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UK Industry – Verification Report

Case TD0007: Wire Rod exported from the People’s Republic of China

Date:	September 2021
Company verified:	Celsa Steel (UK) Limited (“Celsa”)
Verification meeting dates:	09 June and 20 August 2021

NOTE: *The views and opinions in this report will be reviewed by the case investigator teams and may not reflect the final decision of the Trade Remedies Authority*



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Section A: Background

A1. The transition review

On 5 November 2020, the Trade Remedies Investigation Directorate (TRID), which became the Trade Remedies Authority (TRA) on 1 June 2021, initiated a transition review of measures in relation to bars and rods, hot-rolled, in irregularly wound coils, of iron, non-alloy steel or alloy steel other than of stainless steel originating in the People's Republic of China (PRC).

The TRA is carrying out a transition review of each trade remedy measure active under the European Union (EU) system that the UK transitioned after EU exit. As part of these reviews, the TRA will verify as far as possible, the related material/documentation provided to it.

More information about the case can be found on the public file for this investigation:

[Case TD0007 Public File](#)

The Period of Investigation (POI) is 1 April 2019 to 31 March 2020.

Celsa responded with a completed domestic producer questionnaire on 5 March 2021. The Covid-19 pandemic affected the TRA's ability to conduct site visits and verify the data in person. All verification activity with Celsa took place remotely, via emails and video conferencing. The TRA sought to verify the data submitted, to give it a reasonable level of assurance on the relevance, completeness and accuracy of the data, for the purposes of using it for its injury likelihood and economic interest test (EIT) assessments.

A2. Company verification

Celsa is a steel-making manufacturer that uses an electric arc furnace to make new steel products by recycling scrap metal. It produces circa 1.0 million tonnes of finished steel products per annum from its two sites in Cardiff:

- Tremorfa
- Castle Works

Celsa belongs to the Celsa Group of companies, after being acquired in 2003. It has clarified there are several different entities across the group – all headed by Celsa (UK) Holdings Limited. Celsa highlighted that for the purpose of the case, the main entities are Celsa Manufacturing (UK) Limited (which produces the wire



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rod products, holds all stock, incurs labour costs) and Celsa Steel (UK) Limited (which sell the finished products to the downstream fabricators and all external markets). Since 2008 Celsa has also owned and operated downstream fabricator businesses in the UK, alongside scrap metal operations.

The full company structure, including the associated fabricator businesses, was verified against information provided by Companies House.

Celsa highlighted it has strong controls and processes in place. It confirmed it is audited annually by Ernst & Young, at which time its process controls are reviewed and verified. Celsa also clarified it had been involved with multiple refinancing processes, most recently at the end of 2018 and Project Birch in 2020.

A3. Meeting details

Company name:	Celsa
Venue:	Remote via MS Teams
Visit dates:	09 June and 20 August 2021

Throughout the various meetings, these people were in attendance:

Organisation	Name – Title
Celsa	
TRA	

09 June 2021 3pm – 4.15pm

Organisation	Name
Celsa	
TRA	



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20 August June 2021 12.30pm-1.15pm

Organisation	Name
Celsa	
TRA	

The minutes of both meetings were shared with Celsa for comments and accepted as accurate.

Section B: The goods

B1. The goods subject to review

B1.1 Definition

The goods subject to review are defined by the Notice of Initiation, are:

Bars and rods, hot-rolled, in irregularly wound coils, of iron, non-alloy steel or alloy steel other than of stainless steel.



B1.2 Relevant combined nomenclature codes

The goods subject to review are currently classifiable within the following commodity codes (given only for information)

- 7213 10 00
- 7213 20 00
- 7213 91 10
- 7213 91 20
- 7213 91 41
- 7213 91 49
- 7213 91 70
- 7213 91 90
- 7213 99 10
- 7213 99 90
- 7227 10 00
- 7227 20 00
- 7227 90 10
- 7227 90 50
- 7227 90 95

B1.3 Product Control Numbers

The TRA uses Product Control Numbers (PCNs) to define and distinguish the different types of products that fall under the goods description above.

PCNs, which come in the form of an alphanumeric code, help to create a categorisation system so that comparisons can be made between goods produced in the domestic UK market and those produced in overseas markets.

The following table is provided for reference only:

Category	Sub-category Format	Explanation	Sales data	Cost data
Carbon Content (%)	1	Less than 0.25% carbon	Required	Preferred
	2	0.25% =< carbon content >= 0.75%	Required	Preferred
	3	More than 0.75%	Required	Preferred
Diameter (mm)	S	Diameter < 14 mm	Required	Required
	M	14 mm =< Diameter >= 25 mm	Required	Required
	L	Diameter > 25 mm	Required	Required
Speciality	ST	Standard	Required	Required
	TC	Tyre Cord	Required	Required



	AU	Automotive Spring Steels	Required	Required
	IN	Containing indentations, ribs, grooves or other deformations produced during the rolling process	Required	Preferred
	BB	Ball-bearing Steel	Required	Preferred
	SP	Other speciality not listed above	Required	Preferred
Additional Treatments	NO	No additional treatment	Required	Preferred
	AN	Annealing	Required	Preferred
	CO	Coating	Required	Preferred
	AC	Annealing and coating	Required	Preferred

Example of the product control number:

A rod with 25% carbon content, 15 mm diameter, standard and coated will have the following PCN:

2MSTCO

B2. The like goods produced by Celsa

Celsa claim there are no differences between the goods they produce to those of the goods subject to review.

The TRA has considered this claim and has reviewed the domestically produced goods to determine if they are indeed 'like goods'. These are defined by the Taxation (Cross-border Trade) Act 2018, Schedule 4, paragraph 7(1) as:

- a) goods which are like those goods in all respects, or
- b) if there are no such goods, goods which, although not alike in all respects, have characteristics closely resembling those of the goods in question

The TRA also assessed the goods produced by Celsa according to the criteria defined within the above PCN structure. And using this structure compared Celsa's



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production, where an alignment was possible, with the goods produced by an additional cooperating UK producer. Due to the absence of exporter questionnaire responses, a comparison between the UK produced, and PRC produced like goods, has not been possible.

Celsa submitted their domestic sales listing for the POI and provided the PCNs for each sale with reference to its own material codes. It also sent the TRA a copy of its internal guide documents setting out how its material codes are constructed, as well as a listing of grading codes Celsa uses (with applicable standards and description information). Using this information, and the available product range descriptors on Celsa's website, the TRA was able to reconstruct the quoted PCNs against the copy sales documents initially obtained in verification activities set out in section D4.2 below.

B2.1 Celsa's production capability

Both Celsa's mills, including the rod and bar mill where all the like goods are produced, are located in Cardiff, Wales. All parts of the production process take place between the two sites. This includes the melting of the scrap steel in the electric arc furnace to produce steel billets. These billets are then re-heated, rolled, and coiled to achieve the final product.

Celsa calculates it has the capacity to produce 800 million kgs of the like good at its rod and bar mill per annum, the basis of which is outlined within section F2.5 below. Although on-site verification was not carried out, the TRA was able to verify the mills' location using Google Maps, company website and a familiarisation site visit it undertook in June 2019.

B3. Conclusion on the goods

The TRA are satisfied the wire rod produced by Celsa are like goods to the goods subject to review, are wholly produced in the UK and there is an existing industry.

As the TRA was able to verify Celsa's methodology in assigning the PCNs to its own material codes, it is also satisfied no adjustments are necessary regarding the assignment of these. There is also no evidence to suggest Celsa has omitted any relevant products.



Section C: UK market

C1. Market size

The wire rod market in the UK relies on both local steel production and overseas imports. Three major UK producers of wire rod have been identified, two of which have been involved with the verification activities of the TRA in this investigation.

Celsa has provided the TRA with an estimation of its own market share with reference to statistical information supplied by the International Steel Statistics Bureau (ISSB). But the TRA was unable to independently verify these figures or corroborate these against the other submissions it received.

UK Steel, the trade association for the UK steel industry, provided the following information:

Year	UK WR Production (tonnes)	UK WR Consumption (tonnes)	UK Exports (tonnes)
2016	100	100	100



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2017	98	99	96
2018	103	95	105
2019	97	92	101
2020	99	75	104

Source: ISSB 2016 = 100

The referenced 12-month periods do not align with the injury period or the POI being used. However, the production figures do mirror the combined production volumes of the UK producers we have received – this includes non-verified data from one of the producers. As such the TRA has constructed an indicative market share for UK producers of approximately X% redacted – commercially sensitive (based on consumption of the goods subject to review) in the POI. This indicative market share was further supported when the TRA subsequently collated import figures from UK Trade Info (for both EU and non-EU imports of the like good).

The TRA also constructed indicative market share figures for UK producers for the injury period in the same way. The TRA observed this figure has remained stable and continued to be at a level which reflects a significant portion of total UK consumption (acknowledging that timescales recorded in the above table show figures for calendar years, whereas the injury period and POI is 1 April to 31 March).

C2. Substitutable products

Celsa has submitted that the market for the good subject to review remains very competitive. It advises it is one of the few products made in the UK where there are multiple domestic producers as well as imports that can give the appropriate service levels required by the wire rod customers. Meeting the quality standard is a pre-requisite for supply but beyond that there is little real product differentiation. Secondary research confirmed this to be the case.



Section D: Verification of sales data

D1. Submission of sales data

Celsa provided the TRA with a complete sales listing of their domestic sales of the like goods for the POI, together with the sum total value of its export sales.¹

The listing holds data including the following:

- Product type
- Product code
- Product description
- Customer name
- Customer number
- Sales invoice number and date
- Delivery terms
- Payment terms
- Quantity
- Gross invoice value (£ GBP)
- Taxes
- Discounts and rebates
- Other charges

¹ The TRA did not look to verify the individual export sales. The values provided were considered in more detail for the purposes of injury – please see section F2.2 below.



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- Net Invoice Value (£ GBP)

Celsa also provided copies of its annual statutory accounts for the years 2016 – 2019 inclusive (Celsa’s financial year runs from 1 January to 31 December). Following the initial submissions, the TRA was then able to obtain a copy of Celsa’s 2020 annual accounts directly from Companies House and further confirm the information initially sent. All accounts were audited by Ernst & Young LLP which concluded the financial statements to be a “true and fair view” and prepared in accordance with UK GAAP and requirements of Companies Act 2006.

D2. Ordering, invoice and delivery arrangements

This complete sales cycle was demonstrated in the walkthrough meeting with Celsa on 9 June 2021. It was further verified with a sampled transaction from the point of order and the relevant walkthrough documents. Celsa also demonstrated an example of a credit transaction being received and the remittance advice being issued. No issues were noted.

D3. Level of trade and related customers

Celsa advised it is associated with six UK based companies and two in the Republic of Ireland. The UK based companies are the aforementioned downstream fabricator businesses that were acquired by the Celsa Group in 2008.

Celsa identified all the relevant sales transactions between its associated companies in the questionnaire annex. It stated all sales to its associated companies were at arm’s length and negotiated in the same way as any other external independent customer. Celsa also explained that this particular issue had been reviewed by external advisers as part of past due diligence processes.

In addition to verification activity set out in section D4.2 below, the TRA requested and reviewed the sales documents of a further six transactions from the transactional listing information provided by Celsa. These were comparable transactions from associated companies and independent customers. The TRA reviewed the sale prices across PCNs and at material code level against Celsa’s claims that its associations do not affect prices.

The TRA was able to identify an alignment of the invoice prices between associated and external independent companies at PCN level. Therefore, the TRA is satisfied Celsa’s sales to its associated companies are at arm’s length and it does not need to exclude these sales transactions from its assessments.

D4. Verification of sales data

The TRA assessed the completeness, relevance, and accuracy of Celsa’s sales data.



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The TRA checked the completeness of the sales data by verifying this against Celsa's financial statements and management accounts. It also reconciled the domestic sales listing against a sample of transactions, and their source documentation.

D4.1 Upwards verification

Before selecting transactions to fully verify, the TRA performed a basic 'upwards' verification to confirm the completeness of the total data set. This included:

- Confirming the transaction by transaction figures for domestic sales, and the total export sales figures against the equivalent figures reported in upwards sales reconciliation.
- Comparing the financial statement figures provided in the upwards sales reconciliation to the audited accounts for 2019 and 2020.
- Subsequently comparing the management account breakdown provided and the audited accounts for 2019.

The TRA was initially able to verify Celsa's sales revenue figures for the like goods and requested further documentary evidence to support the total sales revenue figures. The further information, alongside a management account breakdown, did clarify how Celsa Steel and Celsa Manufacturing operated together. However, a further walkthrough of the information was requested by the TRA. In particular, the TRA advised it required a reconciliation for the variance between the net sales listed in the management accounts and the annual accounts.

Celsa provided this reconciliation in a high-level walkthrough on 20 August 2021. It showed the TRA how it had used its accounting system to derive the sales reconciliation data it provided. The TRA was able to observe what adjustments had been made and how the data had been mapped from Celsa's systems and the applicable general ledger accounts.

D4.2 Downwards verification

Celsa initially provided the TRA evidence of two domestic sales transactions with supporting documentation, from point of order to despatch, as part of its



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questionnaire submission. The TRA also requested sales documentation for five further transactions based on domestic sales to its top five customers by volume.

The TRA then selected a further six sample domestic transactions to reflect the full range of business conducted by Celsa. The TRA asked Celsa to provide a complete set of sales documents for each transaction, consisting of:

- Copy purchase orders.
- Copy invoices.
- Proof of dispatch.
- Transportation documents.
- Proof of payment receipt including the relevant accounts receivable ledger extract and the relevant bank account statement extract or notification.

The accuracy of the domestic sales data was then assessed by verifying the information submitted against the source documents Celsa provided.

The TRA requested additional clarification on how Celsa had completed the transactional listing. It was confirmed Celsa's actual sales revenue equated to the quoted gross invoice value less transport costs and rebate provisions. The TRA was then satisfied all the supporting documentation aligned with the domestic sales data Celsa had sent.

D5. Conclusion on verification of sales data

The reconciliation of Celsa's sales data against its financial statements and management accounts ensured the TRA can reasonably say it had the whole set of the data, and this solely relates to Celsa.

The TRA reviewed the domestic sales documents submitted by Celsa and are now satisfied the information provided is in line with the reported figures.

The TRA now has a reasonable level of assurance the sales data provided by Celsa can be considered as complete, relevant and accurate for the purposes of its use by the TRA in its likelihood of injury assessment.



Section E: Verification of Cost to Make and Sell (CTMS)

E1. Submission of CTMS data

Celsa provided the TRA with a total CTMS for its like good production by completing the questionnaire annexes.

The questionnaire document also requested Celsa provide a breakdown of any inputs during the POI that accounted for more than 5% of the CTMS. But Celsa explained it was unable to do so as there was a very significant number of transactions and suppliers (over 12,500 lines over the period). It offered to have this information checked on a sample basis.

Celsa confirmed the basis of its CTMS calculation for the POI was on a pound per tonne basis. As the total cost for all products produced in the rod and bar mill was known, the same pound per tonne figure was applied to the POI. The total POI cost was then allocated across the relevant PCNs based on the percentage produced.

E2. Ordering, invoice and goods receipt arrangements

This complete purchasing process cycle was demonstrated, with copy examples, in the walkthrough meeting with Celsa on 9 June 2021. Celsa confirmed an approval structure is in place based on the value of a good/service. No issues were noted with the approval structure or how this was applied within Celsa's systems.

E3. Verification of CTMS

The TRA assessed the completeness, relevance, and accuracy of the CTMS data.

The TRA checked the completeness of the CTMS data provided by verifying this against Celsa's financial statements and management accounts.

The TRA did not request Celsa's offered sample of the individual inputs to the CTMS. The TRA decided it did not need to reconcile these transactions against their source documentation. As a reasonable assurance of the accuracy of this information could still be obtained when verifying the CTMS data against Celsa's financial accounts.



This part of the verification process would also be used in the EIT assessment. And even if a significant error was identified in the transactional data this would not materially impact the outcome of this assessment.

E3.1 Upwards verification

The TRA assessed the accuracy of CTMS data by initially performing a basic upwards verification to confirm the completeness of the total data set. This included:

- Comparing the financial statement figures provided in the costs reconciliation to the audited accounts for 2019 and 2020.
- Subsequently comparing the management account breakdown provided and the audited accounts for 2019.

The TRA was initially able to verify Celsa's total cost to sell all goods as stated in its annual statutory accounts but requested further documentary evidence to support other figures used. The further information, alongside a management account breakdown, did clarify how Celsa Steel and Celsa Manufacturing operated together. However, a further walkthrough of the information was requested by the TRA. In particular TRA advised it required a reconciliation for the variance between the cost of sales listed in the management accounts and the annual accounts.

Celsa provided this reconciliation in a high-level walkthrough on 20 August 2021. It showed the TRA how it had used its accounting systems to derive the CTMS reconciliation data it provided. The TRA was able to observe what adjustments had been made and how the data had been mapped from its systems. Celsa also provided a listing of other cost elements that had been grouped under 'other', accounting for the inputs of more than 5% of the CTMS, as well as clarifying the incorporation of costs from its section mill.

E4. Conclusion on verification of CTMS data

The reconciliation of Celsa's CMTS data against its financial statements and management accounts ensured the TRA can reasonably say it had the whole set of the data, and this solely relates to Celsa.

The TRA now has a reasonable level of assurance the CTMS data provided by Celsa for the POI can be considered as complete, relevant and accurate for the purposes of its use by the TRA in its EIT assessment.

Section F: Injury and market trends

F1. Injury claims



The TRA assesses whether the existing anti-dumping measure is necessary or sufficient to offset any dumping of the goods subject to review. The TRA also considers whether UK industry would suffer any injury if the anti-dumping measure was no longer applied to those goods.

The data used in this section of the report comes from the questionnaire response and corresponding injury annex submitted by Celsa. Within this submission, Celsa claims it is not currently suffering injury resulting from the imports of wire rod from PRC as the anti-dumping measure is currently in place. It maintains that the threat of injury is the key issue.

F2. Volume trends of the like goods

F2.1 Domestic sales volume

Celsa presented data for its domestic sales volumes for each of the 12-month periods of the injury period (1 April 2016 – 31 March 2019) and the POI (1 April 2019 – 31 March 2020).

The TRA observed that after an initial period of growth, Celsa's sales volumes in the domestic market decreased and were X% lower (redacted for commercial sensitivity) in the POI than at the start of the injury period. But Celsa explained it has not seen what it would consider significant volatility in its sales volumes year on year. It clarified its sales will be dependent on market conditions, customer demand and project/product requirements. The TRA analysed wider industry-level data, which indicated declining sales volumes and falling consumption, and which are consistent with the company-level falling trend in domestic sales volume. The TRA is therefore satisfied the explanation provided by Celsa is reasonable.

F2.2 Export sales volume

Celsa presented data for its export sales volumes for each of the 12-month periods of the injury period (1 April 2016 – 31 March 2019) and the POI (1 April 2019 – 31 March 2020).

The TRA observed a significant increase in the volume of export sales in the final 12-month injury period as well as the POI. In the POI the increase in the volume of exports was larger than the corresponding decrease in domestic sales volumes. Celsa explained it would normally attempt to recruit export orders if the domestic market demand is down. The TRA identified increasing trends over the injury period in capacity utilisation and production, which are consistent with the trend in increasing export sales volume over the same period. The TRA is therefore satisfied the explanation provided by Celsa is reasonable.

F2.3 Market share



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Celsa presented data for its share of total sales in the UK market for each of the 12-month periods of the injury period (1 April 2016 – 31 March 2019) and the POI (1 April 2019 – 31 March 2020).

Celsa clarified these percentages were based on its own estimate of the UK market for the goods subject to review using statistical information supplied by International Steel Statistics Bureau (ISSB). However, the TRA has been unable to verify these figures against any supporting documentation and will rely on its own estimates of market share (set out in section C1) based on best facts available.

F2.4 Production volume

Celsa presented data for its production volumes for each of the 12-month periods of the injury period (1 April 2016 – 31 March 2019) and the POI (1 April 2019 – 31 March 2020).

During the injury period and POI Celsa's production increased by X% (redacted because of commercial sensitivity). Celsa advised its production levels are dictated by demand with stock levels solely being maintained to give customer service. The TRA identified increasing trends over the injury period in sales volumes and stock volumes, which are consistent with the increase in production over the same period. The TRA is therefore satisfied the explanation provided by Celsa is reasonable.

F2.5 Capacity and capacity utilisation

Celsa presented data for its production capacity and capacity utilisation for each of the 12-month periods of the injury period (1 April 2016 – 31 March 2019) and the POI (1 April 2019 – 31 March 2020).

The unchanged capacity level is derived from the maximum production capacity of Celsa's rod and bar mill. It was explained the mill currently produces a mix of products but if required Celsa could choose to only produce wire rod or only produce rebar. Celsa therefore included the total capacity of the mill for production of like goods in its calculations.

Celsa also clarified it expected to have small increases in capacity based on production efficiency in the following years. It advised capacity utilisation will depend on customer demand, which supports the observed increase over the injury period and POI coinciding with the increase in production volumes. The TRA is therefore satisfied the explanation provided by Celsa is reasonable.

F2.6 Inventory



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Celsa presented data for its stock volume at year end for each of the 12-month periods of the injury period (1 April 2016 – 31 March 2019) and the POI (1 April 2019 – 31 March 2020). The TRA observed the increase in the stock volumes generally aligns with the corresponding increase in sales and production volumes; with only a marginal increase of X% (redacted because of commercial sensitivity) in production during the POI when stock volumes decreased. The closing stocks as a percentage of production has remained stable across the period of consideration.

Celsa advises its stock levels are based around demand forecasts and would expect to see some variation in stock levels at any specific moment as these may be subject to the point of the rolling cycle it reaches at period end.

The TRA were unable to map all yearly production output and stock volumes to the sales volumes. This was in part due to receiving sales production figures for the output volumes that had been requested. But the TRA was able to undertake a successful walkthrough of Celsa's sales, inventory and costing systems on 9 June 2021 (as described in sections D4 and E3). The TRA is therefore reasonably assured by Celsa's explanation.

F3. Sales value, profit and profit margin of the like goods

F3.1 Domestic sales value

Celsa presented data for the value of its domestic sales for each of the 12-month periods of the injury period (1 April 2016 – 31 March 2019) and the POI (1 April 2019 – 31 March 2020). The value of Celsa's domestic sales have increased over the injury period and then decreased in the POI. This trend aligns with UK Trade Info data, showing the quantity and value of goods imported into the UK. The TRA has also identified the same pattern within the average unit selling price.

Celsa provided a high-level walkthrough of its total sales figures for the POI. The TRA were able to observe what adjustments had been made and the reconciliation of these figures. The TRA now has a reasonable level of assurance to treat the data



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provided, which forms part of the information seen, as complete, relevant and accurate.

F3.2 Export sales value

Celsa presented data for the value of its export sales for each of the 12-month periods of the injury period (1 April 2016 – 31 March 2019) and the POI (1 April 2019 – 31 March 2020).

The TRA observed a significant increase in the volume of export sales in the final 12-month injury period as well as the POI which is mirrored in the value of Celsa's exports increasing. Celsa explained it would normally attempt to recruit export orders if the domestic market demand is down.

The average unit export selling price however has decreased in the POI after initial increases at lower levels. This trend feeds back into Celsa's comments regarding its selling margins and profitability.

Celsa provided a high-level walkthrough of its total sales figures for the POI. The TRA were able to observe what adjustments had been made and the reconciliation of these figures. The TRA now has a reasonable level of assurance it can treat the data provided, which forms part of the information seen, as complete, relevant and accurate.

F3.3 Profitability

Celsa presented data for its total net operating profit after tax for each of the 12-month periods of the injury period (1 April 2016 – 31 March 2019) and the POI (1 April 2019 – 31 March 2020).



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Celsa did not initially provide full details of total net operating profit in its questionnaire submission. This information, alongside of the detail of how this data was calculated referencing the statutory account figures, was provided during the verification process. But the TRA only received detail at company level for the relevant financial periods. This means the TRA has been unable to calculate profitability of the like good given similar limitations with the cash flow data supplied.

Celsa's submitted that the general decline in net profit is primarily market conditions as well as large fixed and operating costs (e.g. high-energy prices). It previously submitted that sales prices are negotiated on the basis of what the market will bear. And general global overcapacity and strong competition does not normally allow target sales prices and profit margins to be achieved.

The TRA undertook secondary research, which confirmed the market conditions and rising costs during the injury period, and which was therefore consistent with Celsa's explanation. The TRA is therefore satisfied that Celsa's explanation is reasonable.

F3.4 Cash flow

Celsa presented data for its cash flow for each of the 12-month periods of the injury period (1 April 2016 – 31 March 2019) and the POI (1 April 2019 – 31 March 2020). Celsa clarified that the cash flow data provided covers all goods (including its section mill products) as it cannot calculate just for the like goods. This takes into consideration cash flows are managed at Celsa (UK) Holdings level.

Celsa states the observed decline is largely driven by the fall in net profit which is driven by market conditions (for sales and costs). The TRA was satisfied that the fall in cash flow over the period corresponds with what the TRA had seen in the change of profitability of Celsa. The TRA is therefore satisfied that Celsa's explanation is reasonable.

F3.5 Investments

Celsa presented data for the value of investments into the company for each of the 12-month periods of the injury period (1 April 2016 – 31 March 2019) and the POI (1 April 2019 – 31 March 2020).

Celsa's investment data is not broken down on the basis of the goods subject to review. It has advised an investment in the rod and bar mill would be across all products.

Celsa also explained the movement in investment levels are on the basis of capital expenditure limits which are in place as part of its lending facilities as well as market conditions restricting cash and therefore investment. It notes that poor market conditions (e.g. uncertainty around Brexit in 2019) limits the amount of capital investment.

The TRA is satisfied the explanation provided by Celsa is reasonable.



F3.6 Employment and wages

Celsa presented data for its employment figures for the like goods and applicable median annual wage for each of the 12-month periods of the injury period (1 April 2016 – 31 March 2019) and the POI (1 April 2019 – 31 March 2020).

The TRA observed that wages for employees engaged in activities related to the like goods have remained steady over the injury period and POI. Celsa has explained that the increase in number in employees for the like good is partially due to the allocation of labour across the products. It also advised in 2017/2018 a number of contractor's roles were transferred to that of a direct employee.

Celsa confirmed that despite rising employee levels over the injury period it does still have additional vacancies to fill.

The TRA is satisfied that Celsa's explanation is reasonable.

F4. Conclusion on injury and market trends

The TRA now has a reasonable level of assurance the data provided by Celsa can be considered as complete, relevant and accurate. This is for the purposes of its use by the TRA in its likelihood of injury assessment, and noting that company-level data has been relied upon for profitability and cash flow due to reasonable data limitations.

Section G: Economic Interest Test (EIT)

G1. Background

Under Reg 100A(2)(a) of The Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019, if the TRA make a recommendation to vary the application of the anti-dumping amount it must be satisfied that this variation meets the EIT, meaning that imposing the proposed measure is in the economic interest of the UK.

The economic factors to consider include the following:

- injury caused by importation of dumped goods, including the benefits to the UK industry in removing that injury
- economic significance of affected industries and consumers in the UK



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- likely impact on affected industries and consumers in the UK
- likely impact on particular geographic areas, or particular groups, in the UK
- likely consequences for the competitive environment and for the structure of markets for goods in the UK
- other matters that the TRA considers relevant

Note: under the *Taxation (Cross-border Trade) Act 2018* there is a presumption that the economic interest test is met unless the TRA is satisfied that the application of a remedy is not in the economic interest of the UK.²

Trade remedy measures are likely to have an impact on a range of economic factors, including firms in the domestic industry, firms in the supply chains, importers and final consumers. As part of the verification activities, the verification team sought to identify the following stakeholders based in the UK:

- firms that manufacture and sell the goods subject to review or the like goods;
- downstream users of product under investigation and the like goods.³

To gather information on possible economic impact of trade remedy measures on Celsa, the verification team investigated the following data:

- UK producers of the like good;
- location of sites;
- structure of the supply chain;
- employment;
- median wage;
- market share;
- relative significance of the relevant product to the company; and
- value of exports and exports share.

G2. Identification of stakeholders

The UK Industry comprises of three producers of wire rod:

- **Celsa Steel (UK) Ltd** - Building 58, Castle Works, East Moors Road, Cardiff, CF24 5NN

² Taxation (Cross Border Trade) Act 2018, Sch. 4 Para 25(3)

³ Regarding the downstream users, the TRA reached out to these, receiving responses from two of them. The TRA however were unable to verify downstream users beyond confirming their existence through secondary sources and Companies House.



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- **British Steel** – Brigg Road, Scunthorpe, North Lincolnshire, DN16 1XA
- **Liberty Steel** - 'Liberty Speciality Steels – Rotherham Steel & Bar' PO Box 50, Aldwarke Lane, Rotherham, S60 1DW

Celsa identified both British Steel and Liberty Steel as producers being involved in the importation, distribution or sale of the goods subject to review.

The TRA was able to verify the details provided for the other producers and their respective locations. This was through web-based research and Companies House, together with confirming the intention to sell wire rod products through the respective websites.

G3. Celsa's supply chain

Celsa explained it manufactures its wire rod at its facilities in Cardiff, converting from scrap metal to billet to wire rod. It says 93% of the production spend is in the UK, this includes such things like raw material costs, electricity, maintenance and consumables.

Celsa's basic raw material, scrap metal, is melted in its electric arc furnace. It advertises that the steel it produces consists of 98% locally sourced recycled scrap metal with the majority of this being sourced within 200 miles of its plant. Celsa also advised the TRA this scrap is obtained from approximately 200 suppliers as well as its own yards.

The TRA checked the raw material suppliers specifically named by Celsa in its questionnaire annex, including those based outside of the UK. The TRA did not undertake any verification activities with these suppliers but research confirmed these are producers of mining materials, and suppliers to the steel industry.

Celsa stated it sells its wire rod to wiredrawers, mesh-makers and reinforcing fabricators. It notes these companies process the wire rod by drawing, cold rolling, straightening and shaping, heat treating or any combination of these processes. Celsa advised it supplies approximately X customers with a total of X locations throughout the UK and these parties supply a finished product to their customers. The TRA identified sales to X different entities from the domestic sale transactional listing provided for the POI – with X% of these sales (based on volume) to Celsa's associated companies. Redacted because of commercial sensitivity

Celsa also set out the end uses of its wire rod products are mainly for the construction industry. By PCN this includes the following:

1SINNO and 1MINNO are directly used for the reinforcing of concrete.



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1SSTNO and 1MSTNO are commonly drawn to a smaller size and then formed into finished products such as mesh fabric, fencing, fasteners and light engineering applications.

2SSTNO products are used for drawing and forming mainly into springs for bedding and seating.

G4. Relative significance of the like goods to Celsa

Celsa states it produces and delivers around 1.0 million tonnes of finished product each year from its facilities in Cardiff.

For the POI, the wire rod production output was Xkt, against a verified sales production of Xkt for all goods. This would therefore represent X% of the total business output in this period. (Redacted because of commercial sensitivity)

G4.1 Value of exports and exports share

The total value of all Celsa's sales for the POI is £X. (Redacted because of commercial sensitivity) This figure is derived from its all goods cost of production, consisting of direct and indirect costs. It does not take into account AS&G costs.

The table below shows the total costs of production (excluding AS&G) for domestic and export sales of the like goods, as reported by Celsa: (Redacted because of commercial sensitivity)

Celsa reported total revenue for the POI of £X. The TRA has considered sales of the like goods against this figure (including sales at domestic level and for export): (Redacted because of commercial sensitivity)

As already recorded, the TRA has obtained a reasonable level of assurance of the costs and sales amounts reported from Celsa. The TRA has therefore calculated Celsa's wire rod production represents between X% (Redacted because of commercial sensitivity) of Celsa's total production and sales – a significant part of its business. That is before taking into account the effect it has on production within other areas within Celsa as well as the associated downstream fabricators.

G4.2 Other evidence provided



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In their questionnaire response, Celsa provided statements relating to the following areas:

- Consumer characteristics;
- Substitute and complementary products;
- Impact of the potential remedy on domestic industry (including complainant, upstream and downstream industries) and consumers;
- Impact on investment projects and/or regional economic development;
- Equalities impacts (i.e. impact on those with protected characteristics);
- Impact on competitive environment.

No evidence was provided to underpin these statements, but the TRA recognise given Celsa's position in the market, it is reasonable to assume that Celsa has answered from its understanding/knowledge of the market. It is also important to note that the claims made by Celsa reflect its position in favour of the measure being continued. These areas are subjective, so it is not possible to verify that they are correct.