹⁸ <https://www.oecd.org/sti/ind/steel-market-developments-Q2-2020.pdf> at p. 6 (accessed on 30 May 2020)

¹⁹ <https://www.worldsteel.org/en/dam/jcr:96d7a585-e6b2-4d63-b943-4cd9ab621a91/World%2520Steel%2520in%2520Figures%25202019.pdf> at p. 3 (accessed on 30 May 2020)

²⁰ <https://www.worldsteel.org/media-centre/press-releases/2020/worldsteel-short-range-outlook-june-2020.html> (accessed, 5 June 2020)

²¹ https://www.steelbb.com/?PageID=157&article_id=186254 (accessed on 30 May 2020).

²² <https://www.worldsteel.org/media-centre/press-releases/2020/worldsteel-short-range-outlook-june-2020.html> (accessed, 5 June 2020)

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Global steelmaking capacity (in nominal crude terms) decreased from 2015 to 2018, but information available to the OECD (as of December 2019) suggests that capacity increased in 2019 for the first time since 2014. The net capacity change in 2019, taking into account new capacity additions and closures, brings current global steelmaking capacity up to 2,362.5 million MT, representing a 1.5% increase from the level at the end of 2018.²³ Most of the capacity additions in 2019 took place in Asia, where an additional 30.4 million MT of capacity came on stream.²⁴

The gap between global steelmaking capacity and production narrowed between 2016 and 2019 as a result of the decrease in global crude steelmaking capacity (i.e. by -0.2% from 2016 to 2019) and the gradual increase in steel production (an increase of 13.6% in the same period). In 2019, global capacity was 2,362.5 million MT and production was 1,848.5 million MT, therefore the gap between capacity and production has decreased to 513.9 million MT in 2019, from 520 million MT in 2018. WorldSteel production as a share of capacity has improved slightly, from 77.7% in 2018 to approximately 78.2% in 2019.²⁵

China is the world's largest steel producing country. In 2019, China produced 53.3% of the world's total steel production, producing a total of 996.3 million MT of crude steel. This was up from 920.0 million MT of crude steel production in 2018.²⁶ Efforts by the Government of China (**GOC**) to restrict additional steel-making capacity and force the closure of older facilities have had some success at curtailing China's steelmaking capacity, with total capacity in China falling from 1,150 million MT in 2015 to 1,023 million MT in 2018.²⁷ Evidence suggests that this trend could end, as there were several facility expansion projects that were expected to come online in 2019 that could add over 38 million MT in new steelmaking capacity in China.²⁸

With respect to domestic market conditions in China, evidence indicates weakening economic conditions, with lower domestic steel demand forecasted for the future. The OECD noted that growth in China has weakened due to a downturn in the manufacturing sector, the impact of escalating trade restrictions and uncertainty from the COVID-19 pandemic.²⁹ WorldSteel expects steel demand in China to grow by a mere 1.0% in 2020. China Metallurgical Planning Net (MPI) forecasts that Chinese steel demand will decrease by 0.6% in 2020 compared to

²³ <https://www.oecd.org/sti/ind/steel-market-developments-Q2-2020.pdf> at p. 24 (accessed on 30 May 2020)

²⁴ <https://www.oecd.org/sti/ind/steel-market-developments-Q2-2020.pdf> at p. 24 (accessed on 30 May 2020)

²⁵ <https://www.oecd.org/sti/ind/steel-market-developments-Q2-2020.pdf> at p. 24 (accessed on 30 May 2020)

²⁶ <https://www.worldsteel.org/en/dam/jcr:f7982217-cfde-4fdc-8ba0-795ed807f513/World%2520Steel%2520in%2520Figures%25202020i.pdf> at p. 9 (accessed on 30 May 2020)

²⁷ <https://www.oecd.org/industry/ind/recent-developments-steelmaking-capacity-2019.pdf> at p. 11 (accessed on 30 May 2020)

²⁸ <https://www.oecd.org/industry/ind/recent-developments-steelmaking-capacity-2019.pdf> at p. 12 (accessed on 30 May 2020)

²⁹ <https://www.oecd.org/sti/ind/steel-market-developments-Q2-2020.pdf> at p. 30 (accessed on 30 May 2020)

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2019.³⁰ According to analysis by Platts, Chinese finished steel consumption in February 2020 could decline by about 43 million MT due to the COVID-19 pandemic, with the effects coming from a slowdown of construction and manufacturing activity.³¹ The latest analysis by Mysteel reports that domestic steel demand “may step onto a down slope starting June, and 2020 may end with a 4% decline in total steel consumption”.³²

A supply bubble has now been created in China, with analysts reporting rises in finished steel inventories:

“As of June 4, the blast furnace capacity utilization among the 247 Chinese steel mills had surged to 91.9%, having climbed for twelve consecutive weeks or way above the widely-acknowledged sustainable and healthy 80-85%, according to Mysteel’s survey.

“This is a multi-year high and almost at the full capacity in essence,” an official from a steel mill in East China’s Shandong province commented, admitted that his mill’s daily finished steel output rose too, reaching 70,000 tonnes/day by the end of May from 52,000 tonnes/day a month ago.”³³

The current net outcome is that the existing finished steel inventories in China are far higher than a year ago even with the steady declines since mid-March, according to Mysteel’s related surveys:

“As of June 4, stocks of five major finished steel products including rebar, wire rod, medium plate, hot-rolled coil, cold-rolled coil, in the commercial warehouses in China’s 35 cities were 43.3% higher on year at 14.9 million tonnes, and the volume at the 184 Chinese steel mills totalled 5.7 million tonnes, or 23.6% higher on year even after twelve and 13 consecutive weeks of reduction respectively.”³⁴

Therefore, while there may be strong incentive for Chinese wire rod producers to seek additional export sales, they have less access to markets that are not free of tariffs or import restrictions.

On March 8, 2018, the US issued a proclamation regulating imports of steel into the US under

³⁰ <https://www.oecd.org/sti/ind/steel-market-developments-Q2-2020.pdf> at p. 30 (accessed on 30 May 2020)

³¹ https://www.steelbb.com/?PageID=157&article_id=186285 (accessed on 30 May 2020).

³² <https://www.mysteel.net/article/full-5016292/MARKET-1--Chinas-domestic-steel-demand-to-fall-in-H2.html> (accessed on 10 June 2020).

³³ <https://www.mysteel.net/article/5016293/MARKET-2--Chinas-domestic-steel-demand-to-fall-in-H2.html> (accessed on 10 June 2020)

³⁴ <https://www.mysteel.net/article/5016293/MARKET-2--Chinas-domestic-steel-demand-to-fall-in-H2.html> (accessed on 10 June 2020)

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Section 232 of the *Trade Expansion Act of 1962*, imposing tariffs of 25% on imports of steel. The imposed tariffs or quota restrictions cover wire rod from, in relevant part, China.

The US Section 232 measures created a ripple effect as the EU also put provisional safeguard measures in place in July 2018, followed by definitive safeguard measures in January 2019. These measures also include restrictions and tariffs against imports of wire rod from China into the EU.

The combined effect of these trade restrictions has impacted the global market for steel products and wire rod specifically. Increasing the level of trade restrictions has reduced or completely restricted major export markets for wire rod producers throughout the world. This has caused increased levels of competition in the global market because of reduced demand for imports in the two major markets of the US and EU. Additionally, Malaysia, Morocco and Vietnam have also imposed safeguard measures against China that cover wire rod.³⁵ Vietnam was within China's top 5 export markets for Chinese steel long products in 2018 and 2019, with an apparent 15 per cent reduction in volume following the imposition of the safeguard measures.³⁶

As observed above, wire rod from China is also subject to anti-dumping measures in five other countries. Along with the US tariffs and EU safeguard measures, Chinese wire rod producers are encountering trade restrictions that are having a real impact on their ability to sell in export markets. This would make the Australian market very attractive to Chinese wire rod producers if the current anti-dumping measures were allowed to expire. Further, the proliferation of these measures demonstrates a propensity to dump wire rod in export markets. Chinese wire rod producers have been found dumping numerous times in many different markets throughout the world. There are at least twelve anti-dumping findings in other countries against other similar goods made on the same production equipment as wire rod, such as steel reinforcing bar and flat steel bars, which again confirms the propensity of Chinese steel producers to dump steel products in export markets.³⁷

Chinese steel producers, including wire rod producers have also been found dumping other steel products into the Australian market. Australia currently has anti-dumping and countervailing duty findings in place against ten steel products from China, covering various flat steel, tubular steel and steel fabricated products.³⁸ The numerous anti-dumping findings in

³⁵ https://www.wto.org/english/tratop_e/safeg_e/safeg_e.htm (accessed on 30 May 2020)

³⁶ <https://legacy.trade.gov/steel/countries/pdfs/2019/annual/exports-china.pdf> at p. 4 (accessed on 30 May 2020)

³⁷ https://www.wto.org/english/tratop_e/adp_e/adp_e.htm (accessed on 30 May 2020)

³⁸ <https://www.industry.gov.au/regulations-and-standards/anti-dumping-and-countervailing-system/anti-dumping-commission->

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Australia against steel products from China also confirms a propensity to dump from Chinese steel producers and demonstrates their willingness to do so in the Australian market.

During the likely inquiry period for this application, there was a likely absence of imports of subject goods from China. The absence of shipments suggests an inability on behalf of the Chinese wire rod producers to compete in Australia at non-dumped prices.

1.8 Conclusion

Chinese exporters have continued:

- **to export wire rod at FOB China prices that are less than their domestic selling prices; and**
- **to make export sales at low values, undercutting offers made by exporters of wire rod from other sources. If not for the current anti-dumping measures, it is the Australian industry's contention that these export price offers would have been accepted by Australian importers for supply into the Australian wire rod market.**

Based on the evidence of:

- **the commodity nature of wire rod;**
- **weakening global demand for wire rod;**
- **China's significant excess steel and wire rod production capacity;**
- **the export orientation of Chinese wire rod producers;**
- **the restricted access to export markets due to trade restrictions imposed by other export markets;**
- **the anti-dumping measures in place in Australia and in other jurisdictions against wire rod and other steel products that demonstrate that Chinese wire rod exporters have a propensity to dump into export markets; and**
- **the inability of Chinese producers to compete in Australia at non-dumped prices,**

the Australian industry submits that the expiry of the measures are likely to result in the continuation or resumption of dumping into Australia of wire rod from China.

[measures?combine=&field_countries_of_export_tid=2062&field_adc_m_inquiry_in_progress_value=All](#) (accessed on 1 June 2020)

2. Will, or is it like that, material injury will continue or recur?

Steel mills are capital intensive facilities with relatively high fixed costs and are therefore sensitive to injury in terms of volume loss as well as price compression or suppression.

Wire rod is considered a commodity product and securing volume is highly price sensitive.

Exporters and importers not only compete against the domestic industry but also against each other in order to secure volume in the Australian market.

2.1 Market trends for wire rod

(a) Volume and sources of imports

Subject country

Figure 2.1(a) indicates that following the imposition of measures, the volume of wire rod imported from China ceased altogether.

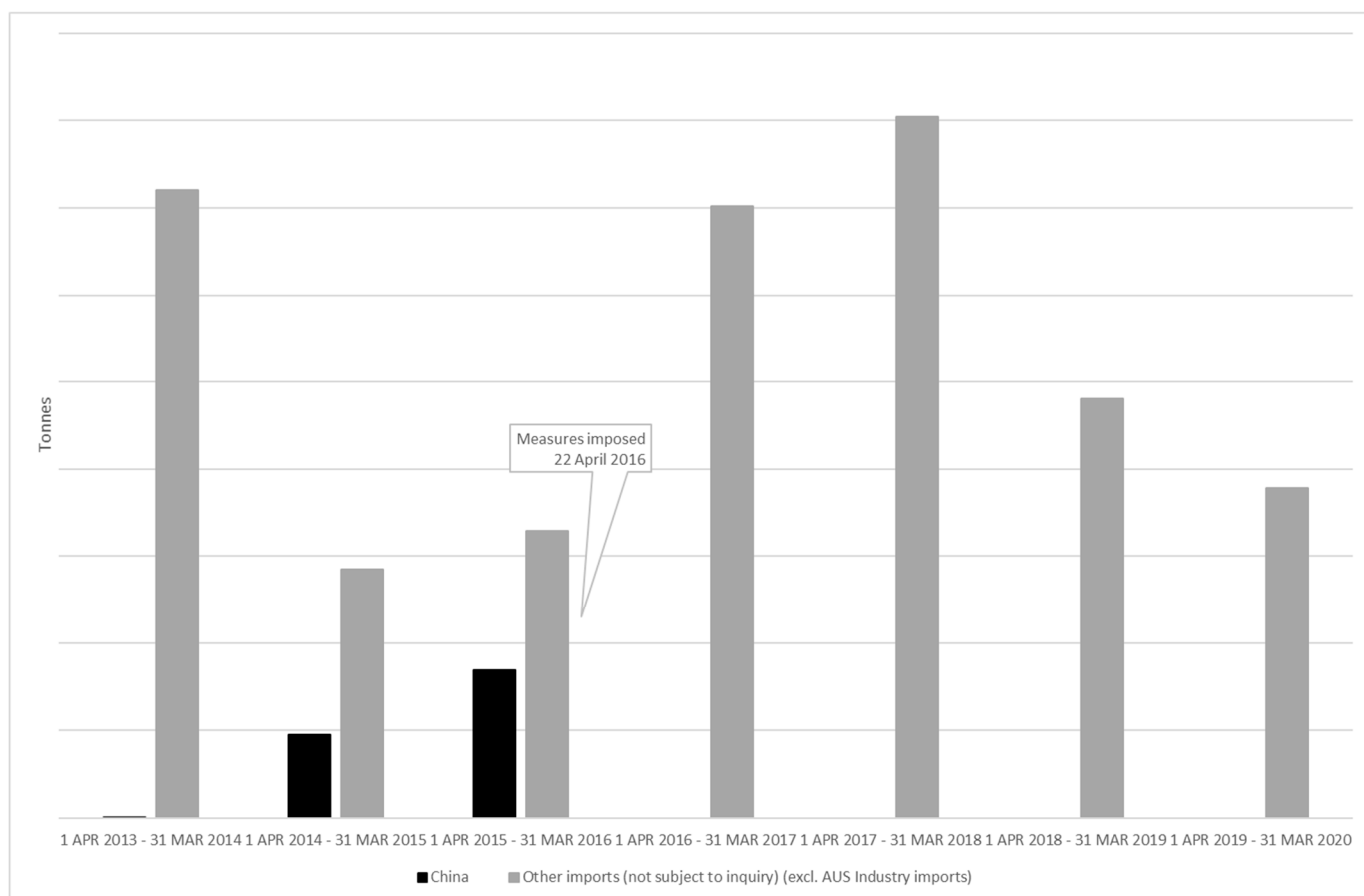


Figure 2.1(a) – Volume and sources of imports³⁹

³⁹ Source: appendix A2

Non-subject countries

The volume of imports from sources not the subject of this continuation application increased following the imposition of measures until 31 March 2018, before declining year on year until 31 March 2020.

Conclusion – volume and source of imports

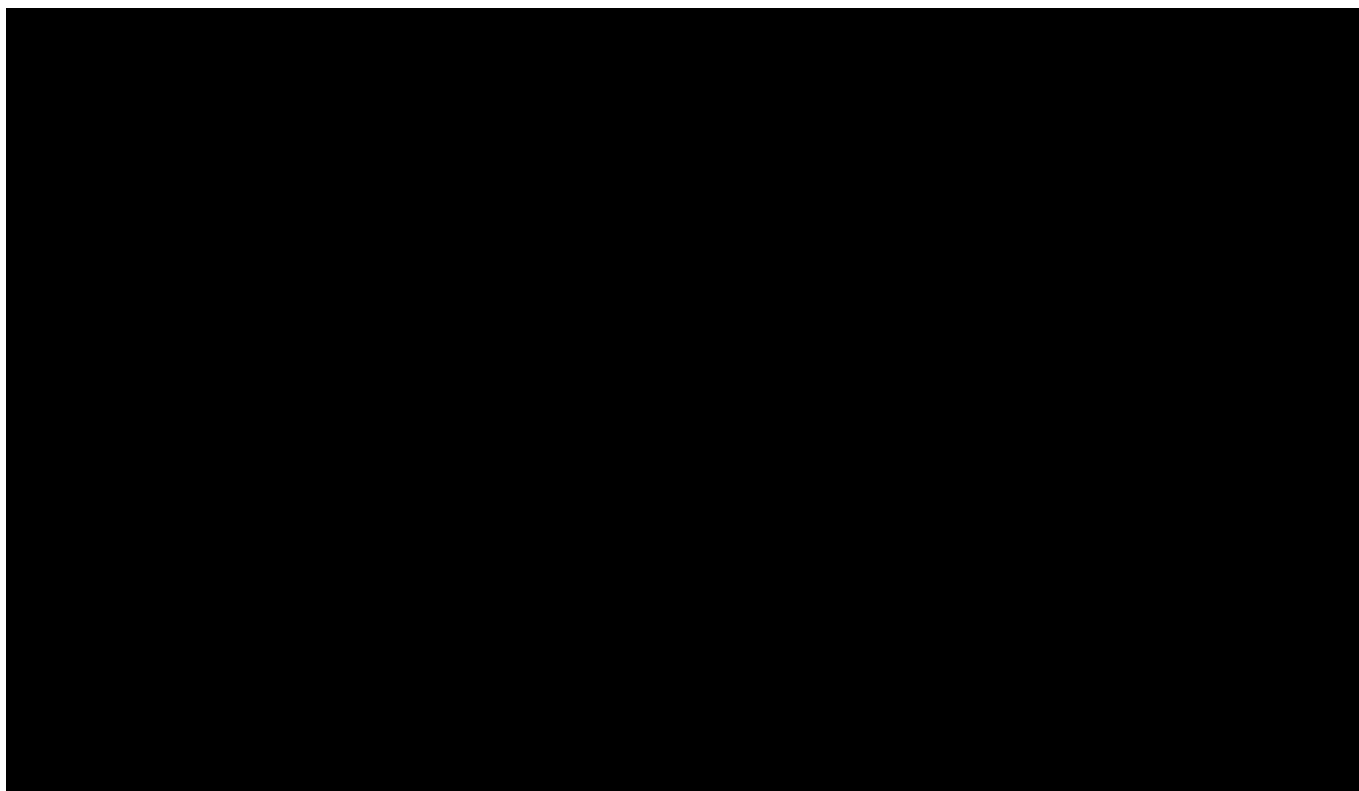
The likely absence of shipments suggests an inability on behalf of the Chinese wire rod producers to compete in Australia at non-dumped prices while effective measures are in place.

(b) Value and source of imports

CONFIDENTIAL FIGURE 2.1(b) indicates the relationship between the export price (FOB, AU\$/t) and volume of wire rod exported from China. It is observed that until the publication of the *Preliminary Affirmative Determination* in INV 301, and the later imposition of measures, periods of declining quarterly export prices coincide with growth in export volumes (refer September 2014 and 2015 quarters). Conversely, periods of quarterly average export price increases are preceded by declining export volumes (refer March 2015 quarter).

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[The following figure is confidential in its entirety because it contains commercially sensitive market intelligence]



CONFIDENTIAL FIGURE 2.1(b) – Export price and volume for wire rod exported from China⁴⁰

Quarter	Apr - Jun 2013	Jul - Sep 2013	Oct - Dec 2013	Jan - Mar 2014	Apr - Jun 2014
China (volume)	100	0	0	0	82
China (price)	100	0	0	0	118
Quarter	Jul - Sep 2014	Oct - Dec 2014	Jan - Mar 2015	Apr - Jun 2015	Jul - Sep 2015
China (volume)	1041	3491	6948	2168	9634
China (price)	105	107	111	102	98
Quarter	Oct - Dec 2015	Jan - Mar 2016	Apr – Jun 2016	Jul – Sep 2016	Oct – Dec 2016
China (volume)	4920	3800	0	0	0
China (price)	92	82	0	0	0

Table 2.1(b) – Index of export volumes and price of wire rod from China⁴¹

⁴⁰ CONFIDENTIAL ATTACHMENT 1.1

⁴¹ Appendix A2

(c) Australian market size

Figure 2.1(c) indicates that the size of the Australian wire rod market grew year-on-year following the imposition of measures until the 12-month period in 2019 when it declined by 2.6 per cent, before declining again in the following 12-month period (2020) by a further 4.2 per cent. Overall the size of the Australian market grew by approximately 4 per cent between the 12-month period for 2020 as compared to the 12-month period for 2016 (being the period immediately prior to the imposition of measures).

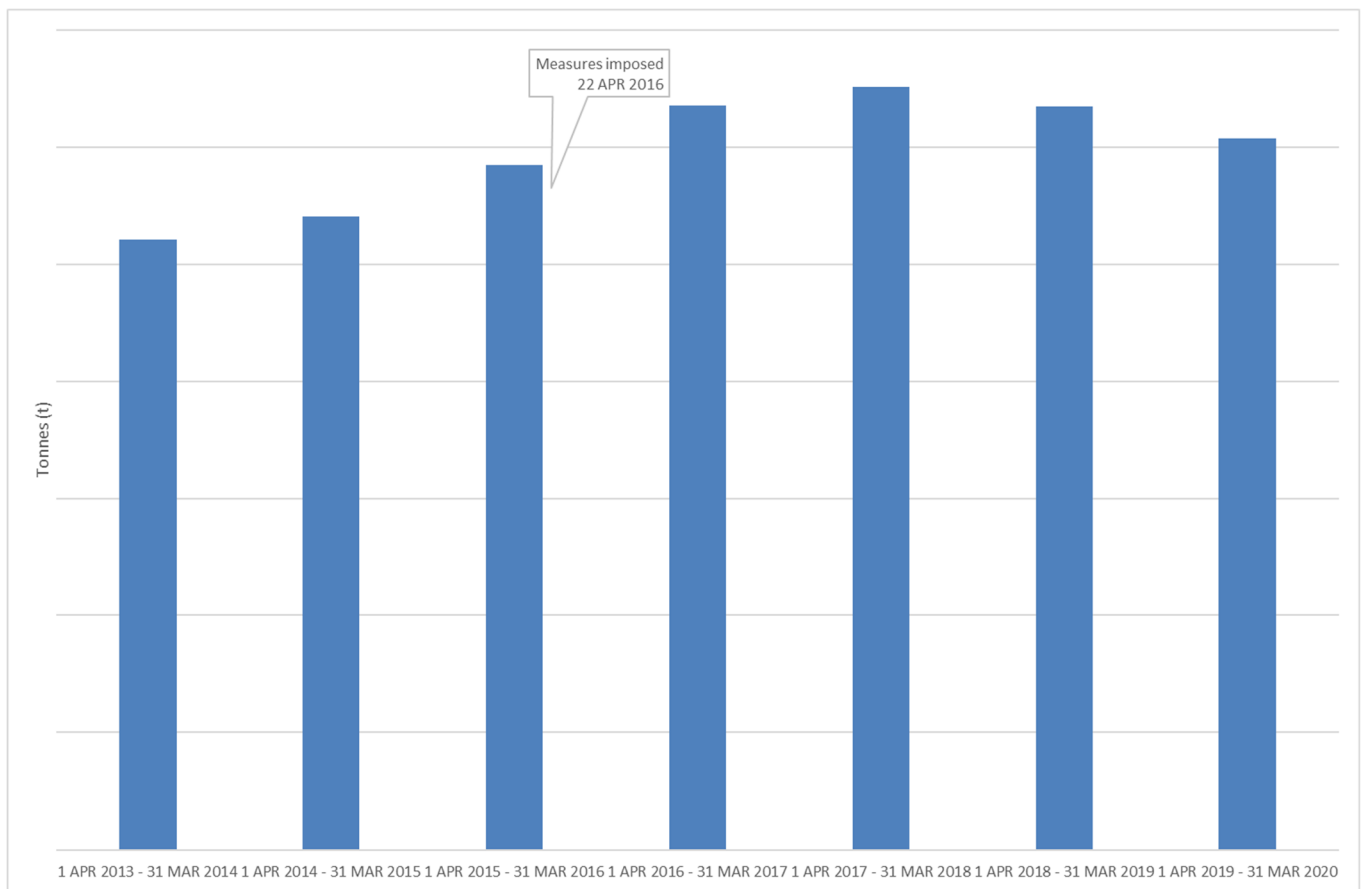


Figure 2.1(c) – Size of the Australian wire rod market by volume⁴²

⁴² Source: appendix A2

(d) Demand in the Australian wire rod market

The key market segments for wire rod are:

- residential construction;
- non-residential construction; and
- engineering construction (including mining and infrastructure).

The residential construction market is the main driver of demand for wire rod.

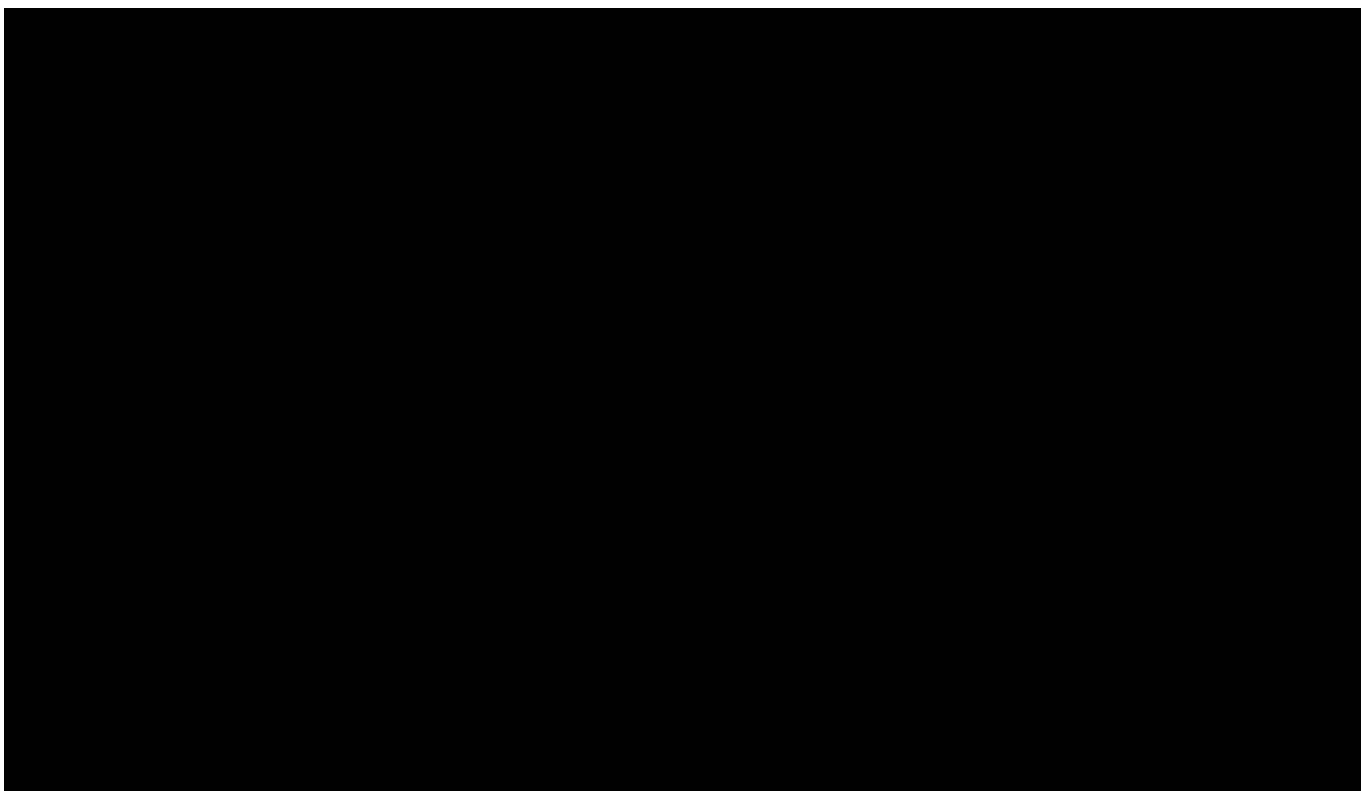
According to the National Institute of Economic and Industry Research (**NIEIR**) total construction activity in the Australian market will decline in 2020-2021 by \$[REDACTED] million (compared to 2019-2020). The strongest decline will be in residential construction (down \$[REDACTED] million), followed by non-residential commercial construction (down \$[REDACTED] million). However, construction activity is forecast to improve in 2021-2022 with growth of \$[REDACTED] million, led by a recovery in engineering activity (up \$[REDACTED] million), followed by non-residential commercial construction (up \$[REDACTED] million).⁴³

As CONFIDENTIAL FIGURE 2.1(d) indicates, the short-term outlook for housing construction remains negative until the 2021 to 2022 period.

⁴³ CONFIDENTIAL ATTACHMENT 2.1(d)

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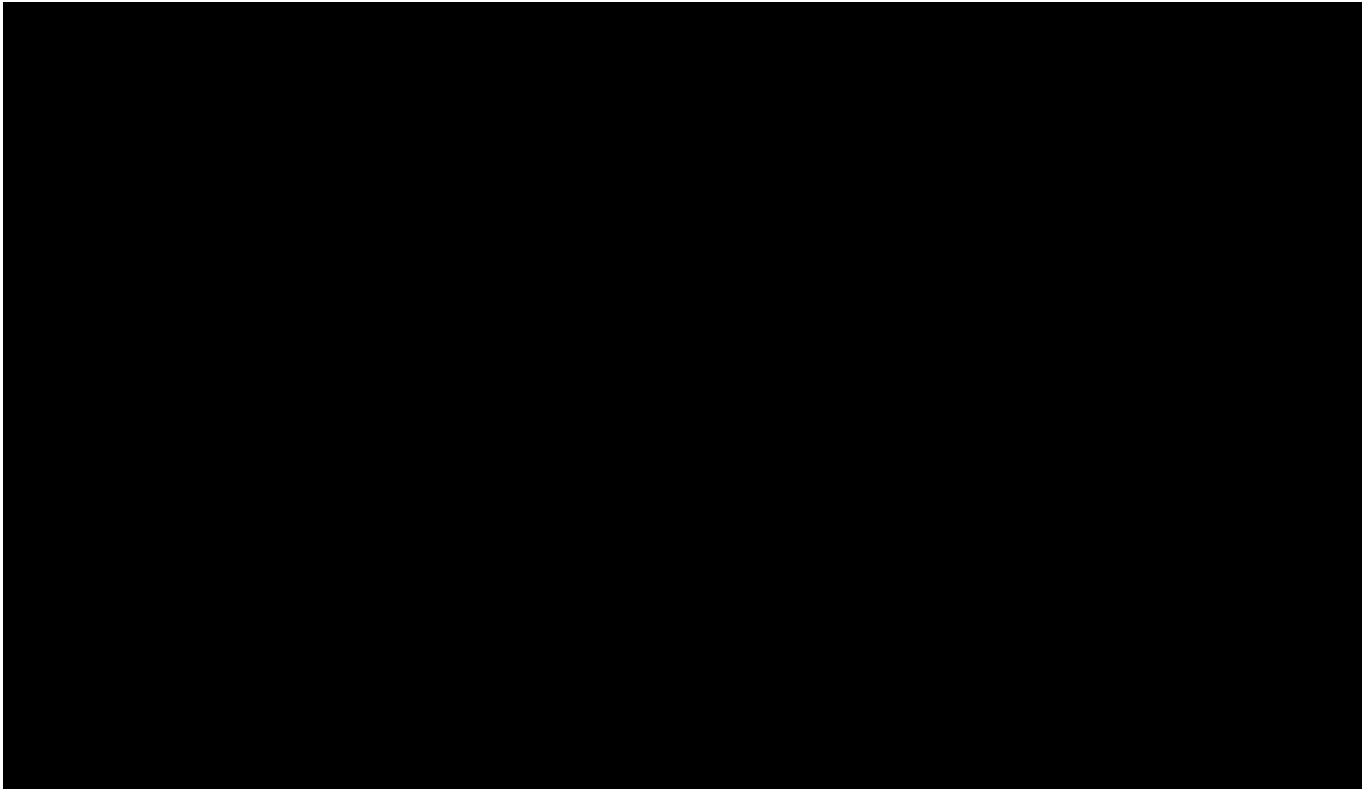
CONFIDENTIAL FIGURE 2.1(d) Drivers of construction activity in Australia (change in real expenditure from previous year, actuals and forecasts)⁴⁴

Furthermore, in terms of engineering construction, there remains an estimated \$[REDACTED] billion in work to be done (current values) over the five years to FY 2024, as CONFIDENTIAL FIGURE 2.1(d)(i) indicates:

⁴⁴ CONFIDENTIAL ATTACHMENT 2.1(d)(i)

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*CONFIDENTIAL FIGURE 2.1(d)(i) - Major Transport Projects Above \$2bn*⁴⁵

Conclusion

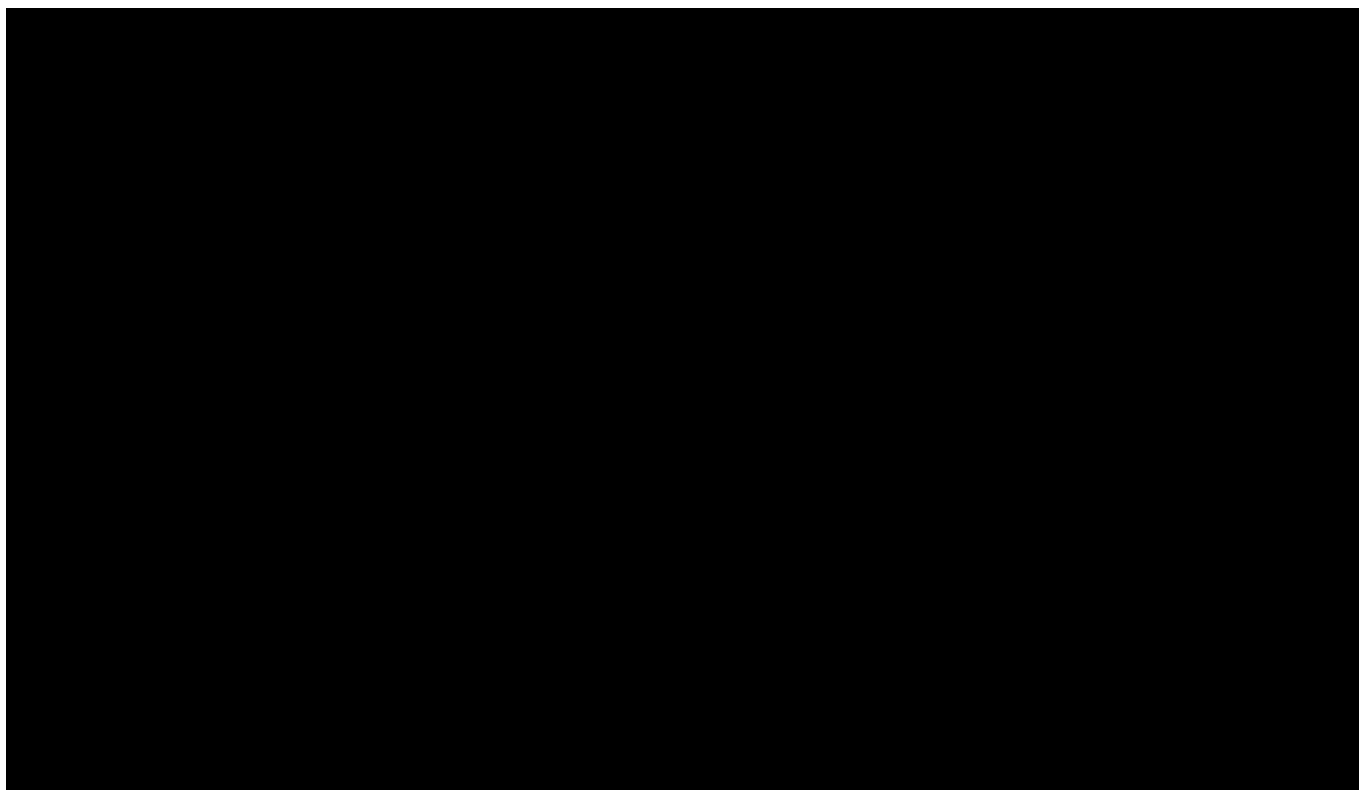
Overall, the Australian industry considers that this indicates that the COVID-19 induced downturn in Australian construction activity will reverse in 2021-2022.

⁴⁵ [REDACTED] (accessed on 1 June 2020)

2.2 Sales and market shares of all suppliers

CONFIDENTIAL FIGURE 2.2(a) indicates the market shares of all suppliers for wire rod by volume in Australia.

[The following figure is confidential in its entirety because it contains commercially sensitive market intelligence]



CONFIDENTIAL FIGURE 2.2(a) – Australian wire rod market share by volume⁴⁶

The market share of exports from China has increased year-on-year until the anti-dumping measures were imposed, and then ceased altogether. Countries not subject to this application for continuation fluctuated since measures were imposed in April 2016: initially gaining market share lost by exports from China (until the 12-month period ending March 2018), then declining year on year until the most recent 12-month period (2020).

⁴⁶ Source: appendix A2

2.3 Economic condition of the Australian industry

The economic condition of the Australian industry is considered from the two-year period immediately prior to the imposition of the measures on 22 April 2016 (1 April 2014 to 31 March 2015), until the 12-month period ending 31 March 2020. This period has been examined to analyse trends before and after the imposition of the anti-dumping measures.

The analysis is based on the financial information of all entities producing like goods in Australia, i.e. the entities collectively known as 'InfraBuild Steel'.

(a) Price depression and price suppression

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 revenues and costs.

CONFIDENTIAL FIGURE 2.3(a) indicates the Australian industry's unit revenue and unit CTMS for wire rod.

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[The following figure is confidential in its entirety because it contains commercially sensitive information]



CONFIDENTIAL FIGURE 2.3(a) – Australian industry unit revenue and CTMS⁴⁷

	12 months ending 31 March					
	2015	2016	2017	2018	2019	2020
unit sales revenue	100	93	84	101	115	111
unit cost to make and sell	100	88	89	101	110	110

Table 2.3(a) – Australian industry index of unit revenue and CTMS⁴⁸

⁴⁷ Appendix A6.1

⁴⁸ Appendix A6.1

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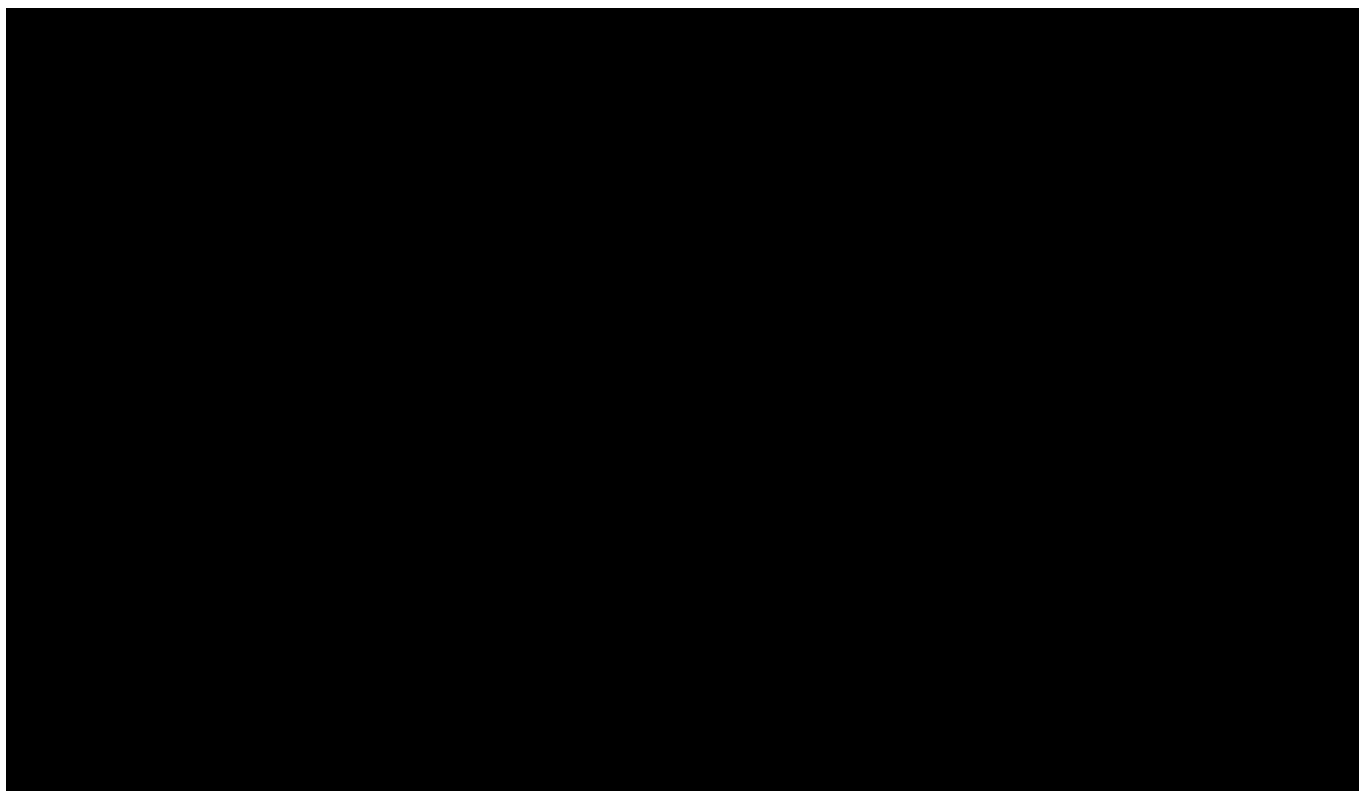
The Australian industry's wire rod prices continued to fall until anti-dumping measures were imposed. Once measures were imposed, the Australian industry's prices increased in 2018 and 2019, but fell in 2020, albeit at levels above the beginning of the analysis period. As such, it is not possible to conclude that the Australian industry has experienced price depression in that time, although the impact of wire rod exports from China on the Australian industry's prices are very pronounced by the uptick in prices following the imposition of measures against exporters of the goods from that source.

Although the Australian industry has been able to increase prices at same rate as the CTMS of wire rod following the imposition of measures until 2019, in the 12-month period ending 2020, the Australian industry decreased its price for wire rod, despite its CTMS remaining stable. Therefore, the Australian industry considers that it has experienced injury in the form of price suppression prior to the imposition of measures and again in 2020.

(b) Sales volume

CONFIDENTIAL FIGURE 2.3(b) shows the Australian industry's total sales volumes for its own production of wire rod in the Australian market.

[The following figure is confidential in its entirety because it contains commercially sensitive information]



CONFIDENTIAL FIGURE 2.3(b) – Australian industry's wire rod sales volume of own production (x-intercept: $y \neq 0$)⁴⁹

	12 months ending 31 March					
	2015	2016	2017	2018	2019	2020
sales quantity (Australia)	100	106	112	109	115	113

Table 2.3(b) – Index of Australian industry's wire rod sales volume of own production⁵⁰

⁴⁹ Appendix A6.1

⁵⁰ Appendix A6.1

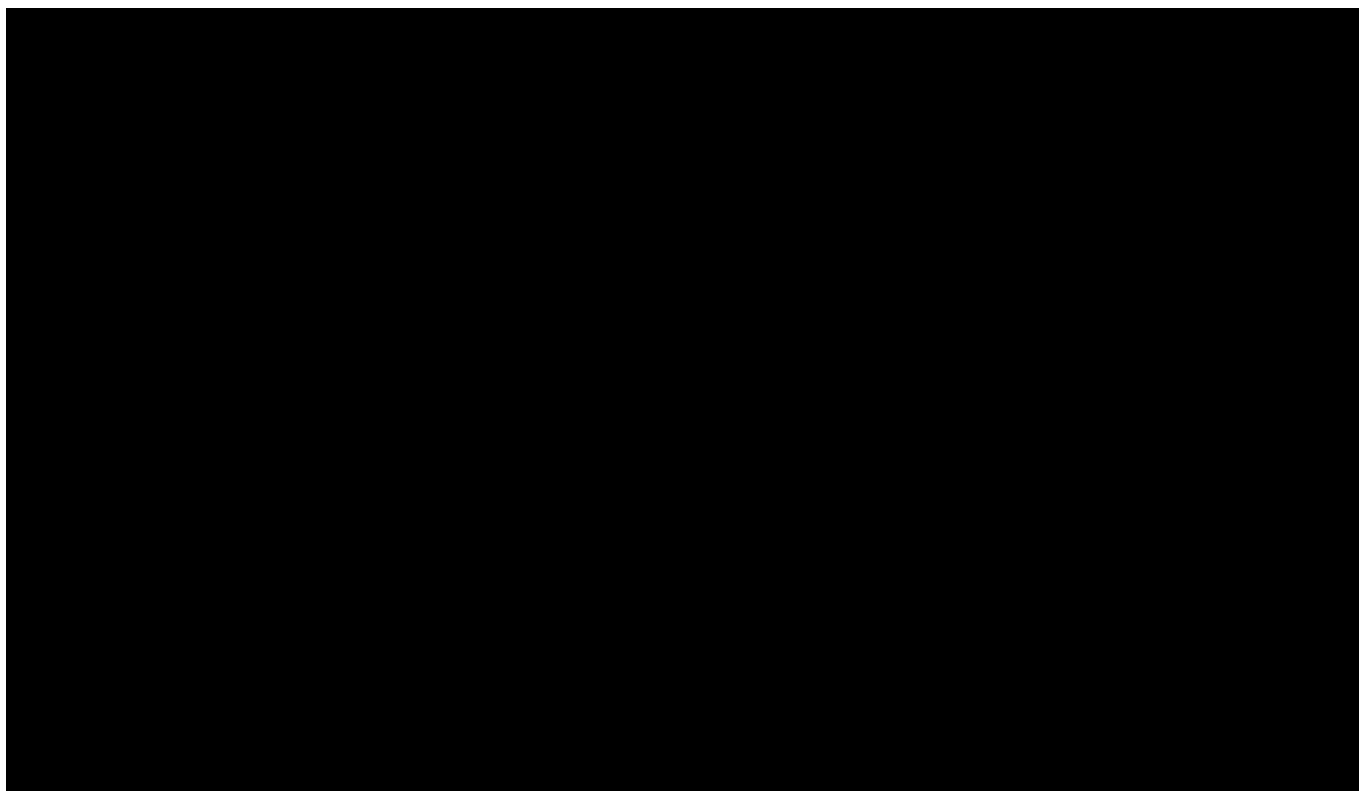
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Following the imposition of anti-dumping measures in April 2016, sales volumes decreased in 2018, before improving 2019 and then decreasing in 2020 albeit at volumes only marginally above (1.5 per cent) those observed in 2017 (the period immediately following the imposition of measures). Having said this, the Australian industry's sales volumes for wire rod following the imposition of anti-dumping measures has always been above the industry's sales volumes preceding the imposition of measures. This reflects the effectiveness of those measures.

(c) Sales revenue

CONFIDENTIAL FIGURE 2.3(c) shows the Australian industry's net sales revenue for its own production of wire rod in the Australian market.

[The following figure is confidential in its entirety because it contains commercially sensitive information]



*CONFIDENTIAL FIGURE 2.3(c) – Australian industry's wire rod net sales revenue of own production*⁵¹

	12 months ending 31 March					
	2015	2016	2017	2018	2019	2020
net sales revenue	100	99	94	110	133	126

*Table 2.3(c) – Index of Australian industry's wire rod net sales revenue of own production*⁵²

⁵¹ Appendix A6.1

⁵² Appendix A6.1

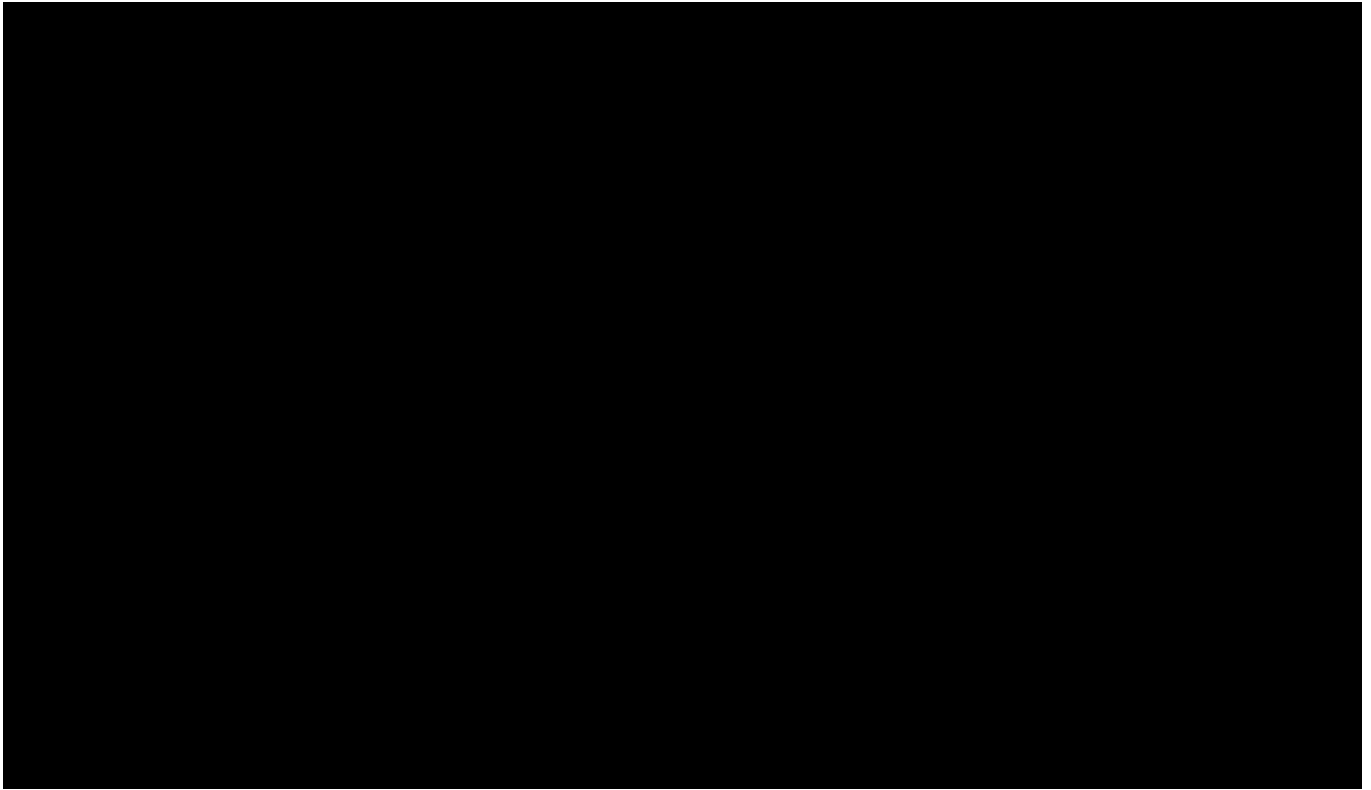
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Net sales revenue decreased following the imposition of anti-dumping measures in April 2016 (refer 2017), but then increased in 2018 and 2019, before declining in the 12-month period ending in 2020, albeit at levels higher than those observed both before and immediately after the imposition of measures. This serves to demonstrate the effectiveness of the measures.

(d) Profit and profitability

CONFIDENTIAL FIGURE 2.3(d)(i) indicates that the Australian industry's total profit from sales of wire rod before and since anti-dumping measures were imposed in April 2016.

[The following figure is confidential in its entirety because it contains commercially sensitive information]



CONFIDENTIAL FIGURE 2.3(d)(i) – Australian industry wire rod net profit⁵³

	12 months ending 31 March					
	2015	2016	2017	2018	2019	2020
net gain or loss	100	186	23	100	154	98

Table 2.3(d)(i) – Index of Australian industry wire rod net profit⁵⁴

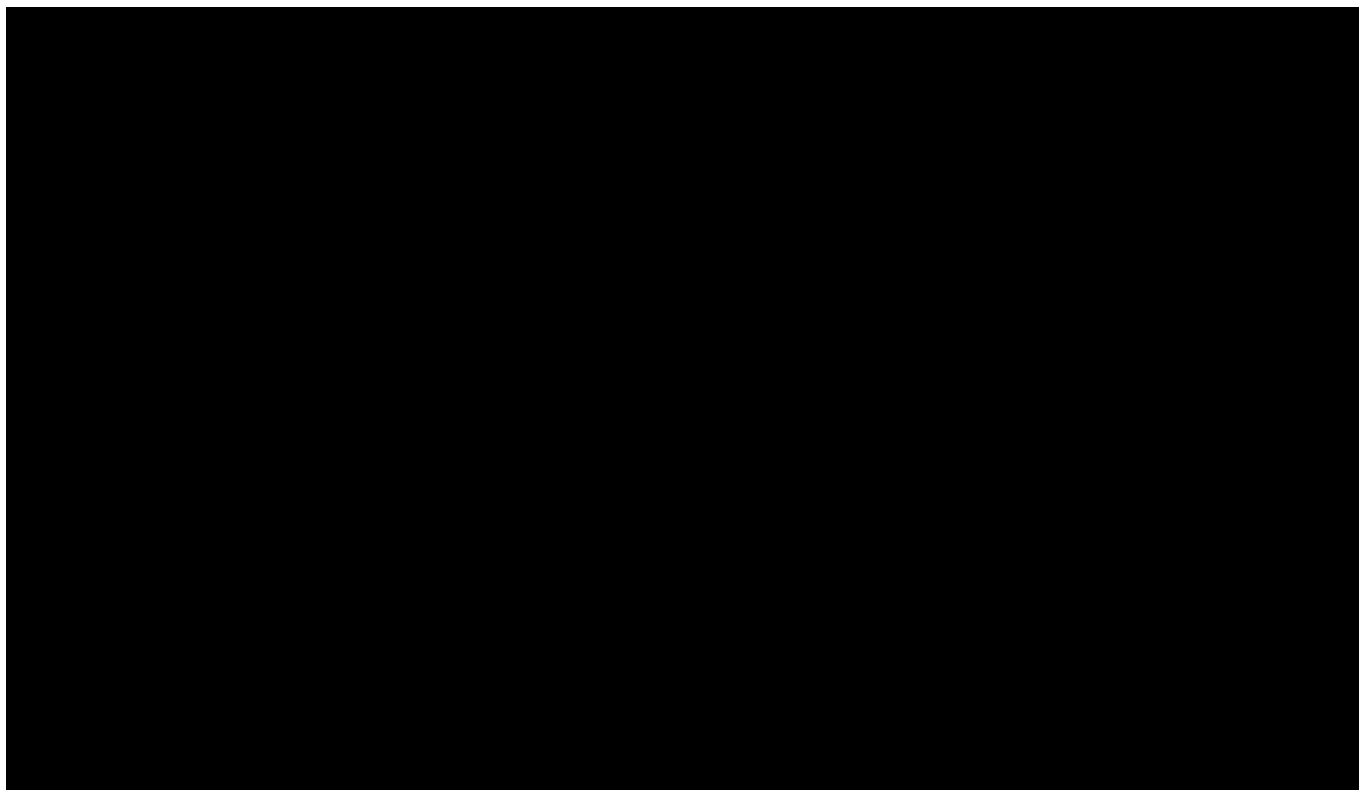
⁵³ Appendix A6.1

⁵⁴ Appendix A6.1

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CONFIDENTIAL FIGURE 2.3(d)(ii) shows that the Australian industry's unit profit and profitability for wire rod since 1 April 2014.

[The following figure is confidential in its entirety because it contains commercially sensitive information]



CONFIDENTIAL FIGURE 2.3(d)(ii) – Australian industry's wire rod unit profit and profitability (unit gain/loss divided by price)⁵⁵

	12 months ending 31 March					
	2015	2016	2017	2018	2019	2020
unit gain or loss	100	187	41	108	161	110
profitability	100	186	11	108	166	119

Table 2.3(d)(ii) – Index of Australian industry's wire rod unit profit and profitability (unit gain/loss divided by price)⁵⁶

⁵⁵ Appendix A6.1

⁵⁶ Appendix A6.1

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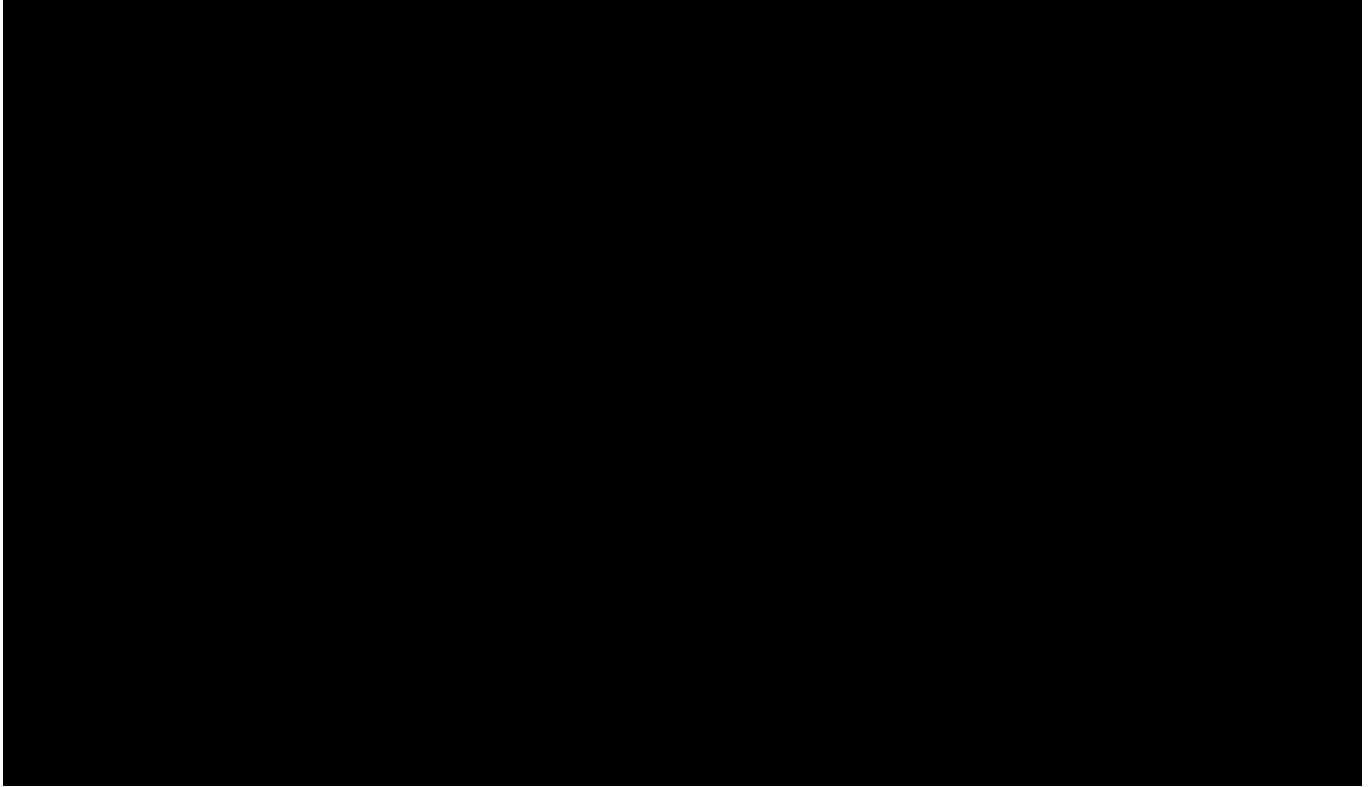
Since April 2016, when anti-dumping measures were imposed, the Australian industry's unit profit and profitability of wire rod sold in Australia declined (refer 12-month period for 2017). In 2018, profit and profitability recovered, but to levels still below those achieved in the 12-month period prior to the anti-dumping measures being imposed. The Australian industry's net profit, unit profit and profitability result in 2019 improved further, before deteriorating again in 2020, but to levels not as severe as those observed in the 12-month period ending 2017. The Australian industry considers that it has experienced injury in the forms of lost profits and profitability.

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(e) Market share

CONFIDENTIAL FIGURE 2.3(e) indicates that the Australian industry's market share by volume increased year on year following the imposition of measures.

[The following figure is confidential in its entirety because it contains commercially sensitive market intelligence]



CONFIDENTIAL FIGURE 2.3(e) – Australian wire rod market shares by volume⁵⁷

	12 months ending 31 March					
	2015	2016	2017	2018	2019	2020
Aust. Industry (own prod'n)	100	106	112	109	115	113
Aust. industry (import sales)*			100	571	154	0
China	100	178	0	0	0	0

⁵⁷ Appendix A2

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Other imports (not subject to inquiry)	100	115	246	282	169	133
Australian Market	100	108	118	120	117	112

*Table 2.3(e) – Index of Australian wire rod market shares by volume (note: * imports did not commence until 2017 period)⁵⁸*

CONFIDENTIAL FIGURE 2.3(e) also indicates that the market share of exports from:

- Chinese exports appear to have ceased following the imposition of measures; and
- countries not subject to the current measures increased year-on-year until the 12-month period 2018, and then declined in each 12-month period after that.

⁵⁸ Appendix A2

2.4 Other economic factors

The Australian industry has completed appendix A7 to its application in relation to other injury factors on a 12-month ending basis for the period from 1 April 2015 to 31 March 2020, for all entities representing the Australian industry producing the like goods.

(a) Capacity utilisation

Table 2.4(a) indicates that following the imposition of the measures in April 2016, the Australian industry's capacity utilisation, based on the shift structure at each mill for the relevant period plus an overtime option, declined before improving in 2019 and remaining stable in 2020.

12 months ending 31 March					
	2016	2017	2018	2019	2020
Like goods	100	95	91	93	93

Table 2.4(a) – Australian industry's wire rod production capacity utilisation⁵⁹

Overall, the Australian industry's capacity utilisation for wire rod production declined, thus making the Australian industry susceptible to further decline and injury in the event that the measures are permitted to expire.

⁵⁹ Appendix A7

(b) Capital investment

Table 2.4(b) indicates that following the imposition of the measures in April 2016; and the effectiveness of those measures; the Australian industry's level of capital investment in the production of wire rod initially declined in 2017, following entry of the Australian industry into voluntary administration (in April 2016), and improved year-on-year since 2017, with a significant improvement in 2019 and remained stable in 2020.

12 months ending 31 March					
	2016	2017	2018	2019	2020
Like goods	100	66	139	205	192

Table 2.4(b) – Australian industry capital investment in wire rod production (AUD)⁶⁰

Overall, the Australian industry's capital investment in wire rod production improved as the effectiveness of measures encouraged the Australian industry to invest further in the production of the like goods.

⁶⁰ Appendix A7

(c) Return on investment

Table 2.4(c) shows the Australian industry's return on investment (ROI) in the production of wire rod.

12 months ending 31 March					
	2016	2017	2018	2019	2020
Like goods	100	-1454	-798	-358	-760

Table 2.4(c) – Australian industry's return on investment in wire rod production⁶¹

The Australian industry's ROI in the production of wire rod declined following the imposition of measures, thus making the Australian industry susceptible to further decline and injury in the event that the measures are permitted to expire.

⁶¹ Appendix A7

(d) Research and development (R&D)

Table 2.4(d) indicates that following the imposition of the measures in April 2016, and the effectiveness of those measures; although the Australian industry's allocation of R&D expenditure to wire rod production declined entirely in FY 2017 (corresponding with the period of voluntary administration), R&D expenditure returned in FY 2018 and then declining again in FY 2019.

FY	2015	2016	2017	2018	2019
Like goods	100	191	0	135	95

Table 2.4(d) – Australian industry's allocation to wire rod of R&D expenditure⁶²

The Australian industry considers that it has experienced injury in the form of reduced R&D expenditure allocated to production of wire rod since the measures were imposed, thus making the Australian industry susceptible to further decline and injury in the event that the measures are permitted to expire.

⁶² Appendix A7

(e) Productivity

Table 2.4(e) shows that following the imposition of the measures in April 2016; and the effectiveness of those measures; the Australian industry's productivity, measured as the tonnes of like goods produced per 12-hour shift, remained stable in FY 2017, before improving in FY 2018, and then declining slightly in FY 2019, albeit it at levels above those observed prior to the imposition of measures.

FY	2015	2016	2017	2018	2019
Like goods	100	108	108	113	110

Table 2.4(e) – Australian industry's wire rod productivity (tonnes per 12-hour/shift) ⁶³

Overall, the Australian industry's wire rod productivity improved as the effectiveness of measures encouraged the Australian industry to invest further in the production of the like goods.

⁶³ Appendix A7

(f) Employment

Table 2.4(f) shows the Australian industry's staff levels related to the production of wire rod.

12 months ending 31 March					
	2016	2017	2018	2019	2020
Employment (headcount)	100	99	106	107	110

Table 2.4(f) – Australian industry's employee numbers in wire rod production⁶⁴

The Australian industry's staff levels decreased marginally following the imposition of measures in April 2016 (refer 12-months ending 31 March 2017), which corresponds with the industry's entry into voluntary administration. The period of voluntary administration (April 2016 to September 2017) of the entities comprising the Australian industry resulted in the retrenchment of experienced staff. Following the acquisition of the Australian industry by the GFG Alliance, new staff were recruited as part of the company restructure, this is reflected in the strong rebound in employment numbers since 2018.

The Australian industry considers that it experienced injury in the form of reduced employment in the period immediately following the imposition of measures until 2018, but that the effectiveness of the measures has given the Australian industry the confidence to invest in further human capital for the production of the like goods.

⁶⁴ Appendix A7

(g) Wages

Table 2.4(g) shows the Australian industry's average wage to employees producing wire rod has increased overall since measures were imposed until 2018, before declining in 2019.

CY	2015	2016	2017	2018	2019
Wages (Like Goods, \$)	100	104	129	143	129

Table 2.4(g) – Australian industry employee wages expense (AUD) ⁶⁵

The Australian industry considers that it experienced injury in the form of reduced wages to employees producing wire rod in 2019, thus making the Australian industry susceptible to further decline and injury in the event that the measures are permitted to expire.

⁶⁵ Appendix A7

(h) Stock-on-hand

Table 2.4(h) indicates the Australian industry's stock-on-hand for wire rod; based on its year-end closing stockholding position; increased following the imposition of measures until 2018, when it declined, and then increased again in 2019.

CY	2015	2016	2017	2018	2019
Like goods	100	209	198	97	131

Table 2.4(h) – Index of Australian industry's wire stock-on-hand (tonnes) ⁶⁶

The Australian industry considers that it experienced injury in the form of increased stock-on-hand for wire rod in every year, but one (2018), following the imposition of measures, thus making the Australian industry susceptible to further decline and injury in the event that the measures are permitted to expire.

2.5 Conclusion: Economic condition and other economic factors of the Australian industry

The Australian industry considers that in the analysis period following the imposition of measures in April 2016, the Australian industry nevertheless experienced injury in the forms of price suppression, increased stock-on-hand and reduced:

- profit and profitability;
- return on investment;
- research and development expenditure;
- capacity utilisation; and
- wages.

⁶⁶ Appendix A7

2.6 Analysis: Likelihood that material injury will continue or recur?

As indicated in section 2.5 (above), the Australian industry considers that it has experienced injury in the form of price suppression. In the original investigation, the Commission found that the Australian industry set its prices by applying an IPP (**Import Parity Price**) process in which it negotiated prices with reference to offers made in the wire rod market for imported goods. It was found that competition from importers of wire rod exported to Australia from China at dumped prices required the Australian industry to lower its prices relative to those dumped prices. This resulted in the Australian industry achieving lower prices than it might have otherwise and consequently experiencing injury.

The Australian industry maintains that since the imposition of the measures in April 2016, there remains a high level of transparency and sensitivity related to prices in the Australian wire rod market. By reason of the general consistency between the Australian and international grades and sizes for wire rod, the nature of the wire rod market is such that products of the similar chemistry and diameter from different sources are interchangeable. Consequently, price is the primary consideration in purchasing decisions and the Australian wire rod market is characterised by a high degree of price elasticity.

Since the imposition of measures, the Australian industry continued to apply the IPP model and the IPP is:

- used to set prices on an individual customer basis;
- set with reference to monthly price offers by importers in the Australian wire rod market; and
- used by customers in negotiations with the Australian industry,

noting that

[sensitive commercial information].

The Australian industry has analysed export volume and pricing patterns, including price undercutting, for China to determine if injury is likely to recur or continue.

Price undercutting occurs when imported goods are sold at prices below those of Australian manufactured like goods. The Australian industry has compared its prices in the analysis period to sales by importers of wire rod. The analysis is based on the Australian industry's sales data of like goods as well as on available information from importers' price offers to customers at the free-into-store (FIS) level. In its price undercutting analysis, the Australian industry has excluded its sales of imported wire rod as well as sales made to it by importers or exporters.

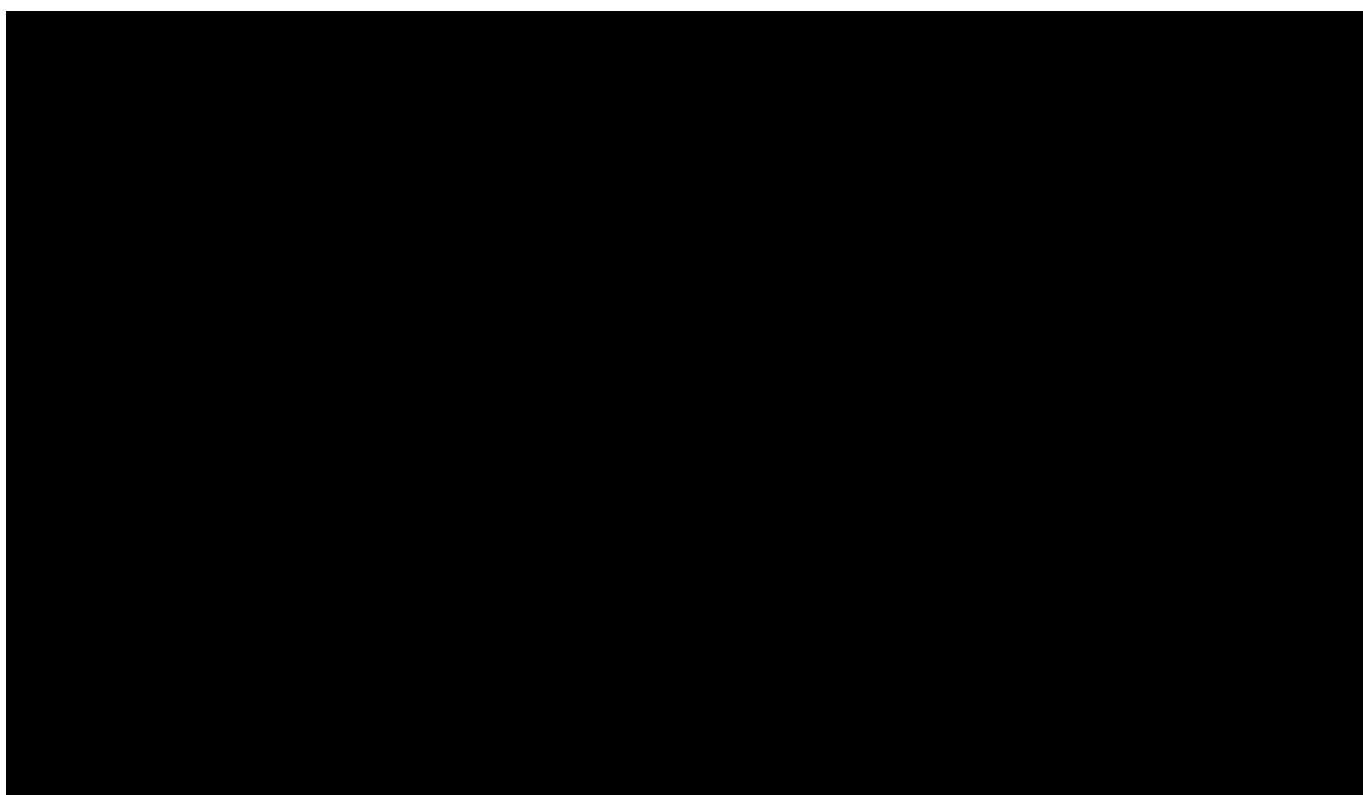
(a) China

Volume

The Australian industry concluded at section 1 of this application that since the imposition of measures in April 2016, there was an apparent absence of imports of wire rod from China, Chinese exporters have nevertheless remained active in regional wire rod export markets making offers for wire rod at or near the lowest export prices when compared to other export sources. The Australian industry submits that the absence of shipments of wire rod to Australia suggests an inability on behalf of the Chinese wire rod producers to compete in Australia at non-dumped prices.

Price

CONFIDENTIAL FIGURE 2.6(a) compares at the distributor level, the Australian industry's monthly weighted average FIS Australian selling price to export prices of wire rod made by Chinese exporters into the Asia region, adjusted from the FOB level to FIS level in Australia. With export prices available from April 2019, when compared to the Australian industry's net selling prices for wire rod across the same period, if the Chinese wire rod export sales were instead imported to Australia at the declared export prices and sold into the domestic market, the Australian industry considers that there would have been price undercutting during the period of between [REDACTED] and [REDACTED] per cent, with an average undercutting margin of [REDACTED] per cent across the period.



CONFIDENTIAL FIGURE 2.6(a) – Australian industry net FIS prices compared to equivalent FIS Chinese export prices (AU\$/t) and undercutting margin.⁶⁷

It is also observed that the FIS equivalent Chinese export price is 11.5 per cent less in May 2020 when compared to May 2019, serving to illustrate the likelihood of ongoing price undercutting and the recurrence of dumping and injury if the measures are permitted to expire.

⁶⁷ CONFIDENTIAL ATTACHMENT 2.6(a)

Conclusion

The Australian industry considers that if the measures are permitted to expire, then there would be a recurrence of exports of wire rod from China at dumped prices that would cause the Australian industry to again experience price suppression.

The Australian industry also considers that

- the instances of price undercutting observed in respect of wire rod export sales from China;
- the high degree of price elasticity in the Australian wire rod market; and
- the import price competition to which the Australian industry is subject,

would likely result in it achieving either reduced selling prices or lost sales (where the Australian industry does not reduce its prices) should the measures on exports of wire rod from China expire. Consequently, price suppression and lost sales volume and the resulting impact on revenue and profits are likely to continue or recur if measures on wire rod exported to Australia from China expire.

(b) Alternative sources of export supply that have arisen following imposition of the measures

Figure 2.1(a) (reproduced below), indicates the growth of alternative sources of wire rod exported to Australia both prior to, and following, the imposition of measures. It is observed that the volume of wire rod exports from non-subject countries have fluctuated across the analysis period, increasing in the period immediately following the imposition of measures (2017 and 2018), and then declining for the next two 12-month periods (2019 and 2020).

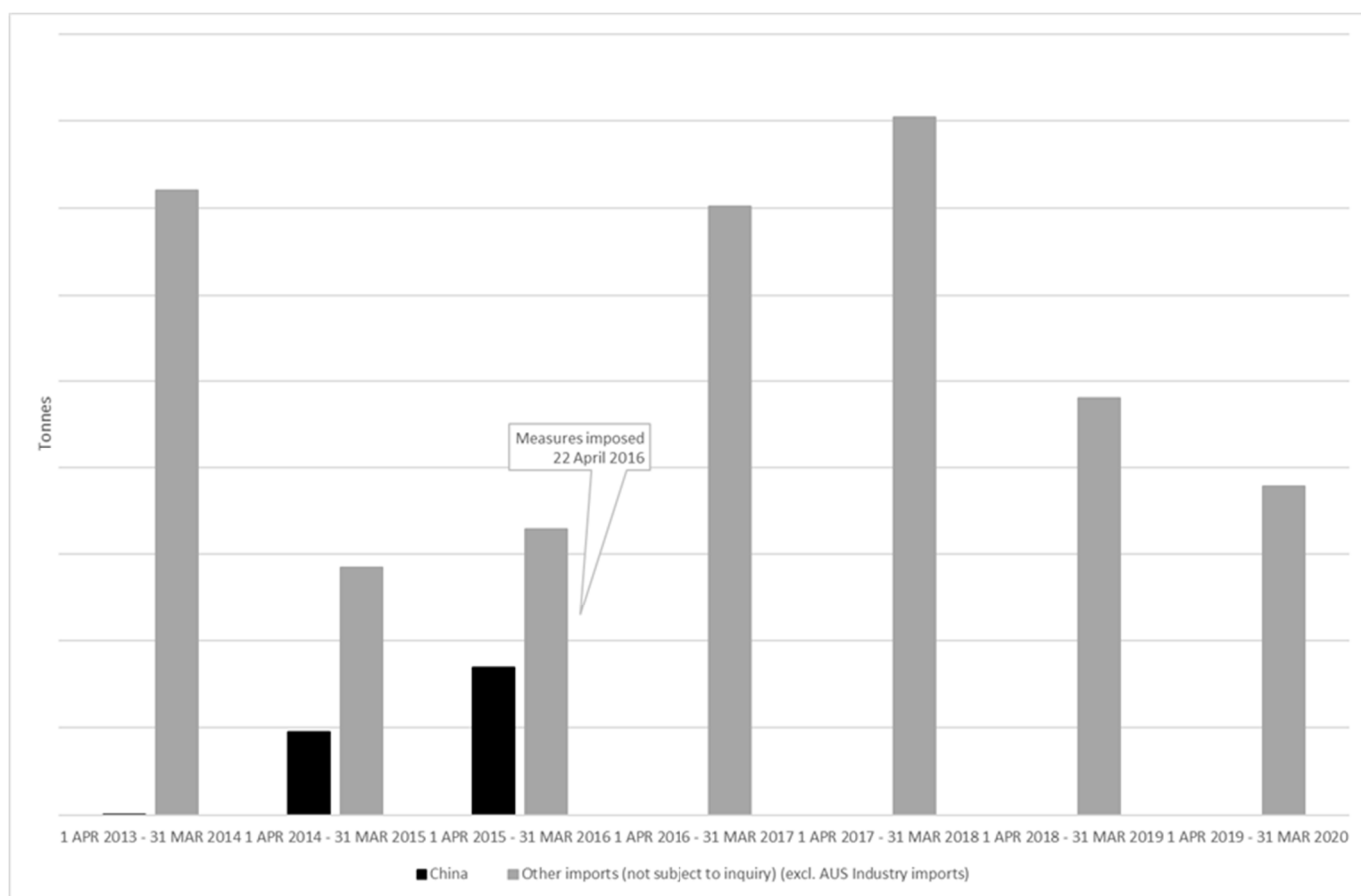


Figure 2.1(a) (reproduced) – Volume and sources of imports⁶⁸

CONFIDENTIAL FIGURE 2.6(b)(i) (below) considers the source of imports from the non-subject countries. Again, it is indicated that the source and volume of imports from non-subject countries varies.

⁶⁸ Appendix A2

PUBLIC RECORD

[The following figure is confidential in its entirety because it contains commercially sensitive market intelligence]



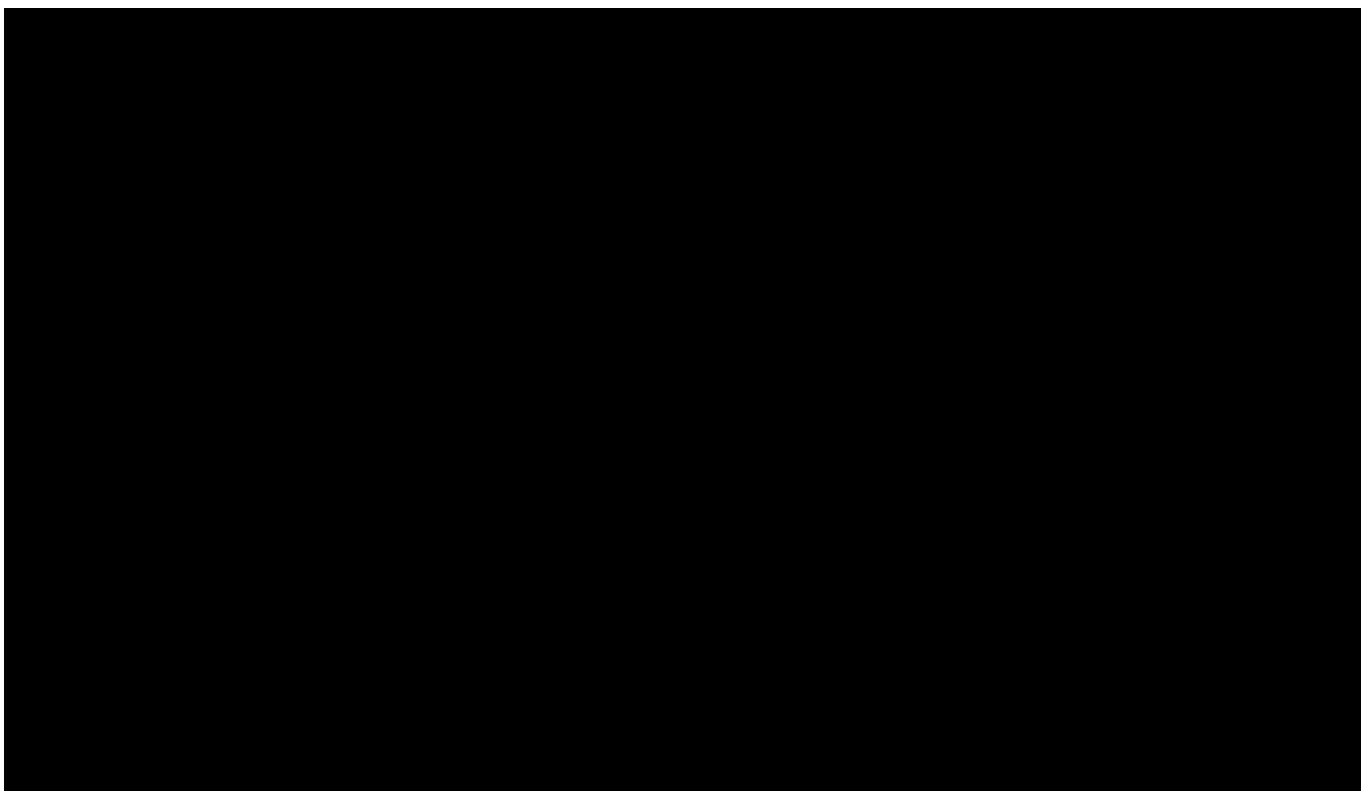
CONFIDENTIAL FIGURE 2.6(b)(i) - Volume and sources of imports from non-subject countries⁶⁹

CONFIDENTIAL FIGURE 2.6(b)(ii) (below) indicates that imports from countries that are not subject to this inquiry are at a low average unit price, relative to the Australian producers' own domestic pricing averages across the likely inquiry period (12-months ending 31 March 2020). Potential future shipments of wire rod from China will have to compete with these other sources of supply in order to secure sales in the Australian market. Given the commodity nature of wire rod, the goods from China will have to compete based on low pricing, which increases the likelihood of continued or resumed dumping if the measures were to expire.

⁶⁹ Appendix A2

PUBLIC RECORD

[The following figure is confidential in its entirety because it contains commercially sensitive market intelligence]



CONFIDENTIAL FIGURE 2.6(b)(ii) – Unit value and sources of imports from non-subject countries⁷⁰

Furthermore, a survey of export prices for wire rod (FOB source) indicates that Chinese exporters continue to export wire rod at or near to the lowest comparable offers from other sources, for example, since 1 January 2019, Chinese (FOB Shanghai) average export prices were on average within 5.6 per cent of the lowest non-Chinese export prices - with a monthly range of between 0.6 and 8.4 per cent of the lowest export price (refer CONFIDENTIAL FIGURE 2.6(b)(ii) (above)).

⁷⁰ Appendix A2

Exports of wire rod from Turkey

The new dominant source to have emerged since the imposition of measures is Turkey (refer 2018 to 2020). Exporters from Turkey are not entirely newcomers to the Australian market, having exported prior to the imposition of measures (refer 2014). Notwithstanding this, their historic presence has been limited until 2018. The key factor explaining the sudden growth in wire rod export volumes from Turkey is related to the unprecedented growth in global trade defence mechanisms including the US' 'Section 232 tariffs' and the EU's steel safeguards that have effectively increased either the barriers to entry or imposition of quotas against Turkish exports into some of its traditionally largest wire rod markets.

As an open market with limited barriers to trade by imported goods, the Australian wire rod market is susceptible to diversions in global trade flows caused by international interventions in the form of tariff, quota and non-tariff barriers.

Since February 2018; following the publication of the US DOC's report to its Section 232 investigation (in which the DOC indicated the intention to recommend that tariffs be imposed in relation to imports of wire rod and other steel and aluminium products to the US) the Australian market has experienced a sudden change in the sources of imports of wire rod, especially concerning exports from Turkey.

The US market, previously one of Turkey's largest for wire rod exports, has been largely closed off by the implementation of Section 232 tariffs. Turkey shipped 252.8 MT of wire rod to the US in 2018, down 99.8 per cent from the 103,130 MT of wire rod exported in 2017.⁷¹

On 26 March 2018, the EU, another major export market for Turkish steel producers, commenced a safeguards investigation as a result of the US Section 232 tariff action. In 2018, Turkey exported about 62.0 per cent of its overseas shipments of wire rod to the EU (largely a result of the US implementation of its Section 232 tariffs). On 17 July 2018, the EU imposed provisional safeguards on certain steel products, including wire rod exported from Turkey, and on 31 January 2019, the European Commission imposed safeguard measures consisting of a tariff-rate quota on imports into the EU of 26 steel product categories, including wire rod. As a result of the safeguard's measures, exports of wire rod to the EU from Turkey declined to 28.9 per cent of its overseas shipments.⁷² The EU's safeguard measures will remain in place until

⁷¹ CONFIDENTIAL ATTACHMENT 2.6(b)

⁷² CONFIDENTIAL ATTACHMENT 2.6(d)

30 June 2021.

To further compound matters, on 13 August 2018, the US doubled the rate of its Section 232 tariffs applicable to exports of wire rod from Turkey, from 25 per cent to 50 per cent. It was not until mid-May 2019, that the US again reduced its Section 232 tariffs to 25 per cent for Turkey.

As a result, the Australian market is observing a growth in import volumes of wire rod resulting from displaced trade flows distorted by recent trade barrier actions by other major global importing markets of the goods. Figure 2.6(b)(ii) demonstrates the impact of the US' trade defence action on Turkey's traditional wire rod export market.

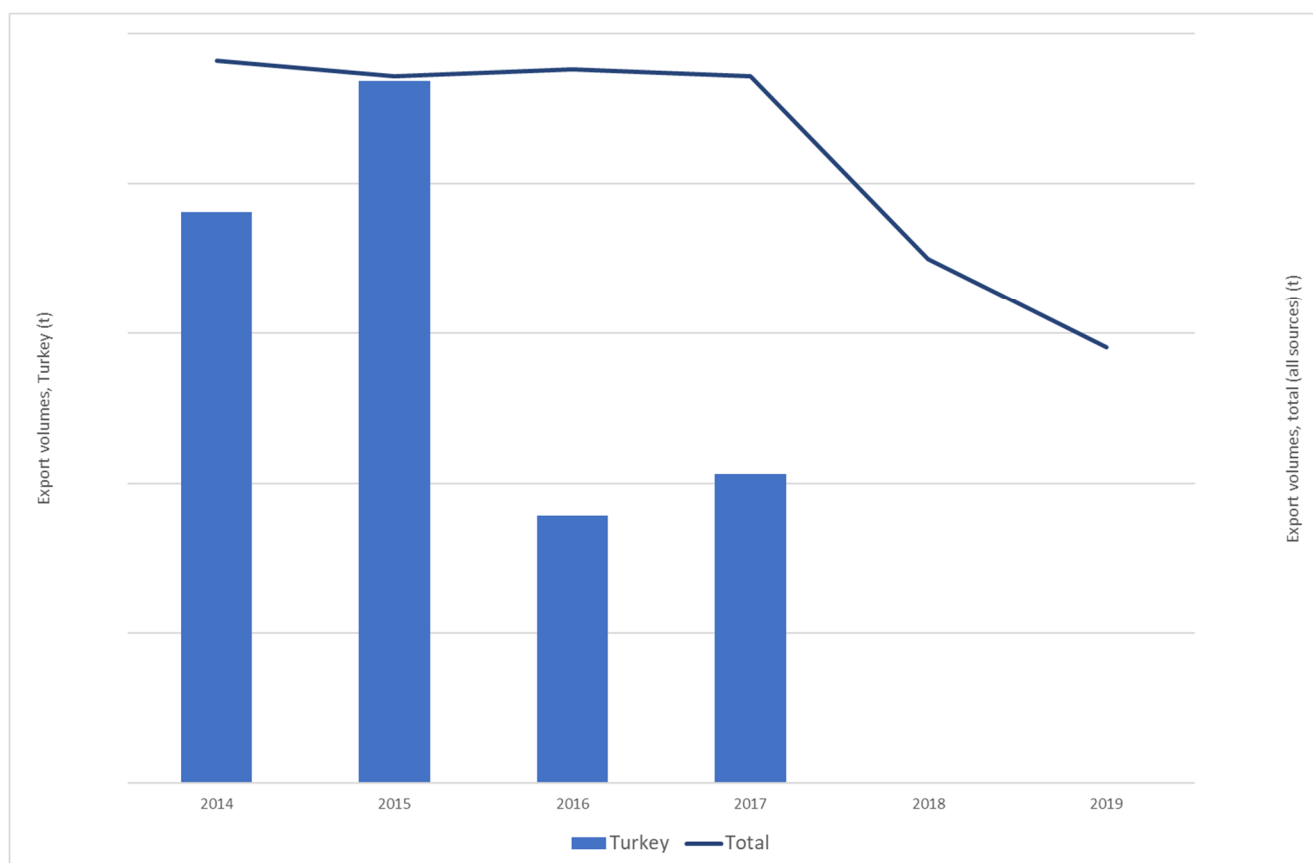


Figure 2.6(b)(iii) – Export volume of wire rod from Turkey to the United States⁷³

Similarly, Figure 2.6(b)(iv) indicates the impact of the imposition of the EU's provisional and then final safeguard measures. However, as the EU safeguard measures take the form of tariff-rate quotas, Turkish wire rod exporters have been better able to maintain some level of access to the EU market by rapidly exhausting their country-specific tariff-rate quota. Notwithstanding any manipulation of the tariff-rate quota system applied, wire rod export volumes from Turkey to

⁷³ CONFIDENTIAL ATTACHMENT 2.6(b)

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EU-member countries are consistently lower than its average historic volumes, especially since the revision of the final safeguard measures (commenced 20 May 2019).

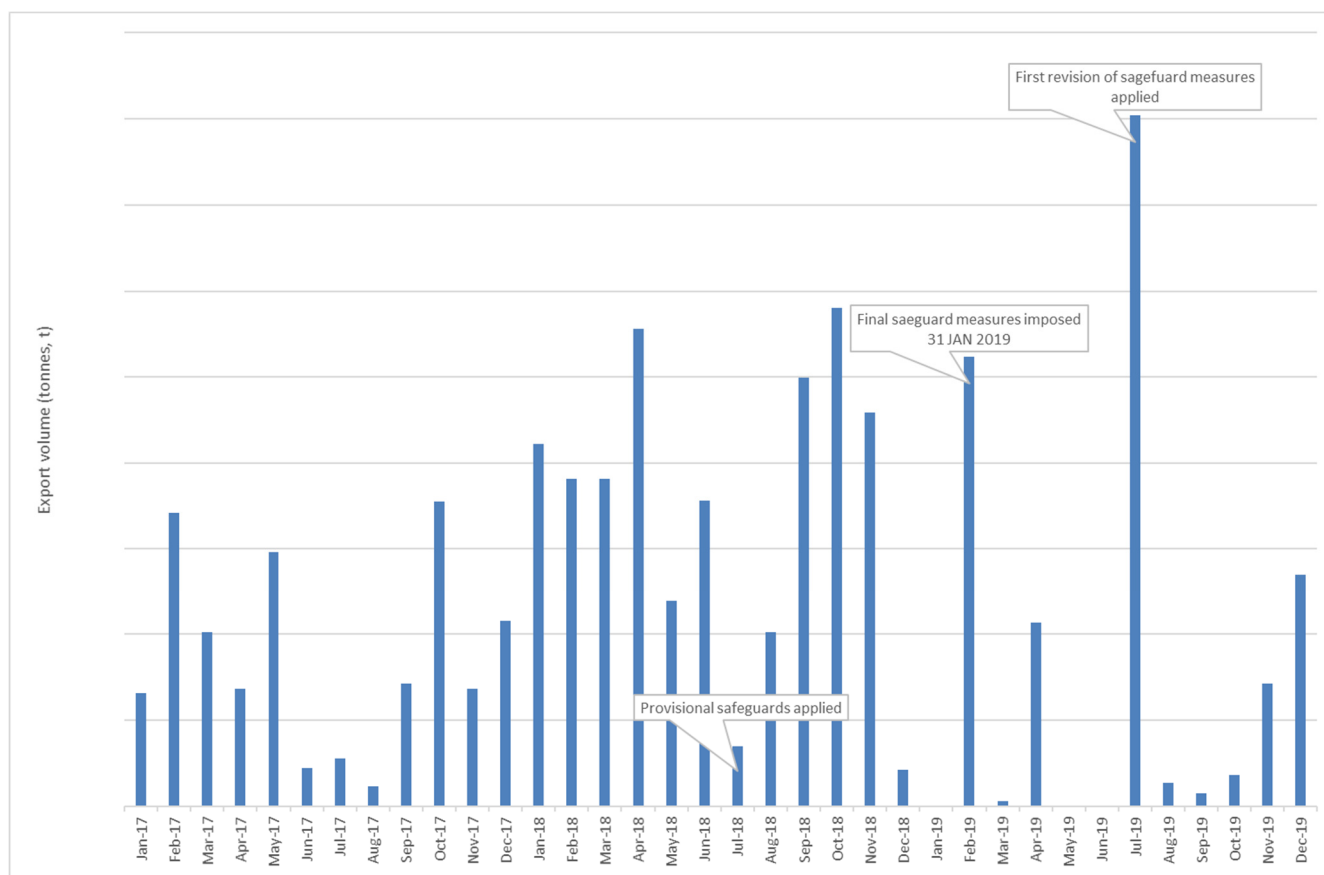


Figure 2.6(b)(iv) – Export volume of wire rod from Turkey to the European Union (including UK)⁷⁴

Conclusion – Turkey as an alternative source of wire rod

Exports of wire rod from Turkey have been present in the Australian market for a number of years, at volumes less significant than those observed since 2018. The trade defence actions of the US and the EU; Turkey's traditional wire rod markets; have significantly distorted Turkish exporters' overseas trade patterns. As such Australia has become an attractive destination for its displaced export volumes. However, the US Section 232 tariffs are not permanent, and the EU safeguard measures expire on 30 June 2021. When either, or both, of these events occur within the lifecycle of the continued measures, then the volume of wire rod exported from Turkey is likely to again return to its long-term average. On the other hand, the presence of exports from China have been present before the imposition of measures. Should the

⁷⁴ CONFIDENTIAL ATTACHMENT 2.6(c)

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measures expire, then when Turkish exporters return to their traditional markets in the US and EU, it is likely that the exporters from China will again export wire rod to Australia at dumped prices and in volumes likely to cause material injury to the Australian industry.