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24 August 2021

Director, Investigations Unit 4  
Anti-Dumping Commission  
GPO Box 2013  
CANBERRA ACT 2601  
AUSTRALIA

### **Dumping Investigation into Merchant Bar exported from Taiwan**

Dear Director,

This submission is made on behalf of Feng Hsin Steel Co., Ltd (Feng Hsin) in response to the application by InfraBuild NSW Pty Ltd (Infrabuild) for the publication of dumping duties on merchant bar exported from Taiwan. The purpose of this submission is to address the injury claims and allegations presented by Infrabuild, which are considered weak and unsupported when available information is properly examined.

#### **Commencement of alleged material injury**

It is noted that Infrabuild '*... alleges that the material injury arising from the volume and price effects of the dumped goods exported from Taiwan commenced in or about **November 2020.***' This date is critical given that Infrabuild suggests that injury caused by the subject imports commenced seven (7) months following the start of the nominated investigation period. That is, over the twelve (12) month investigation period, a causal link is alleged to have only existed during the final five (5) months being November 2020 through to March 2021<sup>1</sup>.

Infrabuild's indexed monthly cost, price and profit data appears to show that from November 2020, it experienced a sharp increase in unit costs, compared with a steady increase in prices, leading to a noticeable decrease in profits relative to the index month of July 2020. Infrabuild attempts to draw a link between the observed movements in costs, prices and profits, to subject imports, by submitting price undercutting analysis and arguing that 'but-for' the undercutting, '*... it would have achieved higher prices in the absence of offers for sales of merchant bar exported from Taiwan at dumped prices, in other words, the price undercutting caused the Australian industry to experience price depression that it would not have otherwise experienced if not for the offers for sale of dumped goods.*'

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<sup>1</sup> Infrabuild's presented data and injury claims do not include the month of March 2021.

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Feng Hsin provides the following comments and urges the Commission to closely examine relevant market information available from exporters, importers and the industry, in assessing the veracity of the allegations made by Infrabuild.

### **Inappropriate data analysis**

As noted above, Infrabuild have displayed the moving monthly trend in costs, prices and profits by reference to the indexed month of July 2020, without any reasonable explanation for doing so. The arbitrary selection of July 2020 for indexing is not consistent with the Commission's practice of assessing injury in the investigation period, against comparable periods prior to the investigation period.

Likewise, Infrabuild have omitted data relating to March 2021 in its analysis. Feng Hsin requests the Commission to collect all information for the whole of the investigation period, including March 2021, as this would capture Feng Hsin's price increases reflecting the hike in regional scrap prices.

### **Price comparison for undercutting purposes**

It is unclear from the public version of Infrabuild's application, whether it has informed the Commission of the different price offers that it provides to the market. Feng Hsin understands that Infrabuild make available to customers, two price offers.

The first is an import parity price (IPP) offer which seeks to align Infrabuild's price with the import offers based on the expected into-store delivery month. For example, the average lead time between order date and delivery of the goods to the Australian customer is approximately [REDACTED] months, which includes Feng Hsin's average lead time between order date and shipment date of [REDACTED] days. So, a customer would request a price offer in [REDACTED] for subject imports to be delivered in [REDACTED]. Likewise, Infrabuild's price offer to that same customer would reflect a [REDACTED] price for delivery in [REDACTED], being the same delivery month for the subject imports.

In contrast, Infrabuild also provides the market with an ezystock price offer. It is understood that the ezystock price reflects the current months price for stock held in inventory. The ezystock price is generally higher than Infrabuild's import price offer, as it includes a price premium to account for the additional expenses associated with holding stock and servicing customers wanting smaller volumes.

Given the terms and circumstances of the two different price offers presented to the market by Infrabuild, the Commission must ensure that any price undercutting analysis involves a proper comparison of products and prices. This includes the following:

- prices of subject imports should not be compared with Infrabuild's ezystock prices as they reflect sales prices made at different times and incorporating different sales functions;
- prices of subject imports should be compared with Infrabuild's IPP by reference to the importer's sales date to the final customer;
- the price comparison between subject imports and Infrabuild's IPP should be based on ex-works and ex-Australian port. This point of comparison is necessary to remove the effects of transport costs incurred by Infrabuild for delivery from its two production sites (Laverton and Rooty Hill), as it's understood that customers can stagger deliveries in the relevant sale month, whereas the total ordered volume of

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subject imports are delivered to the customer in a single delivery directly from the port.

### **Price trends of imports from November 2020**

It is worth noting that Infrabuild are alleging that injury caused by subject imports commenced in November 2020, which coincides with the sharp increase in regional scrap steel prices. Scrap steel prices commenced rising in November 2020, before jumping markedly higher in December 2020 and remaining steady through to April 2021, before jumping high again in May/June 2021.

The movement in regional scrap prices and their effect on price of merchant bar are outlined in the table and graph below. This includes:

- the invoice price is Feng Hsin's average invoice price to Australia shipped in the month, and the order price is the average order price confirmed in the month.
- the scrap price is taken from the heavy metal scrap price published by S&P Global Platts. The 50:50 and 80:20 ratios are the respective percentage of H1 and H2 grades of scrap steel (H1's quality is much better than H2). According to Feng Hsin, the overall impurity of Japan 50:50 is in the same level as US 80:20 (only about US\$ [REDACTED] per ton differential).

[CONFIDENTIAL DATA REDACTED]

[CONFIDENTIAL DATA REDACTED]

[CONFIDENTIAL CHART REDACTED]

Taking into account the [REDACTED] month average lead time between order and shipment, the data above demonstrates that Feng Hsin's confirmed order prices commenced increasing in [REDACTED] and jumped sharply in [REDACTED], leading the delivery price to move correspondingly in [REDACTED] and [REDACTED]. The alleged negative price effect and negative impact on profitability by Infrabuild which it claimed occurred between November 2020 and February 2021 was only transitory, and caused by the inherent long lead time which is not uncommon in many industries, especially export industries.

### **Volume injury does not exist**

Despite focusing its monthly injury analysis during the four (4) month period from November 2020 to February 2021, it is noted that Infrabuild made no claim, and presented no evidence with respect to volume related injury indicators. The Commission must therefore find that injury in the form of lost sales volume and reduced market share did not occur during the investigation period.

These findings are confirmed by the following data reflecting Feng Hsin's delivery and ordered volumes during the relevant period, which shows that there was no real increase over the investigation period and the following subsequent months.

[CONFIDENTIAL DATA REDACTED]

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Please note that cargo vessels depart from Taiwan to Australia only once or twice per month, mostly close to the end of month. In case of slow loading, the on-board date could very well be postponed to early next month even though the delivery out of Feng Hsin was made in a preceding month. This explains the lower invoice volumes reported in the table above for the months of [REDACTED], [REDACTED], [REDACTED] and [REDACTED].

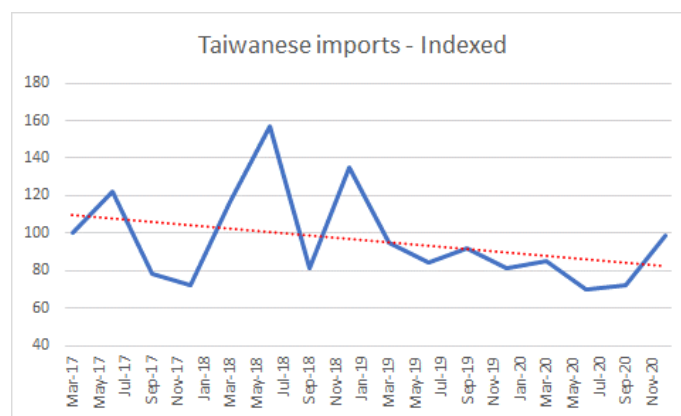
The table below shows the monthly volumes including the more appropriate delivery and order dates.

**[CONFIDENTIAL DATA REDACTED]**

The volume data above shows no obvious or sustained increase in export volumes, either across the investigation period, since November 2020 when injury is claimed to have commenced, or in the months subsequent to the end of the investigation period.

Feng Hsin also notes that table A-9.5.1 of the application confirms that Infrabuild experienced a 14-percentage point increase in sales of merchant bar from CY2019 to CY2020. Total sales in CY2019 appear to be inconsistent with the healthy growth displayed in CY2018 and CY2020.

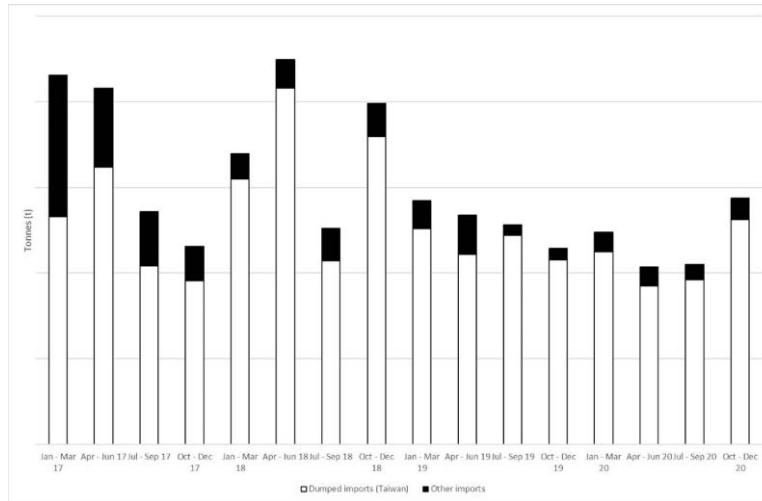
Moreover, the indexed quarterly volumes of Taiwanese imports outlined in table A-9.1.1 of the application, confirms a downward trend line (red dot line), as demonstrated in the graph below.



This downward trend line provides clear confirmation that Taiwan imports did not increase in absolute volume during the investigation period, in plain contrast to the observed upward trend line of sales by Infrabuild, with growth of seven (7) percent in CY2020 compared to the index period of CY2017.

Finally, it is evident from Figure A-9.6.1.1 of the application, that along with a downward trend in Taiwanese import volumes over the injury analysis period, there has been a similar downward trend in imports from all sources.

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By contrast, Infrabuild has estimated the total Australian market for merchant bar at Figure A-9-6.2.1, showing growth in CY2020, consistent with the movement of its own sales of like goods. This confirms that Taiwanese imports were declining in a growing market during CY2020, and the exhibited growth in the Australian market was absorbed by Infrabuild, leading to an increase in its market share. This increase in Infrabuild’s market share is confirmed by data at Table A-9.5.4 of the application.

Yours sincerely

John Bracic