



Ottawa, Tuesday, January 2, 2001

Preliminary Injury Inquiry No.: PI-2000-003

IN THE MATTER OF a preliminary injury inquiry, under subsection 34(2) of the *Special Import Measures Act*, respecting:

**CERTAIN CONCRETE REINFORCING BAR ORIGINATING IN OR
EXPORTED FROM THE REPUBLIC OF INDONESIA, JAPAN, THE
REPUBLIC OF LATVIA, THE REPUBLIC OF MOLDOVA, THE REPUBLIC
OF POLAND, CHINESE TAIPEI AND UKRAINE**

PRELIMINARY DETERMINATION OF INJURY

On November 3, 2000, the Acting Director General, Anti-dumping and Countervailing Directorate, Canada Customs and Revenue Agency, notified the Canadian International Trade Tribunal that an investigation had been initiated into the alleged injurious dumping in Canada of hot-rolled deformed carbon or low alloy steel concrete reinforcing bar in straight lengths or coils, originating in or exported from the Republic of Indonesia, Japan, the Republic of Latvia, the Republic of Moldova, the Republic of Poland, Chinese Taipei and Ukraine.

Following receipt of the notice, the Canadian International Trade Tribunal, under the provisions of subsection 34(2) of the *Special Import Measures Act*, conducted a preliminary inquiry into whether the evidence discloses a reasonable indication that the dumping of the above-mentioned reinforcing bar has caused injury or retardation or is threatening to cause injury to the domestic industry.

Pursuant to subsection 37.1(1) of the *Special Import Measures Act*, the Canadian International Trade Tribunal hereby determines that the evidence discloses a reasonable indication that the dumping of the above-mentioned reinforcing bar has caused injury to the domestic industry.

Pierre Gosselin

Pierre Gosselin
Presiding Member

Richard Lafontaine

Richard Lafontaine
Member

James A. Ogilvy

James A. Ogilvy
Member

Michel P. Granger

Michel P. Granger
Secretary

The statement of reasons will be issued within 15 days.

Date of Determination: January 2, 2001
Date of Reasons: January 17, 2001

Tribunal Members: Pierre Gosselin, Presiding Member
Richard Lafontaine, Member
James A. Ogilvy, Member

Director of Research: Réal Roy

Lead Researcher: Simon Glance

Counsel for the Tribunal: Gerry Stobo
John Dodsworth
Dominique Laporte

Registrar Officer: Claudette Friesen

Submissions

JV CJSC Moldova Steel Works

Huta Ostrowiec SA

Stelco Inc., AltaSteel Ltd. and Stelco-McMaster Ltée



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TRIBUNAL: PIERRE GOSSELIN, Presiding Member
RICHARD LAFONTAINE, Member
JAMES A. OGILVY, Member

STATEMENT OF REASONS

BACKGROUND

On November 3, 2000, pursuant to subsection 31(1) of the *Special Import Measures Act*,¹ the Commissioner of the Canada Customs and Revenue Agency (the Commissioner) initiated an investigation respecting the alleged injurious dumping in Canada of hot-rolled deformed carbon or low alloy steel concrete reinforcing bar in straight lengths or coils, originating in or exported from the Republic of Indonesia (Indonesia), Japan, the Republic of Latvia (Latvia), the Republic of Moldova (Moldova), the Republic of Poland (Poland), Chinese Taipei and Ukraine.

The investigation was initiated following a complaint filed by Stelco Inc., of Hamilton, Ontario, on behalf of its manufacturing units AltaSteel Ltd., Edmonton Alberta, Stelco-McMaster Ltée, Contrecoeur, Quebec, and Hilton Works, Hamilton, Ontario (to be referred to collectively as Stelco). On October 19, 2000, the Canada Customs and Revenue Agency (CCRA) informed Stelco that its complaint was properly documented. The CCRA also informed the representatives in Canada of the governments of Indonesia, Japan, Latvia, Moldova, Poland, Chinese Taipei and Ukraine of the filing of the complaint.

On November 6, 2000, pursuant to subsection 34(2) of SIMA, the Canadian International Trade Tribunal (the Tribunal) issued a notice advising interested parties that it had commenced a preliminary injury inquiry to determine whether the evidence disclosed a reasonable indication that the dumping had caused injury or retardation or was threatening to cause injury.²

1. R.S.C. 1985, c. S-15 [hereinafter SIMA].

2. In accordance with subsection 2(1) of SIMA, injury is defined as “material injury to a domestic industry”.

The record of this preliminary injury inquiry consists of all documents that relate to the Commissioner's decision to initiate the investigation, his statement of reasons for the initiation and the public and protected versions of the complaint. In addition, the record consists of all submissions filed in response to the Tribunal's notice. All public exhibits were made available to the parties. Protected exhibits were made available only to counsel who had filed a declaration and undertaking with the Tribunal in respect of the use, disclosure, reproduction, protection and storage of confidential information on the record of the proceedings, as well as the disposal of such confidential information at the end of the proceedings or in the event of a change of counsel.

On November 22, 2000, the Tribunal received a motion from Stelco requesting that the Tribunal deny access to the confidential information to Mr. William J. Clinton, a non-resident counsel for JV CJSC Moldova Steel Works (Moldova Steel). On January 10, 2001, the Tribunal issued an order rejecting the motion and granting access to the confidential information on the record, subject to the terms and conditions of the order and the attached declaration and undertaking.

The Tribunal issued its preliminary determination of injury on January 2, 2001.

PRODUCT

For the purpose of the CCRA's investigation, the subject goods are defined as "hot-rolled deformed carbon or low alloy steel concrete reinforcing bar in straight lengths or coils, originating in or exported from the Republic of Indonesia, Japan, the Republic of Latvia, the Republic of Moldova, the Republic of Poland, Chinese Taipei and Ukraine".

For greater clarity, the subject goods include all hot-rolled deformed bar, rolled from billet steel, rail steel, axle steel or low alloy steel.

The subject goods exclude the following:

- Plain round bar
- Rebar that a processor has further worked or fabricated (other than cut)
- Coated rebar

Rebar is produced in Canada in accordance with the National Standard of Canada CAN/CSA-G30.18-M92 for Billet-Steel Bars for Concrete Reinforcement (the National Standard) prepared by the Canadian Standards Association and approved by the Standards Council of Canada.

The following are the bar designation numbers with the corresponding diameter in millimetres in brackets: 10 (11.3), 15 (16.0), 20 (19.5), 25 (25.2), 30 (29.9), 35 (35.7), 45 (43.7) and 55 (56.4). Rebar sizes are commonly referred to as the bar designation number combined with the letter "M". Thus, 10M rebar is rebar with a bar designation number of 10 and a diameter of 11.3 millimetres.

The National Standard identifies two grades of rebar, namely, regular or "R" and weldable or "W". R grades are intended for general applications, while W grades are used where welding, bending or ductility is of special concern.

The National Standard also identifies yield strength levels of 300 megapascals (MPa), 400 MPa and 500 MPa. Combining the yield strength number with the grade number identifies the grade and yield strength of rebar. Thus, “400R” is regular rebar with a yield strength of 400, and “500W” is weldable rebar with a yield strength of 500.

The standard lengths for rebar are 6 metres (20 feet), 12 metres (40 feet) and 18 metres (60 feet), although they could be cut and sold in other lengths as specified by customers.

Deformed steel concrete reinforcing bar is produced using ferrous scrap metal as the principal raw material. The scrap metal is melted in an electric arc furnace and is further processed in a ladle arc-refining unit. The molten steel is then continuously cast into rectangular billets of steel that are cut to length. The billets are then rolled into various sizes of rebar, which is cut to various lengths depending on the customers’ requirements.

Deformed rebar is rolled with deformations on the bar, which provide gripping power so that concrete adheres to the bar, and the bar, thereby, provides reinforcing value to the concrete. The deformations must conform to requirements set out in the National Standard.

Deformed rebar of all sizes is used almost exclusively in the construction industry to provide structural reinforcement to concrete structures. Residential markets primarily use rebar in smaller sizes, while the heavy construction and fabrication markets use most of the larger sizes of rebar.

The goods covered by this inquiry are identical to the subject good investigated in Inquiry No. NQ-99-002.³

INDUSTRY

In addition to the manufacturing units of Stelco, all other Canadian producers of rebar supported the complaint. These are Co-Steel Inc. of Whitby, Ontario, Gerdau Courtice of Cambridge, Ontario, Gerdau MRM Steel of Selkirk, Manitoba, Ispat Sidbec Inc. of Montréal, Quebec, and Slater Steel Inc. of North York, Ontario.

The CCRA identified 36 possible exporters, 9 possible vendors and 14 possible importers of the subject goods.

COMMISSIONER’S DECISION

Based on information available in the complaint and the data provided by the other rebar producers, the CCRA was satisfied that Stelco represented more than 25 percent of Canadian production. In addition, producers whose collective production accounts for the balance of the domestic production supported the complaint. The complaint, therefore, has standing as required under SIMA in order to allow an investigation to be initiated.

3. *Certain Concrete Reinforcing Bar, Finding* (12 January 2000), *Statement of Reasons* (27 January 2000) (CITT).

Using actual import data for the period from October 1, 1999, to May 31, 2000, the CCRA determined that imports from each of the named countries were not negligible.

In its preliminary estimate of dumping margins, the CCRA accepted, with adjustments, Stelco's use of various methods to estimate normal values, given the countries involved. The methods used included cost plus, exporters' domestic selling prices and surrogate country selling prices. In calculating export prices, the CCRA relied on actual import data from customs documentation.

The estimated margins of dumping were determined by comparing the CCRA's calculations of normal values and export prices. Based on these estimates, approximately 96 percent of the subject goods were found to have been dumped. The margins of dumping ranged from 1.2 to 36.5 percent, expressed as a percentage of normal value. The overall weighted average margin of dumping was estimated to be 17.9 percent.

The overall estimated weighted average margin of dumping for each of the named countries met the legislated 2 percent threshold requirement, as per section 2 of SIMA, and, therefore, was not insignificant.

SUMMARY OF SUBMISSIONS

In response to the Tribunal's notice of commencement of a preliminary injury inquiry, six parties filed notices of participation.⁴ Two of these parties opposed the complaint. In opposing the complaint, Moldova Steel submitted that its limited participation in the Canadian market has been insignificant and, therefore, has not caused injury and is not threatening to cause injury to the domestic industry.

In reply to the submission from Moldova Steel, Stelco noted that the CCRA had found that the volumes of dumped imports from Moldova Steel were not negligible and that the margins of dumping were not insignificant. With respect to Moldova Steel's assertion that it has not caused injury and is not threatening to cause injury to the domestic industry, Stelco submitted that SIMA requires imports from a named country to be assessed cumulatively with imports from the other named countries. Furthermore, Stelco noted that its direct evidence of a causal link between dumped imports from Moldova and injury, as well as the threat of injury to the domestic production of rebar, was not challenged.

Huta Ostrowiec SA wrote the Tribunal indicating that the volume of its shipments between December 1999 and May 2000 could not have caused injury to the domestic industry. It noted that the change in the CCRA's period of investigation from January 1 to August 31, 2000, to October 1, 1999, to May 31, 2000, had the effect of increasing Poland's share of imports above the negligibility threshold. Huta Ostrowiec SA also noted that its business strategy is to "fill the gap without any injury to the local production".

ANALYSIS

Pursuant to subsection 34(2) of SIMA, the Tribunal is required to conduct a preliminary inquiry into whether the evidence discloses a reasonable indication of injury, retardation or threat of injury to the domestic industry as a result of the dumping or subsidizing of the subject goods.

4. Initially, nine notices of participation were filed with the Tribunal, three of which were subsequently withdrawn.

As noted above, the CCRA determined that Stelco had standing as a complainant. In addition, the CCRA found the volume of dumped imports from each of the named countries not to be negligible and that their respective margins of dumping were not insignificant. It remains for the Tribunal to determine whether the evidence discloses a reasonable indication that the dumping of these imports caused injury, retardation or threat of injury to the domestic producers of rebar.⁵

In the evidence before the Tribunal, Stelco alleged that, as a result of the dumping, it has sustained injury in the form of lost market share, price suppression, price erosion, lost sales, lost profit and reduced capacity utilization. Stelco provided evidence, in the form of statistical data, as well as call reports and internal memos, to demonstrate the scope and effect of named country import competition, especially in calendar year 2000. According to Stelco, prices recovered somewhat in late 1999 and early 2000 as a result of the Tribunal's inquiry and subsequent finding in Inquiry No. NQ-99-002. However, with the shift in sources of supply to the named countries in the current preliminary injury inquiry, prices remained suppressed relative to the levels realized in early 1998.

Stelco also submitted that the loss of market share and continued suppression and erosion of prices in Canada have led to a deterioration in its financial performance. Other domestic rebar producers also submitted that revenues were barely sufficient to cover their costs of production. In addition, the loss of sales experienced by Stelco and other domestic producers was alleged to have caused a reduction in capacity utilization.

Other domestic producers of rebar supporting the complaint also alleged loss of sales and price suppression and erosion, as well as reduced profitability. Co-Steel Inc. also noted that it suspended production of rebar during the period from April through July 2000, due to the continuation of low prices and poor margins resulting from named country import competition.

The Tribunal notes that, according to the data on the record, imports of rebar from the named countries increased by approximately 72 percent in the first five months of 2000 over their volume for the full year in 1999. On an annualized basis, this represents an increase in imports of over 300 percent. With a fairly stable total market for rebar in Canada, the market share of imports from the named countries increased by a similar percentage.

The Tribunal is, therefore, of the view that there is sufficient information to support Stelco's claims, at this preliminary stage, to meet the test of "reasonable indication" of injury caused by the subject imports from the named countries. In summary, the Tribunal finds that, based on the evidence before it, and in considering the overall effect of the alleged dumped imports of rebar from the named countries, there is a correlation between the volume of these imports and the suppressed and eroded Canadian prices, as well as the poor financial performance experienced by Stelco and other producers. In light of the above conclusion, the Tribunal does not consider it necessary to address the issues of threat of injury or retardation.

5. See Preliminary Injury Inquiry Nos. PI-2000-001 and PI-2000-002 at 4-5, respectively, for a description of this test.

CONCLUSION

On the basis of the information before it, the Tribunal determines, pursuant to subsection 37.1(1) of SIMA, that the evidence discloses a reasonable indication that the dumping of hot-rolled deformed carbon or low alloy steel concrete reinforcing bar in straight lengths or coils, originating in or exported from Indonesia, Japan, Latvia, Moldova, Poland, Chinese Taipei and Ukraine, has caused injury to the domestic industry.

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