



Australian Industry Verification Report

Verification & Case Details

Initiation Date	31/05/2021	ADN	2021/073
Case Number	584		
The goods under consideration	Merchant Bar		
Case type	Dumping Investigation		
Australian Industry	InfraBuild		
Verification from	12/11/2021	to	25/02/2022
Investigation Period	1/04/2020	to	31/03/2021

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

CONTENTS

CONTENTS	2
PREFACE	3
1 COMPANY BACKGROUND.....	4
1.1 CORPORATE STRUCTURE AND OWNERSHIP	4
1.2 RELATED PARTIES	4
2 THE AUSTRALIAN INDUSTRY MANUFACTURING LIKE GOODS	5
2.1 PRELIMINARY ASSESSMENT	5
2.2 MANUFACTURING IN AUSTRALIA	5
2.3 VERIFICATION OF MODEL CONTROL CODES	6
2.4 LIKE GOODS	6
3 AUSTRALIAN MARKET.....	8
3.1 MARKET STRUCTURE	8
3.2 PRICING	8
3.3 MARKET SIZE.....	9
4 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE.....	10
4.1 SALES COMPLETENESS AND RELEVANCE FINDING	10
4.2 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE	10
4.3 IMPORT SALES BY APPLICANT	10
4.4 EXPORT SALES BY APPLICANT	10
5 VERIFICATION OF SALES ACCURACY.....	11
5.1 SALES ACCURACY FINDING.....	11
5.2 VERIFICATION OF SALES ACCURACY.....	11
5.3 EXCEPTIONS DURING VERIFICATION OF SALES ACCURACY	11
5.4 RELATED PARTY CUSTOMERS	11
6 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE.....	13
6.1 CTMS COMPLETENESS AND RELEVANCE FINDING	13
6.2 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE.....	13
7 VERIFICATION OF CTMS ACCURACY	14
7.1 CTMS VERIFICATION FINDING	14
7.2 COST ALLOCATION METHOD	14
7.3 VERIFICATION OF CTMS ACCURACY	14
7.4 RELATED PARTY SUPPLIERS	14
8 ECONOMIC CONDITION	15
8.1 PRELIMINARY ASSESSMENT	15
8.2 APPLICANT’S INJURY CLAIMS.....	15
8.3 APPROACH TO INJURY ANALYSIS	15
8.4 VOLUME EFFECTS	16
8.5 PRICE EFFECTS	17
8.6 PROFIT AND PROFITABILITY	18
8.7 OTHER ECONOMIC FACTORS	20
9 APPENDICES AND ATTACHMENTS.....	24

PREFACE

The Anti-Dumping Commission (the commission) has undertaken verification of data provided by InfraBuild for Anti-Dumping Investigation 584. This report details the evidence gathered and the verification team's key findings from the verification.

This report has been prepared for publication on the electronic public record for Anti-Dumping Investigation 584.

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

Verification teams are authorised to conduct verifications under section 269SMG and 269SMR of the *Customs Act 1901* (Cth) (the Act).¹

¹ References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

1 COMPANY BACKGROUND

1.1 Corporate structure and ownership

InfraBuild NSW Pty Ltd (the applicant) is an Australian proprietary company limited by shares. The Australian Steel Company (Operations) Pty Ltd supported the application and is a related producer in Australia of like goods. Collectively, these two producers are known by the trading name 'InfraBuild Steel'.

The InfraBuild Steel business division is responsible for the production and sale of like goods. In addition to the aforementioned entities, the division also comprises the following entities:

- InfraBuild (Newcastle) Pty Ltd
- SSX Services Pty Limited
- InfraBuild (Manufacturing) Pty Ltd.

The data submitted by the applicant encompasses that of the entire InfraBuild Steel business division, herein referred to as 'InfraBuild', as it relates to the production and sale of like goods.

1.2 Related parties

The verification team examined the relationships between related parties involved in the manufacture and sale of the goods.

1.2.1 Related customers

The verification team found that InfraBuild has related party customers involved in the distribution of like goods. As per Chapter 5.4, sales to these entities are considered 'arms length'.

2 THE AUSTRALIAN INDUSTRY MANUFACTURING LIKE GOODS

2.1 Preliminary assessment

The verification team is satisfied that:

- merchant bar manufactured by InfraBuild is like to the goods²
- at least one substantial process of manufacture of merchant bar is carried out in Australia³
- the like goods were, therefore, wholly or partly manufactured in Australia by InfraBuild⁴
- there is an Australian industry, consisting of InfraBuild, which produces like goods in Australia.⁵

2.2 Manufacturing in Australia

InfraBuild claims it is the only Australian manufacturer of merchant bar. The verification team is satisfied that InfraBuild represents the whole of the Australian industry manufacturing like goods, as no further Australian manufacturers identified themselves to the commission following the initiation of the investigation, nor has the commission identified any further manufacturers during the investigation.

InfraBuild's products and operations are focused around integrated steel manufacturing. InfraBuild specialises in the manufacture and distribution of merchant bar, structural steel, tubular, bar sections and reinforced mesh and bar.

Merchant bar is typically produced to the standard *AS/NZS 3679.1 Structural Steel Part 1: Hot rolled bars and sections* and generally applied in the construction and manufacturing industries. The most common grade manufactured by InfraBuild for merchant bar exceeds the minimum requirements of the aforementioned standard Grade 300 and is sold under the trademark Grade 300PLUS®. Other grades are available per customer request. InfraBuild also produce a small amount of flat bar with rounded ends per customer request.

2.2.1 Production process

Merchant bar is predominantly manufactured from billets produced through the electric arc furnace process using scrap to produce liquid steel. After the liquid steel is tapped into a ladle, the ladle furnace is used to correct temperature and chemistry (through alloy additions) in preparation for casting. The liquid steel is cast in a

² Section 269T(1).

³ Section 269T(3).

⁴ Section 269T(2).

⁵ Section 269T(4).

PUBLIC RECORD

continuous casting process to produce billets that are cut to required length and marked.

Billets are charged into a reheat furnace to ensure they are at the right temperature to enable rolling. In the bar mill, the billet is reduced in size, and the section being produced starts to take shape as it passes through a series of roll stands. The 'finishing rolls' towards the end of the rolling mill provide the final section shape and dimensional tolerances required. The cooling bed allows the rolled lengths to cool down before being cut to customer length, bundled and tied, ready for tagging and despatch to customers.

InfraBuild produces billets at Laverton North (Victoria) and Rooty Hill (NSW) from purchases of steel scrap. A small amount of billet is sourced from OneSteel Manufacturing Pty Limited (trading as 'Liberty Primary Steel') that purchases iron ore to produce billets manufacturing at its Whyalla Steelworks.

Steel scrap is sourced locally and accounts for a significant proportion of total raw material goods used in the merchant bar manufacturing process.

2.3 Verification of model control codes

Table 1 below provides detail on how the model control code (MCC) sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Prime/Non-prime	All of InfraBuild's sales of like goods are of prime steel.
Shape	Determined with reference to the product description recorded on the sales invoice.
Grade	

Table 1 MCC sub-category determination

InfraBuild sold like goods with the following MCCs during the investigation period:

- P-F-350
- P-E-300
- P-U-300
- P-P-300
- P-F-300
- P-F-250

2.4 Like goods

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

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

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The verification team considers that the like goods manufactured by the applicant are identical to, or have characteristics closely resembling, the goods exported to Australia, as it:

- is manufactured in multiple shapes, sizes, grades and lengths that are alike in physical appearance to the imported goods
- is manufactured in a similar manner to the imported goods, i.e. liquid steel is cast into billets that are then rolled to produce the required shape/section
- competes directly with imported merchant bar in the Australian market
- is used interchangeably with the imported merchant bar in the same or comparable end-uses.

3 AUSTRALIAN MARKET

3.1 Market structure

The Australian market for merchant bar is supplied by InfraBuild and imports from a number of countries, mainly Taiwan.

The key product groups are flat bar, angles and channels. These products are used in construction and manufacturing. Angles and channels are generally used horizontally or diagonally for bracing applications. Flat bar is typically put into base plates or joiner bars, or can be welded into T-sections. All products are used in the manufacturing of a wide variety of products such as racking, conveyors, trailers, earthing rods and gate hinges.

These products will often undergo some form of fabrication such as cutting, drilling, welding, painting or galvanizing, but can also be used in non-fabricated applications.

3.1.1 Marketing and distribution

3.1.2 Supply

InfraBuild sells its merchant bar products to a national network of steel distributors, both related and non-related. These steel distributors purchase merchant bar sections in bundles, either from InfraBuild, importers or directly from an overseas mill. Steel distributors generally purchase and supply a wider range of merchant bar as well as other steel products. InfraBuild submitted that imported products are generally offered to distributors once a month, with a lead time typical import lead time of 10-12 weeks.

3.1.3 Demand

Demand for merchant bar is driven by the output of the key market segments for merchant bar, namely:

- commercial and residential construction
- mining and resource construction
- engineering fabrication
- manufacturing
- transport.

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

3.2 Pricing

InfraBuild bases its prices on an import price parity (IPP) strategy while also considering its own cost to make and sell (CTMS), largely driven by raw material costs. Its awareness of import prices in the market is informed by market feedback and other sources of market intelligence.

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InfraBuild has various lead time offers. Both are based on the same IPP (price and delivery) conditions.

Income from the sale of goods is recognised when InfraBuild invoices the goods to the buyer.

3.3 Market size

The commission has estimated the size of the Australian market for merchant bar using the domestic sales data from InfraBuild and data sourced from the Australian Border Force (ABF) import database. The information sourced from the ABF import database was determined using the relevant tariff codes outlined in Anti-Dumping Notice (ADN) No 2021/073,⁶ and additional filtering to remove imports that are not the goods.

Figure 1 below depicts the commission's estimate of the Australian market size for merchant bar from 1 April 2017 to 31 March 2021.

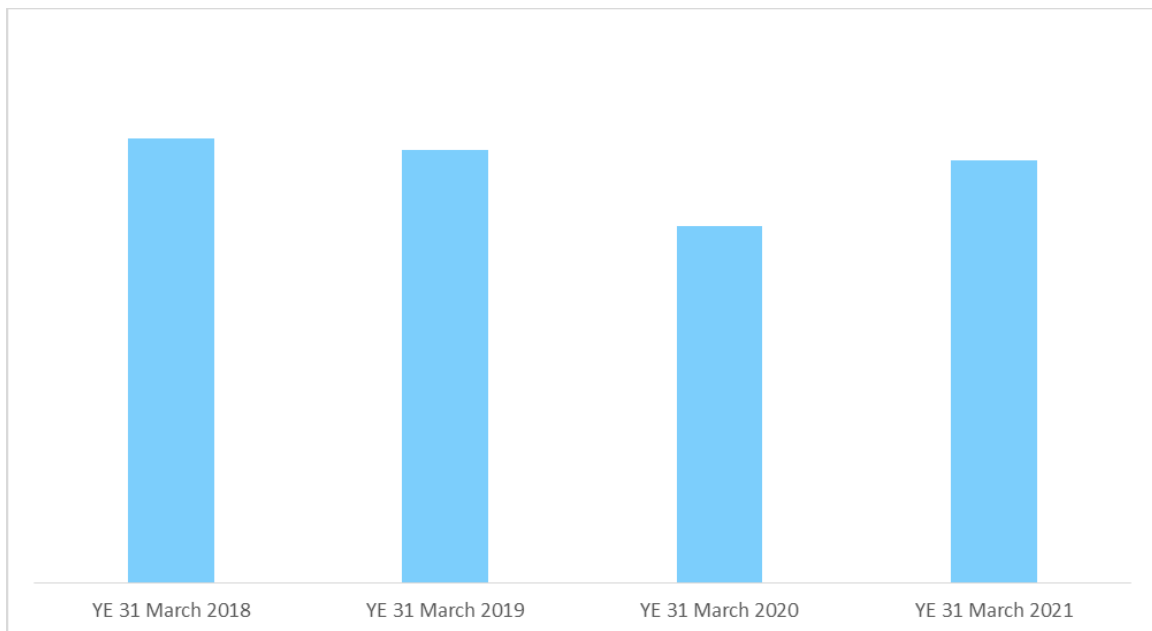


Figure 1 - Size of the Australian market for merchant bar during the injury analysis period (MT)

Figure 1 shows that the overall size of the Australian market for merchant bar decreased since April 2017 before recovering during the investigation period.

⁶ Electronic Public Record (EPR) 584, no 002.

4 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

4.1 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided in the application by InfraBuild is complete and relevant.

4.2 Verification of sales completeness and relevance

Verification of relevance and completeness is conducted by reconciling selected data submitted 'upwards' through management accounts up to audited financial accounts. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team verified the completeness and relevance of InfraBuild's Australian sales listings by reconciling these to audited financial statements in accordance with ADN No. 2016/30.

The verification team verified the relevance and completeness of the sales data as follows:

- The sales value and volume reported in InfraBuild's sale listing reconciled to SAP BI when filtered for flats, channels and angles, and excluding export sales and products not considered to be like goods.
- InfraBuild's total sales value and volume for all shapes as per SAP BI reconciled to the trial balance for the same period.
- InfraBuild's reportable sales revenue for all shapes reconciled to the consolidated financial statements of the InfraBuild Group.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

4.3 Import sales by applicant

InfraBuild did not import the goods during the investigation period. This was verified by reviewing the ABF import database for the investigation period.

4.4 Export sales by applicant

InfraBuild exported merchant bar during the investigation period. This information was verified as part of the upwards sales reconciliation outlined above.

5 VERIFICATION OF SALES ACCURACY

5.1 Sales accuracy finding

The verification team is satisfied that the sales data provided in the application by applicant, including any required amendments as outlined in the exception table above, is accurate.

Accordingly, the verification team considers InfraBuild’s sales data suitable for analysing the economic performance of its merchant bar operations.

5.2 Verification of sales accuracy

The accuracy of data is verified by reconciling selected data submitted ‘downwards’ to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of InfraBuild’s Australian sales listings by reconciling these to source documents in accordance with ADN No. 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5.3 Exceptions during verification of sales accuracy

No.	Exception	Resolution
1	A duplicate invoice was created for a partially defective order which was returned and credited.	The duplicate invoice was removed in the updated sales listing.
2	One sale contained conflicting quantities between the sales listing and invoice (difference of 2% or <0.1MT).	The error was confirmed to be due to a minor SAP calculation error and rectified in the updated sales listing.
3	One sale contained conflicting net invoice values on the sales listing compared to the invoice and payment remittance.	The correct net invoice value was applied to the updated sales listing, and reconciled to the payment once freight and GST charges were included.

Table 2 Exceptions during verification of accuracy of sales data

5.4 Related party customers

The verification team observed that InfraBuild sold merchant bar to related customers. InfraBuild submitted it maintains a market based pricing policy for both unrelated and related customers. The verification team analysed the prices for

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unrelated and related customers and did not find evidence of price discrimination between related and unrelated customers.

The verification team is satisfied that InfraBuild's selling prices for merchant bar to related customers are 'arms length' and can be relied upon in the assessment of the economic condition of the Australian industry.

6 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE

6.1 CTMS completeness and relevance finding

The verification team is satisfied that the CTMS data provided in the application by applicant is complete and relevant.

6.2 Verification of CTMS completeness and relevance

Verification of relevance and completeness is conducted by reconciling selected data submitted 'upwards' through management accounts up to audited financial accounts. The total cost to make data is reconciled to the cost of production in the management reports with particular attention given to ensuring that all relevant costs are included and irrelevant costs have been excluded. The cost of production data is then reconciled, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that were excluded or should be excluded.

The verification team verified the completeness and relevance of InfraBuild's CTMS information by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team verified the relevance and completeness of the cost data as follows:

- InfraBuild's cost to make data reconciled to the cost centre reports that capture costs for the Laverton and Sydney electric arc furnaces and their respective mills' rolling costs. The reports are downloaded from SAP and the cost centres capture all raw materials and consumables used during the rolling process.
- The mill costs issued to cost of goods sold (COGS) reconciled to the financial statement for the relevant mill.
- InfraBuild's production quantities reconciled to the production report of the relevant mill.
- Due to adjustments made to COGS when consolidating the various accounting groups of InfraBuild, the verification team reconciled earnings before interest and taxes upwards to the consolidated profit and loss statement.
- InfraBuild's SG&A costs reconciled to the profit and loss statement in SAP, with the relevant rate for like goods determined as a function of sales quantity.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

7 VERIFICATION OF CTMS ACCURACY

7.1 CTMS verification finding

The verification team is satisfied that the CTMS data provided in the application by InfraBuild is complete, relevant and accurate.

Accordingly, the verification team considers InfraBuild’s CTMS data is suitable for analysing the economic performance of its merchant bar operations.

7.2 Cost allocation method

The verification team verified the reasonableness of the method used to allocate the cost information, in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

Table 3 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Each of these cost items are allocated to merchant bar based on production quantity.
Labour	
Manufacturing Overheads	

Table 3 Cost calculation method

7.3 Verification of CTMS accuracy

The accuracy of data is verified by reconciling selected data submitted ‘downwards’ to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the cost data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTMS information by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

7.4 Related party suppliers

The purchase price at which InfraBuild purchases scrap from related suppliers is determined by international market mechanisms.

The verification team considers that the transactions with the related suppliers are ‘arms length’.

8 ECONOMIC CONDITION

8.1 Preliminary assessment

Based on an analysis of the information contained in the application and obtained during the verification, the verification team considers that InfraBuild has experienced injury in the form of reduced market share. The commission continues to investigate InfraBuild's claims related to lost sales, price and profit effects, and will address these in the statement of essential facts.

8.2 Applicant's injury claims

In its application for a dumping investigation, the applicant claims that the Australian industry has experienced injury in the form of:

- lost sales volume
- lost market share
- price depression
- price suppression
- loss of profits
- reduced profitability
- reduced capital investment
- reduced research and development expenditure
- loss of employment (headcount) allocated to production of the like goods
- reduced cash flow in the industry
- lost revenue.

The injury analysis period is from 1 April 2017, with an investigation period from 1 April 2020 to 31 March 2021.

8.3 Approach to injury analysis

The analysis detailed in this chapter is based on verified financial information submitted by InfraBuild, as well as data from the ABF import database.

The verification team has assessed the economic condition of the Australian industry from 1 April 2017 using the information provided by InfraBuild. The figures presented have been compiled on an annual basis for years ending 31 March. This preliminary assessment is at **Confidential Attachment 2**.

The commission will undertake further analysis of InfraBuild's claims and the effects of alleged dumping and outline its preliminary findings in the statement of essential facts.

8.4 Volume effects

8.4.1 Sales volume

InfraBuild claims it has lost sales volume and market share due to increased imports from Taiwan. Figure 2 below depicts domestic sales volumes of like goods for InfraBuild during the injury analysis period.

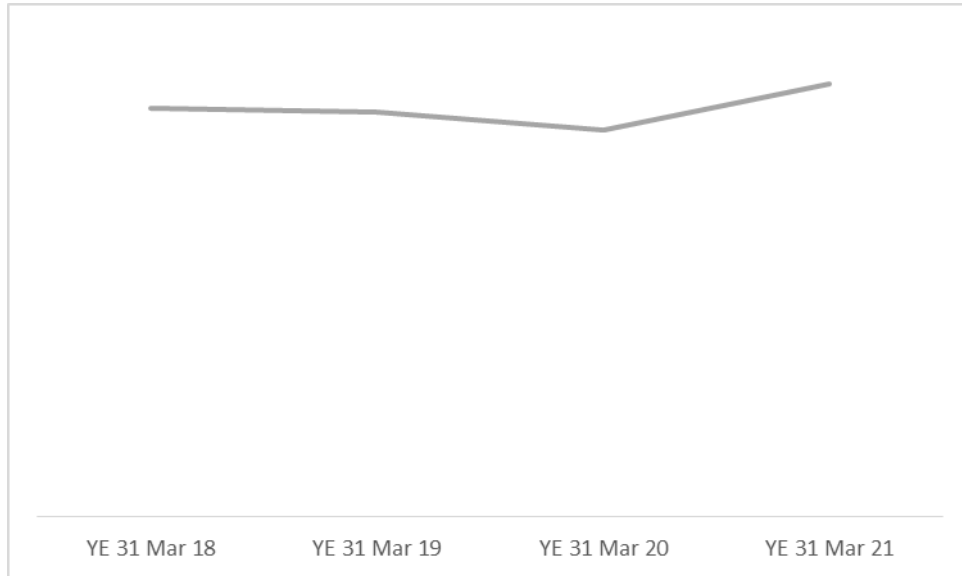


Figure 2 - InfraBuild's domestic sales volume during the injury analysis period

Figure 2 indicates InfraBuild's sales volume of like goods declined in the first three consecutive years before increasing in the investigation period.

8.4.2 Market share

Figure 3 below sets out the verification team's assessment of the market share held by the Australian industry as well as imports from Taiwan and other countries during the injury analysis period.

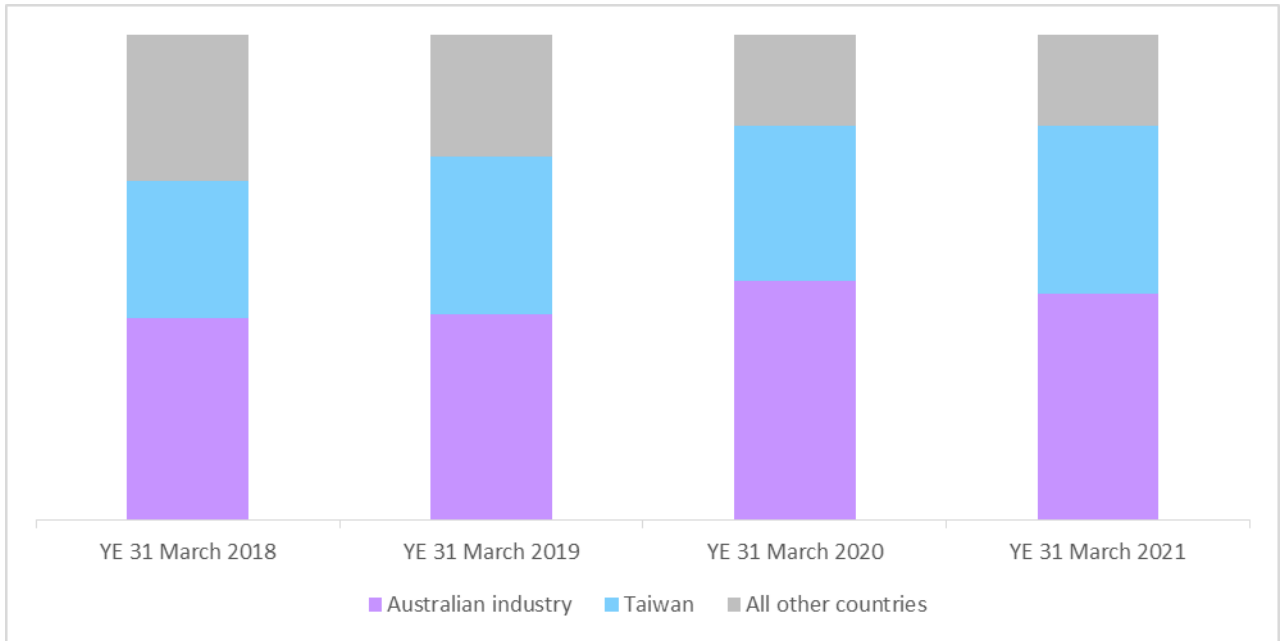


Figure 3 - Estimated market shares during the injury analysis period

Figure 3 indicates that imports of Taiwanese merchant bar have increased over the injury period as a share of the Australian market while the corresponding results for InfraBuild show a decrease during the investigation period.

8.5 Price effects

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

InfraBuild claims that it has been unable to increase prices sufficiently to cover increases in CTMS of like goods during 2020. Figure 4 below depicts the weighted average selling price of like goods sold by InfraBuild compared to its weighted average CTMS for like goods:

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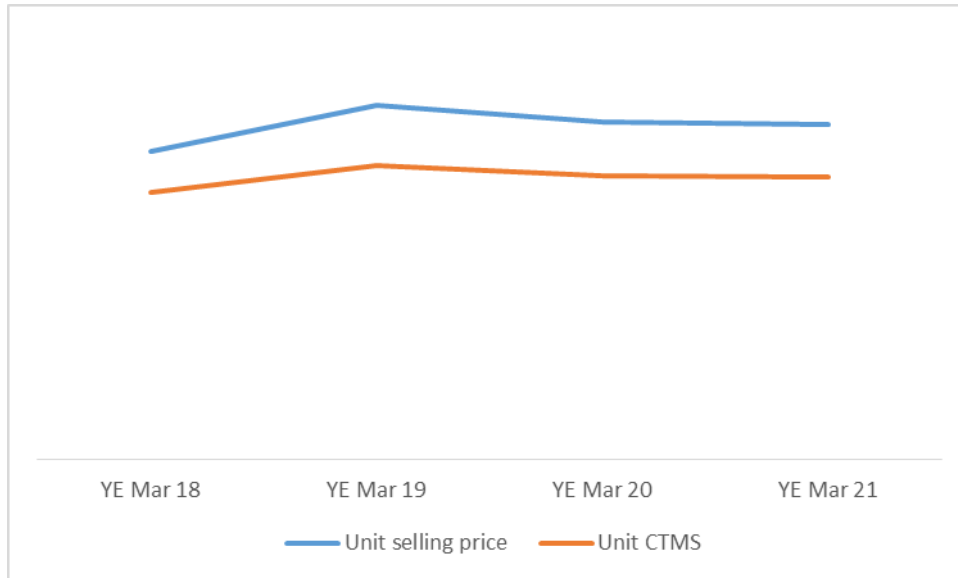


Figure 4 - InfraBuild's unit price and CTMS during the injury analysis period

InfraBuild provided the verification team a number of examples of price undercutting where it has reduced prices in order to compete with the goods imported from Taiwan. The examples examined by the verification team referred to price negotiations with its customers where imports undercut the prices offered by InfraBuild.

8.6 Profit and profitability

InfraBuild claims that as a result of it not being able to increase selling prices to cover increases in its costs, due to the price effects of dumped imports from Taiwan, it is suffering injury in the form of reduced profits and profitability.

Figure 5 below depicts the changes in profits and profitability on domestic sales of like goods for InfraBuild during the injury analysis period.

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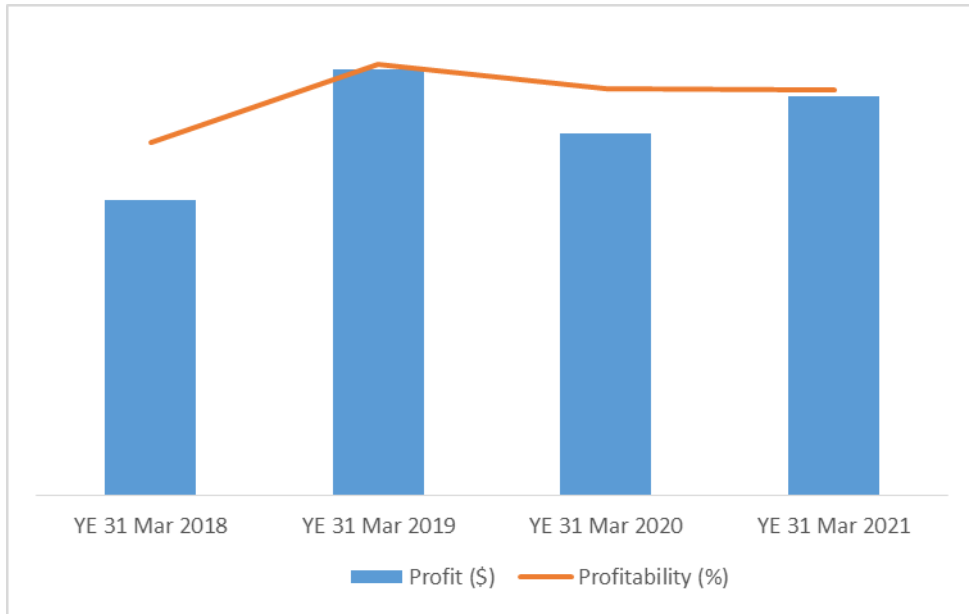


Figure 5 - InfraBuild's unit profit and profitability during the injury analysis period

Figure 5 indicates InfraBuild's profits and profitability of sales of like goods peaked during the year ending 31 March 2019 before declining in the year ending 2020. Profits recovered during the investigation period while profitability maintained the same level.

Figure 6 below depicts the changes in profits and profitability on domestic sales of like goods for InfraBuild during the investigation period.

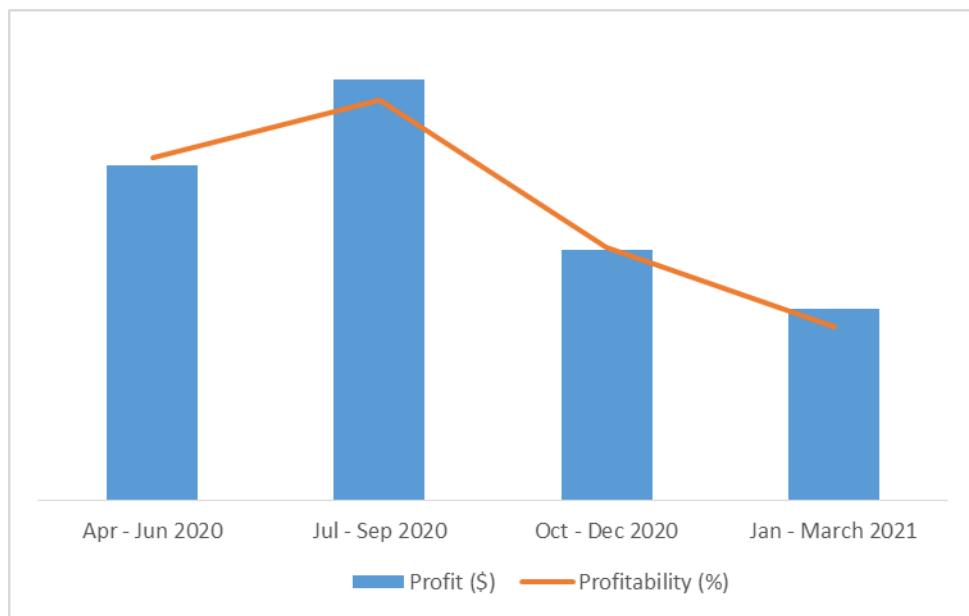


Figure 6 - Australian industry's unit profit profitability during the investigation period

Figure 6 indicates InfraBuild's unit profit and profitability on domestic sales of like goods during the investigation period increased and peaked in the second quarter before declining in the third and fourth quarters.

8.7 Other economic factors

8.7.1 Capital investment

InfraBuild claims it has suffered material injury in the form of reduced capital investment related to the production of like goods. Figure 7 below depicts an index of capital investment during the injury analysis period.

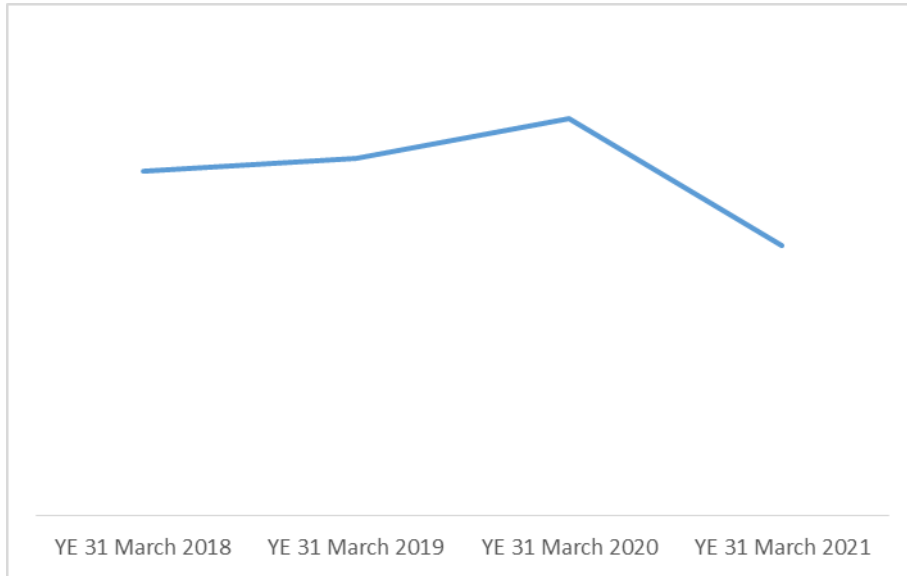


Figure 7 – InfraBuild’s index of capital investment during the injury analysis period

Figure 7 indicates InfraBuild’s capital investment increased consecutively in the first two years before declining in the investigation period. However, in measuring capital investment in relation to the production of like goods, InfraBuild allocated its total capital expenditure by production volumes of like goods as a percentage of total production volumes. As InfraBuild’s total capital expenditure includes that which is related to other products, the commission cannot assess or isolate a decrease in capital expenditure related specifically to like goods and its relationship to dumped imports from Taiwan.

8.7.2 Research and development expenditure

InfraBuild claims it has suffered material injury in the form of reduced research and development (R&D) expenditure related to the production of like goods. Figure 8 below depicts an index of R&D expenditure during the injury analysis period.

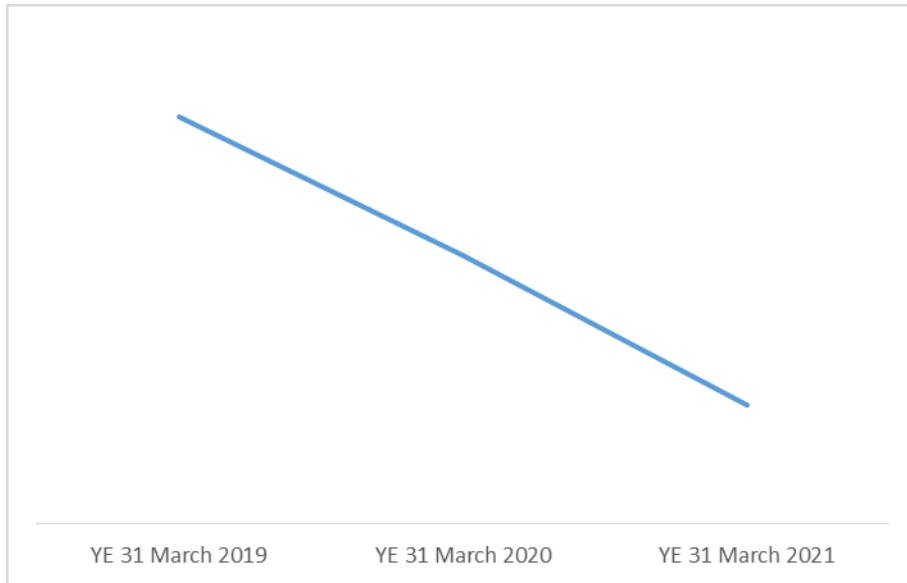


Figure 8 – InfraBuild’s index of R&D expenditure during the injury analysis period

Figure 8 indicates InfraBuild’s R&D expenditure declined in the second year and into the investigation period. However, as with capital investment, InfraBuild allocated its total R&D expenditure by sales revenue of like goods as a percentage of total sales revenue. As InfraBuild’s total R&D expenditure includes that which is related to other products, the commission cannot assess or isolate a decrease in capital expenditure related specifically to like goods and its relationship to dumped imports from Taiwan.

8.7.3 Employment

InfraBuild claims it has suffered material injury in the form of loss of employment (headcount) related to the production of like goods. Figure 9 below depicts an index of employment (headcount) during the injury analysis period.

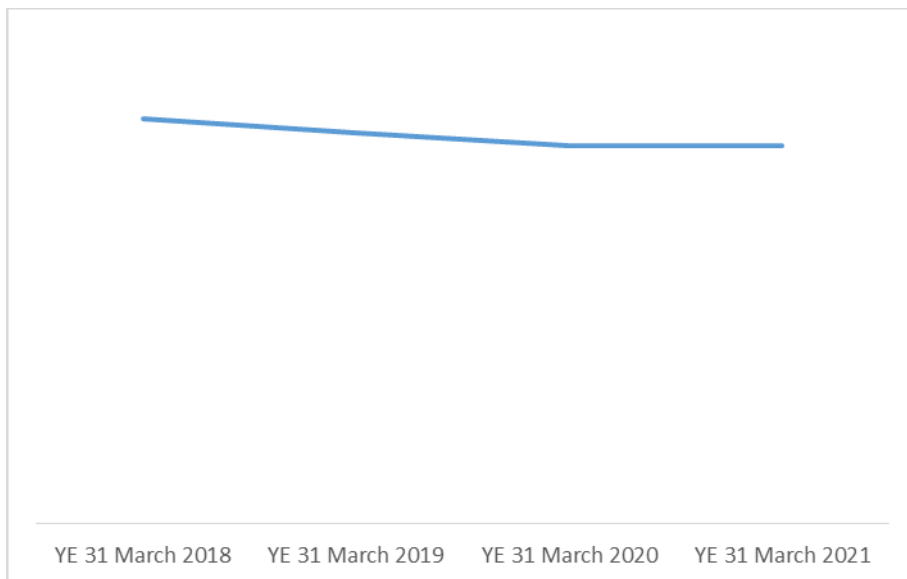


Figure 9 – InfraBuild’s index of employment (headcount) during the injury analysis period

Figure 9 indicates employment decreased consecutively in the first two years, however, employment then remained steady from the third year into the investigation period.

8.7.4 Cash flow

InfraBuild claims it has suffered material injury in the form of reduced cash flow related to the production of like goods. InfraBuild included in its application two measures of cash flow, accounts receivable turnover and inventory turnover. The figure below depicts an index of these measures during the injury analysis period.

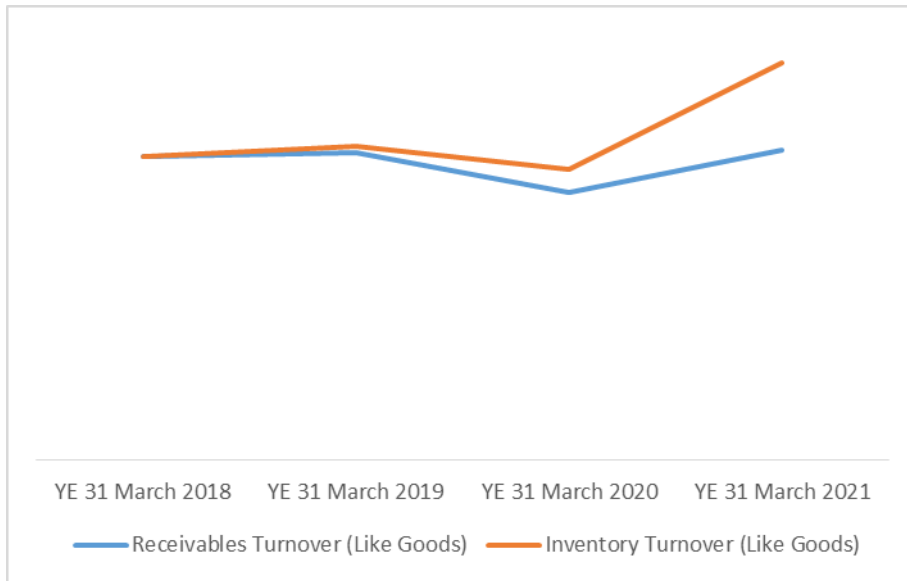


Figure 10 - InfraBuild’s index of receivables and inventory turnover during the injury analysis period

The figure indicates both measures of cash flow decreased during the third year of the injury analysis period before increasing during the investigation period. The commission notes that both measures were higher in the investigation period compared to the first year of the injury analysis period.

8.7.5 Revenue

InfraBuild claims it has suffered material injury in the form of lost revenue related to sales of like goods. The figure below depicts an index of revenue during the injury analysis period.

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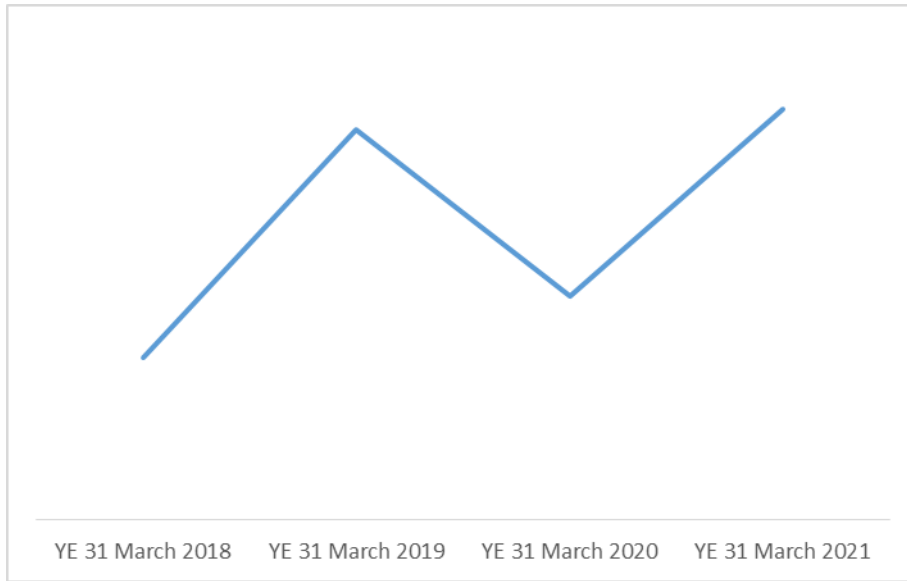


Figure 11 - InfraBuild's index of revenue during the injury analysis period

The figure indicates revenue declined in the third year of the injury analysis period before recovering during the investigation period.

9 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Verification work program
Confidential Attachment 2	Injury analysis