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Australian Government  
Department of Industry, Science,  
Energy and Resources

**Anti-Dumping  
Commission**

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*CUSTOMS ACT 1901 (Cth) - PART XVB*

**REPORT  
NO. 562**

**INQUIRY INTO THE CONTINUATION OF  
THE ANTI-DUMPING MEASURES APPLYING TO**

**STEEL ROD IN COIL**

**EXPORTED TO AUSTRALIA FROM  
THE PEOPLE'S REPUBLIC OF CHINA**

**12 March 2021**

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| <b>ABBREVIATIONS</b>    |   |
|-------------------------|---|
| \$                      | Australian Dollars  |
| ABF                     | Australian Border Force   |
| ADN                     | Anti-Dumping Notice   |
| ADRP                    | Anti-Dumping Review Panel   |
| China                   | the People's Republic of China  |
| the Commission          | the Anti-Dumping Commission   |
| the Commissioner        | the Commissioner of the Anti-Dumping Commission   |
| CTMS                    | cost to make and sell   |
| DCR                     | Dumping Commodity Register  |
| the Direction           | <i>Customs (Extensions of Time and Non-cooperation) Direction 2015</i>  |
| Dumping Duty Act        | <i>Customs Tariff (Anti-Dumping) Act 1975 (Cth)</i>   |
| EPR                     | electronic public record  |
| FOB                     | Free On Board   |
| FTE                     | full time equivalent staff  |
| FY                      | financial year ended 30 June  |
| the goods               | the goods the subject of the application (also referred to as the goods under consideration)  |
| IDD                     | interim dumping duty  |
| InfraBuild              | InfraBuild (Newcastle) Pty Ltd (formerly Liberty OneSteel (Newcastle) Pty Ltd) and The Australian Steel Company (Operations) Pty Ltd, collectively  |
| inquiry period          | 1 July 2019 to 30 June 2020   |
| Investigation 240       | Investigation 240 – Alleged dumping of steel rod in coil exported from Indonesia, Taiwan and Turkey   |
| Investigation 301       | Investigation 301 – Alleged dumping of steel rod in coil exported from the People's Republic of China   |
| Investigation 495       | Investigation 495 - Alleged dumping and subsidisation of rebar exported from the Republic of Turkey   |
| IPP model               | import parity pricing model   |
| the Manual              | the <i>Dumping and Subsidy Manual (November 2018)</i>   |
| MCC                     | model control code  |
| the Minister            | the Minister for Industry, Science and Technology   |
| MT                      | metric tonnes   |
| Parliamentary Secretary | Assistant Minister for Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science   |
| R&D                     | research and development  |
| rebar                   | steel reinforcing bar   |
| Review 413/414          | Review 413/414 – Variable factors applying to measures relating to the export of steel rod in coil from the People's Republic of China by Jiangsu Shagang Group Co. Ltd and Hunan Valin Xiangtan Iron & Steel Co., Ltd. |
| Review 468              | Review 468 – Variable factors applying to measures relating to the export of steel rod in coil from the People's Republic of China  |

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|                            |  |
|----------------------------|--|
| Review 564                 | Review 564 – Variable factors applying to measures relating to the export of steel rod in coil from the People’s Republic of China |
| REP 240                    | <i>Anti-Dumping Commission Report No. 240</i>  |
| REP 301                    | <i>Anti-Dumping Commission Report No. 301</i>  |
| RIC                        | steel rod in coil  |
| SBB                        | S&P Global Platts Steel Business Briefing  |
| section 232 trade remedies | the import tariffs imposed on aluminium and steel under section 232 of the <i>Trade Expansion Act of 1962</i> (USA) in 2018        |
| SEF                        | statement of essential facts   |
| TTM                        | trailing 12 months   |

# 1 SUMMARY AND RECOMMENDATIONS

## 1.1 Introduction

This report has been prepared in response to an application by InfraBuild (Newcastle) Pty Ltd and its related entity The Australian Steel Company (Operations) Pty Ltd (collectively InfraBuild) seeking the continuation of the anti-dumping measures (in the form of a dumping duty notice) in respect of steel rod in coil (RIC, or the goods) exported to Australia from the People's Republic of China (China).

The current measures were imposed as a result of the publication of a dumping duty notice, referred to in Anti-Dumping Notice (ADN) No. 2016/47 on 22 April 2016 (the measures).<sup>1</sup> The measures are due to expire on 22 April 2021.

This inquiry was initiated on 27 July 2020, following consideration by the Commissioner of the Anti-Dumping Commission (the Commissioner) of the application lodged by InfraBuild seeking the continuation of the anti-dumping measures.<sup>2</sup> The Commissioner established an inquiry period of 1 July 2019 to 30 June 2020 (inquiry period) to determine whether the goods exported from China have been dumped.

This report sets out the findings and conclusions on which the Commissioner's recommendations to the Minister for Industry, Science and Technology (the Minister) have been based.

## 1.2 Legislative framework

Division 6A of Part XVB of the *Customs Act 1901* (Cth)<sup>3</sup> sets out, among other things, the procedures to be followed by the Commissioner in dealing with an application for the continuation of anti-dumping measures.

Section 269ZHE(1) requires the Commissioner to publish a SEF on which they propose to base their recommendations to the Minister concerning the continuation of the measures. Section 269ZHE(2) requires the Commissioner, in formulating the SEF, to have regard to the application and any submissions received within 37 days of the initiation of the inquiry. The Commissioner may also have regard to any other matters they consider relevant.

Section 269ZHF(1) requires the Commissioner, after conducting an inquiry, to give the Minister a report which recommends that the relevant notice:

- remain unaltered;
- cease to apply to a particular exporter or to a particular kind of goods;
- have effect in relation to a particular exporter or to exporters generally as if different variable factors had been ascertained; or
- expire on the specified expiry day.

Pursuant to section 269ZHF(2), the Commissioner must not recommend that the Minister take steps to secure the continuation of the anti-dumping measures, unless the Commissioner is satisfied that the expiration of the anti-dumping measures would lead, or

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<sup>1</sup> Available on the electronic public record (EPR) for Investigation 301 (document no. [39](#)). The EPR for each investigation, review or inquiry is available on the Anti-Dumping Commission's [website](#).

<sup>2</sup> EPR 562 document no. [02](#); [ADN No. 2020/077](#)

<sup>3</sup> All legislative references in this report are to the *Customs Act 1901* (Cth) unless otherwise specified.

would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measure is intended to prevent.

### **1.3 Summary of findings**

For the reasons set out in this report the Commissioner is satisfied that:

- the expiration of the anti-dumping measures in respect of exports of RIC from China would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measures are intended to prevent.

A summary of each chapter in this report is outlined below.

#### **1.3.1 The goods, like goods and the Australian industry (Chapter 3)**

Locally produced RIC is 'like' to the goods the subject of the application. At least one substantial process in the manufacture of RIC is carried out in Australia and therefore there is an Australian industry producing like goods. The sole member of the Australian industry is InfraBuild.

#### **1.3.2 Australian market (Chapter 4)**

The Australian RIC market is currently supplied by the Australian industry and by imports from countries other than China.

#### **1.3.3 Economic condition of the Australian industry (Chapter 5)**

The Commissioner assessed the economic condition of the Australian industry from 1 July 2015 for the purposes of analysing trends in the market for RIC and assessing potential injury factors. The Commissioner found that the Australian industry has continued to experience injury in the forms of reduced market share, price suppression and losses and negative profitability among other factors. The Commissioner also found that the Australian industry has improved or maintained its position in respect of some economic indicators following the imposition of measures.

#### **1.3.4 Likelihood of dumping and material injury continuing or recurring (Chapter 6)**

The Commissioner has not re-examined the variable factors in this inquiry. For the purposes of this inquiry the Commissioner has relied on the variable factors found in Review 564,<sup>4</sup> resulting in the dumping margin set out in Table 1.

The Commissioner notes the variable factors relate to the same exporters and goods, and were found following consideration of the same time period as this inquiry. Accordingly, the Commissioner considers the variable factors ascertained in Review 564 are relevant, reliable and contemporaneous for the purposes of this inquiry.

In taking this approach the Commissioner notes that the review period in Review 564 wholly overlapped with the inquiry period in this continuation.

| <b>Exporter</b>                       | <b>Dumping margin</b> | <b>Duty method</b> |
|---------------------------------------|-----------------------|--------------------|
| Uncooperative and all other exporters | 33.1%                 | Combination        |

**Table 1: Dumping margin found in Review 564**

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<sup>4</sup> [ADN No. 2020/141](#)

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The Commission analysed China's export behaviour in terms of volumes and price, levels of dumping, available capacity and evidence of price undercutting. Further, the Commission reviewed the impact of measures by other countries, the substitutability and price-sensitive nature of the goods, and the influence of import prices on the Australian industry's prices as well as the expected supply of and demand for RIC in the next few years.

The Commission has found that the expiration of the measures applying to RIC exported to Australia from China would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and material injury that the measures are intended to prevent.

### **1.3.5 Form of measures (Chapter 7)**

Currently, interim dumping duty (IDD) is calculated based on the Combination duty method in relation to all exporters of the goods from China. The Commissioner does not propose to recommend the Minister change the existing form of measures.

### **1.4 Recommendation**

Pursuant to section 269ZHF(1)(a)(i), the Commissioner recommends to the Minister that the notice remain unaltered.

The effect of the recommendation is that RIC exported from China entered for home consumption in the Australian market on and after 23 April 2021 would continue to be subject to dumping duties.

## **2 BACKGROUND**

### **2.1 Application and initiation**

On 4 May 2020, and in accordance with section 269ZHB(1), the Commissioner published a notice<sup>5</sup> on the Commission’s website inviting the following persons to apply for the continuation of the anti-dumping measures:

- the person whose application under section 269TB resulted in the anti-dumping measures (section 269ZHB(1)(b)(i)); or
- persons representing the whole or a portion of the Australian industry producing like goods to the goods covered by the anti-dumping measures (section 269ZHB(1)(b)(ii)).

On 2 July 2020, InfraBuild lodged an application under section 269ZHC seeking the continuation of the anti-dumping measures in respect of RIC exported to Australia from China.<sup>6</sup>

As set out in ADN No. 2020/077, the Commissioner was satisfied that the application complied with section 269ZHC and, in accordance with section 269ZHD(2)(b), there appeared to be reasonable grounds for asserting that the expiration of the anti-dumping measures might lead, or might be likely to lead, to a continuation of, or a recurrence of, the material injury that the measures are intended to prevent.

The Commissioner therefore decided not to reject the application and initiated this inquiry on 27 July 2020.

### **2.2 Current anti-dumping measures**

On 22 April 2016, the then Assistant Minister for Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science (Parliamentary Secretary) imposed anti-dumping measures following the original investigation (Investigation 301). The findings of Investigation 301 are detailed in *Anti-Dumping Commission Report No. 301* (REP 301).

The Anti-Dumping Review Panel (ADRP) reviewed the then Parliamentary Secretary’s decision in respect of REP 301. On 13 January 2017, the ADRP published its finding that the decision of the then Parliamentary Secretary in REP 301 with regard to calculating the profit margin. The ADRP found the dumping margin for selected exporters and exporters in general was not the correct and preferable decision. The ADRP recommended that the then Parliamentary Secretary revoke her decision and substitute it with a revised profit margin and, in turn, a revised dumping margin.<sup>7</sup>

Table 2 below summarises the anti-dumping measures currently applying to exports of the goods to Australia from China.

| Exporter      | Dumping Margin | Duty Method                                   |
|---------------|----------------|---|
| All exporters | 33.1%          | Combination of fixed and variable duty method |

**Table 2: Current anti-dumping measures applying to RIC exported from China**

<sup>5</sup> [ADN No. 2020/042](#)

<sup>6</sup> EPR 562, document no. [01](#)

<sup>7</sup> ADRP [Report No. 40](#)



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Further detail concerning the measures can be found on the *Dumping Commodity Register* (DCR) on the Commission's website.<sup>8</sup>

### 2.2.1 Other Cases

The Commission has conducted numerous cases relating to RIC exported to Australia. A list of cases relevant to this inquiry is set out in Table 3 below and further details can be found on the Commission's website.

| Case type and report            | ADN No.  | Date of decision | Country of export               | Outcome  |
|---------------------------------|----------|------------------|---------------------------------|--|
| Investigation<br><i>REP 240</i> | 2015/76  | 17 June 2015     | Indonesia,<br>Taiwan,<br>Turkey | Dumping duties imposed on Taiwan only.   |
| Investigation<br><i>REP 301</i> | 2016/47  | 22 April 2016    | China                           | Dumping duties imposed.  |
| Review<br><i>REP 413/414</i>    | 2018/50  | 14 April 2018    | China                           | Dumping duty notice varied in relation to exports from Jiangsu Shagang Group Co. Ltd and Hunan Valin Xiangtan Iron & Steel Co., Ltd. |
| Review<br><i>REP 468</i>        | 2019/11  | 15 February 2019 | China                           | The variable factors were changed for all exporters from China.  |
| Review<br><i>REP 564</i>        | 2020/141 | 24 December 2020 | China                           | The variable factors were changed for all exporters from China.  |

Table 3: Summary of cases relating to RIC exported from China

## 2.3 Conduct of this inquiry

### 2.3.1 Statement of essential facts

The Commissioner must, within 110 days after the initiation of an inquiry, or such longer period as is allowed under section 269ZHI(3), place on the public record a SEF on which the Commissioner proposes to base a recommendation to the Minister in relation to the application.<sup>9</sup>

This SEF for this inquiry was originally due to be placed on the public record by 14 November 2020. Subsequently, as advised in ADN No. 2020/133, the Commissioner approved an extension of time for the publication of the SEF.<sup>10</sup>

The SEF for this inquiry was placed on the public record on **23 December 2020**.

### 2.3.2 Final report

As a result of the extension of time granted by the Commissioner, the final report and recommendations in relation to this inquiry must be provided to the Minister on or before **12 March 2021**.

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<sup>8</sup> The DCR is available [here](#)

<sup>9</sup> Section 269ZHE(1); On 14 January 2017, the powers and functions of the Minister under section 269ZHI were delegated to the Commissioner. Refer to ADN No. 2017/10 for further information.

<sup>10</sup> EPR 562, document no. [05](#)

### 2.3.3 Australian industry

The Commissioner is satisfied that the applicant, InfraBuild, is the sole member of Australian industry producing like goods to the goods the subject of this inquiry.<sup>11</sup>

InfraBuild provided a detailed response to the Australian industry questionnaire, including data relating to its Australian sales, export sales, cost to make and sell (CTMS) and information on the Australian industry, market situation and proper comparison.

Due to restrictions imposed to control COVID-19 at the time of this inquiry, the Commission did not conduct an onsite verification visit to InfraBuild’s premises. Instead, the Commission conducted a targeted remote verification of InfraBuild’s data. The Commission undertook a remote verification of InfraBuild’s sales data. In relation to InfraBuild’s CTMS data, the Commission obtained satisfaction of the accuracy of the data by comparing it against InfraBuild’s verified CTMS data from Continuation Inquiry 546, which concerned measures on steel reinforcing bar (rebar) from a number of countries.<sup>12</sup>

### 2.3.4 Importers

At initiation, the Commission analysed the Australian Border Force (ABF) import database for imports of the goods from China during the inquiry period. The Commission did not identify any imports of the goods during the inquiry period. The Commission sent a questionnaire to importers of the goods identified as having previously imported the goods or that had cooperated in previous cases involving RIC. The Commission also placed the questionnaire on its website for completion by other importers that were not contacted directly.

The Commission did not receive any completed importer questionnaires.

### 2.3.5 Exporters

The Commission did not identify any importations of the goods from China during the inquiry period. As a result the Commission sent questionnaires to exporters that had cooperated in previous cases involving RIC. The relevant exporter questionnaires and associated spreadsheets were also placed on the Commission’s website for completion by other exporters that were not contacted directly.

The Commission did not receive any completed exporter questionnaires.

### 2.3.6 Submissions received from interested parties

The Commission has received submissions from interested parties throughout the course of this inquiry as set out in Table 4 below. Non-confidential versions of all submissions received are available on the EPR.

| Submission from | Date published on EPR | EPR Document No. |
|-----------------|-----------------------|------------------|
| InfraBuild      | 3 August 2020         | 3                |
| InfraBuild      | 23 November 2020      | 6                |
| InfraBuild      | 17 December 2020      | 7                |
| InfraBuild      | 29 January 2021       | 9                |

**Table 4: Submissions received**

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<sup>11</sup> Chapter 3 refers

<sup>12</sup> EPR 546, document no. [19](#)

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In preparing this report the Commission has had regard to all submissions received.

### 3 THE GOODS, LIKE GOODS AND THE AUSTRALIAN INDUSTRY

#### 3.1 Finding

The Commissioner considers that the locally manufactured RIC is a like good to the goods subject to the anti-dumping measures. The Commissioner considers that there is an Australian industry, of which InfraBuild is the sole member, producing like goods, and that the like goods are wholly produced in Australia.

#### 3.2 Legislative framework

In order to be satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or recurrence of, dumping or subsidisation, the Commissioner firstly determines whether the goods produced by the Australian industry are “like” to the imported goods. Section 269T(1) defines like goods 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 definition of like goods is relevant in the context of this inquiry in determining the Australian industry and whether the expiration of the measures would lead to a continuation of, or a recurrence of, the dumping and material injury that the measures are intended to prevent. The Commission’s framework for assessing like goods is outlined in Chapter 2 of the *Dumping and Subsidy Manual November 2018* (the Manual).<sup>13</sup>

Where the locally produced goods and the imported goods are not alike in all respects, the Commissioner assesses whether they have characteristics closely resembling each other against the following considerations:

- i. Physical likeness;
- ii. Commercial likeness;
- iii. Functional likeness; and
- iv. Production likeness.

The Commissioner must also consider whether the “like” goods are in fact produced in Australia. Section 269T(2) specifies that for goods to be regarded as being produced in Australia, they must be either wholly or partly manufactured in Australia. Under section 269T(3), in order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia. The following therefore establishes the scope of the Commission’s inquiry.

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<sup>13</sup> Available on the Commission’s [website](#)

### 3.3 The goods

The goods subject to the 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 include all steel rods meeting the above description regardless of the particular grade or alloy content.*

Goods excluded from the measures are:

*Hot-rolled deformed steel reinforcing bar in coil form, commonly identified as rebar or debar, and stainless steel in coils.*

#### 3.3.1 Tariff classification

The goods are generally, but not exclusively, classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*.<sup>14</sup>

| Tariff Subheading | Statistical Code | Description   |
|-------------------|------------------|---|
| 7213              |                  | BARS AND RODS, HOT-ROLLED, IN IRREGULARLY WOUND COILS, OF IRON OR NON-ALLOY STEEL |
| 7213.91           |                  | Other   |
| 7213.91.00        | 44               | Of circular cross-section measuring less than 14 mm in diameter                   |
| 7227              |                  | BARS AND RODS, HOT-ROLLED, IN IRREGULARLY WOUND COILS, OF OTHER ALLOY STEEL       |
| 7227.90           |                  | Other   |
| 7227.90.90        | 02               | <i>Of circular cross-section measuring less than 14 mm in diameter</i>            |

**Table 5: General tariff classification for the goods**

#### Interested party submission

On 3 August 2020, InfraBuild made a submission to the Commission concerning the tariff classifications outlined in Table 5.<sup>15</sup> InfraBuild’s submission, which was a joint submission for this inquiry and Review 564 noted an additional tariff classification heading, 7308 (Structures and parts of structures), which it considered may have been assigned to imports of the goods.

InfraBuild requested the Commission review the import data to ensure the goods imported under this additional tariff heading are included in the Commission’s analysis. InfraBuild’s submission also requested the Commission consider updating the DCR to include goods under this additional heading.

The Commission reviewed the ABF import database for the additional tariff heading and found no evidence of the goods being exported under this heading. Based on this, the

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<sup>14</sup> The statistical codes applying to these tariff classifications were modified subsequent to the initiation of the original investigation.

<sup>15</sup> EPR 562, document no. [03](#)

Commission does not find it appropriate include goods imported under this tariff classification in the analysis or to update the DCR.

### **3.4 Model control code**

The Commission generally uses a model control code (MCC) structure in order to identify key characteristics for, among other things, model matching when comparing export prices and normal values.<sup>16</sup>

The Commission proposed a MCC structure for this inquiry at initiation.<sup>17</sup> Due to the lack of cooperation from exporters in this inquiry, the Commission was unable to assess the proposed MCC structure in relation to exports from China.

### **3.5 Like goods**

Having regard to the Commission's:

- examination of the Australian industry and the goods in previous cases;<sup>18</sup>
- verification of exporters in China in previous cases;<sup>19</sup> and
- findings in previous cases that locally produced goods are like goods to the goods exported from China;<sup>20</sup>

the Commission is satisfied that the locally produced goods closely resemble the goods the subject of the application and are like goods. This is as the:

- primary physical characteristics of the locally produced goods closely resemble the imported goods;
- imported and locally produced goods are commercially alike as they are sold to the same customers and/or compete in the same markets;
- imported and locally produced goods are functionally alike as they have the same end uses and/or are substitutable; and
- imported and locally produced goods are manufactured in a similar manner.

#### **3.5.1 Conclusion – Like goods**

The Commissioner is satisfied that the domestically produced goods are 'like goods' as defined in section 269T(1) to the goods under consideration.

### **3.6 Australian industry**

InfraBuild asserts in its application that it is the sole producer of RIC in Australia. InfraBuild produces RIC at its facilities in Laverton North in Victoria and Newcastle in New South Wales.<sup>21</sup> The Commission is not aware of any other producer of RIC in Australia and therefore considers that the Australian industry for RIC is represented by InfraBuild.

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<sup>16</sup> The basis for using a MCC structure and the Commission's practice is explained in [ADN 2018/128](#)

<sup>17</sup> EPR 562, document no. [02](#)

<sup>18</sup> EPR 301, document no. [26](#)

<sup>19</sup> EPR 413, document no. [08](#) and EPR 414, document no. [08](#)

<sup>20</sup> Investigation 301, Review 413/414 and Review 468

<sup>21</sup> EPR 562, document no. [09](#)

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The Commission did not undertake an onsite verification visit to InfraBuild as part of this inquiry. The Commission has conducted a number of onsite verification visits to InfraBuild's facilities, the last being for Investigation 495 which involved rebar. RIC is a similar good to rebar in that it is produced in the same plant, with the same equipment, with similar processes and from similar feedstock.

### 3.6.1 Production process

The Commission observed the RIC production process as part of Investigation 301.<sup>22</sup> The Commission most recently observed the processes relevant to rebar production as part of Investigation 495.<sup>23</sup> The Commission is not aware of any changes that have been made to the production process. The Commission is satisfied that there have been no substantive changes to InfraBuild's manufacturing processes in the period between Investigation 301 and this inquiry.

### 3.6.2 Conclusion – Australian industry

Based on the information obtained from previous verification visits, submissions and market intelligence the Commissioner is satisfied that:

- the like goods were wholly manufactured in Australia;<sup>24</sup> and
- there is an Australian industry which produces like goods in Australia.<sup>25</sup>

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<sup>22</sup> EPR 301, document no. [26](#)

<sup>23</sup> EPR 495, document no. [18](#)

<sup>24</sup> Section 269T(2)

<sup>25</sup> Section 269T(4)

## 4 AUSTRALIAN MARKET

### 4.1 Finding

The Commissioner has found that during the inquiry period the Australian market for RIC was supplied by the Australian industry and imports from a number of countries. The Commissioner estimates that the size of the Australian market during the inquiry period was approximately 0.5 million tonnes.

### 4.2 Approach to analysis

As discussed in Chapter 3, InfraBuild is the sole member of the Australian RIC industry. The analysis detailed in this chapter is based on verified financial information submitted by InfraBuild<sup>26</sup> and data captured in the ABF import database.

The period from 1 July 2015 has been examined for the purposes of analysing trends in the Australian market for RIC and for making observations with respect to the economic condition of the Australian market.

### 4.3 The Australian RIC market

RIC is an intermediate good that is further processed into other products, typically reinforcing mesh used in concrete and paving applications. Other end products include wire, mine mesh, springs and reinforcing ligatures.

Processors and distributors purchase locally made and imported RIC and can readily switch between suppliers.

The key market segments for RIC fall into three main market segments:

- residential construction;
- non-residential construction; and
- engineering construction

Residential construction is considered to be the main driver of demand for RIC.

There is limited substitutability of RIC with other products owing to the physical properties of steel as a reinforcing medium. RIC is therefore a ubiquitous product in the Australian construction industry. RIC is expected to continue to be the dominant reinforcing product for the foreseeable future.

Local production of RIC is supplemented by imports, with distributors and end users engaging with producers from other countries. RIC is a commodity product and provided the goods meet the grade requirements for the desired end use there are limited ways in which suppliers can differentiate their offering beyond price and service.

#### 4.3.1 Channels to market

The Australian industry sells RIC to related and independent processors and direct to some manufacturing customers. Product is despatched to customers from inventory which is held at the Australian manufacturer's mills. Once sold, the products are transported via road, rail or sea freight to the customer.

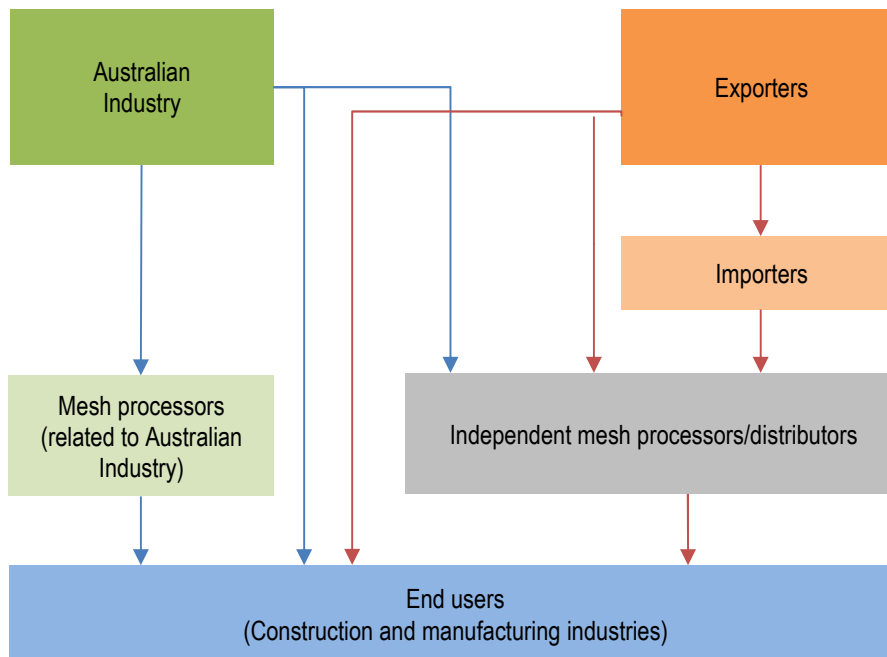
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<sup>26</sup> EPR 562, document no. [04](#)



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Exporters essentially utilise the same channels to market. The channels to market are detailed in **Figure 1**.



**Figure 1: Channels to market**

The Australian industry is able to supply RIC from stock (if available) or from scheduled production. The supply of RIC from stock can occur within two days. The supply of specialist grades or specifications will depend on the rolling schedule. In contrast, the lead time from an exporter from order confirmation through to the receipt of the goods can range from two to three months. Exporters generally supply mesh grade RIC as demand for this is more predictable than non-standard products.

### 4.3.2 Drivers of demand

Demand for RIC is closely aligned to the level of construction activity in Australia. Demand is therefore susceptible to changes in both government and private investment. At a macro level, drivers of demand are the availability of credit to fund construction works and population growth. The degree to which demand is sensitive to these broad factors can differ between market segments, and the effect of changes in demand are not necessarily experienced consistently in different market segments. There are therefore a diverse range of specific factors at play within market segments that contribute to demand for RIC in the Australian market.

The Australian industry and importers have regard to forecasts for demand to manage their supply chains. In December 2019, BIS Oxford Economics estimated the value of total building and construction work in Australia to be approximately \$200 billion in FY19.<sup>27,28</sup> At that time, it forecast that this would grow to approximately \$250 billion by FY24.<sup>29</sup> The key driver of this forecast growth was engineering and infrastructure construction and to a

<sup>27</sup> BIS Oxford Economics' *Building Industry Prospects* report (December 2019)

<sup>28</sup> In this report FY[XX] denotes the financial year ending on 30 June of the year 20[XX]

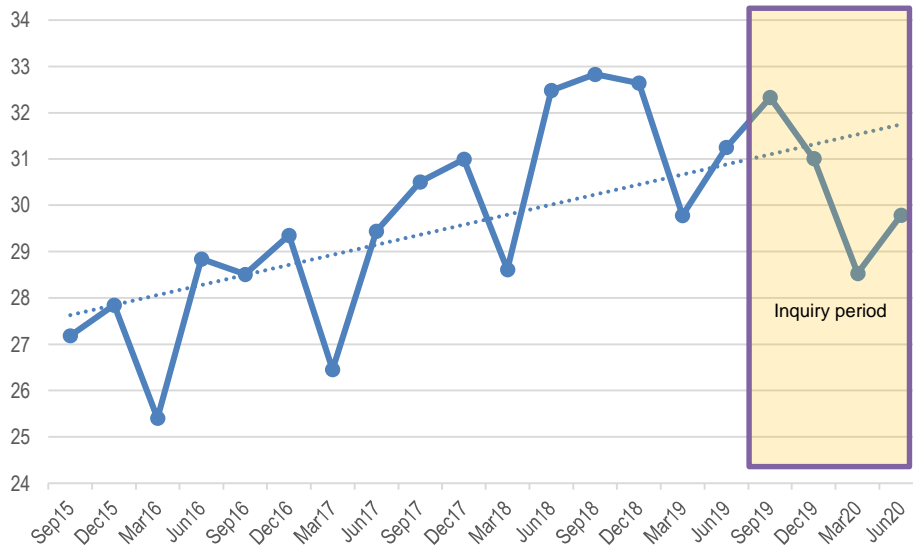
<sup>29</sup> Ibid.

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lesser extent non-residential construction. Residential construction was expected to experience modest growth over this period.

Noting the channels to market and the significance of distributors and processors (through whom the majority of sales are made to end users), these macro-level analyses provide the Commission with an understanding of broader trends that impact demand for RIC.

Figure 2 shows the total investment in residential and non-residential building work by quarter since 1 July 2015. The dotted line shows the trend over this time.



**Figure 2: Building and construction sector in Australia, quarterly (\$ Billion)**

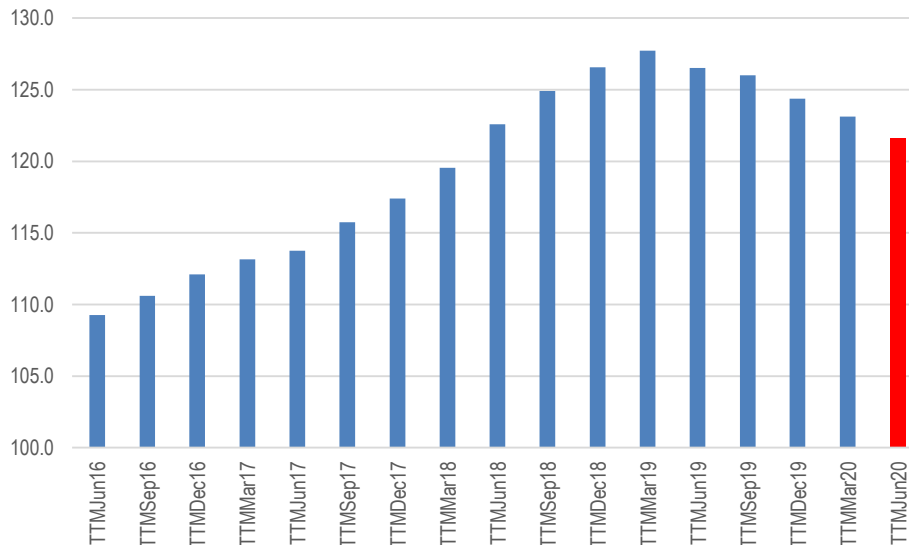
*Source: Australian Bureau of Statistics<sup>30</sup>*

Figure 2 demonstrates that the historical building and construction trend has generally been upward. Three of the quarters in the inquiry period have been below the long term trend. Although there has been an improvement in the June 2020 quarter compared to the March 2020 quarter, it was still below the previous corresponding June quarter. The March quarter in any given year tends to have the lowest level of activity, reflecting industry shutdowns for the festive season. The most recent March quarter experienced the lowest level of activity since 2018.

<sup>30</sup> Available from the Australian Bureau of Statistics (ABS) [website](#) – data from section 8752.0 Building Activity, Australia (Table 12)

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Figure 3 shows the total value of residential and non-residential building work from 1 July 2015 based on trailing 12 month periods (TTM). The inquiry period is coloured red.



**Figure 3: Building and construction sector in Australia \$Billion, TTM**

Source: Australian Bureau of Statistics<sup>31</sup>

Growth peaked in the 12 months ended 31 March 2019 (\$127.7B). Since this time the level of investment has been in decline. The inquiry period experienced the lowest level of activity (\$121.7B) since the TTM to 31 March 2018.

### 4.3.3 Demand outlook

Due to COVID-19 related economic disruption, it has been difficult to obtain reliable forecasts for the construction sector and the Australian economy more broadly. Whilst there is a known pipeline of major projects in the engineering and infrastructure segment and, to a lesser extent, non-residential construction, the outlook for the residential segment and unannounced major projects is uncertain. Various bodies have published forecasts for the construction sector that have generally predicted a weak outlook. The *Budget 2020-21* in October 2020 forecast that dwelling investment will fall by 8.8 per cent in FY20 and 11 per cent in 2020-21.<sup>32</sup> Beyond this it has forecast that dwelling investment will increase by 7 per cent in 2021-22.<sup>33</sup> The outlook is continually being revised and the full extent of recently announced government stimulus is yet to be realised, particularly in the residential segment.

It is probable that the construction sector will experience subdued activity until at least the middle of 2021. This in turn will have a direct impact on the future demand for RIC. Furthermore, it is reasonable to assume that a continued contraction in construction activity will likely intensify competition among contractors bidding for fewer projects in turn placing price pressure on inputs such as materials, including RIC, and labour.

<sup>31</sup> Ibid.

<sup>32</sup> Australian Government, *Budget 2020-21*, October 2020, [Budget Paper 1 - Statement 2: Economic Outlook](#)

<sup>33</sup> Ibid.

#### **4.3.4 Pricing**

In Investigation 301, the Commission found that the Australian industry set its prices by applying an Import Parity Pricing model (IPP model), whereby prices were negotiated with customers and established with reference to competing price offers in respect of imported goods.

In its application for the continuation of measures, InfraBuild asserted that it continued to apply the IPP model in the period following the imposition of measures and throughout half of the inquiry period. It further claimed that pricing in the Australian market is influenced by prices of imported RIC.

Australian industry is generally able to command a small price premium for non-mesh grade RIC due to its capacity to supply from stock holdings with shorter delivery timeframes than imported sources. Importers tend to compete mainly in the higher volume, mesh grade RIC product offering. Although the pricing for mesh grade RIC is more heavily influenced by import pricing, it is also a contributory factor in the pricing of non-mesh grade products.

While InfraBuild applied the IPP model throughout half of the inquiry period, InfraBuild has provided the Commission with information related to its new pricing model which commenced on 1 January 2020. The new pricing model is in place for all RIC product specifications. Refer to section 6.4.5 for further discussion and analysis of InfraBuild's pricing structure.

#### **4.3.5 Structural changes in the market**

In September 2017 there were significant changes to InfraBuild's corporate structure. InfraBuild was formerly a part of the Arrium Group, which entered administration before being acquired by Liberty OneSteel (MDR) UK Limited. A re-organisation by the ultimate parent entity in 2019 saw operational control of InfraBuild pass to InfraBuild Pty Ltd, a member of GFG Alliance.

In March 2018, Commercial Metals Company was acquired by Macsteel International Trading Holdings B.V., and became Macsteel.

In August 2019, InfraBuild acquired Dalian Steelforce Hi-tech Co., Ltd and its related party businesses in Australia all of which are distributors of rebar imported from parties unrelated to InfraBuild.<sup>34</sup>

In March 2020 it was announced that InfraBuild Trading Pty Ltd had proposed to acquire Best Bar.<sup>35</sup> In June 2020 it was announced that the proposed acquisition would no longer proceed.<sup>36</sup>

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<sup>34</sup> The relevant media release from GFG Alliance's [website](#); EPR 562, document no. [09](#)

<sup>35</sup> The public register of the Australian Competition & Consumer Commission [website](#)

<sup>36</sup> EPR 562, document no. [09](#)

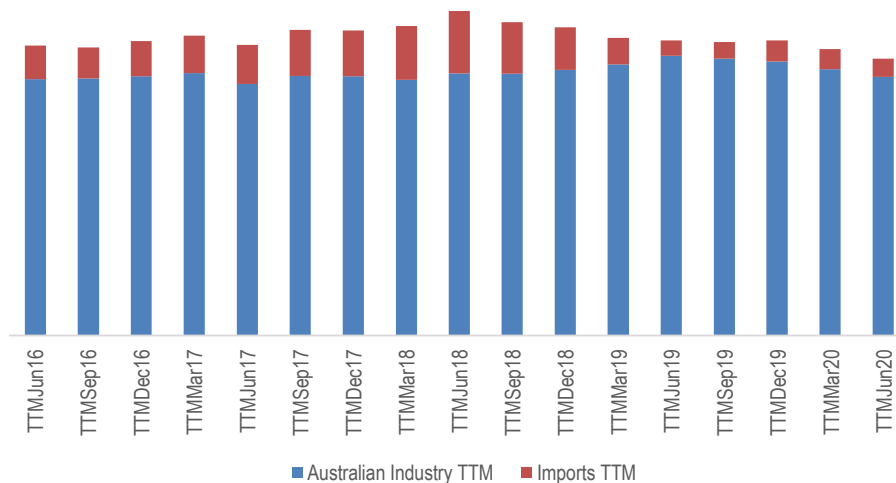
#### 4.4 Market size

In its application InfraBuild estimated the size of the Australian RIC market with reference to the following sources:

- InfraBuild’s own domestic sales data; and
- import data obtained from an independent recognised supplier of international trade statistics via paid subscription.

To estimate the size of the Australian RIC market the Commission has combined InfraBuild’s verified sales data with information from the ABF import database. The Commissioner considers that the ABF import database to be a reliable source of data for imported RIC and that it is relevant and suitable for estimating the size of the Australian market for RIC.

The Commissioner’s estimate of the size of the Australian RIC market is depicted in Figure 4 below. Figure 4 shows the total quantity of RIC sold in the Australian market on a TTM basis since 1 July 2015. This analysis can be found in **Confidential Attachment 1**.

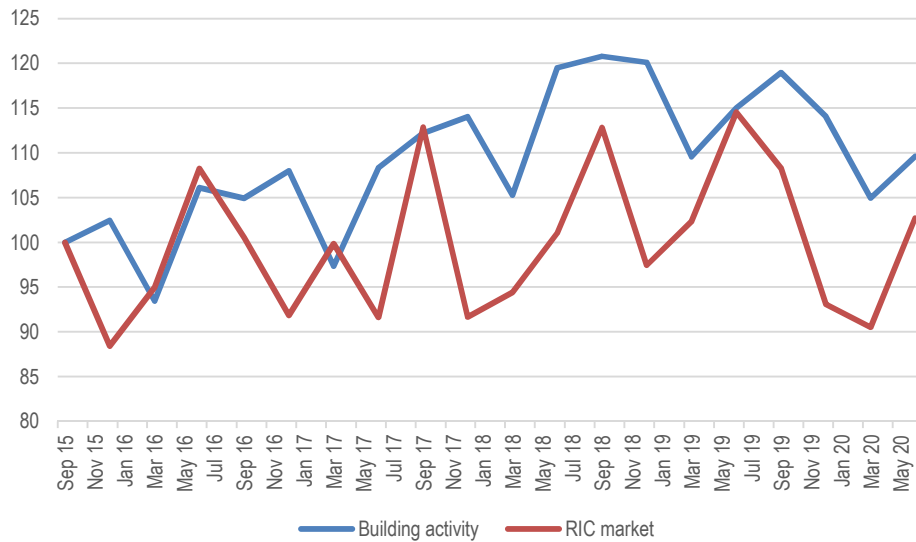


**Figure 4: Australian market for RIC (MT), TTM**

The Commission observes that, on a TTM basis, the Australian RIC market has remained relatively stable over the chart period. The market peaked slightly in the TTM to 30 June 2018. Since then the market for RIC has decreased slightly but has otherwise remained relatively stable.

The Commission observes that the trends in the market for RIC largely correspond to the trends indicated in Figure 2 and Figure 3. Figure 5 below compares the quarterly change in the value of building and construction work to the total RIC market (domestic production and imports), indexed to the September 2015 quarter.

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**Figure 5: Value of building and construction and total RIC market, quarterly change, indexed to September 2015 quarter**

### 4.5 Importers

The Commission analysed the ABF import database for imports of the goods from China during the inquiry period. The Commission did not identify any importations of the goods from China during the inquiry period.

## 5 ECONOMIC CONDITION OF THE AUSTRALIAN INDUSTRY

### 5.1 Approach

This chapter considers the economic condition of the Australian industry since the imposition of the measures. The observations in this section are based on reliable financial information submitted by InfraBuild in this continuation and previous inquiries,<sup>37</sup> and information captured in the ABF import database.

The period from 1 July 2011 has been used for the purposes of identifying trends in the sales volume and market share of the Australian industry. The period from 1 July 2015 has been used to identify trends in the price, profit, profitability and other economic factors of the Australian industry. The data and analysis on which the Commission has relied to assess the economic position of the Australian industry is at **Confidential Attachment 1**.

Consideration of whether it is likely, in the absence of the measures, that material injury caused by dumping will continue or recur is considered in Chapter 6.

### 5.2 Findings in original investigation

Investigation 301 found that the Australian industry had experienced injury in the form of:

- price depression;
- price suppression;
- reduced profits and profitability; and
- decreased employment

### 5.3 Commencement of injury and analysis period

Anti-dumping measures in the form of IDD currently apply to goods exported to Australia from China.<sup>38</sup> These measures were imposed on 22 April 2016.<sup>39</sup> The measures were amended on 20 April 2018,<sup>40</sup> and again on 19 February 2019.<sup>41</sup>

In Investigation 301, the Commission analysed the period commencing 1 July 2011. In this continuation inquiry, the Commission has reviewed the economic condition of the Australian industry from 1 July 2015. In order to review trends in volume effects, the Commission has examined the initial injury analysis period from Investigation 301 as well as the period commencing 1 July 2015.

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<sup>37</sup> EPR 562, document no. [04](#); EPR 301, document no. [38](#), Confidential Appendix 9

<sup>38</sup> On 17 June 2020 measures on exports of RIC from Taiwan expired and were not continued

<sup>39</sup> [REP 301](#), [ADN 2016/47](#) and [Section 8 notice](#)

<sup>40</sup> [ADN 2018/50](#)

<sup>41</sup> [ADN 2019/11](#)

## 5.4 Volume effects

### 5.4.1 Sales volume

The chart below shows the volume of RIC sold by InfraBuild during the financial years (FY) ended 30 June 2011 to 30 June 2020. During FY16 measures were imposed on exports of the goods from China (denoted by the vertical red line). At the end of FY15 measures were imposed of exports of the goods from Taiwan (denoted by the vertical black line).

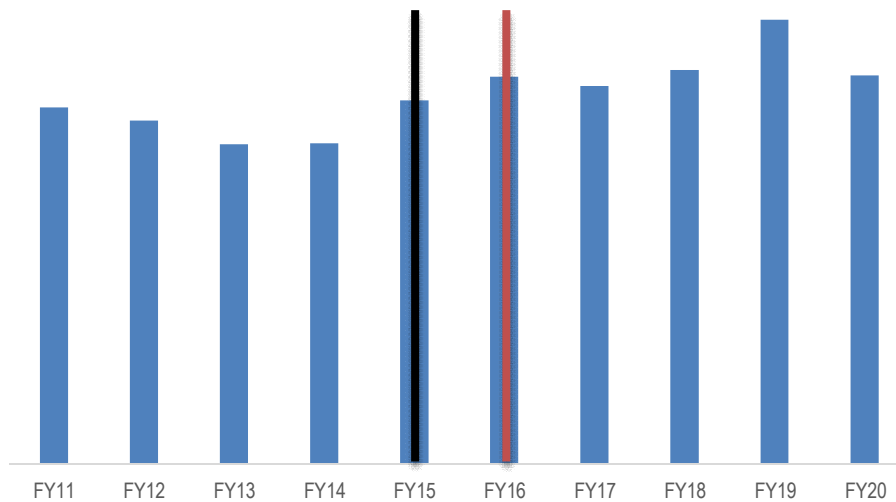


Figure 6: InfraBuild sales volume

Figure 6 demonstrates that InfraBuild experienced a decline in its sales from FY11 to FY14. From FY14 to FY16 InfraBuild's sales increased until staying relatively stable during the period FY16 to FY20. There was a spike in volume in FY19, before reverting in FY20 to a volume similar to FY17 and FY18.

### 5.4.2 Market share

Figure 7 below shows the proportion of the Australian RIC market supplied by:

- the Australian industry;<sup>42</sup>
- exports from China;
- exports from countries subject to measures;<sup>43</sup> and
- exports from countries not subject to measures.

<sup>42</sup> InfraBuild also imported the goods for sale on the Australian market from various countries. Such imports are assimilated in data extracted from the ABF. InfraBuild's sales of imported goods have not been included in its sales volumes in Figure 7.

<sup>43</sup> Exports of goods from Countries subject to measures have been classified as such for the entire chart period and not from the date of the measures being imposed.



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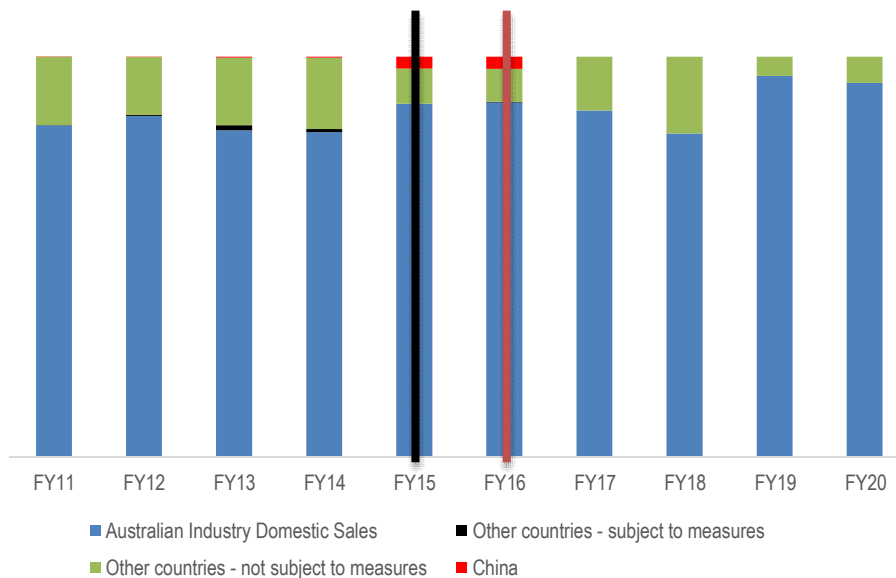


Figure 7: Australian market share<sup>44,45</sup>

### Australian Industry

Following the imposition of measures in FY16 InfraBuild lost market share to other countries not subject to measures until FY18. In FY19 InfraBuild's market share increased and remained at this level in FY20.

### China

The market share of Chinese exports increased in FY15 and FY16. Exports from China ceased in FY16 following the imposition of measures on Chinese RIC.

### Other countries – subject to measures

The market share of countries subject to measures declined in FY15 following the imposition of measures on Taiwan. Since FY15 there has not been any material exports of RIC from Taiwan. Measures on RIC exported from Taiwan expired in June 2020.

## 5.5 Price effects

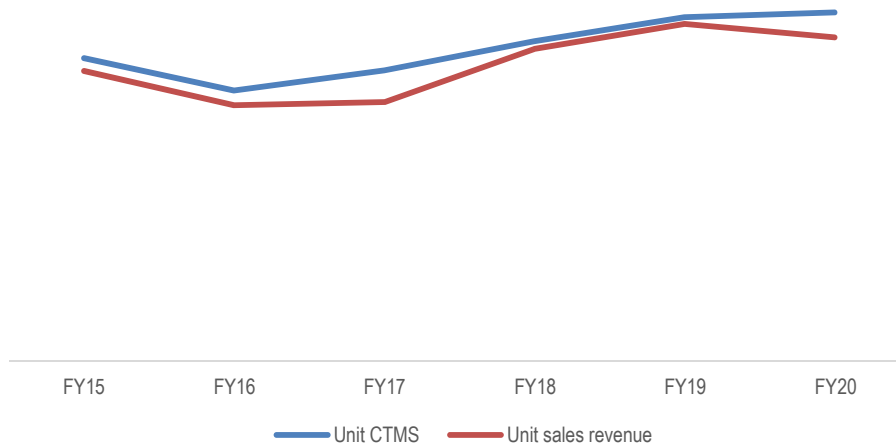
### 5.5.1 Price depression and suppression

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise might have occurred, have been prevented. An indicator of price suppression may be the margin between prices and costs. Figure 8 below summarises the Australian industry's unit selling price and unit CTMS for RIC.

<sup>44</sup> Vertical black line denotes the imposition of measures on Taiwan

<sup>45</sup> Vertical red line denotes the imposition of measures on China

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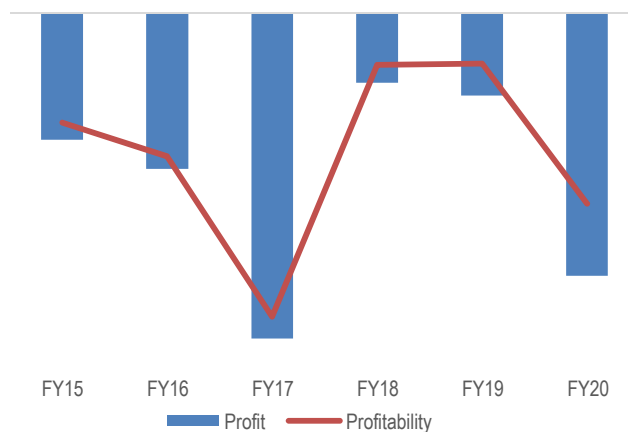


**Figure 8: Australian industry unit selling price and CTMS**

Since FY16, the Australian industry's unit CTMS of RIC has experienced an upward trend, however, the unit selling price has been consistently below the unit CTMS for the entire period. This suggests that InfraBuild has not been able to increase its selling price in order to move from a loss to a profit position on a per unit basis. The Commission notes that in FY20 InfraBuild decreased the unit selling price while CTMS increased this resulted in a larger loss per unit and is indicative of price depression.

### 5.6 Profit and profitability

Figure 9 below summarises InfraBuild's profit and profitability for the period FY15 to FY20.



**Figure 9: Profit and profitability**

InfraBuild's overall profit and profitability has largely reflected the change in unit CTMS and unit selling price. InfraBuild has consistently incurred losses on RIC since FY15. Although there was a reduction in the losses incurred in FY18 and FY19, InfraBuild's loss increased and profitability further decreased in FY20.

### 5.7 Other economic factors

InfraBuild provided information on a range of other economic factors to underpin the data and claims submitted in its application to this continuation inquiry. A summary of these

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economic factors and the calculation of an index for each of these factors is at **Confidential Attachment 1**.

| Index of other economic factors    | FY16 | FY17 | FY18 | FY19 | FY20 |
|------------------------------------|------|------|------|------|------|
| Assets (\$)                        | 100  | 94   | 90   | 103  | 90   |
| Capital investment (\$)            | 100  | 159  | 172  | 277  | 229  |
| R & D Expense (\$)                 | 100  | 0    | 65   | 50   | 23   |
| Revenue (\$)                       | 100  | 99   | 125  | 143  | 128  |
| Return on investment (%)           | 100  | 223  | 50   | 66   | 187  |
| Capacity (MT)                      | 100  | 99   | 106  | 106  | 103  |
| Actual production (MT)             | 100  | 101  | 108  | 109  | 102  |
| Capacity utilisation (%)           | 100  | 102  | 102  | 103  | 99   |
| Employment (persons)               | 100  | 99   | 105  | 108  | 97   |
| Productivity (MT per shift)        | 100  | 100  | 104  | 101  | 99   |
| Stock/inventory (closing stock MT) | 100  | 106  | 303  | 48   | 68   |
| Cash flow (receivables turnover)   | 100  | 94   | 98   | 101  | 85   |
| Wages (\$)                         | 100  | 105  | 136  | 130  | 143  |
| Average wage (\$ per FTE)          | 100  | 109  | 138  | 117  | 167  |

**Table 6: Indices of other economic factors, FY**

InfraBuild has experienced a deterioration in assets, R&D expense, closing stock and receivables turnover since FY16. Although the return on investment index has increased since FY16, this is considered a deterioration in this metric as InfraBuild has been consistently loss making since FY16. The increase in this metric reflects an increase in the losses posted. Capital investment, revenue, wages and average wage per full time equivalent staff (FTE) have experienced an improvement since FY16. All other metrics have remained relatively unchanged.

InfraBuild advised that the drop off in R&D expense in 2017 was due to it being placed in voluntary administration (then Arrium Limited) just prior. There has been a recovery in this metric in FY18.

### 5.7.1 Finding – other economic factors

The Commission considers that InfraBuild has continued to experience injury in a number of economic factors. The Commission notes, however, that it has seen an improvement in some economic factors following the imposition of measures.

## 6 LIKELIHOOD THAT DUMPING AND MATERIAL INJURY WILL CONTINUE OR RECUR

### 6.1 Finding

On the basis of the evidence obtained in the course of this inquiry, the Commissioner is satisfied that the expiration of the measures applying to RIC exported to Australia from China would lead, or would be likely to lead, to a recurrence of dumping and the material injury that the measures are intended to prevent.

### 6.2 Legislative framework

Section 269ZHF(2) provides that the Commissioner must not recommend that the Minister take steps to secure the continuation of anti-dumping measures unless the Commissioner is satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping or subsidisation and the material injury that the anti-dumping measure is intended to prevent.

The Commission notes that its assessment of the likelihood of certain events occurring and their anticipated effect, as is required in a continuation inquiry, necessarily requires an assessment of a hypothetical situation. This view has been supported by the ADRP, which noted that the Commission must consider what will happen in the future should a certain event, being the expiry of the measures, occur. The Commission's conclusions and recommendation must nevertheless be based on facts.<sup>46</sup>

### 6.3 Australian industry claims

In its application,<sup>47</sup> the Australian industry made the following claims regarding the continuation or recurrence of injury of RIC exported to Australia from China:

- strong demand for RIC in Australia makes it an attractive destination for exporters;
- exporters of RIC from China have demonstrated excess production capacity of RIC and hot rolled steel products in general, and are expected to continue to seek other markets for this product including Australia;
- Chinese exporters of RIC continue to be active in the Asian regional market at prices that are at, or near, the lowest prices of any other source of RIC; and
- Australian consumers of RIC are highly price sensitive and Australian industry's prices for RIC sold into the Australian market are mainly influenced by price competition from importers.

The Australian industry therefore claims that it is reasonable to expect that the expiration of the current measures would lead, or would be likely to lead, to a continuation of material injury that the measures were intended to prevent. The Commission did not receive any submissions challenging the claims made by the Australian industry.

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<sup>46</sup> ADRP Report No. [44](#) (clear float glass)

<sup>47</sup> EPR 562, document no. [01](#)

## 6.4 Will dumping and material injury continue or recur?

In assessing the likelihood of whether dumping and material injury will continue or recur, a number of factors are relevant, as outlined in the Manual.<sup>48</sup> The Commission’s view is that the relevance of each factor will vary depending on the nature of the goods being examined and the market into which the goods are being sold. No one factor can necessarily provide decisive guidance.

The following analysis therefore examines a range of factors which the Commission considers relevant in its assessment of whether the continuation or recurrence of dumping is likely, and the likelihood of the continuation or recurrence of material injury in the absence of the measures.

### 6.4.1 Analysis of dumping margins

In Table 7 below, the Commission has summarised the history of dumping margins associated with each exporter from China.

| Exporter                                   | Investigation 301 | Review 413/414 | Review 468   | Review 564   |
|--|-------------------|----------------|--|--|
| Hunan Valin Xiangtan Iron & Steel Co. Ltd. | 44.1%             | 24.3%          | All exporters reverted to uncooperative and all other exporters rate | All exporters reverted to uncooperative and all other exporters rate |
| Jiangsu Shagang Group Co. Ltd.             | 37.4%             | 24.2%          |  |  |
| Uncooperative and all other exporters      | 53.1%             | No change      | 39.5%  | 33.1%  |

**Table 7: Previous dumping margins**

The Commission has found dumping margins for all Chinese exporters of RIC to have been consistently high throughout the life of the measures. Following Review 468, all exporters reverted to a single dumping margin.<sup>49</sup>

The Commission has not re-examined the variable factors in this inquiry. For the purposes of this inquiry the Commissioner has relied on the variable factors found in Review 564. The Commissioner notes these variable factors relate to the same exporters and goods, and were found following consideration of the same time period as this inquiry. Accordingly, the Commissioner considers the variable factors ascertained in Review 564 are relevant, reliable and contemporaneous for the purposes of this inquiry.

The Commission’s approach to calculating the dumping margin in Review 564 was to index the variable factors found in Review 468 with the movements in relevant S&P Global Platts Steel Business Briefing (SBB) price benchmarks from the Review 468 review period until the Review 564 review period.

Normal values were indexed with the movement in the SBB price benchmark for Latin American steel billet at FOB. The Commission adopted SBB Latin American steel billet FOB export prices as an independent and reliable benchmark for competitive market costs

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<sup>48</sup> [The Manual](#), pp. 175-176

<sup>49</sup> EPR 468, document no. [09](#)

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in Investigation 301.<sup>50</sup> Subsequent reviews, including Review 468, adopted the same approach.

Export prices were indexed with the SBB price benchmark for mesh quality wire rod FOB Shanghai, China. The Commission has previously used this index and considers it to be an accurate guide to the movement in export prices of RIC from China.<sup>51</sup>

The Commission also considered the likelihood that Chinese exporters would have dumped exports during the inquiry period, if they had exported the goods to Australia, by comparing:

- the average SBB export price benchmark for mesh quality wire rod FOB Shanghai, China to all countries for the inquiry period; and
- the normal values found in Review 413/414 (which were the most recently determined normal values based on verified exporter data) indexed with the movement in the SBB Latin American billet benchmark over the same period.

This comparison results in dumping margins of 20.1 per cent and 24.5 per cent and an average of 22.3 per cent. A dumping margin of this magnitude is considered significant and consistent with the dumping margin currently applicable to exports of the goods. This analysis can be found in **Confidential Attachment 3**.

### 6.4.2 Export volumes and the impact of measures

Figure 10 illustrates that exports from China have ceased since measures were introduced in FY16 (denoted by the vertical red line).

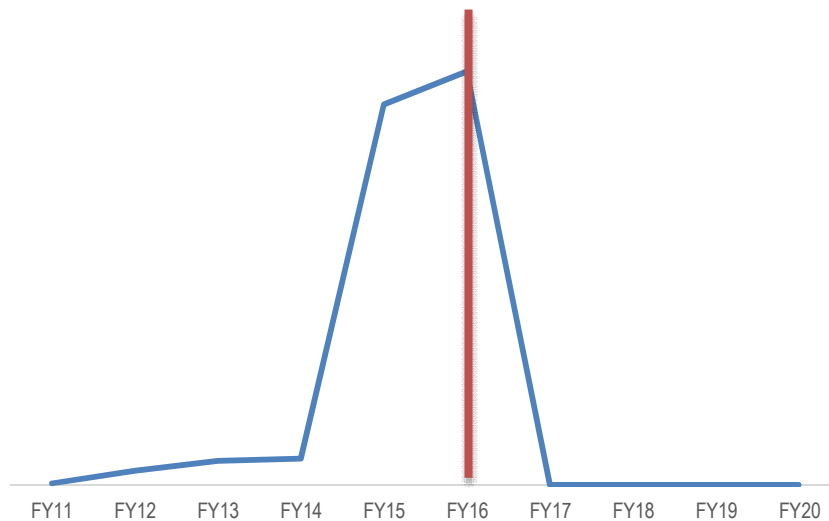


Figure 10: Export volumes from China (MT)

<sup>50</sup> [REP 301](#), section 5.4

<sup>51</sup> [REP 413/414](#), section 4.3.2, p.16

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Figure 11 below shows the quarterly export volumes of RIC to Australia from the main sources of exports.

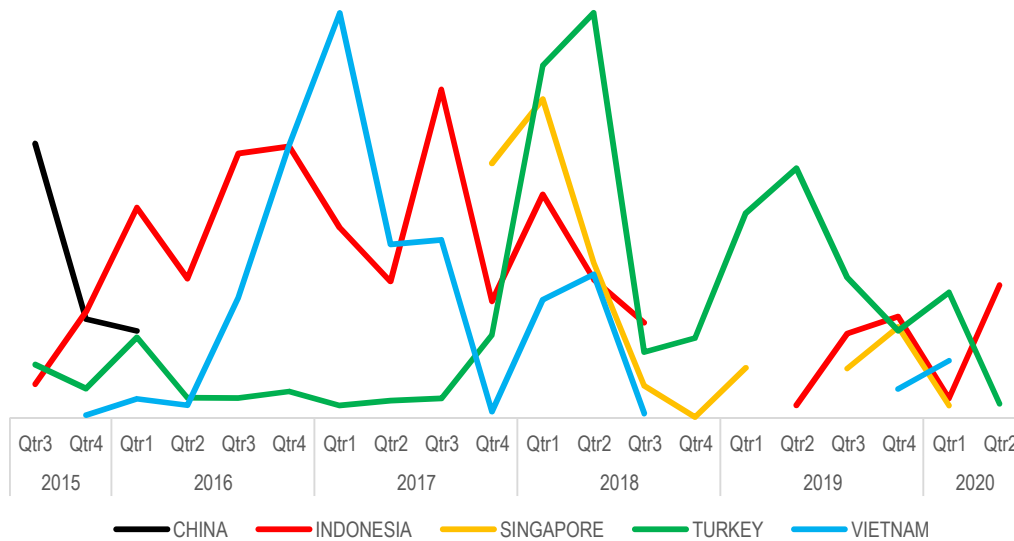


Figure 11: Quarterly export volumes of RIC (MT)

Figure 11 above shows that the source of imported RIC can be quickly changed. For example in 2016 and 2017, Indonesia and Vietnam were the dominant source of RIC exports to Australia. From late 2017 onwards, Turkey has become the dominant source. The rise of Turkish exports coincides with it being the lowest priced during this period (refer Figure 12 below).

### 6.4.3 Maintenance of distribution links

The Commission's analysis of the ABF import database indicates that during the inquiry period, there was an insufficient quantity of goods imported to determine that Chinese distribution links had been maintained with particular customers.

As Figure 11 highlights, importers are able to quickly switch supply to alternate sources. The Commission also found that importers who had previously sourced the goods from RIC exporters in China imported the goods from other countries during the inquiry period.

The Commission considers it likely that Australian importers would restore their trading links with exporters from China should the measures on RIC from China be allowed to expire on the basis of:

- the historical relationships observed between Australian importers and exporters from China; and
- the finding that export prices from China would have been the lowest in the Australian market during the inquiry period and that the price of the goods has an influence on the volume exported to Australia (refer **Confidential Attachment 1**).

### 6.4.4 Production capacity and capacity utilisation

The Commission did not receive information concerning capacity and capacity utilisation from Chinese exporters of RIC during this inquiry. In Investigation 301, the Commission

found that there was substantial excess capacity within the Chinese steel industry.<sup>52</sup> The Commission notes the OECD's most recent *Latest Developments in Steelmaking Capacity* report, which reported China's nominal crude steelmaking capacity to be 1,152.2 million metric tonnes.<sup>53</sup> The Commission also notes the EUROFER research provided by InfraBuild which indicated that Chinese domestic steel production exceeded domestic demand and there was a 70 per cent increase in China's steel inventory compared to the average inventory levels from 2014 to 2019.<sup>54</sup> With this level of excess production capacity, the Commission considers that exporters from China would not be prevented from exporting the goods to Australia due to factors relating to capacity, should the measures be allowed to expire.

### **Interested party submission**

InfraBuild's submission in response to the SEF provided additional observations that, using statistics from the Chinese National Bureau of Statistics (NBS), Chinese crude steel production in 2020 was 1.053 billion tonnes the overall capacity utilisation rate was 91.4 per cent.<sup>55</sup>

#### **6.4.5 InfraBuild's pricing structure**

Until 31 December 2019, InfraBuild set its prices in respect of the goods by applying its IPP model, whereby it either referenced monthly import price offers presented by customers or in the case of sales to related parties, import price offers were the basis for determining monthly prices.

InfraBuild has provided the Commission with information related to its new pricing model which commenced on 1 January 2020. The new pricing structure applies to all grades of RIC.

Despite the attempt to reduce its susceptibility to import prices with its new pricing model, InfraBuild demonstrated that customer notifications of import price offers and InfraBuild's analysis of import pricing influences the final selling price. InfraBuild demonstrated this through examples of its customers quoting prices from import sources other than China, which influenced InfraBuild's pricing during the inquiry period. This evidence can be found in **Confidential Attachment 4**.

As InfraBuild reduces its prices in line with import offers, the comparison of InfraBuild's final prices and import prices will not show the full extent of price undercutting. As demonstrated in sections 5.5 and 5.6, InfraBuild has also continued to experience price suppression and more recently price depression. RIC has consistently been unprofitable for InfraBuild, which indicates InfraBuild has been unable to set its selling price for RIC above its unit costs to achieve a net profit for its sales of RIC.

The Commission considers the above analysis and evidence supports the finding that when negotiating prices with its customers, InfraBuild continues to be influenced by import pricing when setting its prices for RIC. In particular the lowest price offer in the market at the time.

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<sup>52</sup> [REP 301](#)

<sup>53</sup> OECD 2020, [Latest Developments in Steelmaking Capacity](#)

<sup>54</sup> EPR 562, document no. [06](#)

<sup>55</sup> EPR 562, document no. [09](#)



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As a result, the Commission considers that if the measures were allowed to expire, InfraBuild would similarly be required to have regard to the price of RIC from China in its price setting practices.

### 6.4.6 Substitutability and price sensitivity

In Investigation 301, the Commission found that RIC is a highly price sensitive commodity good.<sup>56</sup> While the pricing structure for RIC has changed (section 6.4.5), the Commission accepts that the new pricing mechanism is influenced by import pricing.

In this inquiry, the Commission was provided with examples of InfraBuild's customers quoting import price offers (refer **Confidential Attachment 4**). Having regard to this information and the information examined above in section 6.4.5, the Commission considers that InfraBuild's prices continue to be influenced as a result of the price offers relating to imported RIC.

As discussed in section 3.5, the RIC produced by the Australian industry is identical or closely resembles the goods imported from China. As a result, the Commission considers it reasonable that RIC from China is readily substitutable with RIC sourced from other countries and the Australian industry.

The Commission further considers that should the measures be allowed to expire and exports of the goods from China were to recur, the price of these goods would likely become the reference price in negotiations between InfraBuild and its customers.

### 6.4.7 Price undercutting

Price undercutting occurs when imported goods are sold at prices below those of Australian manufactured like goods. In Investigation 301, the Commission found that Chinese exports of RIC were the lowest in the market at the time.

Although there was no cooperation from exporters or exports of the goods from China during the inquiry period, the Commission was able to undertake a price undercutting analysis using export price data sourced from SBB. The Commission considers the FOB Shanghai price for RIC exports from China<sup>57</sup> is the best available estimate of the price at which China would export the goods to Australia in the absence of the measures.

Having regard to the SBB price data, the Commission estimated a Chinese selling price using the Chinese FOB export prices plus reasonable estimates for ocean freight, marine insurance, importation costs, importer selling, general and administrative expenses, and an amount for importer profit. The Commission then compared this estimate of Chinese export prices with InfraBuild's selling prices during the inquiry period.

The Commission found that during the inquiry period the estimated Chinese export prices were on average 8.0 per cent lower than InfraBuild's prices. The estimated Chinese prices ranged from 0.3 per cent to 13.2 per cent lower than InfraBuild's prices. This analysis is contained in **Confidential Attachment 2**.

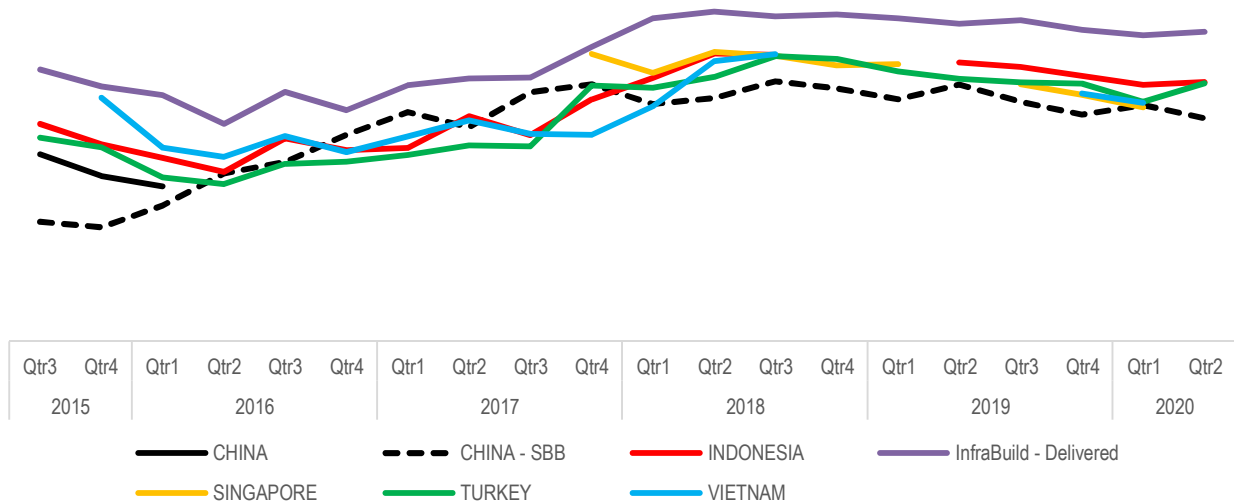
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<sup>56</sup> [REP 301](#), p.35

<sup>57</sup> SBB Price series: SB01261 - Long Products / Wire Rod mesh quality / China export FOB Shanghai RMB/t

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Figure 12 below compares the quarterly FOB export prices from China, the other major source countries of RIC exports to Australia sourced from ABF data, China FOB export prices sourced from SBB and InfraBuild’s delivered price.



**Figure 12: Monthly export price, FOB A\$/MT<sup>58</sup>**

Figure 12 demonstrates that while the source of the lowest export price has varied over time there has been little difference in price between the different sources. The SBB export price data shows that since early 2018, had China exported the goods to Australia at the average price it exported to other global markets, China would have had the lowest FOB export prices in the Australian market.

Figure 12 also demonstrates that, although not at the same level of trade, InfraBuild’s delivered price moves closely with the prices of exports. This confirms that InfraBuild’s pricing is highly sensitive to export prices.

Actual export prices obtained in the ABF data demonstrated that since mid-2018, the FOB export prices of the goods from Turkey have tended to be the lowest. This has translated into Turkish exports of RIC commanding the largest volume of exports to Australia during this time (refer Figure 11).

On account of the observation that the FOB export price of the goods from China would have been the lowest price of any exporter in the Australian market during the inquiry period, the Commission considers that the price and volume relationship observed in relation to other exporters would likely emerge in relation to exports of the goods from China should the measures be allowed to expire.

As shown in Figure 12, the estimated FOB export price of the goods from China would have been the lowest in the market. Further, the price undercutting analysis in **Confidential Attachment 2** shows Chinese prices (at delivered terms) would have undercut Australian industry’s delivered prices by on average 8.0 per cent if the goods had been exported to Australia.

On the basis that the Commission has established that InfraBuild’s customers rely on import prices to negotiate price, the Commission considers it likely that the price of RIC from China would also be referenced by InfraBuild’s customers, should these goods

<sup>58</sup> Except for InfraBuild, which is a delivered price.

become available on the Australian market in the event that the measures are not continued.

At the lowest in the market, the Commission considers the price of RIC from China would afford exporters from China a significant price advantage over other exporters and likely become the reference point for price negotiations between other parties in the Australian market. As a result, the Commission considers that the price of the goods exported from China would likely have a depressive effect on prices across the market generally, including those achieved by InfraBuild. The Commission therefore considers it likely that InfraBuild would experience a recurrence of injury in the form of price depression, price suppression and reduced profit and profitability, and that injury would be material, should the measures be allowed to expire in relation to exports of the goods from China.

#### **Interested party submission**

The Commission notes InfraBuild's agreement with its price undercutting analysis. The Commission also notes the additional steel industry and media commentary regarding the export price of Chinese rebar quoted by InfraBuild in its submission, in particular the quote from Argus Metals highlighting the FOB export price of Chinese wire rod of \$651 per MT compared to the Turkish export price of \$722.5 per MT further supports the Commission's analysis of Chinese exports being the lowest in the market.<sup>59</sup>

#### **6.4.8 Production displacement resulting in increased volumes to Australia**

In its application,<sup>60</sup> InfraBuild advised of several factors that, taken together, may result in the displacement of RIC from its home market to Australia, which in turn may result in a recurrence or continuation of dumping and associated injury.

Firstly, InfraBuild mentions the imposition of anti-dumping measures on Chinese exports by other countries. The Commission notes that the European Commission (EC), United States, Mexico, Colombia and Thailand currently have anti-dumping measures on Chinese exports of RIC.<sup>61</sup>

InfraBuild discussed the impact of Turkish exports of RIC due to the measures under section 232 of the *US Trade Expansion Act 1962* as well as the safeguards measures imposed by the EC on 26 steel product categories including RIC. InfraBuild also sees Turkish RIC as a significant contributor to the global excess supply.

InfraBuild asserts that global demand for steel and RIC is forecast to contract in 2020. InfraBuild cites a range of sources to support this claim including the OECD, World Steel Association and the International Rebar Producers and Exporters Association (IREPAS). Further, InfraBuild asserts that global steelmaking capacity increased in 2019 and that global steelmaking capacity exceeded production.

InfraBuild expects that the factors of weakening global demand for steel and RIC, significant excess steel production capacity in China, weakened economic growth in China and restricted access to export markets due to anti-dumping measures on Chinese exports of RIC, will result in an increase of RIC that is diverted from China.<sup>62</sup>

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<sup>59</sup> EPR 562, document no. [09](#)

<sup>60</sup> EPR 562, document no. [01](#)

<sup>61</sup> WTO data, 'Detailed Query' from <https://i-tip.wto.org/goods/default.aspx?language=en>

<sup>62</sup> EPR 562, document no. [01](#)

In its submission to this inquiry published on 23 November 2020, InfraBuild provided further information to support its assertion that Chinese steel production would be diverted to Australia should measures not be continued. InfraBuild asserts that Chinese steel capacity has continued to expand well beyond its domestic requirements. Further, InfraBuild cites EUROFER's research that found there was a 70 per cent increase in Chinese steel inventory compared to the 2014-2019 average.<sup>63</sup>

The Commission agrees with InfraBuild's view that reducing domestic demand and increased measures in potential export markets has the potential to result in China's increased propensity to export. Notwithstanding Australia's geographical proximity to China, the Commission notes that InfraBuild has not explained why China's displaced exports would necessarily be diverted to Australia as opposed to any other country in the Asian region.

Section 4.3 above found that the main demand driver for RIC in Australia, the construction industry, has seen declining growth in three of the last four quarters and total construction activity is at its lowest level since the 12 months ended 31 March 2018. The Australian Treasury<sup>64</sup> has forecast continued declines in dwelling investment in Australia and a contraction of the global economy by 4.5 per cent in 2020, with falls widespread across other countries. Further the Australian Treasury has forecast the Chinese economy to grow at 1.75 per cent in 2020 and 8 per cent in 2021.

While the Commission finds that InfraBuild's conclusions concerning the impact of excess capacity remain uncertain in the current global environment, the expected reduction in demand can be expected to intensify price competition among steel suppliers around the world.

#### **Interested party submission**

The Commission notes InfraBuild's assertion in its submission concerning "...*why at least some of China's surplus and displaced exports would likely be diverted to Australia in the event that the current measures were permitted to expire.*"<sup>65</sup> The Commission does not agree that InfraBuild's reasoning supports that it is likely that Chinese surplus exports will be exported to Australia over any other market.

#### **6.4.9 Impact of measures on sales volumes and market share**

The Manual provides that the inquiry may gather facts relevant to whether the expiration of the measures is likely to lead to a continuation or recurrence of material injury to the Australian industry, such as reduced sales volumes and reduced market share.<sup>66</sup>

Figures 6 and 7 show that InfraBuild has been able to achieve its highest volumes and market share in FY19 and FY20 following the imposition of measures in FY16 on both China and Taiwan. InfraBuild advised in its application that RIC production is a high fixed cost business and it is necessary to maintain sales volumes. As seen in section 5.5, this has been at the cost of profitability since FY15. While InfraBuild has increased its sales volumes, it experienced declining market share, until FY19. During the same period, Chinese exports ceased and exports from Taiwan, which were also subject to measures until June 2020, also largely ceased.

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<sup>63</sup> EPR 562, document no. [06](#)

<sup>64</sup> Australian Government, *Budget 2020-21*, October 2020, [Budget Paper 1 - Statement 2: Economic Outlook](#)

<sup>65</sup> EPR 562, document no. [09](#)

<sup>66</sup> [The Manual](#), page 175-176

#### **6.4.10 Impact of measures on price**

While InfraBuild has increased selling prices since the imposition of measures in FY16 (refer Figure 8), it has not been able to raise its selling price in order to recover its CTMS. Notably in FY20 there was a decline in unit selling price while CTMS increased. This decline in unit selling price coincided with a period of declining FOB export prices. This reflects InfraBuild's vulnerability to import prices and its customers' expectation that it will meet competing offers.

The Commission considers that a decrease in exports prices, through dumped Chinese exports recurring, would increase injury to Australian industry as a consequence of it having to match lower export pricing to maintain volumes.

#### **6.4.11 Impact of measures on profits and profitability**

As a consequence of InfraBuild's requirement to maintain sales volumes, as well as the pressure to align its pricing with that of import prices, InfraBuild's sales of RIC have been unprofitable since FY16. Despite these pressures, it saw some improvement in its loss and profitability position after 2017, though this deteriorated again in FY20 due to a decline in the selling price per unit. This may be a result of the measures, however, the Commission notes that it also coincides with the sale of InfraBuild (then Arrium) to a new parent entity in 2017 following a period of voluntary administration (section 4.3.5).

### **6.5 Conclusion**

The Commission's assessment of the recurrence of material injury was limited in this inquiry by the lack of cooperation from exporters and importers of RIC from China.

In the main, the Australian-produced goods and imported goods have essentially the same end uses, meet similar quality specifications, are sold to the same types of customers and compete directly with each other in the same markets. Since FY16 the Australian industry has experienced a:

- deterioration in assets;
- decline in R&D expense;
- reduced inventory;
- reduced cash flow;
- incurred sustained losses;
- experienced price suppression; and
- periods of lost market share to imports.

The Commission considers that it is likely Chinese exporters will resume exporting to Australia if the measures are not continued. The Commission considers that had there been exports, Chinese export prices would have been the lowest during the inquiry period, and there is a close relationship between price and export volumes. Australian importers have shown a propensity to import the cheapest priced product in the market and are able to quickly switch supply from different exporters. There is increased steel inventory in China, and notwithstanding the recent decline in the Australian construction market, a continued demand for RIC.

The Commission has consistently found a positive dumping margin for Chinese RIC since Investigation 301. The Commission also notes that when compared against the indexed normal values from Review 413/414, the average Chinese FOB export price from SBB results in a dumping margin of over 20 per cent. As a general principle the Commission considers that, while the presence (or absence) of dumping during the inquiry period may

be indicative of future behaviour, this factor alone is not determinative. As stated earlier the Commission considers it is likely that Chinese exports would recur and they would be at dumped prices if the measures were allowed to expire.

As discussed in section 4.3.3, the Commission notes that despite the uncertainty in reliably forecasting the full impact of COVID-19 on demand for RIC in the Australian market, data has shown that there has been a sustained downturn in the construction activity since the 12 months ended 31 March 2019 (refer Figure 3). As stated in section 4.3.3, it is reasonable to expect subdued construction activity at least until the middle of 2021. It is also reasonable to expect that a contracted market will result in intensified competition with associated price pressure to achieve sales volumes and market share, providing an incentive for dumping to recur.

The requirement within this market to match or more closely meet import offers in order to maintain sales volumes will result in a continuation of injury in the form of price suppression and as a result, reduced profits and profitability to the Australian industry. Given the Australian industry is already experiencing injury, this is likely to be exacerbated should the measures be lifted and exports of Chinese RIC resume.

Since the imposition of measures in FY16 there has been a cessation in the export of Chinese RIC to Australia. This indicates that due to the presence of measures that exports of Chinese RIC would not be able to compete at undumped prices.

Despite the inherent uncertainty in predicting the behaviours that will be likely to occur in the market if the measures were to expire, having weighed all of the available evidence obtained in respect of RIC exported to Australia from China, the Commissioner is satisfied that the expiration of the measures applying to RIC exported to Australia from China would lead, or would be likely to lead, to a recurrence of the dumping and the material injury that the measures are intended to prevent.

### **6.5.1 Is injury from dumping likely to be material?**

The *Ministerial Direction on Material Injury* (ADN 2012/24), dated 27 April 2012, provides that injury from dumping need not be the sole cause of injury to the industry, where injury caused by dumping or subsidisation is material in degree.

ADN 2012/24 further provides that the materiality of injury caused by a given degree of dumping can be judged differently, depending on the economic condition of the Australian industry suffering the injury. In considering the circumstances of each case, the Commission must consider whether an industry that at one point in time is healthy and could shrug off the effects of the presence of dumped or subsidised products in the market, could at another time, weakened by other events, suffer material injury from the same amount and degree of dumping or subsidisation.

The Commission's analysis of the economic condition of the Australian industry in the period since measures were imposed in FY16, found that the Australian industry's:

- market share trended down for much of the period since the measures were imposed, although there has been an improvement since FY19;
- sales volumes increased following the imposition of measures;
- per unit selling price has increased, except in FY20;
- per unit CTMS has been above per unit selling price in all years, despite the imposition of measures, the Commission notes that the selling price declined during the inquiry period while the CTMS increased; and

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- profitability has been negative with net losses incurred in all financial years since FY16.

The Commission considers that if measures were to expire, the recurrence of dumped exports from China at significant margins would put downward pressure on prices in the Australian market such that the Australian industry would experience price suppression, continued net losses and the prospect of a deterioration in market share to a material degree.

The Chinese steel industry has in general, underutilised capacity that if directed to Australia, can supply a large part of the Australian market.

Based on this analysis, the Commission considers that if measures were to expire, the economic condition of the Australian industry would be such that the presence of dumped goods from China in the Australian market would result in material injury to the Australian industry.

## 7 FORM OF MEASURES

### 7.1 Finding

In Review 564 the Commissioner found the existing form of anti-dumping measures, the combination of fixed and variable duty method, to be appropriate. Since Review 564 the Commissioner is not aware of any information that would change this finding.

### 7.2 Forms of duty

The forms of duty available to the Minister when imposing anti-dumping measures are prescribed in the *Customs Tariff (Anti-Dumping) Regulation 2013*. In relation to IDD, the forms of duty are:

- fixed duty method (\$X per tonne);
- floor price duty method;
- combination duty method; or
- *ad valorem* duty method (i.e. a percentage of the export price).<sup>67</sup>

The various forms of dumping duty all have the purpose of removing the injurious effects of dumping. In achieving this purpose, certain forms of duty will better suit particular circumstances than others. In considering which form of duty to recommend to the Minister, the Commissioner will have regard to the *Guidelines on the Application of Forms of Dumping Duty* (the Guidelines)<sup>68</sup> and relevant factors applicable to the market for the goods.

The Commission notes that current anti-dumping measures are in the form of a combination duty. The original investigation also found that RIC from China does not have various price points for different grades or finishes.

As there was no cooperation from Chinese exporters during this inquiry, the Commission considers that the circumstances of RIC exported from China remain the same and the combination duty method continues to be the most appropriate form of duty.

The Commission further notes InfraBuild's submission<sup>69</sup> that the combination duty method is the most appropriate form of duty.

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<sup>67</sup> Section 5 of the Customs Tariff (Anti-Dumping) Regulation 2013

<sup>68</sup> The Guidelines are available [here](#)

<sup>69</sup> EPR 562, document no. [09](#)



## 8 RECOMMENDATIONS TO THE MINISTER

### 8.1 Recommendations

**The Commissioner recommends:**

- pursuant to section 269ZHF(1)(a)(i), that the dumping duty notice remains unaltered.

**The Commissioner recommends that the Minister declare:**

- pursuant to section 269ZHG(1)(b), that they have decided to secure the continuation of the anti-dumping measures relating to the goods exported to Australia from China;

and that the Minister **determine:**

- pursuant to section 269ZHG(4)(a)(i), that the notice continues in force after the specified expiry day, being 22 April 2021.

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| <b>9 ATTACHMENTS</b>             |  |
|----------------------------------|--|
| <b>Confidential Attachment 1</b> | Injury analysis                        |
| <b>Confidential Attachment 2</b> | China export price analysis            |
| <b>Confidential Attachment 3</b> | Alternative dumping margin calculation |
| <b>Confidential Attachment 4</b> | Customer pricing evidence              |