

**PUBLIC RECORD**



**Australian Government**  
**Anti-Dumping Commission**

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**CUSTOMS ACT 1901 - PART XVB**

**CONSIDERATION REPORT NO. 284**

**APPLICATION FOR A DUMPING DUTY NOTICE**

**HOT ROLLED PLATE STEEL**

**EXPORTED FROM**

**THE REPUBLIC OF KOREA (BY HYUNDAI IRON & STEEL  
CO LTD AND POSCO STEEL) AND TAIWAN**

**March 2015**

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## ABBREVIATIONS & SHORTENED FORMS

ABS	Australian Bureau of Statistics
ACBPS	Australian Customs and Border Protection Service
Act	<i>Customs Act 1901</i>
AUD	Australian Dollar
BlueScope	BlueScope Steel Ltd
Commission	Anti-Dumping Commission
Commissioner	Commissioner of the Anti-Dumping Commission
CTMS	Cost to make and sell
DCS	Developing countries subject
FOB	Free on board
GAAP	Generally accepted accounting practice
GUC	Goods under consideration
Hyundai	Hyundai Iron and Steel Co Ltd
████	██
Korea	Republic of Korea
MPa	Megapascals
NIP	Non-injurious price
Parliamentary Secretary	Parliamentary Secretary to the Minister for Industry and Science
POSCO	POSCO Steel
USD	United States dollars
USP	Unsuppressed selling price

## **1 SUMMARY AND RECOMMENDATION**

### **1.1 Background**

This report provides the results of the Anti-Dumping Commission's (Commission's) consideration of an application for the publication of a dumping duty notice in respect of hot rolled plate steel exported to Australia from the Republic of Korea (Korea) by Hyundai Iron and Steel Co Ltd (Hyundai) and POSCO Steel (POSCO), and Taiwan.

### **1.2 Application of law to facts**

Division 2 of Part XVB of the *Customs Act 1901* (the Act)<sup>1</sup> sets out procedures for considering an application for a dumping duty notice.

#### **1.2.1 The role of the Commission**

The Commission is responsible for preparing a report for the Commissioner of the Anti-Dumping Commission (the Commissioner) after examining the application for the publication of a dumping duty notice.

In this report, the following matters are considered in relation to the application:

- whether the application complies with section 269TB(4);
- whether there is, or is likely to be established, an Australian industry in respect of like goods; and
- whether there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

#### **1.2.2 The role of the Commissioner**

The Act empowers the Commissioner, after having regard to the Commission's report and to any other information that the Commissioner considers relevant, to reject or not reject the application for the publication of a dumping duty notice.

If the Commissioner decides not to reject the application, the Commissioner must give public notice of the decision providing details of the investigation.

### **1.3 Findings and conclusions**

The Commission has examined the application for the publication of a dumping duty notice in relation to hot rolled plate steel exported to Australia from Korea, by Hyundai and POSCO, and Taiwan.

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<sup>1</sup> All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

The Commission is satisfied that:

- the application complies with the requirements of section 269TB(4) (as set out in Chapter 3 of this report);
- there is an Australian industry in respect of like goods (as set out in Chapter 4 of this report); and
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of hot rolled plate steel exported to Australia from Korea by Hyundai and POSCO, and Taiwan (as set out in Chapters 5, 6 and 7 of this report).

### 1.4 Recommendation

The Commission recommends that the Commissioner decide not to reject the application as it relates to hot rolled plate steel exported to Australia from Korea by Hyundai and POSCO, and Taiwan.

If the Commissioner decides to accept this recommendation, to give effect to that decision, the Commissioner must sign the instrument at **Appendix 1** indicating that the Commission will conduct an investigation into whether grounds exist to publish a dumping duty notice in relation to hot rolled plate steel exported to Australia from Korea by Hyundai and POSCO, and Taiwan, as sought in the application.

## **2 BACKGROUND**

### **2.1 Application**

On 26 February 2015, BlueScope Steel Limited (BlueScope) lodged an application requesting that the Parliamentary Secretary to the Minister for Industry and Science (the Parliamentary Secretary) publish a dumping duty notice in respect of hot rolled plate steel exported to Australia from Korea, by Hyundai and POSCO, and Taiwan.

BlueScope alleges that the Australian industry has suffered material injury caused by hot rolled plate steel exported to Australia from Korea, by Hyundai and POSCO, and Taiwan at dumped prices. Bluescope alleges that the industry has been injured through:

- loss of sales volume;
- loss of market share;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced capital expenditure;
- reduced return on investment;
- reduced capacity utilisation; and
- reduced employment.

### **2.2 The goods the subject of the application**

#### **2.2.1 Description**

BlueScope described the goods subject of the application (the goods) as being:

flat rolled products of:

- iron;
- non-alloy steel; or
- other alloy steel;

of a width greater than 600 millimetres (mm), with a thickness equal to or greater than 4.75mm, not further worked than hot rolled, not in coils, with or without patterns in relief.

Goods excluded from this application are:

- 250 megapascal (MPa) grades of plate steel with a thickness greater than 150mm;
- 350 MPa grades of plate steel with a thickness greater than 100mm;
- Q&T greenfeed grades of plate steel (Q&T Greenfeed is supplied only in the “non heat-treated” condition); and
- heat treated Q&T grades of plate steel.

### **2.2.2 Product information**

The goods under consideration (GUC) are generically called hot rolled plate steel, plate steel or coil plate steel.

Trade or further generic names often used to describe these goods include:

- *XLERPLATE* steel;
- *XLERPLATE LITE* steel ;
- *TRU-SPEC* steel;
- Plate;
- Pattern Plate;
- Coil Plate;
- Checker Plate; and
- Floor Plate.

BlueScope has indicated in its application that it understands that the standard dimensions of imported plate product ranges within 1500mm – 3200mm in width, 5mm – 150mm in thickness and 6 – 12 metres in length.

Imported non-alloy and 'other alloy' hot rolled plate steel product is most commonly offered in nominal yield strengths of 250 MPa and 350 Mpa, depending on application and end use.

### **2.2.3 Product standards**

There are a number of relevant international standards for plate steel products that define specific grade designations, including the recommended or guaranteed properties of each of these product grades.

These relevant standards are noted in the tables below.



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Australian and International Standards:- Structural Grades			
AS/NZS 3678	ASTM	JIS	China
Grade	Grade	Grade	Grade
<b>250</b>	A36	G3101-SS400	GB/T 700 - Q275
250L15			
250L20			
250Y20			
250L40			
250Y40			
<b>300</b>			
300L15			
300L20			
300Y20			
300L40			
300Y40			
<b>350</b>	A572 -345 (50)	G3101-SS490	GB/T 1591 - Q345
350L15			
350L20			
350Y20			
350L40			
350Y40			
<b>400</b>	A572 -415 (60)		GB/T 1591 - Q390
400L15			
400L20			
400Y20			
400L40			
400Y40			
<b>450</b>	A572 -450 (65)		GB/T 1591 - Q420
450L15			GB/T 1591 - Q460
450L20			
450Y20			
450L40			
450Y40			

**Table 1: Plate steel – Australian and International standards – Structural grades**

Australian and International Standards:- Pressure Vessel and Boiler Grades	
AS 1548	ASTM
Grade	Grade
PT 430	A516 - 415 (60)
PT 460	A516 - 450 (65)
PT 490	A516 - 485 (70)
PT 490	A516 - 485 (70)
PT 490 N	A516 - 485 (70) N

**Table 2: Plate steel – Australian and International standards – Pressure vessel and boiler grades**

### 2.2.4 Tariff classifications

The application states that the goods are typically classified to the following subheadings in Schedule 3 of the *Customs Tariff Act 1995*.

- 7208.40.00 statistical code 39;
- 7208.51.00 statistical code 40;

- 7208.52.00 statistical code 41; and
- 7225.40.00 statistical codes 22 and 24.

The goods imported from Korea and Taiwan classified to 7208.40.00, 7208.51.00 and 7208.52.00 are free of duty.

The goods classified under 7225.40.00 attract a 5 per cent rate of duty for Taiwan. Following the signing of the Korea-Australia Free Trade Agreement (“KAFTA”) the duty rate applicable to imports from Korea reduced to 4 per cent on 13 December 2014, and then reduced again to 3 per cent from 1 January 2015.

### **2.2.5 Tariff concession orders**

There are currently no tariff concession orders (TCOs) applicable to the goods.

## **2.3 Consideration of the application**

Under section 269TC(1) of the Act, the Commissioner must consider the application and within 20 days of lodgement decide whether or not to reject the application. The application was lodged on 26 February 2015. As such, the Commissioner’s decision must be made no later than 18 March 2015.

Section 269TC(1) specifies that the Commissioner shall reject an application if the Commissioner is not satisfied that:

- the application complies with section 269TB(4); or
- there is, or is likely to be established, an Australian industry in respect of like goods; or
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

These matters are examined in the following chapters of this report.

## **2.4 Previous investigations and current measures**

On 25 March 2004, the then Minister for Justice and Customs published a dumping duty notice under s. 269TG(2) of the Act, imposing anti-dumping measures on certain plate steel exported to Australia from the People’s Republic of China (China), Republic of Indonesia (Indonesia), Japan and Korea with the exclusion of one Korean exporter and two Indonesian exporters. The measures took effect on 2 April 2004.

Following a review by the Trade Measures Review Officer (TMRO), the then Minister requested the Chief Executive Officer of Customs (CEO) to reinvestigate the findings in original report No. 76.

Following the reinvestigation, on 7 December 2004, the then Minister for Justice and Customs accepted the CEO’s recommendations in report No. 87 to affirm the publication of dumping duty notices. Public notice was provided on 24 December 2004.

The measures expired on 2 April 2009.

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On 12 February 2013 the Commission commenced an investigation into the alleged dumping of hot rolled plate steel exported to Australia from China, Indonesia, Japan, Korea and Taiwan, and the alleged subsidisation of the goods exported to Australia from China.

On 10 September 2013, the Commission terminated its dumping investigation into the goods exported by all exporters from Taiwan, Hyundai and POSCO from Korea and Shandong Iron and Steel, Jinan Company (JIGANG) from China.

*Termination Report No. 198* (TER 198) sets out the reasons for these terminations.

On 19 December 2013, the then Minister for Industry published:

- a dumping duty notice under ss. 269TG(1) and 269TG(2) of the Act imposing dumping measures on certain hot rolled plate steel exported to Australia from China, Indonesia, Japan and Korea with the exclusion of one Chinese exporter and the two Korean exporters the subject of this application; and
- a countervailing duty notice under s. 269TJ(2) of the Act imposing countervailing measures on certain hot rolled plate steel exported to Australia from China.

The measures apply to certain hot rolled plate steel exported to Australia after 19 July 2013.

The Commission's *Report to the Minister No. 198* (REP 198) details the findings of the investigation.

The goods subject to anti-dumping measures as a result of REP 198 are slightly different to the goods the subject of this application, as follows:

- this application includes flat rolled products of 'other alloy' steel; and
- this application excludes Q&T greenfeed.

### **3 DOES THE APPLICATION COMPLY WITH SECTION 269TB(4)?**

#### **3.1 Findings**

Based on the information provided in the application, the Commission is satisfied that the application complies with section 269TB(4) of the Act.

#### **3.2 Legislative framework**

Section 269TB(4) requires that the application must:

- be in writing;
- be in an approved form;
- contain such information as the form requires;
- be signed in the manner indicated by the form; and
- be supported by a sufficient part of the Australian industry.

#### **3.3 Approved form**

The application is in writing, in the approved form (a B108 application form), contains such information as the form requires (as discussed in the following sections of this report) and is signed in the manner indicated in the form.

BlueScope submitted confidential and public record versions of the application along with numerous appendices and attachments. The Commission considers that the public record version of the application contains sufficient detail to allow a reasonable understanding of the substance of the information within the confidential version.

#### **3.4 Supported by Australian industry**

An application is taken to be supported by a sufficient part of the Australian industry if the Commissioner is satisfied that the persons who produce or manufacture like goods in Australia and who support the application:

- account for more than 50% of the total production or manufacture of like goods produced or manufactured by that portion of the Australian industry that has expressed either support for or opposition to, the application; and
- account for not less than 25% of the total production or manufacture of like goods in Australia.

BlueScope stated that it is the only Australian producer of hot rolled plate steel. Based on the information provided and previous investigations, the Commission is satisfied that BlueScope is the sole producer of hot rolled plate steel and therefore the application is supported by a sufficient part of the Australian industry.

#### **3.5 The Commission's assessment**

Based on the evidence provided, the Commission considers the application complies with section 269TB(4).

## **4 IS THERE AN AUSTRALIAN INDUSTRY IN RESPECT OF LIKE GOODS?**

### **4.1 Finding**

Based on the information provided in the application and gathered in previous investigations, the Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application and that the data provided within the application is sufficient for the purpose of analysing the economic condition of the Australian industry.

### **4.2 Legislative framework**

Section 269TC(1) specifies that the Commissioner must reject an application for a dumping duty notice if, *inter alia*, he or she is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

### **4.3 Locally produced like goods**

Section 269T(1) defines like goods 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.*

#### **4.3.1 Applicant's claims**

BlueScope stated that it manufactures flat rolled products matching the goods the subject of its application in that they are:

- of non-alloy steel or alloy steel;
- of widths greater than 600mm; and
- not further worked other than hot rolled.

Plate steel products made by BlueScope are required to meet AS/NZS 3678 for structural and analysis plate steel grades, and AS/NZS 1548 for pressure vessel plate steel grades.

The steel chemistry, heat reduction and cooling process, are used to produce the required mechanical properties, as designated by Australian and International Standards.

BlueScope stated that it produces a wide variety of 250 and 350 type structural and pressure vessel plate steel grades with differing chemical and physical properties. The 250 and 350 grades of plate steel represent the majority of production and sales of hot rolled plate steel manufactured by BlueScope.

BlueScope produces 250 and 350 grades in the following dimensions:

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Yield Strength (MPa)	Width Range (mm)	Thickness Range (mm)	Length Range (m)
250	1250 – 3300	5 – 150	2.4 – 22
350	1250 - 3300	5 – 100	2.4 – 22

Table 3: Plate steel – BlueScope production range

The application states that plate steel manufactured by BlueScope is marketed under the trade names *XLERPLATE* and *XLERPLATE LITE*.

BlueScope considers the locally produced goods are like products to the imported plate steel. BlueScope submitted that:

(a) Physical likeness

The primary physical characteristics of imported and locally produced goods are similar, being manufactured to achieve mechanical properties designated by Australian and International Standards.

(b) Commercial likeness

The imported and locally produced goods are directly competitive and are sold to common customers in the Australian market.

(c) Functional likeness

Both the locally produced and imported plate steel have comparable or identical end-uses.

(d) Production likeness

Locally produced and imported plate steel are manufactured in a similar manner and via similar production processes.

### 4.3.2 The Commission's assessment

The Commission has examined the evidence presented in the application and is satisfied that there is an Australian industry that produces like goods to the goods the subject of the application, as defined in section 269(T) of the Act.

The Commission considers that the applicant has demonstrated:

- the primary physical characteristics of imported and locally produced goods are similar;
- the imported and locally produced goods are commercially alike as they are sold to common users, and directly compete in the same market;
- the imported and locally produced goods are functionally alike as they have a similar range of end-uses; and



- the imported and locally produced goods are manufactured in a similar manner.

#### **4.4 Manufactured in Australia**

Section 269T(2) specify that, for goods to be regarded as being produced in Australia, they must be wholly or partly manufactured in Australia. Section 269T(3) specifies that in order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

##### **4.4.1 Applicant's manufacturing operations**

BlueScope manufactures hot rolled steel plate in Australia from liquid steel, via flat steel production. The steel production process is a capital intensive one that converts raw material iron ore and coal into liquid steel, followed by casting into slab steel that is then converted into steel plate.

BlueScope is a fully-integrated flat steel product manufacturer with large capital intensive manufacturing operations at Port Kembla in NSW.

BlueScope submits that it undertakes more than one substantial process of manufacture in the production of the GUC.

BlueScope does not use imported steel in the manufacture of the GUC.

Hot rolled plate steel product is produced from slab steel in either of two ways:

1. via a Plate Mill ( *XLERPLATE®*) or
2. via a Hot Strip Mill and cut to length line – (*XLERPLATE® LITE* and *TRU-SPEC™*)

The input steel product starts as a slab of steel for both methods of manufacture.

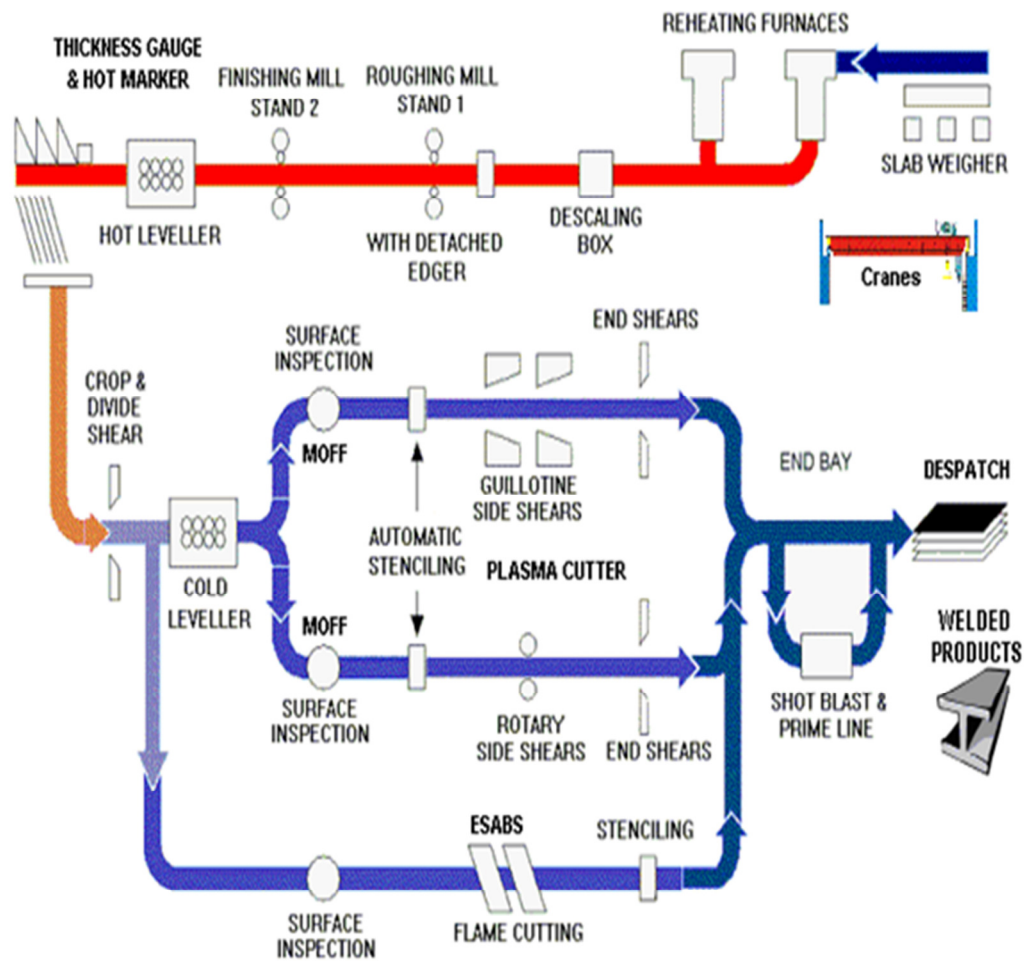
##### **1. *XLERPLATE®***

Slab is heated in a furnace to around 1200 degrees Celsius then reduced in thickness from 230mm to the required thickness by passing through a series of rollers at great pressure, and then passing through a hot leveller to achieve the required flatness. After cooling, this 'pattern' plate is transferred to the processing area where the 'pattern' is then cut to the required *XLERPLATE®* size. (size range is 5mm – 150mm thick, up to 3300mm wide and up to 22m long).

##### **2. *XLERPLATE® LITE***

Slab is heated in a furnace to around 1200 degrees Celsius then reduced in thickness from 230mm to the required thickness by passing through a series of rollers at great pressure, is then control cooled, and wound up as a coil of steel, now known as hot rolled coil ("HRC"). The HRC is then sheared to length and levelled flat at a secondary processing facility to make *XLERPLATE® LITE* product. (size range is 1.5mm – 12.7mm thick, up to 1550mm wide and 12m long).

Diagrammatic representation of Slab conversion to *XLERPLATE®* product



### 3. *TRU-SPEC™*

Slab is heated in a furnace to around 1200 degrees Celsius then reduced in thickness from 230mm to the required thickness by passing through a series of rollers at great pressure, is then control cooled, and wound up as a coil of steel, now known as hot rolled coil (HRC). The HRC is then stretch levelled flat and sheared to length at a secondary processing facility to make *TRU-SPEC®* product (size range is the same as *XLERPLATE® LITE*).

#### 4.4.2 The Commission's assessment

Based on the description of the manufacturing process provided in the application, and the Commission's previous investigation in relation to hot rolled plate steel, the Commission is satisfied that there is at least one substantial process of manufacture performed in Australia and, therefore, that the goods may be taken to have been produced in Australia.



## **4.5 Australian industry information**

### **4.5.1 Background**

BlueScope is a publicly listed company. Major shareholders within BlueScope are disclosed in the company's annual report. BlueScope has manufactured hot rolled plate steel products since 1962.

BlueScope has six internal corporate units with distinct functions which operate in Australia and internationally. The application nominates the Coated & Industrial Products Australia Group as relevant to the goods the subject of the application.

### **4.5.2 Associated or affiliated companies**

BlueScope noted in its application that it has a number of subsidiaries and joint ventures both in Australia and overseas, and included information relating to these. A detailed listing of BlueScope's subsidiaries is also located in its Annual Full Financial Report, including the level of equity holding in each subsidiary company.

### **4.5.3 Relationship with an exporter to Australia or Australian importer of the goods**

BlueScope noted in its application that it has an International Affiliate, Tasman Steel Holdings Ltd (known as New Zealand Steel). New Zealand Steel exports a range of flat steel products from New Zealand into Australia via their local sales arm – New Zealand Steel Australia (NZSA).

BlueScope also noted it has arm's length relationships via its Distribution business with importers of the goods.

### **4.5.4 General accounting/administration**

BlueScope's financial accounting period is from 1 July to 30 June. BlueScope's audited financial statements and annual report for 2013/2014 were provided. BlueScope provided its chart of accounts, internal management accounting reports (for two months in 2014) and general accounting and administration information.

BlueScope submits its accounting practices are maintained in accordance with Australia's generally accepted accounting practices (GAAP).

### **4.5.5 Sales information**

BlueScope provided information in the application, including a summary of domestic and export sales volumes, revenues and rebates as required in Confidential Appendices A2, A3, A4, A5 and A6. Appendix A1 was also provided to substantiate production volumes and capacity for BlueScope for the period 1 January 2014 to 31 December 2014.

The Commission examined the detail in, and link between, relevant appendices and identified some relatively minor discrepancies.

The Commission therefore considers that BlueScope's appendices are reliable for preliminarily assessing the economic condition of the industry in respect of plate steel.

#### **4.5.6 Cost information**

BlueScope completed a Confidential Appendix A6 cost to make and sell (CTMS) spreadsheet for domestic (A6.1) and export sales (A6.2). The information provided in these appendices included production and sales volumes, manufacturing costs, selling (including distribution), general and administrative (SG&A) expenses for the financial years 2008/09 to 2013/14, as well as the first two quarters of financial year 2014/15 (ie up to 31 December 2014).

The Commission examined the information provided and the link between other appendices and considers the information reliable for the purposes of preliminarily assessing the economic condition of the industry in respect of hot rolled plate steel.

#### **4.5.7 Other economic factors**

BlueScope completed confidential appendix A7 for the financial years between 2008/09 and 2013/14 as well as the first two quarters of financial year 2014/15, showing movements in assets, capital investment, R&D expenses, revenue, return on investment, capacity, capacity utilisation, employment and wages.

#### **4.5.8 The Commission's assessment – Australian industry**

Based on the information in the application, the Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application. It examined the detail in, and link between, relevant appendices and found no material discrepancies. For the purposes of this report, the Commission considers that BlueScope's appendices are reliable for the purposes of a preliminary analysis of the economic condition of the Australian industry in respect of hot rolled plate steel for the calendar years 2010 to 2014.

### **4.6 Australian market**

#### **4.6.1 Market size**

BlueScope stated that Australian Bureau of Statistics (ABS) import data for hot rolled plate steel were the subject of "No Country Declared" suppression orders. As such, BlueScope obtained export data from [REDACTED], a European agency that specialises in the supply of import and export trade data.

BlueScope completed **Confidential Attachment A2** using this data and its own sales data to estimate the size of the Australian market.

#### **4.6.2 Product application and end uses**

BlueScope submitted that the primary end uses for hot rolled plate steel are as follows:

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Primary end use market	Applications
Mining, Oil & Gas	Tanks for oil and gas storage (incl. LNG), pipe racks, ore/coal shuttle cars, other materials handling including conveyor system supports, stacker reclaimers, coal loaders plus underground mining equipment & transport.
Engineering Construction	Bridge beams, tubular piles for bridges, ports, rail, culverts, heavy structural members for large plant & equipment (e.g. power stations, desalination plants) tanks for water storage, wind towers.
Transport & Equipment and general manufacturing	Truck trailers & bodies incl. mining dump trucks, ships & other marine ( except for Oil & Gas)incl. mining trucks, earth moving equipment, sundry manufacturing incl. underground fuel tanks.
General Construction	Structural sections for commercial and industrial buildings, sundry cleats, base plates and plates for steel stick construction.

### 4.6.3 Market segmentation and demand variability

BlueScope stated that the Australian market for hot rolled plate steel products is dominated by three large segments. These are:

- mining, oil and gas (that is the construction of new plant and the maintenance of that plant) including bulk commodities materials handling;
- infrastructure including ports, wharves, bridges, wind towers, water storage; and
- transport & equipment manufacture including marine, road transport, earth moving, general manufacture.

Key sources of demand in the Australian market for the goods include:

- mining oil and gas plant construction and operation plus the movement and storage of bulk commodities. Driven by fixed asset investment and operations in the mining commodities markets;
- infrastructure - fixed asset investment or maintenance of existing infrastructure. Can be driven by need for assets to support investment in mining, oil and gas, population growth, expansion of trade (port facilities); and
- transport and equipment & general manufacturing - fixed asset investment and or repairs in road and rail haulage, agricultural equipment, earth moving equipment including wear surfaces. Demand for earth moving equipment can come from general construction, mining and infrastructure investment.

BlueScope stated that there are a variety of factors that influence demand variability for plate steel products within the Australian market, including:

- availability of capital for infrastructure spending – government and private;
- general macro-economic factors such as bank interest rates which directly impact on investment decisions by home buyers, investors and developers;

- global and domestic economic conditions (GDP, unemployment, inflation, interest rates);
- demand for Australian minerals and gas;
- trend to off-shore fabrication of large mining/oil & gas project modules to off-shore, low cost labour countries;
- international manufacturers do not always manufacture to the same standards as Australian manufacturers; this is commonly not understood until installation;
- major government spending on infrastructure such as roads and ports;
- incentives to develop renewable energy sources (wind power generation – 150 metric tonnes (MT) of steel in each tower);
- pressure on Australian manufacturing to compete with imported finished products;
- some variation in part due to distribution customers reducing off-take toward the end of the year due to reduced fabrication/manufacturing activity and end of fiscal year stock management.

#### **4.6.4 Marketing and distribution**

BlueScope sells over 70 per cent of its hot rolled plate steel via a network of distribution companies. These distribution companies offer plate processing which includes the cutting, drilling, shaping of steel for customers who will incorporate these “components” into a finished article. Distributors hold stock, provide credit terms and can combine deliveries with other steel products e.g. pipe & tube and structural “I” beams and “H” columns.

BlueScope sells the balance of approximately 30 per cent directly to larger end-users or “converters”. These larger end-users will mostly procure directly for large projects or they are manufacturers with regular off-take such as manufacturers that make proprietary products e.g. underground mining equipment.

The “converters” are generally large fabricators that will fabricate structures or items to a design e.g. a specific pressure vessel or a particular stacker reclaimer. As well as this, there are fabricators/maintenance companies that are drawing down steel from distributors for regular repairs and maintenance.

Both BlueScope and importers of the hot rolled plate steel compete in all States and Territories in Australia and across each segment via the same distribution channels in order to sell product directly to the larger “converters” or manufacturing companies in Australia, and to distributors/resellers that on-sell the product into the market.

#### **4.6.5 Alternative products**

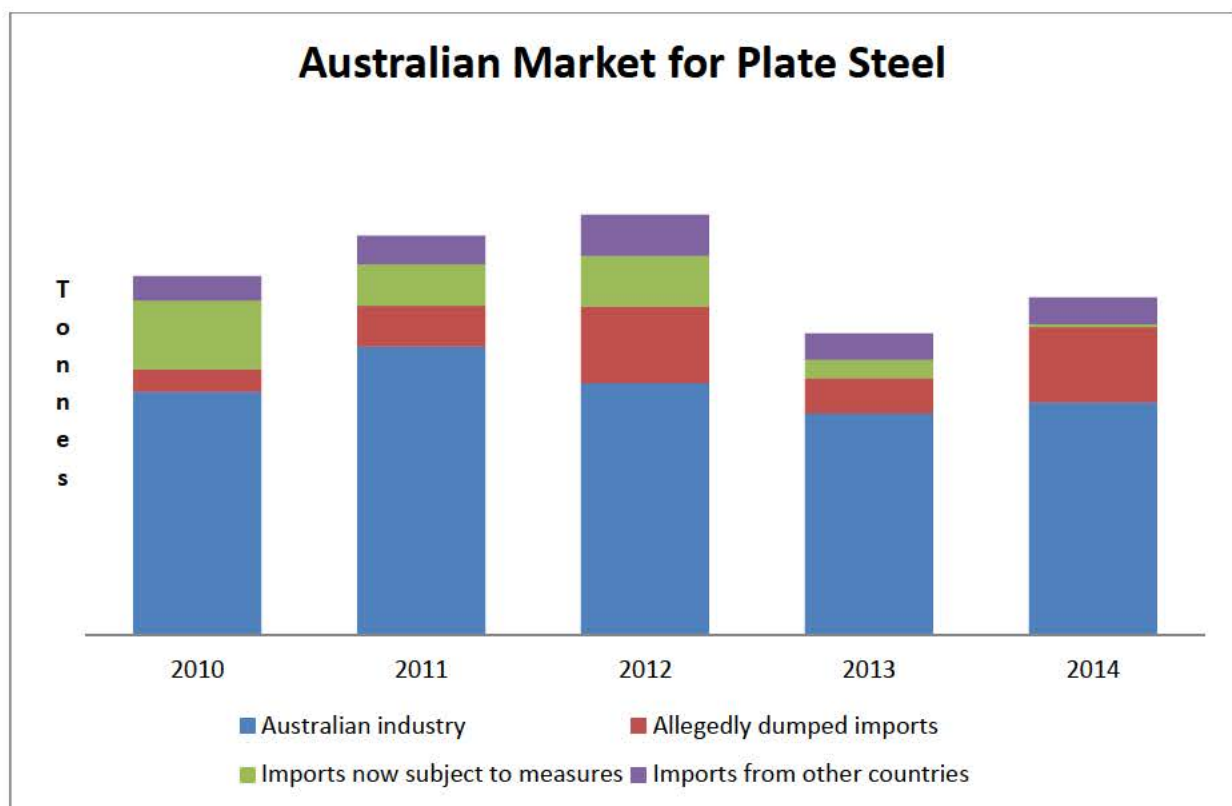
BlueScope stated that generally hot rolled plate steel is not substitutable to any significant degree. Aluminium in some instances is substitutable but due to a quite different weight/cost proposition, generally these two products do not compete.

#### **4.6.6 The Commission’s assessment**

The Commission compared the estimated import volumes in the application to the data in the Australian Customs and Border Protection Service’s (ACBPS’s) import database.

When comparing BlueScope's application data to the ACBPS import database, the Commission observed slight variances in BlueScope's estimates of the volumes of imported goods from the nominated exporters and country. The Commission, however considered these variances to be immaterial. In addition, Bluescope has acknowledged that for the purpose of its application it has attributed the entirety of the export volume from Korea to the two exporters the subject of the application. The import database shows minor volumes exported by Korean exporters that are currently the subject of the dumping duty notice, however the majority of the volume in 2013 and 2014 is from Hyundai and POSCO.

Graph 1, below, illustrates the estimate of the size of the Australian market for plate steel for the calendar years 2010 to 2014 based on the data in BlueScope's application and information from the ACBPS import database.



Graph 1 : Australian market for plate steel (tonnes)

The Commission notes that the size of the Australian plate steel market was approximately 400,000 tonnes in 2014.

The Commission's assessment of the Australian market for plate steel is at **Confidential Appendix 2**.



## **5 REASONABLE GROUNDS – DUMPING**

### **5.1 Findings**

Having regard to the matters contained in the application and to other information considered relevant, there appear to be reasonable grounds to support the claims that:

- hot rolled plate steel has been exported to Australia from Korea, by Hyundai and POSCO, and Taiwan, at dumped prices;
- the volume of hot rolled plate steel that appears to have been dumped from each of the nominated countries is greater than 3% of the total Australian import volume of the goods, and therefore is not negligible; and
- the estimated dumping margin for each of the nominated exporters and for Taiwan is greater than 2% and is therefore not negligible.

### **5.2 Legislative framework**

Article 5.2 of the World Trade Organisation Anti-Dumping Agreement states that an application shall include evidence of dumping. It states that simple assertion, unsubstantiated by relevant evidence, cannot be considered sufficient to meet this requirement, but such information must be reasonably available to the applicant.

Section 269TC(1) requires that the Commissioner must reject an application for a dumping duty notice if, inter alia, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of a dumping duty notice.

Under section 269TG, one of the matters of which the Parliamentary Secretary must be satisfied of in order to publish a notice is that the export price of goods that have been exported to Australia is less than the normal value of those goods. This issue is considered in the following sections.

### **5.3 Export prices**

#### **5.3.1 BlueScope's claims**

BlueScope stated that ABS import data for hot rolled plate steel is the subject of country suppression orders, and was therefore not available.

In the absence of ABS data, BlueScope sourced export data from [REDACTED]<sup>2</sup> to estimate export prices. BlueScope sourced monthly [REDACTED] aggregate totals.

Monthly free on board export prices for hot rolled plate steel estimated by BlueScope are summarised in the following table:

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<sup>2</sup> [REDACTED] Is a European company involved in the publication of reports covering UK, European and Global trade in steel and raw materials.

	<b>Korea<sup>3</sup></b>	<b>Taiwan</b>
<b>Month</b>	<b>FOB price \$AUD/tonne</b>	<b>FOB price \$AUD/tonne</b>
<b>January 2014</b>	742	759
<b>February 2014</b>	735	709
<b>March 2014</b>	739	702
<b>April 2014</b>	779	697
<b>May 2014</b>	717	718
<b>June 2014</b>	764	709
<b>July 2014</b>	723	718
<b>August 2014</b>	677	717
<b>September 2014</b>	689	713
<b>October 2014</b>	719	750
<b>November 2014</b>	747	743
<b>December 2014</b>	768	798

**Table 4: Export prices – Korea and Taiwan**

### **5.3.2 The Commission's assessment – export prices**

To verify the reliability of the export data provided by BlueScope, the Commission compared the export data to information from the ACBPS import database. In undertaking the comparison, the Commission applied the following methodology:

- Extracted data from the ACBPS import database based on tariff classification;
- Refined the data based on the goods description and nominated exporters; and
- Applied a price per tonne range of \$500 to \$1200 AUD on an FOB basis in order to filter out outlying data.

The Commission identified a minor variance between Bluescope's estimated export prices and FOB export prices obtained from the ACBPS import database.

The Commission recognises that a certain amount of these variances will result from timing differences in terms of inputting or collecting relevant data. Additionally, the Commission is of the view that some variance should normally be expected due to variations in the identification of the goods in the ACBPS import database due to the broad tariff classification of the goods (see section 2.2.2 above).

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<sup>3</sup> Bluescope does not have visibility of export volumes from individual exporters so has based its export price assessment on data for Korea as a whole, on the assumption that the majority of the export volume is from Hyundai and POSCO.

Overall, the Commission is satisfied that the export prices of hot rolled plate steel from the nominated exporters and country are reasonable estimates for the purpose of this application. The Commission is satisfied that BlueScope sourced export prices and volumes from a reputable independent international supplier of trade statistics, who specialises in steel trade data.

## **5.4 Normal value**

### **5.4.1 BlueScope's claims**

#### **5.4.1.1 Sources of data and general methodology**

BlueScope obtained specific domestic pricing information for hot rolled plate steel sold in Korea and Taiwan from an independent consulting firm, [REDACTED]. [REDACTED] conducted market research of the steel plate market in Korea and Taiwan and obtained domestic selling prices for hot rolled plate steel sold to end-use customers and distributors in the respective markets in December 2014. BlueScope contended that the domestic selling prices obtained in the market survey are considered more reliable than published hot rolled plate steel prices as prices per grade and thickness of the steel plate are specified in the market survey results.

BlueScope then determined quarterly market selling prices for plate steel sold in Korea and Taiwan throughout 2014, by adjusting the December 2014 [REDACTED] data for the quarterly change in the [REDACTED] prices published for hot rolled plate steel with a thickness of 15 to 40mm, and a width exceeding 2 metres, over the three preceding quarters, and converting these amounts to an Australian dollar equivalent.

Bluescope noted that the normal values for plate steel sold in Korea and Taiwan are at the ex-factory level.

#### **5.4.1.2 Normal values in application**

Normal values, at an ex-factory level and in \$AUD/tonne, calculated by BlueScope and provided in its application are shown in Table 5 below.

<b>Country</b>	<b>March Quarter 2014</b>	<b>June Quarter 2014</b>	<b>September Quarter 2014</b>	<b>December Quarter 2014</b>
Korea	826	824	817	793
Taiwan	770	750	749	760

**Table 5: Domestic selling prices (AUD\$/MT)**

#### **5.4.1.3 Adjustments**

BlueScope noted that export prices sourced from [REDACTED] are at the FOB level, and would therefore include domestic inland freight in the country of export. BlueScope did not have access to inland freight charges from the manufacturer in the exporting country to place of export.

BlueScope further noted that calculated normal values for hot rolled plate steel sold in Korea and Taiwan are at the ex-factory level and that an uplift of the normal value would be required to take account of the inland freight included in [REDACTED] export prices



(at FOB point), as well as packaging, port and handling charges not included in the domestic selling prices obtained in the market surveys.

In the absence of actual export packaging and inland freight charges in the exporting country, BlueScope did not adjust normal values to reflect the relevant costs. BlueScope noted that these uplifts to normal values would result in higher dumping margins than those calculated by BlueScope.

#### **5.4.2 The Commission's assessment – normal values**

The Commission reviewed the documentation supplied by BlueScope and considers that its estimates of normal values for hot rolled plate steel sold in the nominated countries appear to be reasonable. The Commission is of the view that BlueScope's sources of information are reliable and contemporaneous.

### **5.5 Import volumes**

Based on the information in the application and the ACBPS import database, the Commission determined that imports of hot rolled plate steel from each of the nominated countries represent more than 3% of the total import volume of plate steel in the 2014 calendar year and are, therefore, not in negligible volumes as defined in section 269TDA(4).

### **5.6 Dumping margins**

#### **5.6.1 Dumping margin calculations**

Dumping margins for hot rolled plate steel calculated by BlueScope and provided in its application are summarised in the following table:

<b>Country</b>	<b>Applicant's dumping margin %</b>
Korea	11.7%
Taiwan	6.3%

**Table 6: Dumping margins assessed by the Applicant**

#### **5.6.2 The Commission's assessment**

The Commission compared BlueScope's dumping margin calculations for the 2014 calendar year using the ACBPS data for export prices. The Commission's dumping margin calculations are attached at **Confidential Appendix 3**.

The Commission is satisfied that, based on the information submitted in the application and the Commission's own analysis, there appears to be reasonable grounds for concluding that hot rolled plate steel has been exported to Australia from the nominated countries at dumped prices and that the dumping margins are not negligible.

## **6 REASONABLE GROUNDS – ECONOMIC CONDITION OF THE AUSTRALIAN INDUSTRY**

### **6.1 Findings**

Having regard to the information contained in the application and to other information considered relevant, the Commission is satisfied that the Australian industry appears to have experienced injury in terms of:

- reduced sales volume;
- reduced market share;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability; and
- reduced employment.

### **6.2 Legislative framework**

Section 269TC(1) requires that the Commissioner must reject an application for a dumping duty notice if, inter alia, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of dumping duty notice in respect of goods the subject of the application.

Under section 269TG, one of the matters that the Parliamentary Secretary must be satisfied of in order to publish a dumping duty notice is that the alleged dumping of the goods has caused, is causing or threatens to cause material injury to the Australian industry producing like goods.

### **6.3 Approach to injury analysis**

The injury analysis detailed in this chapter is based on information submitted by BlueScope in its application and data from the ACBPS import database.

BlueScope provided production, cost and sales data for hot rolled plate steel in total, and it also provided this data separately for different types of plate.

BlueScope provided production, cost and sales data for hot rolled plate steel on a quarterly basis for the financial years between 2008/09 and 2013/14, and the first two quarters of financial year 2014/15.

At the consideration stage, aggregate product data (total hot rolled plate steel) has been used as the primary basis for the purpose of assessing the economic condition of the Australian industry. Analyses of the underlying data for the four sub-categories listed above indicated that the economic performance data (eg. price, volume and profit trends) was very similar to that exhibited in the aggregate data.

## **6.4 Commencement of injury**

BlueScope claimed that injury commenced following the publication of the Commission's *Preliminary Affirmative Determination No. 198* (PAD 198) in July 2013. PAD 198 imposed securities on exports of hot rolled plate steel from China, Indonesia, Japan and Korea (other than exports by Hyundai and POSCO). These securities were converted to duty following the publication of a dumping duty notice and a countervailing duty notice in December 2013 (refer to section 2.4).

For the purposes of analysis, the Commission has analysed the applicant's injury claims from 1 January 2010 ('the injury analysis period').

## **6.5 The applicant's injury claims**

BlueScope alleges the Australian industry has suffered material injury caused by hot rolled plate steel exported to Australia from the nominated countries at dumped prices. It claimed the industry has been injured through:

- loss of sales volume;
- loss of market share;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced capital expenditure;
- reduced return on investment;
- reduced capacity utilisation; and
- reduced employment.

## **6.6 Cumulation of injury**

Section 269TAE(2C) of the Act provides for consideration of the cumulative effect of exports from different countries, if, after having regard to:

- the conditions of competition between the exported goods; and
- the conditions of competition between the exported goods and the like goods that are domestically produced;

the Parliamentary Secretary is satisfied that it is appropriate to consider the cumulative effects. Based on the information provided in the application, the Commission is satisfied that in respect of the plate steel market the conditions of competition between imported and domestically produced like goods appear to be similar.

The information contained in the ACBPS import database indicates that in 2013 and 2014, several importers of hot rolled plate steel imported from a number of the nominated exporters and/or country. The Commission considers that this indicates that the products are used by the same or similar customers.

## PUBLIC RECORD

As discussed at Section 4, the Commission is satisfied that the goods are alike, have the same essential characteristics, have similar end-uses and compete in the same primary market segments.

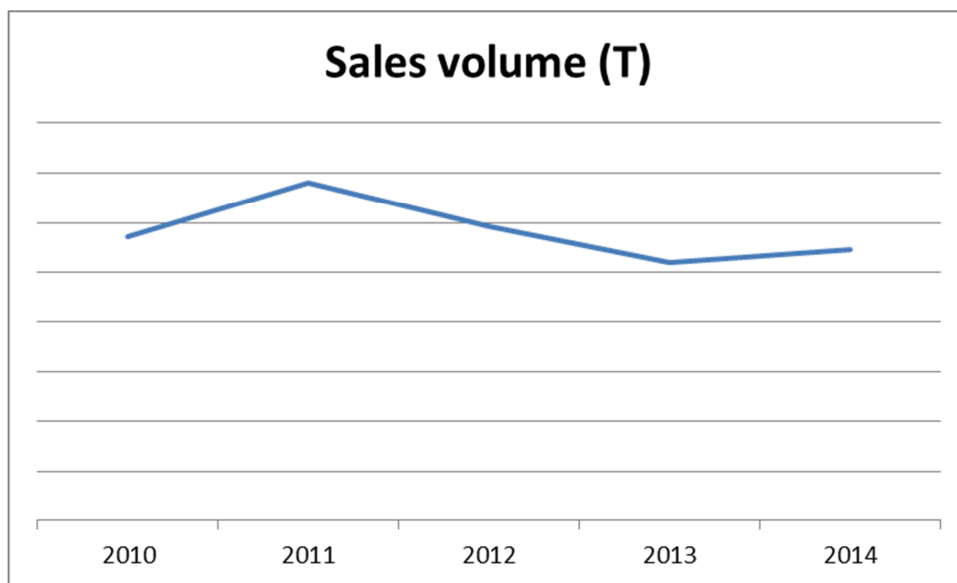
The Commission therefore considers that it is appropriate to consider the cumulative effect of the allegedly dumped imports from the nominated exporters and country, as:

- the margin of dumping for each exporter and country is not negligible<sup>4</sup>;
- the volume of imports from each country is not negligible<sup>5</sup>; and
- the cumulative assessment is appropriate in light of the conditions of competition between the imported goods and the like domestic goods.

### 6.7 Volume and market share effects

#### 6.7.1 Sales volume

The following graph depicts Bluescope's total sales volume of hot rolled plate steel on the Australian market. The periods depicted are calendar years.



Graph 2 – Bluescope's sales volumes of hot rolled plate steel (annual)

Graph 2 shows that after a fall in sales volume between 2011 and 2013, Bluescope increased its sales of hot rolled plate steel in 2014. In its application Bluescope claims that it was able to recover somewhat from the injurious dumping investigated as part of REP 198 after the imposition of measures in December 2013, but this has

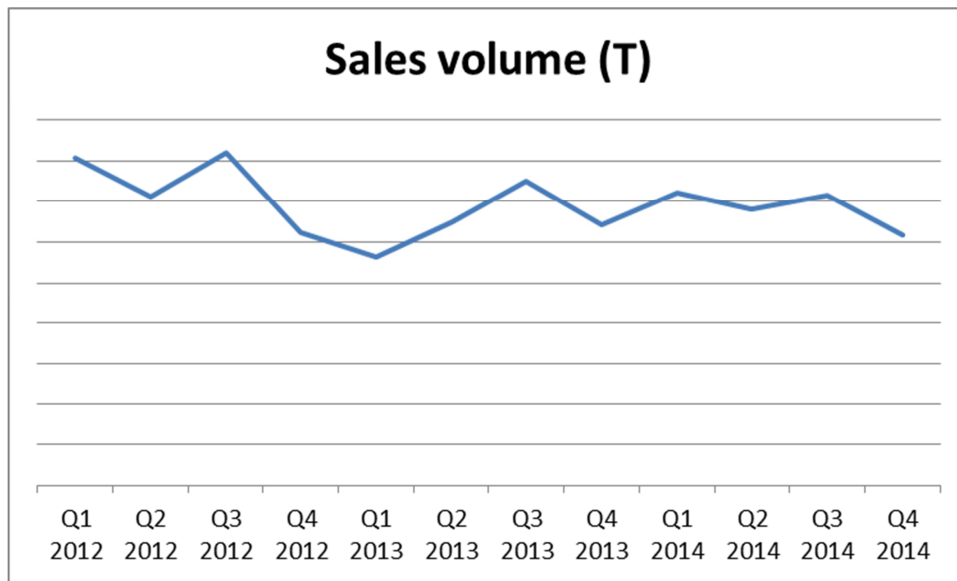
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<sup>4</sup> S.269TAE(2C)(c) dumping margin at least 2%.

<sup>5</sup> S.269TDA(4) by country negligible volume is less than 3% of the total import volume from all countries.

not been able to be sustained due to the increasing volume of allegedly dumped goods from Taiwan, Hyundai and POSCO.

The following graph depicts Bluescope's sales volume on a quarterly basis:

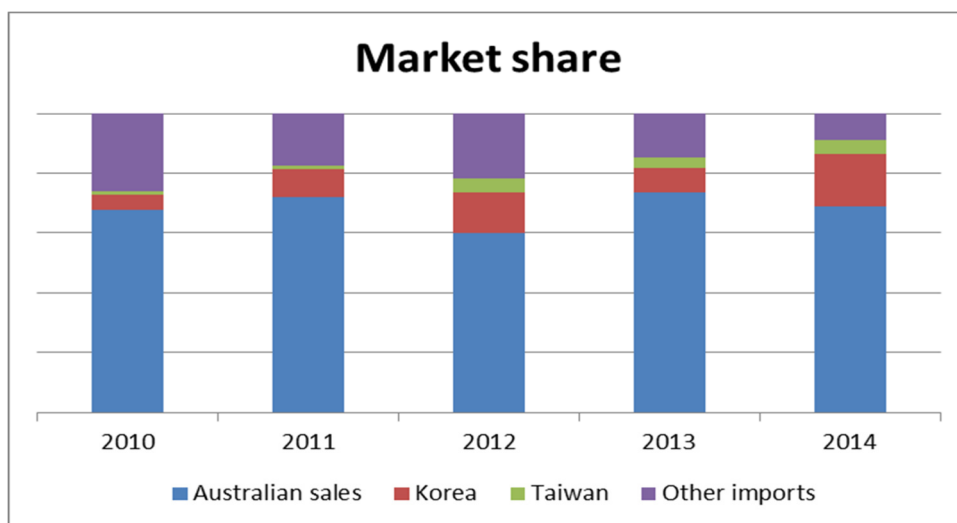


**Graph 3 – Bluescope's sales volumes of hot rolled plate steel (quarterly)**

Graph 3 shows that while Bluescope's sales volume increased in the first quarter of 2014 and remained at that level through to the third quarter of 2014, sales volume decreased in the last quarter of 2014.

### 6.7.2 Market Share

The following graph depicts the market shares (measured by reference to volume in tonnes) for sales of hot rolled plate steel on the Australian market by Bluescope and by importers, based on the data in Bluescope's application. Bluescope's estimates of import volumes are considered reasonable based on a cross-check with data from ACBPS' import database.



**Graph 4 – Market shares for hot rolled plate steel**



The Commission acknowledges that the above market shares do not provide an entirely accurate depiction of the market share for the two Korean exporters – Hyundai and POSCO – that are the subject of this application. Obtaining accurate data in relation to volumes from these two exporters from the ACBPS import data is difficult because the Commission is aware from its previous investigation that the exporters conduct some of their exports through traders that show up in the import database as the supplier. These traders may also purchase from manufacturers that are not the subject of this application.

Notwithstanding this limitation, the Commission is satisfied that the import database confirms that a significant portion of the export volume from Korea has historically been attributable to Hyundai and POSCO. In particular, for 2013 and 2014 the export volume is made up almost entirely of exports attributable to these exporters.

Graph 4 shows that Bluescope and imports from non-subject countries have lost market share in 2014, largely to imports from Korea; however the market share of imports from Taiwan has also increased from 2013.

### 6.7.3 The Commission's assessment

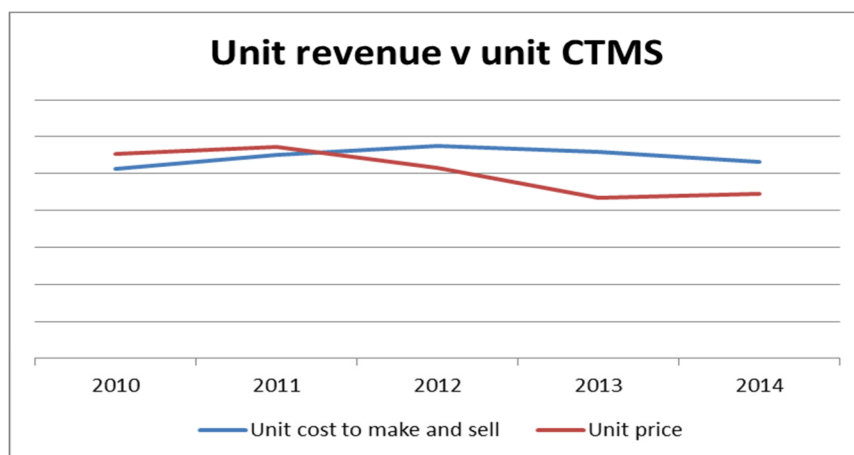
The Commission considers that there appear to be reasonable grounds to support the claims that the Australian industry has lost sales volume and market share. The Commission's assessment of the Australian industry's claims of lost sales volume and market share are contained in **Confidential Appendix 4**.

## 6.8 Price effects

### 6.8.1 Price suppression

Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between revenues and costs.

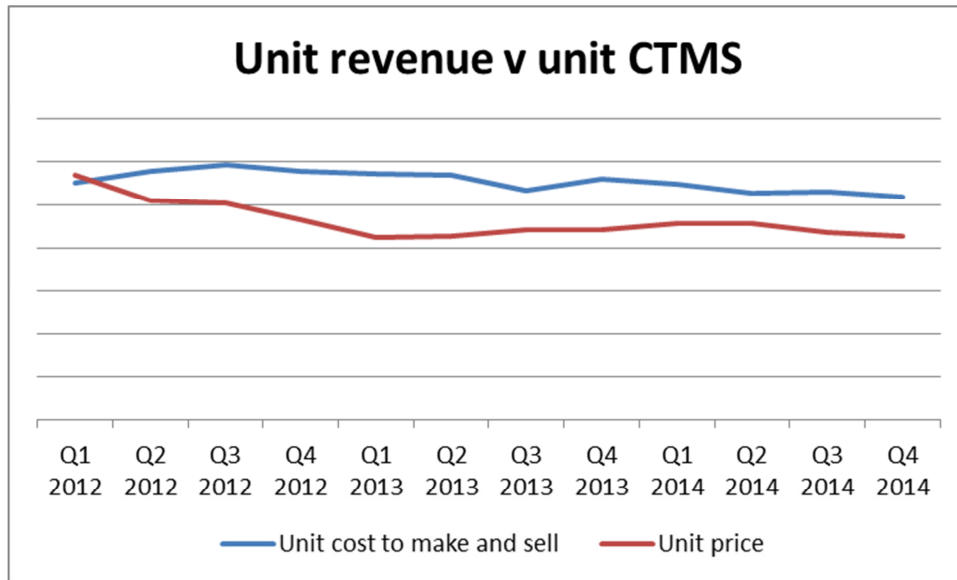
The following graph depicts Bluescope's unit prices and unit cost to make and sell data (as weighted averages per tonne) for sales of hot rolled plate steel on the Australian market.



**Graph 5 – Bluescope unit prices and cost to make and sell for hot rolled plate steel (annual)**

Graph 5 shows that Bluescope's unit prices fell between 2011 and 2013 but recovered slightly in 2014. Bluescope's unit cost to make and sell decreased year on year from 2012 to 2014.

The following graph depicts Bluescope's unit prices and unit cost to make and sell data on a quarterly basis:



**Graph 6 – Bluescope unit prices and unit cost to make and sell for hot rolled plate steel (quarterly)**

Graph 6 shows that although Bluescope's unit price increased in the first half of 2014, it decreased during the second half of 2014 to a point that was lower than at the end of 2013.

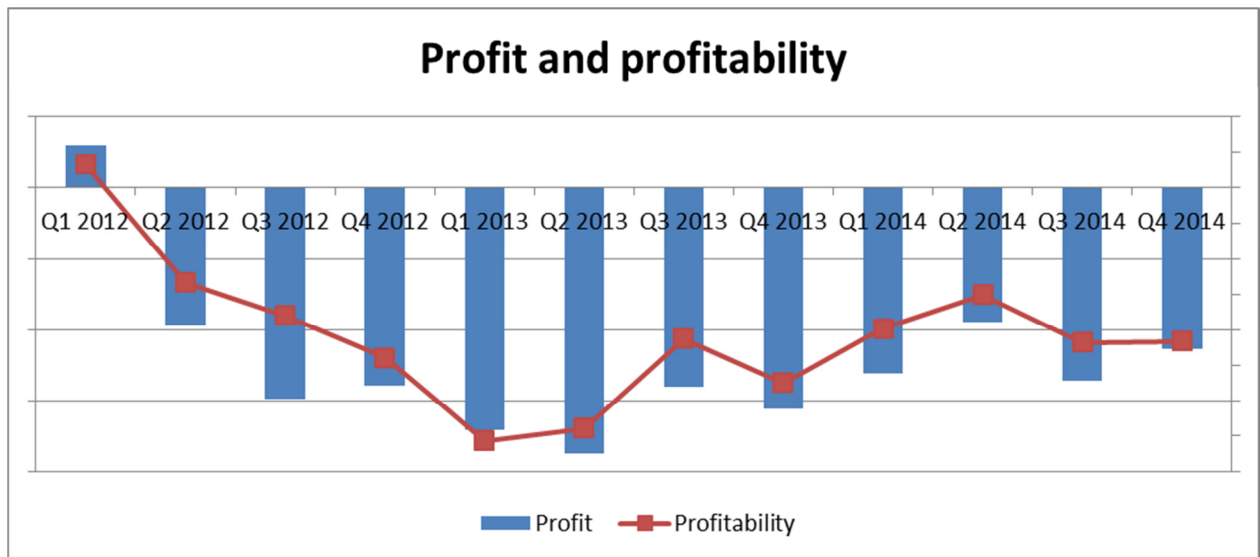
After a decrease in unit costs in the first quarter of 2014, unit costs remained relatively stable through to the end of 2014 such that the gap between cost and price widened toward the end of 2014.

### **6.8.2 The Commission's conclusion – price effects**

Based on this analysis, there appears to be reasonable grounds to support the claim that the Australian industry has suffered injury in the form of price depression and/or price suppression.

### **6.9 Profit and profitability effects**

The following graph depicts Bluescope's total profits and unit profitability on a quarterly basis for sales of hot rolled plate steel on the Australian market.



**Graph 7 – Bluescope total profits and unit profitability for hot rolled plate steel**

Bluescope's profit position worsened considerably between 2012 and the middle of 2013. It showed slight recovery in the first half of 2014, although an overall loss was still being incurred. Unit profitability showed a similar trend.

#### **6.9.1 Conclusion – profit and profitability effects**

Based on this analysis, there appears to be reasonable grounds to support the claim that the Australian industry suffered injury in the form of reduced profits and reduced profitability.

#### **6.10 Other injury factors**

Bluescope completed Confidential Appendix A7 (other injury factors) for each of the financial years from 2009 to 2014 and the first half of the 2015 financial year (July to December 2014). In relation to the two other economic factors particular to hot rolled plate steel, these showed:

- reduced revenue;
- reduced capacity; and
- reduced employment numbers

Bluescope's performance in relation to the other economic factors will be further examined during the course of the investigation.



## **7 REASONABLE GROUNDS – CAUSATION FACTORS**

### **7.1 Findings**

Having regard to the matters contained in the application, and to other matters considered relevant, the Commission is satisfied that the goods exported to Australia from Taiwan and from Korea by Hyundai and POSCO have been at dumped prices, and that dumping has caused material injury to the Australian industry.

### **7.2 BlueScope's claims**

Bluescope claims that following the imposition of provisional anti-dumping measures on exports from China, Indonesia, Japan and Korea (other than Hyundai and POSCO) in July 2013, followed by the imposition of final measures in December 2013, increased exports from Taiwan, Hyundai and POSCO (at dumped prices) diminished Bluescope's ability to recover from the material injury it had suffered.

Bluescope provided nine case studies with its application as evidence of its need to reduce prices to compete with import offers from Taiwan, Hyundai and POSCO. Bluescope claims that in some cases it lost volume as it was unable to reduce its price to an acceptable level. Bluescope claim that this price undercutting, resulting in depressed prices and lost volume, is particularly evident in the second half of 2014.

### **7.3 Other possible causes of injury**

Bluescope acknowledges that the market for hot rolled plate steel contracted in 2013 and showed only slight recovery in 2014. It states, however, that in a contracting market it would be expected that all participants would be impacted to the same degree. It points to the increasing market share of imports from Taiwan and Hyundai and POSCO compared to its decreased market share, claiming that this is evidence of dumping being the primary cause of the injury experienced by Bluescope.

### **7.4 The Commission's assessment**

The Commission has examined the case studies provided by Bluescope in support of its application and considers these provide reasonable evidence of quoted import prices undercutting those of Bluescope and Bluescope either lowering its offer price or not winning the volume.

The dates of the correspondence in the case study evidence correlate with the reduced unit price evident in Bluescope's data for the second half of 2014.

The import data supports Bluescope's assertion that exports by Hyundai, POSCO and Taiwan (combined) increased significantly in 2014 and appear to have gained market share in a market that is still recovering from a downturn in 2013. The price undercutting evidence supports a conclusion that dumped prices have provided a price advantage to exports the subject of Bluescope's application, enabling them to gain volume and market share.

For the purpose of this report, the Commission considers that the exports of the goods by Hyundai, POSCO and exporters from Taiwan have caused Bluescope to

experience lower sales volumes, market share and prices than would have been the case in a market absent the effects of dumping.

The Commission considers the combined volume, price and profit injury caused by the dumped goods is material.

The impact of factors other than dumping that may have caused material injury to the Australian industry will be assessed throughout the investigation.

## **7.5 Comparison of export price and non-injurious price**

To further assess whether the alleged dumping from Hyundai, POSCO and Taiwan caused injury to the Australian industry, the Commission has undertaken a preliminary calculation of the non-injurious price (NIP) and compared that to the FOB export price.

The NIP is the minimum price necessary to prevent injury to the Australian industry producing like goods. If export prices are greater than the NIP, it would suggest that dumping may not be causing material injury. If, on the other hand, export prices are lower than the NIP, this would support a finding that dumped imports have caused material injury to the Australian industry producing like goods.

Bluescope did not provide unsuppressed selling price (USP) or NIP estimates in its application. However, it is considered appropriate to compare the allegedly dumped export prices to NIP estimates for the purposes of this report.

To calculate the NIP, the Commission first assessed a USP using Bluescope's 2014 cost to make and sell (for the calendar year 2014) from Appendix A.6 of the application. The Commission then made deductions from that USP for reasonable estimates of post-exportation costs including overseas freight, insurance, landing and clearing charges and importer SG&A and profit. These estimates were derived from data verified previously for the purposes of REP 198. These calculations provided a NIP at an FOB level, which is considered reasonably suitable for comparison to an EXW export price.

The Commission compared its NIP with the weighted average export prices calculated from the ACBPS import database as being specific to Hyundai and POSCO, and for Taiwan. This comparison found that weighted average export prices for exports from Taiwan, Hyundai and POSCO were all below the NIP.

This further supports the position that allegedly dumped imports have caused material injury to the Australian industry.

The Commission's calculations of the NIP and the comparison with export price are at **Confidential Appendix 5**.

## **8 CONCLUSION**

The Commission has examined the application and is satisfied that:

- the application complies with section 269TB(4); and
- there is an Australian industry in respect of like goods; and
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

Accordingly, the Commission recommends that the Commissioner decide not to reject the application for the publication of a dumping duty notice lodged under section 269TB(1).

For the purposes of the investigation, the Commission recommends that:

- the investigation period to determine whether dumping has occurred be in the period commencing **1 January 2014 to 31 December 2014**; and
- the Commission examine the Australian market and the economic condition of the industry from **1 January 2010** for the purposes of injury analysis.

## **9 APPENDICES AND ATTACHMENTS**

Appendix 1	Commissioner's Instrument
Confidential Appendix 2	The Commission's estimate of the Australian market for hot rolled plate steel
Confidential Appendix 3	The Commission's assessment of the dumping margin calculations
Confidential Appendix 4	The Commission's assessment of the economic condition of the Australian plate steel industry
Confidential Appendix 5	Calculation of NIP