

18 December 2017

The Director
Operations 2
Anti-Dumping Commission

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Dear Director,

Dumping Investigation No. 418 concerning steel reinforcing bar (rebar) exported from Greece, Indonesia, Spain (Nervacero S.A), Taiwan (Power Steel Co. Ltd) and Thailand: Response of Australian industry to the submissions of exporters (Nervacero S.A and Sidenor) and Government of Spain

Liberty OneSteel provides the following response in relation to certain claims made regarding the need for product differentiation and exclusion of certain types of rebar from the scope of the investigation. Specifically, Liberty OneSteel is responding to the submissions of:

- Sidenor, not dated but placed on EPR on 13 November 2017¹;
- The Spanish Government, not dated but placed on EPR on 4 December 2017²; and
- Nervacero dated 31 October 2017³

1. Spoiled or hot-spoiled rebar in coil

The following claims have been made regarding spoiled rebar in coil produced by some of the European exporters:

- *“Sidenor’s exports cannot have caused material injury because of their particular type...Sidenor’s coil is spoiled coil, whereas Liberty OneSteel does not have a spooler process within its facility. Spoiled coil is of a much better type, and is in a much better form”⁴*
- *“the steel reinforcing bars produced by Nervacero S.A. are obtained from a different production process, more specifically by the hot-spoiled technology....these products have differentiated characteristics in comparison with typical hot rolled deformed bar in coils....we consider that hot-spoiled coils should (and could) be removed from the scope of this investigation, since they are non-identical product to the products fabricated by the petitioner”⁵*
- *“Nervacero produces a distinct, specialised product...using spooler technology (“spooler coils”)” AND “The spooler coils are physically different and easily distinguishable from the steel reinforcing bar in coil*

¹ EPR Folio 418/040

² EPR Folio 418/046

³ EPR Folio 418/034

⁴ EPR Folio 418/040 – Pg 4

⁵ EPR Folio 418/046 – Pg 2

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form produced by the Australian industry” AND “Product differentiation rather than any alleged price undercutting is the reason that Nervacero product has found a niche position in the Australian market”⁶

Liberty OneSteel asserts that the facts do not support the product differentiation claims made by the exporters Sidenor and Nervacero S.A. and raised by the Spanish Government, but rather, validate the Commission’s finding that spooled coils or hot-spooled coils should not be excluded from the scope of Investigation 418 for the following reasons:

- a) Whether domestically produced or imported into Australia, rebar sold into the Australian market is typically produced to comply with the requirements of Standard AS/NZS 4671:2001. Exporters seeking independent third party ACRS accreditation (as currently held by Sidenor and Nervacero S.A) are certified to produce rebar that complies with the requirements of AS/NZS 4671:2001. The preface of AS/NZS 4671:2001 states that *“this document applies to reinforcement generally, irrespective of the process of its manufacture.”*⁷ [emphasis added] The Standard purposely does not stipulate process of manufacture, recognising that there are various methods of steelmaking, rolling and processing involved in producing rebar that are all equally capable of delivering the chemical and mechanical property requirements specified by the Standard – no process is considered more special than another.
- b) The Commission has correctly formed a view with regard to substitutability and likeness of imported rebar to that produced and sold by the domestic industry :
 - *“The Commissioner considers that locally produced goods are manufactured in a similar manner to the imported goods”*; and further that
 - *“The verified exporter and importer data indicates a willingness by parties in the supply chain to switch between import sources. The Commission has also observed that close price competition exists in the market suggesting that **product differentiation is not recognised by the market.**”⁸* [emphasis added]

Liberty OneSteel fully supports the Commission’s view regarding the lack of product differentiation and the interchangeable nature of rebar irrespective of type or manufacturing process in the Australian market.

- c) A review of the “Analysis of Product Exclusion Request from the CELSA Group”⁹ contained in the findings of the Canadian International Trade Tribunal’s (CITT) injury assessment in the recently concluded investigation into rebar exported from Belarus, Taipei, Hong Kong, Japan, Portugal and Spain, details reasons why similar claims made by the CELSA Group (which includes Nervacero S.A.) were rejected by the Canadian authority:
 - *“The CELSA Group requested an exclusion for CELSA MAX[®] hot-rolled deformed concrete bars in coils produced with spooler technology (“hot-spooled DBIC”)”* at [210] on the basis that *“hot-spooled DBIC is distinct from other coiled rebar”* at [211]
 - The Tribunal concluded the following:
 - *“the CELSA MAX[®] hot-spooled DBIC is fully substitutable for, and would compete with, both straight rebar and coil produced by the domestic industry”* and accepted the

⁶ EPR Folio 418/034 pages 2 and 4

⁷ CONF ATT A-3.3.2 submitted with Industry application – pg 2

⁸ SEF 418 at pg 18

⁹ http://www.citt.gc.ca/en/node/8088#_Toc487016527

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- domestic industry's evidence that *"the process of spooling during production does not change the characteristics of the product"* at [224];
- *"domestically produced rebar would be used for the same end uses, fill the same customer needs and compete in the same market as the CELSA MAX[®] hot-spoiled DBIC"* at [226]
 - The Tribunal also found that, given the significant dumping margins determined for the CELSA Group (Celsa Atlantic 37.0% and Nervacero S.A. 39.6%) *"if the exclusion were granted, it would cause injury to the domestic industry" as "the premium that would normally be charged for coil would be completely eroded by dumping. As a result, there would be no barrier to the CELSA MAX[®] hot-spoiled DBIC being able to compete on price with either coil or straight bar. Accordingly, the CELSA MAX[®] hot-spoiled DBIC could displace a substantial portion of domestic production were it to enter the Canadian market at dumped prices."* at [228]
- d) Liberty OneSteel does produce a spooled rebar coil product known as [REDACTED] that is equally valued and competes directly with the imported spooled rebar coils (and rebar straights) in the Australian market. The photos presented by Nervacero¹⁰ and statements made above by both Nervacero and Sidenor reveal a lack of understanding of the processes employed and rebar products delivered by the domestic producer. As evidenced in our earlier submission¹¹ and described in the Australian industry application, one of the primary methods employed by Liberty OneSteel to produce rebar coils involves a finishing stage where *"the rebar is spooled into a coil"*¹².
- e) Liberty OneSteel's [REDACTED] coils are not produced through a hot-spoiled process but rather a hot-rolled, cold-stretched & layer spooled process to produce the mechanical properties required, with the ability to weld coils together prior to stretching enabling delivery of the optimum coil size required (or capable of being handled) by the customers. The production process of "Stretched, layer-wound" coils is described in the British "CARES Guide to Reinforcing Steels – Part 2"¹³ and references similar benefits with regards to the spooled coils produced to those claimed by Sidenor and Nervacero S.A. ie. *"Layer winding enables improved processing by automatic cutting and bending machines, improving the efficiency of that process and providing better consistency of the resulting product."*
- The production process for rebar coils made by hot-rolling, cold-stretching and layer winding/spooling is well established in European rebar production facilities and employed by a number of likely competitors of Sidenor and Nervacero S.A. in the European market.
 - Highly regarded German reinforcing steel producer Badische Stahlwerke GmbH (BSW) utilizes this process for their rebar coil production :

*"Reinforcing steel in coils is produced by cold straining of the warm rolled ribbed starting material and subsequent coiling. In the last few years, this procedure has become a standard in steel bar production. BSW operates stretching units since 1985 and thus has a vast experience in this field. This is much appreciated by customers from all over Europe."*¹⁴

¹⁰ EPR Folio 418/034 – pg 3

¹¹ EPR Folio 418/038 – pg 4

¹² EPR Folio 418/001 – pg 18

¹³ Non-confidential attachment A

¹⁴ http://www.bsw-kehl.de/bsw-en/products/reinforcing_steel.php

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- The Feralpi Group “is one of the leading steel producers in Europe and specialises in the production of steels for construction”. They too employ the cold-stretching and spooling process for production of their rebar coils and list similar customer processing benefits to those claimed by Sidenor and Nervacero S.A :

“The special coil-on-coil processing ensures accurate and faster coil unwinding, giving considerable increases in output. The reduced number of daily changes results in fewer downtimes, less scrap and higher level of safety.”¹⁵

2. 20mm rebar in coil

Claims have also been submitted by various parties in relation to the need for exclusion of the 20mm coil from the scope of Investigation 418 on the basis that Liberty OneSteel does not manufacture 20mm coils. One such submission on behalf of Nervacero S.A. states:

“it is clear that Nervacero could not have caused injury to the Applicant at all by reason of its exports of 20mm rebar coils to Australia during the period. The Applicant does not have a comparative product in the market. Therefore,the Commission can have no option but to exclude 20mm rebar coils from the scope of the investigation and from its injury analysis.”¹⁶

The Commission is correct to reject the claims of Nervacero for the following reasons:

- Liberty OneSteel does produce 20mm straight rebar which can be considered substitutable to the 20mm rebar coil in many applications.
- Liberty OneSteel does produce 20mm rebar in coil.¹⁷
- The goods description for Investigation 418 is specifically inclusive of rebar “whether or not in coil form” ie. whether or not the 20mm rebar is in straight or coil form, it is included.
- Liberty OneSteel agrees with the Commission’s observation that “rebar can be used in a variety of shapes (i.e. coil or straight) and diameters to provide the same required reinforcing solution”¹⁸ and that “rebar straights and coils of a similar diameter are substitutable, and rebar processors or service centres can use either depending on the equipment available in their processing facility”¹⁹
- The substitutability of the rebar coil and straights was also accepted by the CITT findings:

“The Tribunal accepts that rebar in coils and rebar in straight lengths are substitutable for one another.”²⁰

The Commission has rightly recognised that “as injury cannot be attributed to OneSteel’s own imports of the goods, for the purposes of injury analysis, the Commission has disregarded OneSteel’s volume of domestic sales of imported rebar coils”,²¹ including the 20mm rebar coils purchased from Nervacero S.A.

¹⁵ <http://www.feralpigroup.com/en/portfolio-item/rotoli-ribobinati-en/>

¹⁶ EPR 418/ Folio 034 at pages 4-5

¹⁷ Product Code 20DBAR-MA500N-0 (Refer Appendix A4 (coil) of Industry Application)

¹⁸ SEF 418 at pg 56

¹⁹ SEF 418 at pg 55

²⁰ http://www.citt.gc.ca/en/node/8088#_Toc487016527 at [222]

²¹ SEF 418 at 7.3.3 on pg 45

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In terms of future considerations, [REDACTED]
[REDACTED]
As stated in Confidential Attachment B provided, the investment is a strong endorsement of the product that has been delivered to customers in the domestic market for the past 10 years ie. [REDACTED] [Commercially sensitive]

FOR AND ON BEHALF OF THE AUSTRALIAN INDUSTRY APPLICANT
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