



Consideration report number 370

Application for a dumping duty notice in relation to zinc coated (galvanised) steel exported to Australia from the Republic of India, Malaysia and the Socialist Republic of Vietnam

AND

Application for a countervailing duty notice in relation to galvanised steel exported to Australia from the Republic of India and the Socialist Republic of Vietnam

Submitted by: BlueScope Steel Limited

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Abbreviations

Abbreviations	Full reference
\$/AUD	Australian dollars
ABF	Australian Border Force
ABS	Australian Bureau of Statistics
BlueScope	BlueScope Steel Limited
CBSA	Canada Border Services Agency
China	The People's Republic of China
CRFS	Cold rolled flat steel
CTMS	cost to make and sell
EXW	ex-works
FIS	free into store
FOB	free on board
Galvanised Steel	Zinc coated steel
HRC	Hot rolled coil
India	the Republic of India
Korea	the Republic of Korea
MIDA	Malaysian Investment Development Authority
mtpa	Million tonnes per annum
NIP	Non-injurious price
OCTG	Oil country tubular goods
SEZ	Special Economic Zone
SG&A	selling, general and administrative
SGOM	State Government of Maharashtra
SOR	Statement of Reasons
TCO	Tariff Concession Order
the Act	the <i>Customs Act 1901</i>
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
the goods	the goods the subject of the application
the Parliamentary Secretary	the Assistant Minister for Industry, Innovation and Science and the Parliamentary Secretary to the Minister for Industry, Innovation and Science
USDOC	United States Department of Commerce
USP	Unsuppressed selling price
Vietnam	the Socialist Republic of Vietnam
VND	Vietnamese Dong
WTO	World Trade Organisation
ZF	Zinc converted to a zinc/iron alloy coating

1. Findings and recommendations

1.1. Background

This report provides the result of the consideration by the Anti-Dumping Commission (the Commission) of an application under subsection 269TB(1)¹ of the *Customs Act 1901* (the Act) by BlueScope Steel Limited (BlueScope) for the publication of:

- a dumping duty notice in respect of zinc coated (galvanised) steel exported to Australia from Republic of India (India), Malaysia and the Socialist Republic of Vietnam (Vietnam); and
- a countervailing duty notice in respect of galvanised steel exported to Australia from India and Vietnam.

BlueScope alleges that the Australian industry for galvanised steel has suffered material injury caused by galvanised steel exported to Australia at dumped prices from India, Malaysia and Vietnam and at subsidised prices from India and Vietnam.

The legislative framework that underpins the making of an application and the Commission's consideration of an application is contained in Divisions 1 and 2 of Part XVB of the Act.

1.2. Findings

In accordance with subsection 269TC(1), the Commission has examined the application and is satisfied that:

- the application complies with the requirements of subsection 269TB(4) (as set out in section 2.2 of this report);
- there is an Australian industry in respect of like goods (as set out in section 2.4.3 of this report);
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application from India, Malaysia and Vietnam (as set out in sections 3 and 5 of this report); and
- there appear to be reasonable grounds for the publication of a countervailing duty notice in respect of the goods the subject of the application from India and Vietnam (as set out in sections 4 and 5 of this report).

1.3. Recommendations

Based on the above examination, the Commission recommends that the Commissioner of the Anti-Dumping Commission (Commissioner) decide not to reject the application and initiate an investigation to determine whether a dumping and a countervailing duty notice should be published.

The Commission further recommends that:

- exports to Australia during the investigation period 1 July 2015 to 30 June 2016 be examined for dumping and subsidisation; and
- details of the Australian market from 1 July 2012 be examined for injury analysis purposes.

¹ All legislative references in this report are to the *Customs Act 1901* unless otherwise specified.

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If the Commissioner agrees with these recommendations, the Commissioner must give public notice of the decision (**Non-Confidential Attachment 1**) in accordance with the requirements set out in subsection 269TC(4).

2. The application and the Australian industry

2.1. Lodgement of the application

2.1.1. Legislative framework

The procedures for lodging an application are set out in section 269TB.

The procedures and timeframes for the Commissioner's consideration of the application are set out in section 269TC.

2.1.2. Application timeframe

Event	Date	Details
Application lodged & receipted by the Commissioner under subsections 269TB(1) and (5)	15 August 2016	The Commission received an application from BlueScope alleging that the Australian industry has suffered material injury caused by galvanised steel exported to Australia from India and Vietnam at dumped and subsidised prices and from Malaysia at dumped prices.
	29 August 2016 and 5 September 2016	The Commission notified BlueScope that the application contained critical and important deficiencies which if left unaddressed, create doubt on the reasonableness of the grounds for the publication of dumping duty notice.
Applicant provided further information in support of the application under subsection 269TC(2A)	2 September 2016 and 14 September 2016	The applicant provided further information and data in support of its application without having been requested to do so (as provided in subsection 269TC(2A)). The application is taken to include that further information and data, and to have been lodged and received on 2 and on 14 September 2016, when the additional information was lodged and received. The 20 day period for consideration of the application was reset from that date.
Consideration decision due under section 269TC(1)	4 October 2016	The Commissioner shall decide whether to reject or not reject the application within 20 days after the applicant provided further information.

Table 1 – Application timeframe

2.2. Compliance with subsection 269TB(4)

2.2.1. Finding

Based on the information submitted by the applicant, the Commission considers that the application complies with subsection 269TB(4).

2.2.2. Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application for a dumping and a countervailing duty notice if, among other things, the Commissioner is not satisfied that the application complies with subsection 269TB(4).

2.2.3. The Commission’s assessment

The table below summarises the Commission’s assessment of compliance with subsection 269TB(4).

Requirement for the application	Details
Lodged in writing under subsection 269TB(4)(a)	The applicant lodged in writing confidential and non-confidential versions of the application. The non-confidential version of the application can be found on the electronic public record on the Commission’s website at www.adcommission.gov.au .
Lodged in an approved form under subsection 269TB(4)(b)	The application is in the approved form (B108) for the purpose of making an application under subsection 269TB(1).
Contains such information as the form requires under subsection 269TB(4)(c)	The applicant provided: <ul style="list-style-type: none"> • a completed declaration; • answers to all questions that were required to be answered by the applicant; • completed all appendices; and • sufficient detail in the non-confidential version of the application to enable a reasonable understanding of the substance of the information submitted in confidence.
Signed in the manner indicated in the form under subsection 269TB(4)(d)	The application was signed in the manner indicated in Form B108 by a representative of the applicant.

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Requirement for the application	Details
Supported by a sufficient part of the Australian industry under subsection 269TB(4)(e) and determined in accordance with subsection 269TB(6)	<p>As set out in section 2.4.3 of this report, the Commission is satisfied that there is an Australian industry producing like goods. BlueScope claims to be the sole manufacturer of the galvanised steel in Australia. This information is consistent with past investigations, reviews and inquiries into galvanised steel from People’s Republic of China (China), the Republic of Korea (Korea) and Taiwan.</p> <p>The Commission is satisfied that the level of support for the application complies with the requirements of:</p> <ul style="list-style-type: none"> • subsection 269TB(6)(a) – As BlueScope is the sole manufacturer of galvanised steel in Australia, BlueScope accounts 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 • subsection 269TB(6)(b) – As BlueScope is the sole manufacturer of galvanised steel in Australia, BlueScope accounts for not less than 25% of the total production or manufacture of like goods in Australia.
Lodged in the manner approved under section 269SMS for the purposes subsection 269TB(4)(f)	The application was lodged in a manner approved in the Commissioner’s instrument made under section 269SMS, being by mail to the Commission’s address provided in that instrument. The application was therefore lodged in a manner approved under subsection 269SMS(2).

Table 2 – Compliance with subsection 269TB(4)

2.3. The goods the subject of the application

The table below outlines the goods as described in the application and their corresponding tariff classification.

Full description of the goods, as subject of the application
Flat rolled iron or steel goods (whether or not containing alloys) that are plated or coated with zinc. The goods are also generically described as galvanised steel. Galvanised steel of any width is included in this application.
Further information
<p>Trade or further generic names often used to describe the goods the subject of the application include:</p> <ul style="list-style-type: none"> - “GALVABOND®” steel - “ZINCFORM®” steel - “GALVASPAN®” steel - “ZINCHITEN®” steel - “ZINCANNEAL” steel - “ZINCSEAL” steel

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- Galv
- GI
- Hot Dip Zinc coated steel
- Hot Dip Zinc/Iron alloy coated steel
- Galvanneal

The amount of zinc coating on the steel is described as its coating mass and is nominated in grams per meter squared (g/m²) with the prefix being Z (Zinc) or ZF (Zinc converted to a Zinc/Iron alloy coating). The common coating masses used for zinc coating are: Z350, Z275, Z200/Z180, Z100, and for zinc/iron alloy coatings are ZF100, ZF80 and ZF30 or equivalents based on international standards and naming conventions.

Surface treatments can include but not be limited to; passivated or not passivated (often referred to as chromated or unchromated), oiled or not oiled, skin passed or not skin passed, phosphated or not phosphated (for zinc iron alloy coated steel only).

There are a number of relevant International Standards for zinc coated goods that cover BlueScope's goods, including the recommended or guaranteed properties of each of these grades.

Relevant International Standards for galvanised steel are set out below:

International Standards	Product Grade Names
General and Commercial Grades	
AS/NZS 1397	G1, G2
ASTM A 653/A 653M	CS type A, B and C
EN10346	DX51D, DX52D
JIS 3302	SGCC, SGHC
Forming, Pressing & Drawing Grades	
AS/NZS 1397	G3
ASTM A 653/A 653M	FS, DS type A and B
EN10346	DX53D, DX54D
JIS 3302	SGCD, SGCDD,
Structural Grades	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A 653/A 653M	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3302	SGC340, SGC400, SGC440, SGC490, SGC570 SGH340, SGH400, SGH440, SGH490, SGH570

Exclusions

Painted galvanised steel, pre-painted galvanised steel, electro-galvanised steel, corrugated galvanised steel or aluminium zinc alloy coated or plated steel are excluded from the application.

Tariff classification (*Schedule 3 of the Customs Tariff Act 1995*)

Tariff code	Statistical code	Unit	Description	Duty rate ²
7210.49.00	55, 56, 57 and 58	Tonne	Flat -rolled products of iron or non-alloy steel, of width of 600mm or more, clad, plated or coated.	No duty is applicable for imports from India, Malaysia and Vietnam.
7212.30.00	61	Tonne	Flat- rolled products of iron or non-alloy steel, of a width of less than 600mm, clad, plated or steel coated.	No duty is applicable for imports from India, Malaysia and Vietnam.

² Source –Schedule 3 of the Customs Tariff Act 1995.

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			Otherwise plated or coated with zinc	
7225.92.00	38	Tonne	Flat-rolled products of other alloy steel, of a width of 600mm or more. Otherwise plated or coated with zinc.	India, Malaysia and Vietnam have a duty rate of 4%.
7226.99.00	71	Tonne	Flat-rolled products of other alloy steel, of a width of less than 600mm.	India, Malaysia and Vietnam have a duty rate of 4%.
Previous investigations				
<u>Current measures</u>				
<p>Following related investigations 190³ and 193⁴ in respect of the galvanised steel exported to Australia from China, Korea and Taiwan, anti-dumping measures were imposed on galvanised steel (not containing alloys).</p> <p>Investigations 190 and 193 covered the same categories of goods as BlueScope's current application, however the current application also includes goods that are alloyed (with minor additions e.g. boron, chromium etc.).</p> <p>Following an application from BlueScope, in mid - 2015 the Commission initiated an anti-circumvention inquiry into galvanised steel exported from China, Korea and Taiwan.</p> <p>On 17 March 2016, the then Parliamentary Secretary accepted the Commissioner's recommendation in relation to the anti-circumvention inquiry into the slight modification of zinc coated (galvanised) steel exported to Australia from China, Korea and Taiwan and on 18 March 2016, the anti-dumping measures applying to China, Korea and Taiwan were amended to include 'alloyed' steel goods exported by certain exporters from China, Korea and Taiwan (ADN 2016/23 refers).</p>				
<u>Other investigations</u>				
<p>On 11 July 2014, the Commission initiated an investigation into alleged dumping of galvanised steel from India and Vietnam. On 30 July 2015, the Commissioner terminated this investigation as the investigation found that the volume of dumped exports from Vietnam was negligible and that negligible injury was caused to the Australian industry by the dumped goods from India. Further details of this investigation can be found in TER 249, which is available on the Commission's website.</p>				

Table 3 – The goods as described in the application and previous investigations

2.4. Like goods and the Australian industry

2.4.1. Finding

The Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application on the basis that:

- BlueScope produces goods that have characteristics that closely resemble the goods the subject of the application; and
- the goods are wholly manufactured in Australia.

³ Dumping measures apply to all exporters from China, all exporters from Korea (other than Union Steel Co., Ltd) and all exporters from Taiwan other than Sheng Yu Co., Ltd and Ta Fong Steel Co., Ltd

⁴ Countervailing measures apply to all exports from China other than from Angang Steel Company Limited and ANSC TKS Galvanising Co., Ltd.

2.4.2. Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application for a dumping and/or countervailing duty notice if, among other things, the Commissioner is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

Like goods are defined under subsection 269T(1). Subsections 269T(2), 269T(3), 269T(4), and 269T(4A) are used to determine whether the like goods are produced in Australia and whether there is an Australian industry.

2.4.3. Locally produced like goods

Table 4 below summarises the Commission’s assessment of whether the locally produced goods are identical to, or closely resemble, the goods the subject of the application and are therefore like goods.

Factor	The Applicant’s claims	The Commission’s assessment
Physical likeness	<ul style="list-style-type: none"> • Goods made locally by BlueScope have a physical likeness to the goods exported from India, Malaysia and Vietnam • BlueScope’s locally produced galvanised steel and the imported goods are manufactured to Australian and International standards 	The Commission has examined the evidence presented in the application and is satisfied that the Australian industry produces like goods to the goods the subject of the application (including those goods that comprise other alloy steel).
Commercial likeness	<ul style="list-style-type: none"> • Australian Industry’s galvanised steel competes directly with imported galvanised steel in Australian market • The locally produced goods and the imported goods are offered for sale to the market via similar channels and on similar commercial terms and conditions 	The Commission is satisfied that there is commercial likeness between goods produced by BlueScope and the imported goods subject of the investigation. The imported goods and domestically produced goods are directly competitive. Preliminary information suggests that buyers are willing to switch from locally produced goods to imported goods.
Functional likeness	<ul style="list-style-type: none"> • Both locally produced and imported galvanised steel have comparable or identical end-uses 	Based on BlueScope’s current application and findings from the previous investigations (190,193 and 249), the Commission is satisfied that the goods produced by applicant and imported goods are functionally substitutable and used by similar end users.
Production likeness	<ul style="list-style-type: none"> • Locally produced and imported galvanised steel are manufactured in a similar manner and via similar production processes. 	The Commission is satisfied that locally produced and imported goods are produced using similar production processes as discussed in section 2.4.4.

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Factor	The Applicant's claims	The Commission's assessment
Conclusion		
<p>The Commission has examined the evidence presented in the application and is satisfied that the Australian industry produces like goods (as defined in subsection 269T(1)) to the goods the subject of the application (including those goods that comprise other alloy steel).</p> <p>Based on the domestic sales data provided in Confidential Appendix A4 of the application, the Commission notes that BlueScope manufactured and supplied galvanised steel in a range of widths (including less than 600mm and equal to or greater than 600mm) and thicknesses, which covered the thickness range identified for the tariff subheadings and statistical codes for the goods.</p>		

Table 4 – Like goods assessment

2.4.4. Manufacture in Australia

The table below summarises the Commission's assessment of whether there is at least one substantial process of manufacture performed in Australia and whether the like goods are therefore considered to have been manufactured in Australia.

The Applicant's claims
<p>BlueScope is a fully-integrated flat steel manufacturer with large capital intensive manufacturing operations in Springhill and Port Kembla in New South Wales and Western Port in Victoria.</p> <p>BlueScope manufactures Hot Rolled Coil (HRC) in Australia from liquid steel, via flat steel production. The steel production process is capital intensive and BlueScope does not use imported steel in the manufacture of the goods.</p> <p>BlueScope stated in its application that slab (the input steel product) is heated in a furnace to around 1200 degrees Celsius and is then reduced in thickness from 230mm to below 5mm by passing through a series of rollers at great pressure. It is then control cooled, and finally wound up as a coil of steel (known as HRC).</p> <p>The HRC is then further processed by passing through hydrochloric acid baths to remove surface scale and is edge trimmed to the customer-specified width.</p> <p>The next process is cold rolling, which is a similar process to hot rolling but is done at ambient temperature. This is where the coil is reduced in thickness to the customer requirement, generally 0.30 mm to 3.5 mm base metal thickness.</p> <p>This cold rolled steel is the input feed material to the continuous coating line and runs continuously through several key processes:</p> <ul style="list-style-type: none"> • cleaning; • annealing and passing through a molten bath mixture of zinc, antimony and other trace metals; and • various surface treatments, depending on the customer's specific requirements. <p>The range of options for zinc coated steel includes a "skin passed" or "un-skin passed" surface, "chromated" or "un-chromated" surface or an "oiled" or "dry" surface.</p> <p>For ZF (zinc/iron alloy) coated steel the option is for a skin passed or un-skin passed surface.</p> <p>In respect of galvanised steel, BlueScope submits that it undertakes more than one substantial process of manufacture in the production of the goods. The detailed production process is contained in the application.</p>

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The Commission's assessment
Based on BlueScope's description of its manufacturing processes, which have been verified during previous investigations related to galvanised steel, the Commission is satisfied that there is at least one substantial process of manufacture performed in Australia and that the goods are therefore be taken to have been produced in Australia.

Table 5 – Manufacture of like goods in Australia

2.5. Australian industry information

The table below summarises the Commission's assessment of whether BlueScope has provided sufficient information in the application to analyse the performance of the Australian industry.

Have the relevant appendices to the application been completed?		
A1	Australian production	Yes
A2	Australian market	Yes
A3	Sales turnover	Yes
A4	Domestic sales	Yes
A5	Sales of other production	Yes
A6.1	Cost to make and sell (and profit) – Domestic sales	Yes
A6.2	Cost to make and sell (and profit) – Export sales	Yes
A7	Other injury factors	Yes
General administration and accounting information – BlueScope Steel Limited		
History	<p>BlueScope is a publicly listed company on the Australian stock exchange, limited by shares. BlueScope has a number of subsidiaries and joint ventures both in Australia and internationally. Several of these subsidiaries and joint ventures (such as BlueScope Distribution Pty Ltd) are directly involved in either the manufacture or supply of galvanised steel.</p> <p>BlueScope has six internal corporate groups with distinct functions which operate in Australia and internationally. The application nominates the Coated and Industrial Products Australia Group as being relevant to the goods the subject of the application.</p>	
Ownership	BlueScope is a publicly listed company with all top 20 shareholders being institutional investors.	
Operations	<p>BlueScope is an Australian manufacturer of flat steel products. The other key businesses and operations are as follows:</p> <ul style="list-style-type: none"> • BlueScope Australia and New Zealand <ul style="list-style-type: none"> ○ Coated and Industrial Product – largest and only manufacturer of HRC, plate, metal coated and painted steel in Australia with capacity of 2.6 million tonnes per annum (mtpa). ○ Building Components and Distribution Australia, which supplies to Australian building, construction, automotive and general manufacturing sector. ○ New Zealand and Pacific Steel – the only fully integrated flat steel maker in New Zealand • Global Building Solutions – An operation that designs and manufactures engineered building solutions and markets it across key global markets like China, North America, India and Middle-east. 	

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	<ul style="list-style-type: none"> • Hold Rolled Products – North America • Building products – Association of South East Asian Nations (ASEAN), North America and India 	
Financial year	The financial year is from 1 July to 30 June.	
Audited accounts	BlueScope has provided the audited full year financials for the year ending 30 June 2015.	
Annual reports	BlueScope has provided the Annual report for financial year ending June 2015. BlueScope further stated that its Annual report for financial year 2016 is expected to be published by the end of September 2016.	
Production and sales information	Cost to make and sell information	Other injury factors
The sales data for financial year 2016 was provided in Appendix A4 to the application. BlueScope provided an explanation for the minor difference of sales revenue between this appendix and other appendices. This issue will be further investigated during the Commission's verification.	The costs data from financial years 2013 to 2016 were provided in Appendix A6 to the application.	Other injury factors data from financial years 2013 to 2016 were provided in Appendix A7 to the application.
The Commission's assessment		
Based on the information in the application, the Commission is satisfied that there is sufficient data on which to analyse the performance of the Australian industry between 1 July 2012 and 30 June 2016 (injury analysis period).		

Table 6 – Australian industry information

2.6. Market size

BlueScope considers that the Australian market in 2016 has increased to approximately 700,000 tonnes from approximately 625,000 tonnes in 2012.

BlueScope claims that following imposition of measures for the goods exported from China, Korea and Taiwan (countries with existing measures), the sources of imports have shifted to India, Malaysia and Vietnam (countries the subject of this application).

Relying on data sourced from the Australian Border Force (ABF) import database, the Commission compared BlueScope's estimates of import volumes to ABF's data.

The Commission's estimates of import volumes obtained from the ABF import database is based on the following methodology:

- data was extracted from the ABF import database based on relevant tariff classifications and statistical codes;
- the data was filtered based on the goods description to exclude import transactions that appeared not to be the goods under consideration; and
- the data was filtered to exclude line items where the free on board (FOB) price per tonne was outside an identified range that was considered a reasonable price range for the goods based on observations from previous investigations, reviews and inquiries into galvanised steel, in order to exclude outlying data.

In its application, BlueScope stated that it relied on ABS data to estimate the volume and value of imports from India and Malaysia and also a combination of ABS data

and TradeData International’s data to estimate the volume and value of imports from Vietnam.

BlueScope’s estimated volume of imports from India was higher than ABF data while for Vietnam and Malaysia, BlueScope’s estimated volumes were slightly lower as compared to ABF data. BlueScope’s estimate of the combined volume of imports from all three countries appears to be understated by approximately 10%.

Given that there is a variance of 10% between the data provided by BlueScope and that obtained from ABF, the Commission has relied on its own estimates of the overall size of Australian market and imports of galvanised steel. The Commission estimates the total volume of galvanised steel goods for the year ending 30 June 2016 is approximately 695,000 tonnes.

Figure 1 below compares the market share of galvanised steel of BlueScope with the countries the subject of the application, countries currently subject to measures and from all other countries not subject to measures for the financial years 2013 to 2016.

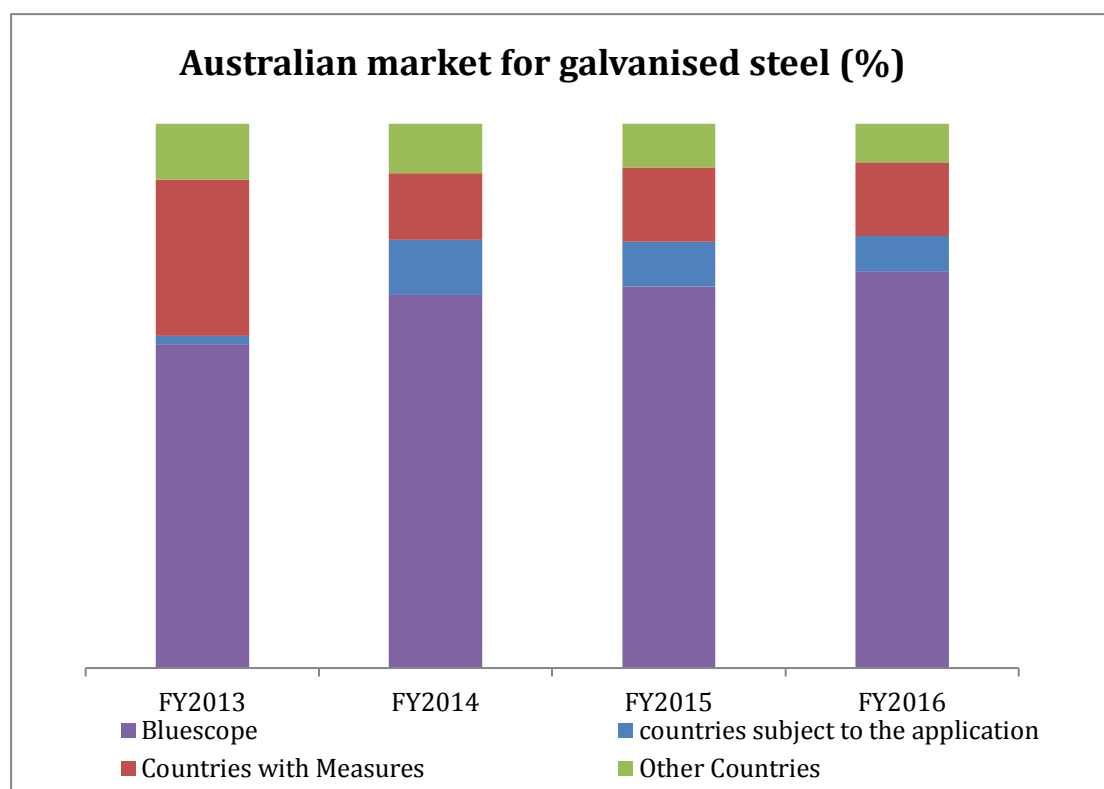


Figure 1 - Australian market for galvanised steel

Figure 1 demonstrates that BlueScope’s market share for galvanised steel increased in the financial year 2014 following the imposition of anti-dumping measures against China, Korea and Taiwan. BlueScope’s market share remained stable in financial year 2015 and then showed an increase in financial year 2016.

The market share for the countries the subject of the application increased in financial year 2014, consistent with BlueScope’s claim that they appropriated sales volumes from the countries with measures. After this initial increase, market share for these countries declined in financial year 2015 and continued to decline further in financial year 2016. Overall, the market share of the countries subject to the application is higher in financial year 2016 than it was in financial year 2013.

3. Reasonable Grounds – dumping

3.1. Findings

Having regard to the matters contained in the application and to other information considered relevant in accordance with subsection 269TC(1)(c), the Commission considers that there appear to be reasonable grounds to support the claims that:

- the goods have been exported to Australia from India, Malaysia and Vietnam at dumped prices;
- the estimated dumping margin for exports from India, Malaysia and Vietnam is greater than 2% and therefore is not negligible; and
- the estimated volume of goods exported from India, Malaysia and Vietnam that appear to have been dumped is, for each country, greater than 3% of the total Australian import volume of goods and therefore is not negligible.

3.2. Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application for a dumping duty notice if, among other things, 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 that the Assistant Minister for Industry, Innovation and Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science (Parliamentary Secretary)⁵ must be satisfied of in order to publish a dumping duty notice is that the export price of goods that have been exported to Australia is less than the normal value of those goods, i.e. that dumping has taken place (to an extent that is not negligible). This issue is considered in the following sections.

3.3. Export price

3.3.1. Legislative framework

Export price is determined by applying the requirements set out in section 269TAB taking into account whether the purchase or sale of goods were arms length transactions under section 269TAA.

3.3.2. The Applicant's estimate

Table 7 below summarises the approach taken by the applicant to estimate export prices and the evidence relied upon.

⁵ The Minister for Industry, Innovation and Science has delegated responsibility with respect to anti-dumping matters to the Parliamentary Secretary, and accordingly, the Parliamentary Secretary is the relevant decision maker. On 19 July 2016, the Prime Minister appointed the Parliamentary Secretary to the Minister for Industry, Innovation and Science as the Assistant Minister for Industry, Innovation and Science.

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Country	Basis of estimate	Details
India	ABS Data	<p>BlueScope has derived the monthly export price from the ABS' import data of galvanised steel from July 2015 to June 2016.</p> <p>BlueScope identified two major grades (Galvanneal / Zincanneal and Commercial grade) of galvanised steel exported to Australia. BlueScope has estimated the volume of each grade of the galvanised steel exported during the investigation period and made appropriate adjustments. BlueScope has calculated the weighted average FOB export price in investigation period to be AUD 840 per tonne.</p>
Malaysia	ABS Data	<p>BlueScope has derived the export price from the ABS' import data of galvanised steel from July 2015 to June 2016.</p> <p>BlueScope identified two major grades (feed for the manufacture of Purlins/ Commercial quality steel) of galvanised steel exported to Australia. BlueScope has estimated the volume of each grade of the galvanised steel exported during the investigation period and made appropriate adjustments. BlueScope has calculated the weighted average FOB export price to be AUD 799 per tonne.</p>
Vietnam	ABS Data and Trade Data International	<p>BlueScope has derived the export price from a combination of ABS' import data and TradeData International data relating to galvanised steel from July 2015 to June 2016. BlueScope did not identify any difference in the grades that were exported.</p> <p>BlueScope has calculated the weighted average FOB export price for the investigation period to be AUD 776 per tonne.</p>

Table 7 – BlueScope's export price estimates

3.3.3. The Commission's assessment

The Commission examined export price calculations and supporting evidence provided by BlueScope.

To verify the reliability of the export data provided by BlueScope, the Commission has compared the weighted average export prices and volume of exports provided in the application with weighted average export prices and volumes calculated using data contained in the ABF's import database. From the ABF's import data, the Commission was not able to identify different grades of galvanised steel exported from the countries the subject of the application.

The Commission identified an immaterial variance between BlueScope's estimated annual weighted average FOB export prices and annual weighted average FOB export prices for countries the subject of the application from the ABF import database. Given the immaterial variance, the Commission considers that BlueScope's estimates of export price are reasonable and reliable.

The Commission also compared BlueScope's estimates of import volumes from countries the subject of the application with information from the ABF import database. The Commission found there were only minor variances. Therefore, the

Commission considers BlueScope's estimates of volumes were reasonable and reliable.

BlueScope's calculation of export price is at **Confidential Appendix 3**.

The Commission's calculations of export price and import volumes is at **Confidential Appendix 1**.

3.4. Normal value

3.4.1. Legislative framework

Normal value is determined by applying the requirements in section 269TAC taking into account whether:

- the purchase or sale of the goods were arms length transactions under section 269TAA;
- the goods were sold in the ordinary course of trade under section 269TAAD;
- there has been an absence or low volume of sales of like goods in the country of export; and
- whether the situation in the market of the country of export is such that sales in that country are not suitable for determining normal value under subsection 269TAC(1).

3.4.2. The Applicant's estimate

In its application BlueScope stated that it has been unable to obtain published domestic selling prices for galvanised steel sold in the countries the subject of the application as the full range of product specifications that are the subject of this application are not commonly sold in the nominated countries. Furthermore, BlueScope stated that domestic galvanised steel prices for the goods are not published in industry newsletters, nor are they available on a subscription basis from industry bodies in the respective countries.

BlueScope claims that while it has manufacturing operations in India and Vietnam, domestic pricing information for the like grades exported to Australia is closely held and is not available unless for direct sale between supplier and customer. While BlueScope claims that it does not have direct access to published domestic prices for galvanised steel in India and Malaysia. BlueScope advised that it was able to obtain domestic prices of galvanised steel from reliable domestic sources which purchased some galvanised steel in the domestic market in the respective countries during the investigation period and, as a result, BlueScope used that information to estimate the normal values.

Furthermore, BlueScope claims that the galvanised steel market in Vietnam is influenced by the Government of Vietnam, therefore BlueScope constructed the normal value for Vietnam as discussed in section 3.4.4 of this report.

3.4.3. India and Malaysia

BlueScope has estimated the normal values for the goods using domestic selling prices for India and Malaysia including adjustments for grade, steel thickness and coating mass as detailed in **Table 8** below.

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Country	Basis of estimate	Details
India	Normal value is calculated using domestic sales. Domestic sales invoices were provided	BlueScope has calculated normal value using domestic sales of galvanised steel BlueScope made adjustments for the freight, grade, thickness and coating mass to the domestic sales price to reflect the price of the goods exported to Australia. BlueScope has calculated the weighted average normal value for the investigation period as AUD 885 per tonne.
Malaysia	Normal value is calculated using domestic sales. Domestic sales invoices were provided	BlueScope has calculated normal value using domestic sales of galvanised steel BlueScope made adjustments for the freight, grade, steel thickness and coating mass to the domestic sales price to reflect the price of the goods exported to Australia. BlueScope has calculated the weighted average normal value for the investigation period as AUD 992 per tonne.

Table 8 – BlueScope’s normal value estimates for India and Malaysia

3.4.4. Vietnam

3.4.1. Particular market situation

The Commission generally calculates the normal value of the goods as the price for like goods sold for home consumption in the country of export (s.269TAC(1) of the Act refers)⁶.

One of the exceptions to using domestic selling prices for determining normal values is set out in s.269TAC(2)(a)(ii) of the Act, which broadly provides that the domestic selling prices are not an appropriate basis for determining normal value if the Minister is satisfied that:

“...the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under s.269TAC subsection (1)” (i.e. a ‘particular market situation’ exists).

One of these situations may be where the domestic selling prices in the country of export have been materially affected by government influence rendering those prices unsuitable for use in establishing normal values.

The existence of a particular market situation affects the approach that the Commission takes to calculating normal values under the Act in undertaking an assessment of whether goods have been exported to Australia at dumped prices.

In its application, BlueScope alleges that Vietnam is not manufacturing hot rolled coils (HRC), a major raw material to manufacture the goods. For one of the alleged exporters of the goods, BlueScope provided confidential information quantifying the volume of imports of HRC and the name of the source countries alleging China as one of the main suppliers.

⁶ This price is subject to adjustments under s269TAC(8) of the Act to ensure any differences do not affect the comparison with the export price.

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In its application, BlueScope stated that in a previous related investigation (INV 190), the Commission has found that a particular market situation exists in the galvanised steel market in China.

BlueScope, alleges that the normal value (and export price) of Vietnamese galvanised steel are artificially low due to low input prices of HRC which are predominantly imported from China. BlueScope claims that the transfer of the artificially low input prices into finished goods in another country, is in essence the Chinese steel industry circumventing the anti-dumping measures Australia has put in place on Chinese exporters.

Furthermore, BlueScope alleges that the Government of Vietnam, in the absence of a domestic supply source, encourages importation of HRC as a feed supply for the domestic downstream steel manufacturing. BlueScope alleges that the complexities around Vietnamese import trade flows is clearly evidenced by the Government of Vietnam's imposition of safeguard measures on steel billets, on steel long products, on semi-finished products and on bars and rods.

Based on this, BlueScope alleges that a particular market situation exists in the galvanised steel market in Vietnam such that domestic selling prices are unsuitable for the purpose of determining normal values.

3.4.2. The Commission's assessment – market situation

Based on the preliminary assessment of the information provided by the applicant and preliminary assessment of information considered in this report, the Commission considers it is appropriate to examine BlueScope's market situation claims during the course of the investigation. The Commission will seek the necessary information from Vietnamese exporters and from the Government of Vietnam in order to independently assess the market situation claims.

The Commissioner notes that a finding of a market situation and the potential impact on the methodology under which normal value is determined may remove the obligation on the Parliamentary Secretary to consider application of the lesser duty rule – pursuant to s.8(5BAA)(a) of the Customs Tariff (Anti-Dumping) Act 1975. Accordingly, associated with its assessment of BlueScope's market situation claims, the Commissioner will make recommendations to the Parliamentary Secretary as to the level of any duties to be applied if applicable.

3.4.3. BlueScope's constructed normal value – Vietnam

As stated above, BlueScope has alleged that the Vietnamese domestic selling prices for galvanised steel are artificially low and that there are conditions in that market that renders sales of galvanised steel in that market not suitable for determining prices under subsection 269TAC(1) of the Act. The market situation claim is discussed in section 3.4.1 above.

BlueScope, has therefore constructed the normal value for Vietnam using the HRC prices based on data (sourced from an independent provider of international trade data) by using an average price of HRC from Japan, Korea and Taiwan. BlueScope then used conversion costs and sales, general and administrative (SG&A) costs from its Thailand Operations.

Table 9 below summarises the approach taken by BlueScope to estimate normal values and the evidence relied upon.

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Vietnam	<p>Normal value is calculated under 269 TAC(2)(c)</p> <p>HRC costs were taken from confidential data source – average of Japan, Korea and Taiwan</p> <p>Conversion costs and SG&A expenses were taken from BlueScope’s Thailand operations</p>	<p>BlueScope constructed normal value for galvanised steel in Vietnam pursuant to subsection 269TAC(2)(c) on the basis that BlueScope believes that there is a particular market situation in the Vietnamese galvanised steel market.</p> <p>BlueScope used an average price of HRC using confidential data source for Japan, Korea and Taiwan and uplifted conversion costs and SG&A expenses from BlueScope’s Thailand operations and added a profit amount. No adjustments in terms of 269TAC(9) were made.</p> <p>BlueScope has calculated the weighted average normal value for the investigation period is AUD 841 per tonne</p>
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Table 9 – BlueScope’s normal value methodology for Vietnam

3.4.4. The Commission's assessment

The Commission examined the normal value calculations and supporting evidence provided by BlueScope and makes the following assessments.

3.4.5.1 India and Malaysia

BlueScope has calculated normal value using domestic sales of galvanised steel from Indian and Malaysian suppliers. BlueScope has provided evidence of sales invoices of galvanised steel from these countries. BlueScope made adjustments for the freight, grade, steel thickness and coating mass to the domestic sales prices to reflect the price of the goods exported to Australia.

Based on the above assessment, the Commission considers that BlueScope’s estimates of normal values for India and Malaysia to be reasonably representative of domestic sales in terms of commercial volumes, level of trade and range of customers..

BlueScope’s calculations of normal values, dumping margins for India and Malaysia and the Commission’s comparison is at **Confidential Appendix 2**.

3.4.5.2 Vietnam

As discussed in section 3.4.3 of this report, BlueScope constructed a normal value for galvanised steel in Vietnam on the basis that BlueScope has alleged that there is a particular market situation in the Vietnamese galvanised steel market.

The HRC prices provided by the applicant for the last quarter of the investigation period were estimated, using the previous 3 quarters of confidential data source as a base. The conversion costs and SG&A costs were used from a third country (Thailand). No adjustments in terms of 269TAC(9) were made in the application.

Given these anomalies, the Commission is not satisfied with BlueScope’s estimate of the normal value for Vietnam. The Commission has therefore re-calculated the normal value for Vietnam in accordance with s.269TAC(6) during the investigation period as detailed below.

As a starting point, the Commission used verified cost data from of one of the major exporters⁷ of galvanised steel from Vietnam. Using the confidential source data provided by BlueScope, the Commission analysed the HRC prices from 2013 to 2016 for Japan, Korea and Taiwan for the purpose of indexing the major raw material costs.

The Commission identified that Japanese HRC prices fell by 1%, Korean prices by 15% and Taiwanese prices by 23% during this period⁸. Based on this, the Commission considers that Japanese HRC prices are unlikely to reflect the prevailing market conditions of that region and these prices were excluded.

The Commission considers that HRC prices (sourced by BlueScope from an independent provider of international trade data) from Korea and Taiwan are likely to reflect the prevailing market conditions of HRC in that region for the purpose of determining an appropriate index.

In calculating the normal value, the Commission calculated the HRC index (-19%) and applied this to the verified cost data. The Commission then adjusted the HRC costs (downwards) by this amount to reflect the HRC costs in 2016. In addition the Commission did not add an amount for profit.

The Commission’s normal value and dumping margin calculation are at **Confidential Appendix 2**.

3.5. Dumping margins

3.5.1. Legislative framework

Dumping margins are determined in accordance with the requirements of section 269TACB.

Dumping margins and dumping volumes cannot be negligible, otherwise the investigation must be terminated. Whether the dumping margins and dumping volumes are negligible is assessed pursuant to section 269TDA.

3.5.2. Dumping margin estimates

Table 10 below compares the dumping margins estimated by the applicant to those calculated by the Commission. Dumping margins are expressed as a percentage of the export price.

Country	Applicant’s estimate	Commission’s estimate
India	5.4%	4.3%
Malaysia	24.2%	24.2%
Vietnam	8.4%	7.3%

Table 10 – Dumping margin estimates

3.6. Volumes

Based on the Commission’s estimates (using ABF’s import data), imports of galvanised steel from India, Malaysia and Vietnam individually represent more than 3

⁷ Exporter verified during INV 249

⁸ The Commission is aware that the overall price of HRC in South East Asia fell by approximately 40% between 2013 and 2016.

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per cent of the total import volume of galvanised steel for the period 1 July 2015 to 30 June 2016, and are therefore not negligible as defined in subsection 269TDA(4).

4. Reasonable grounds – subsidisation

4.1. Findings

Pursuant to subsection 269TC(1)(c), the Commission considers that there appear to be reasonable grounds to support the claims that:

- the goods exported to Australia from India and Vietnam have been subsidised;
- the estimated subsidy margin for exports from India and Vietnam is greater than 2% and therefore is not negligible; and
- the estimated volume of goods exported from India and Vietnam is each greater than 4% of the total Australian import volume of goods and therefore is not negligible.

4.2. Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application for a countervailing duty notice if, among other things, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of a countervailing duty notice.

Under section 269TJ, one of the matters that the Parliamentary Secretary must be satisfied of in order to publish a countervailing duty notice is that subsidisation has taken place (to an extent that is not negligible). This issue is considered in the following sections.

4.3. Consultation with the Governments of India and Vietnam

In accordance with subsection 269TB(2C), the Commission invited the Governments of India and Vietnam for consultations during the pre-initiation phase. The purpose of these consultations is to provide an opportunity for the Governments of India and Vietnam to respond to the claims made within the application in relation to countervailable subsidies, including whether they exist and, if so, whether they are causing, or are likely to cause, material injury to an Australian industry, with the aim of arriving at a mutually agreed solution.

To assist in determining whether they wished to undertake consultations and what it would like to consult on, the Governments of India and Vietnam were provided with a non-confidential version of the countervailing application.

Both the Government of India and the Government of Vietnam contacted the Commission and provided written submissions. Public record versions of the submissions are at **non- confidential attachments 2 and 3**.

4.4. Subsidy programs

4.4.1. Legislative framework

The determination as to whether there is a countervailable subsidy is made in accordance with subsections 269T(1) and 269T(2AA), and sections 269TACC and 269TAAC.

4.4.2. The Applicant's claims

Table 12 below summarises the claims by the applicant that the goods exported to Australia have benefited from countervailable subsidies and the evidence relied upon.

4.4.3. The Applicant's claims

4.4.3.1 India

The application alleges that there are a number of programs identified by Canada Border Services Agency (CBSA) in their investigation into subsidisation of certain hot-rolled carbon steel plate exported to Canada from India and that these are relevant and applicable to exporters of galvanised steel from India.

BlueScope has highlighted the existence of range of national and regional subsidies that are payable to qualifying entities in special economic zones "SEZs", as found in the Statement of Reasons (SOR) published by CBSA.

While drawing attention to the 55 separate programs identified by the CBSA, the applicant has specifically identified the following seven programs that are directly applicable to one of the largest exporters of galvanised steel to Australia during the investigation period.

1. Focus Product Scheme
2. Export Promotion Capital Goods Scheme
3. Exemption from Electricity Duty (Package scheme incentives by State Government of Maharashtra (SGOM))
4. Stamp duty benefit for mega projects – incentives by SGOM.
5. Exemption from Sales tax & other levies – incentive by SGOM
6. Duty Exemption/Remission – Advanced Authorisation scheme
7. Duty Exemption/Remission – Duty drawback scheme

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Table 12 below summarises the applicant’s claims that the goods exported to Australia from India have benefited from 55 countervailable subsidies.

Category	Program (number and description)	Summary of claims	Commission’s Assessment
Category 1: Preferential tax (Program 1-14, 23-27, 30, 31, 35, 36, 37, 42, 43, 49, 50, 53 and 55)	1. Duty-Free Importation of Capital Goods and Raw Materials, Components, Consumables, Intermediates, Spare Parts and Packing Material in Special Economic Zones (SEZs)	<p>The applicant has claimed that CBSA’s investigation into dumping and countervailing found positive evidence in respect of <i>inter alia</i> Programs 1-14, 23-27, 30, 31, 35, 36, 42, 43, 49, 50, 53 and 55.⁹</p> <p>Additionally, the applicant claims that:</p> <ul style="list-style-type: none"> • With regard to Program 23 – Export Promotion Capital Goods Scheme, the program was introduced to aid the modernisation and technological upgrade of production base in India. The program allows for the importation of capital goods at zero rate or 3 per cent custom duty, subject to an export obligation equivalent to 6 	<p>The Commission found <i>prima facie</i> evidence of Program 1 established by way of the <i>Special Economic Zone Act 2005</i> which established the incentives and facilities offered to the SEZs.¹⁰</p> <p>Specific Special Economic Zone Policies relating to Program 1 were identified in the following jurisdictions:</p> <ol style="list-style-type: none"> 1. Karnataka¹¹ 2. West Bengal¹² 3. Maharashtra¹³ 4. Madhya¹⁴ <p>Based on the information contained in the application and the Commission’s preliminary assessment, there appears to be reasonable grounds that there is a financial contribution provided by the government, that is specific to the</p>

⁹ CBSA Steel Plate 8 *Certain hot rolled carbon steel plate and high strength low alloy steel plate*, December 2015 <http://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1406/ad1406-fd-eng.html>

¹⁰ <http://sezindia.gov.in/about-fi.asp>

¹¹ <http://sezindia.gov.in/writereaddata/statePolicies/state%20policy%20of%20sez%200091.pdf>

¹² <http://sezindia.gov.in/writereaddata/statePolicies/west%20bengal%20policy.pdf>

¹³ <http://sezindia.gov.in/writereaddata/statePolicies/maharashtrapolicy.pdf>

¹⁴ http://sezindia.gov.in/writereaddata/statePolicies/mp_policy.pdf

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Category	Program (number and description)	Summary of claims	Commission's Assessment
		<p>times of the duty saved on imported capital goods.</p> <ul style="list-style-type: none"> With regard to Program 35, the State govt. of Maharashtra offers exemption from electricity duty for industries located in demarcated zones. The benefit involves a 5% refund of the VAT and a 2% refund of the Central Sales Tax. The exemption is for a period of 7 years since commencement of production. 	<p>manufacturers of galvanised steel operating in SEZs, and that it may be conferring a countervailable benefit.</p>
	2. Export Income Tax Exemptions in SEZs		<p>The Commission found <i>prima facie</i> evidence of Programs 2 to 4 established by way of the <i>Special Economic Zone Act 2005</i> which established the incentives and facilities offered to the SEZs.¹⁵</p> <p>Based on the information contained in the application and the Commission's preliminary assessment, there appears to be reasonable grounds that there is a financial contribution provided by the government, that is specific to the manufacturers of galvanised steel operating in SEZs, and that it may be conferring a countervailable benefit.</p>
	3. Exemption in SEZs from Minimum Alternate Tax		
	4. Exemption in SEZs from Payment of Central Sales Tax on Purchases of Capital Goods and Raw Materials, Components, Consumables, Intermediates, Spare Parts and Packing Material	<ul style="list-style-type: none"> For Program 36, the state govt. has provided benefit to a group of eligible enterprise in the form of exemption from stamp duty for registration of land leased from state Industrial Corporation. 	
	5. Exemption in SEZs from Service Tax	<ul style="list-style-type: none"> For Program 42, state government provided benefits to local industries in the form of deferral of sales tax and other levies for a period of 10 years. 	
			<p>The Commission found <i>prima facie</i> evidence of Program 5 established by way of Special Economic Zone Policy in the following jurisdictions:</p> <ol style="list-style-type: none"> Jharkhand¹⁶

¹⁵ <http://sezindia.gov.in/about-fi.asp>

¹⁶ <http://sezindia.gov.in/writereaddata/statePolicies/jharkhandpolicy.pdf>

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Category	Program (number and description)	Summary of claims	Commission's Assessment
		<ul style="list-style-type: none"> • Program 24 enables local industries the duty-free importation of inputs required for the production of goods to be exported. • Program 27 provides for rebates of duties or taxes levied on any imported materials used in the manufacture of exported goods. 	<ol style="list-style-type: none"> 2. Uttar Pradesh¹⁷ 3. Karnataka¹⁸ 4. Punjab¹⁹ 5. Chandigarh²⁰ 6. Kerala²¹ 7. Maharashtra²² <p>Based on the information contained in the application and the Commission's preliminary assessment, there appears to be reasonable grounds that there is a financial contribution provided by the government, that is specific to the manufacturers of galvanised steel operating in SEZs, and that it may be conferring a countervailable benefit.</p>
	6. Discounted Land Fees and Leases in SEZs		For Program 6 and 7, based on the evidence provided to support the application, the Commission considers that there are reasonable grounds to
	7. Discounted Electricity Rates in SEZs		

¹⁷ http://sezindia.gov.in/writereaddata/statePolicies/up_sez_policy_2007_part_a.pdf

¹⁸ <http://sezindia.gov.in/writereaddata/statePolicies/state%20policy%20of%20sez%20091.pdf>

¹⁹ http://sezindia.gov.in/writereaddata/statePolicies/punjab_sez_policy_2005.pdf

²⁰ http://sezindia.gov.in/writereaddata/statePolicies/chandigarh_sez_policy_2005.pdf

²¹ <http://sezindia.gov.in/writereaddata/statePolicies/kerala%20policy.pdf>

²² <http://sezindia.gov.in/writereaddata/statePolicies/maharashtrapolicy.pdf>

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Category	Program (number and description)	Summary of claims	Commission's Assessment
			undertake further investigation into this claim.
	8.Exemption in SEZs from State Sales Tax and Other Levies as Extended by State Governments		<p>The Commission found <i>prima facie</i> evidence of Program 8 established by way of Special Economic Zone Policy in the following jurisdictions:²³</p> <ul style="list-style-type: none"> 8. Jharkhand²⁴ 9. Uttar Pradesh²⁵ 10. Karnataka²⁶ 11. Punjab²⁷ 12. Chandigarh²⁸ 13. Kerala²⁹ 14. West Bengal³⁰ 15. Maharashtra³¹ 16. Madhya³²

²³ www.sezindia.gov.in

²⁴ <http://sezindia.gov.in/writereaddata/statePolicies/jharkhandpolicy.pdf>

²⁵ http://sezindia.gov.in/writereaddata/statePolicies/up_sez_policy_2007_part_a.pdf

²⁶ <http://sezindia.gov.in/writereaddata/statePolicies/state%20policy%20of%20sez%2020091.pdf>

²⁷ http://sezindia.gov.in/writereaddata/statePolicies/punjab_sez_policy_2005.pdf

²⁸ http://sezindia.gov.in/writereaddata/statePolicies/chandigarh_sez_policy_2005.pdf

²⁹ <http://sezindia.gov.in/writereaddata/statePolicies/kerala%20policy.pdf>

³⁰ <http://sezindia.gov.in/writereaddata/statePolicies/west%20bengal%20policy.pdf>

³¹ <http://sezindia.gov.in/writereaddata/statePolicies/maharashtrapolicy.pdf>

³² http://sezindia.gov.in/writereaddata/statePolicies/mp_policy.pdf

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Category	Program (number and description)	Summary of claims	Commission's Assessment
			<p>Based on the information contained in the application and the Commission's preliminary assessment, there appears to be reasonable grounds that there is a financial contribution provided by the government, that is specific to the manufacturers of galvanised steel operating in SEZs, and that it may be conferring a countervailable benefit.</p>
	<p>9. Duty-Free Importations for Companies Designated as Export Oriented Units (EOUs)</p>		<p>For program 9, based on the evidence provided to support the application, the Commission considers that there are reasonable grounds to undertake further investigation into this claim.</p>
	<p>10. Reimbursement to EOUs of Central Sales Tax</p>		<p>The Commission found <i>prima facie</i> evidence of Program 10 established by way of Special Economic Zone Policy in the following jurisdiction:</p> <ol style="list-style-type: none"> 1. Chandigarh³³ <p>Based on the information contained in the application and the Commission's preliminary assessment, there appears to be reasonable grounds that there is a financial contribution provided by the government, that is specific to the manufacturers of galvanised steel</p>

³³ http://sezindia.gov.in/writereaddata/statePolicies/chandigarh_sez_policy_2005.pdf

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Category	Program (number and description)	Summary of claims	Commission's Assessment
			operating in SEZs, and that it may be conferring a countervailable benefit.
	11. Duty Drawback for EOUs on Fuel Procured from Domestic Oil Companies		For programs 11-14, 23-27, 30,31,35,36,37, 42,43,49 and 50, based on the information contained in the application and the Commission's preliminary assessment, there appears to be reasonable grounds that there is a financial contribution provided by the government, that is specific to the manufacturers of galvanised steel, and that it may be conferring a countervailable benefit.
	12. Credit for Service Tax paid by EOUs		
	13. Exemptions from Income Tax for EOUs		
	14. Exemption from Central Excise Duty on Goods Procured from Domestic Tariff Areas and On Goods Manufactured in India		
	23. Export Promotion Capital Goods Scheme		
	24. Duty Exemption/Remission Schemes – Duty-Free Import Authorization Scheme		
	25. Duty Exemption/Remission Schemes – Advance Authorization Scheme		
	26. Duty Exemption/Remission Schemes – Duty Entitlement Passbook Scheme		
	27. Duty Exemption/Remission Schemes – Duty Drawback Scheme		
	30. 80-IB Income Deduction Program		
	31. 80-IA Income Tax Deduction Program		
	35. SGOM – Exemption from Electricity Duty		
	36. SGOM – Waiver of Stamp Duty		
	37. SGOM – Power Tariff Subsidy		
	42. SGOG – Sales Tax Exemptions and Deferrals On Purchase of Goods		

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Category	Program (number and description)	Summary of claims	Commission's Assessment
	43. SGOG – VAT Remission Scheme		
	49. SGOC – Industrial Policy 2009-2014: Electricity Duty Exemption		
	50. SGOC – Industrial Policy 2009-2014: Stamp Duty Exemption		
	53. SGOJ – Stamp Duty and Registration		<p>The Commission found <i>prima facie</i> evidence of Program 53 established by way of Special Economic Zone Policy in the following jurisdictions:</p> <ol style="list-style-type: none"> 1. Jharkhand³⁴ 2. Uttar Pradesh³⁵ 3. Karnataka³⁶ 4. Punjab³⁷ 5. Chandigarh³⁸ 6. West Bengal³⁹ 7. Maharashtra⁴⁰ <p>Based on the information contained in the application and the Commission's preliminary assessment, there appears</p>

³⁴ <http://sezindia.gov.in/writereaddata/statePolicies/jharkhandpolicy.pdf>

³⁵ http://sezindia.gov.in/writereaddata/statePolicies/up_sez_policy_2007_part_a.pdf

³⁶ <http://sezindia.gov.in/writereaddata/statePolicies/state%20policy%20of%20sez%2020091.pdf>

³⁷ http://sezindia.gov.in/writereaddata/statePolicies/punjab_sez_policy_2005.pdf

³⁸ http://sezindia.gov.in/writereaddata/statePolicies/chandigarh_sez_policy_2005.pdf

³⁹ <http://sezindia.gov.in/writereaddata/statePolicies/west%20bengal%20policy.pdf>

⁴⁰ <http://sezindia.gov.in/writereaddata/statePolicies/maharashtrapolicy.pdf>

PUBLIC RECORD

Category	Program (number and description)	Summary of claims	Commission's Assessment
	55. SGOJ – VAT and Tax Incentives		to be reasonable grounds that there is a financial contribution provided by the government, that is specific to the manufacturers of galvanised steel operating in SEZs, and that it may be conferring a countervailable benefit.
Category 2: Financial grant (Program 15-21, 33, 34, 38, 39, 41, 44-46, 48, 52 and 54)	15. Assistance to States for Developing Export Infrastructure and Allied Activities	The applicant has claimed that CBSA's investigation into dumping and countervailing found positively in respect of <i>inter alia</i> Programs 15-21, 33, 34, 38, 39, 41, 44-46, 48, 52 and 54. ⁴¹ In respect of program 21 – Focus Product scheme, the applicant claims that program has been put in place to encourage the export of products having high export or employment potential. The program involves a financial contribution by government for amounts that would otherwise be owing. Under this program, exports of certain products are entitled to a duty credit equivalent to 2% of their value.	For programs 15-21, 33, 34, 38, 39, 41, 44-46, 48, 52 and 54, b Based on the information contained in the application and the Commission's preliminary assessment, there appears to be reasonable grounds that there is a financial contribution provided by the government, that is specific to the manufacturers of galvanised steel, and that it may be conferring a countervailable benefit.
	16. Market Access Initiative		
	17. Market Development Assistance		
	18. Meeting Expenses for Statutory Compliances in Buyer Country for Trade Related Matters		
	19. Brand Promotion and Quality		
	20. Test Houses		
	21. Focus Product Scheme		
	33. Steel Development Fund R&D Grants		
34. State Government of Maharashtra (SGOM) – Industrial Promotion Subsidy			
38. SGOM – Incentives to Strengthen Micro, Small and Medium Enterprises (MSME)			

⁴¹ CBSA Steel Plate 8 *Certain hot rolled carbon steel plate and high strength low alloy steel plate*, December 2015 <http://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1406/ad1406-fd-eng.html>

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Category	Program (number and description)	Summary of claims	Commission's Assessment
	39. SGOM – Special Incentives of the SGOM for Mega Projects		
	41. SGOG – Assistance to MSMEs – Quality Certification		
	44. SGOG – Scheme for Assistance to Industrial Parks/Industrial Estates Set Up By Private Institutions		
	45. SGOG – Critical Infrastructure Projects		
	46. State Government of Chhattisgarh (SGOC) – Industrial Policy 2009-2014: Fixed Capital Investment Subsidy		
	48. SGOC – Industrial Policy 2009-2014: Quality Certification		
	52. State Government of Jharkhand (SGOJ) – Comprehensive Project Investment Subsidy		
	54. SGOJ – Incentive for Quality Certification		
Category 3: Preferential loans (programs 22, 32, 40 and 47)	22. Rupee/Foreign Currency Export Credit & Customer Service to Exporters	<ul style="list-style-type: none"> • In respect of all other programs, the programs involve a financial contribution of amounts or a waiver of amounts that would otherwise be owing and due to the government. • and that there exists a broad range of subsidy programs to aid domestic industry as evidenced from the findings of published by CBSA in its SOR dated 18 March 2015. 	
	32. Steel Development Fund Loans		
	40. State Government of Gujarat (SGOG) – Assistance to MSMEs – Interest Subsidy		
	47. SGOC – Industrial Policy 2009-2014: Interest Subsidy		

PUBLIC RECORD

Category	Program (number and description)	Summary of claims	Commission's Assessment
Category 4: Provision of Goods (Program 29 and 51)		<p>The applicant has claimed that WTO Document WT/TPR/S/313 provides evidence that Special Economic Zone's (SEZs) benefit from a range of programs including <i>inter alia</i> access to reductions in electricity duty.</p> <p>Additionally, the applicant has claimed that CBSA's investigation into dumping and countervailing of certain hot rolled carbon steel plate and high strength low alloy steel plate from India et al found positively in respect of, <i>inter alia</i>, Programs 7, 29, 37, and 51.⁴²</p>	<p>The Commission found <i>prima facie</i> evidence of Program 7 established by way of Special Economic Zone Policy in the following jurisdictions:</p> <ol style="list-style-type: none"> 1. Jharkhand⁴³ 2. Uttar Pradesh⁴⁴ 3. Karnataka⁴⁵ 4. Punjab⁴⁶ 5. Chandigarh⁴⁷ 6. West Bengal⁴⁸ 7. Madhya Pradesh⁴⁹ <p>Based on the information contained in the application and the Commission's preliminary assessment, there appears to be reasonable grounds that there is a financial contribution provided by the government, that is specific to the manufacturers of galvanised steel</p>

⁴² CBSA Steel Plate 8 *Certain hot rolled carbon steel plate and high strength low alloy steel plate*, December 2015 <http://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1406/ad1406-fd-eng.html>

⁴³ <http://sezindia.gov.in/writereaddata/statePolicies/jharkhandpolicy.pdf>

⁴⁴ http://sezindia.gov.in/writereaddata/statePolicies/up_sez_policy_2007_part_a.pdf

⁴⁵ <http://sezindia.gov.in/writereaddata/statePolicies/state%20policy%20of%20sez%2020091.pdf>

⁴⁶ http://sezindia.gov.in/writereaddata/statePolicies/punjab_sez_policy_2005.pdf

⁴⁷ http://sezindia.gov.in/writereaddata/statePolicies/chandigarh_sez_policy_2005.pdf

⁴⁸ <http://sezindia.gov.in/writereaddata/statePolicies/west%20bengal%20policy.pdf>

⁴⁹ http://sezindia.gov.in/writereaddata/statePolicies/mp_policy.pdf

PUBLIC RECORD

Category	Program (number and description)	Summary of claims	Commission's Assessment
	29. Purchase of Iron Ore From State-owned Enterprises for Less Than Fair Market Value		operating in SEZs, and that it may be conferring a countervailable benefit.
	51. SGOC – Industrial Policy 2009-2014: Provision of Land for Less than Adequate Remuneration		<p>A review of publically available financial statements and other information provided to the Commission as part of the application, shows there are reasonable grounds to investigate whether India has access to iron ore at less than fair market value.</p> <p>Based on the information contained in the application and the Commission's preliminary assessment, there appears to be reasonable grounds that there is a financial contribution provided by the government, that is specific to the manufacturers of galvanised steel, and that it may be conferring a countervailable benefit.</p>
Category 5: Other Programs (Program 28)	28. Provision of Captive Mining Rights for Minerals Including Iron Ore and Coal	The applicant has claimed that CBSA's investigation into dumping and	For programs 29 and 51 - Based on the information contained in the application and the Commission's preliminary assessment, there appears to be reasonable grounds that there is a financial contribution provided by the government, that is specific to the manufacturers of galvanised steel, and that it may be conferring a countervailable benefit.

PUBLIC RECORD

Category	Program (number and description)	Summary of claims	Commission's Assessment
		countervailing found positively in respect of <i>inter alia</i> Program 28. ⁵⁰	

4.4.3.2 Vietnam

The application alleges that there are number of programs identified by CBSA into the subsidisation of Oil Country Tubular Goods (OCTG) exported to Canada from Vietnam and that these are relevant and applicable to exporters of galvanised steel from Vietnam. The applicant claims that the CBSA's OCTG investigation included an examination of eligible preferential import duty benefits to exporters.

BlueScope provided a copy of the annual report of a major exporter, Hoa Sen Group, of galvanised steel to Australia 'for the period ended 30 September 2015. The annual report highlights that Hoa Sen Group benefitted from some of the programs that were investigated by the CBSA. BlueScope, therefore claims that galvanised steel producers in Vietnam would similarly receive benefit(s) under some of these programs including recent projects completed by this company involving new capital equipment.

Table 13 below summarises applicant's claims that the goods exported to Australia from Vietnam have benefited from countervailable subsidies from 19 countervailable subsidy programs.

Category	Program (number and description)	Summary of claims	Commission's Assessment
Category 1: Preferential tax programs (Programs 1, 17- 19)	1. Preferential Import Tariff Rates contingent upon Localisation Ratios with respect to products and Parts of Mechanical-Electric-Electronic Industries (updating Program II of Notification of Subsidies period 2003-2004)	The applicant claims that number of subsidy programs were implemented in Vietnam for entities meeting certain criteria. These programs include: <ul style="list-style-type: none"> • Preferential tax rate of 10% for 15 years, tax exemption for 4 years and 50% reduction of tax amount payable for 9 years to eligible entities. 	For programs 1, 17 and 18, based on the information contained in the application and the Commission's preliminary assessment, there appears to be reasonable grounds that there is a financial contribution provided by the government, that is specific to the manufacturers of galvanised steel, and that it may be conferring a countervailable benefit.
	17. Preferential Import Tariff Rates for enterprises investing in regions or sectors entitled to investment incentives		

⁵⁰ Ibid.

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	<p>18. Incentives on corporate income tax for enterprises operating in regions or sectors entitled to incentives.</p> <p>19. Incentives on Non-Agricultural Land Use Tax to encourage enterprises to invest in sectors or regions which require investment</p>	<ul style="list-style-type: none"> • The corporate income tax concessions applicable to entities include investment in “Economic Zones and High Technology Parks”. The applicant claims that the many galvanised steel operations, including that of Hoa Sen Group, are located in such special economic zones. 	<p>For program 18 - through analysis of financial statements of selected Vietnamese exporters, the Commission has determined that there is <i>prima facie</i> evidence to establish that there are CIT exemptions in place for certain enterprises operating in regions entitled to incentives.</p> <p>Additionally, publically available information indicates that there are CIT incentive programs for <i>inter alia</i>:⁵¹</p> <ol style="list-style-type: none"> 1. R&D 2. Small to Medium Enterprise (less than VND 20 billion) 3. Encouraged Sectors (including Hi-Tech) 4. Encouraged special economic zones (SEZ) <p>Based on the information contained in the application and the Commission’s preliminary assessment, there appears to be reasonable grounds that there is a financial contribution provided by the government, that is specific to the manufacturers of galvanised steel operating in SEZs, and that it may be conferring a countervailable benefit.</p>
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⁵¹ <http://www.kpmg.com/Global/en/services/Tax/regional-tax-centers/asia-pacific-tax-centre/Documents/CountryProfiles/Vietnam.pdf>

PUBLIC RECORD

Category 2: Financial Grants (Programs 2-6 and 10-16)	2. Support for the Implementation of Projects Manufacturing Priority Industrial Products (Updating Programme III of 2003-2004)	<p>The applicant claims that Vietnam provided the WTO Committee on Subsidies and Countervailing Measures with a <i>new and full notification pursuant to Article XVI.1 of the GATT and Article 25 of the Agreement on subsidies and countervailing measures</i>. The applicant claims that the notifications provided in March 2013 and September 2015 contained details of these programs.⁵³</p> <p>Additionally, the applicant claims that these programs were the subject of a CBSA investigation which found a subsidy rate of 19%.⁵⁴</p>	<p>For programs 2-6 and 10-16, based on the information contained in the application and the Commission’s preliminary assessment, there appears to be reasonable grounds that there is a financial contribution provided by the government, that is specific to the manufacturers of galvanised steel, and that it may be conferring a countervailable benefit.⁵².</p>
	3. Investment Incentives Contingent upon Export Performance For Domestic Businesses (Updating Programme IV of 2003-2004)		
	4. Other Investment Incentives for Domestic Businesses (Updating Program V of Period 2003-2004)		
	5. Investment Incentives Contingent upon Export Performance for Foreign Invested Enterprises (Updating Programme VI of the Period 2003-2004)		
	6. Other Investment Incentives for Foreign Invested Enterprises (Updating Programme VII for Period 2003-2004)		
	10. Export Promotion (Updating Program XII of Period 2003-2004)		
	11. Trade Promotion (Updating of Programme XIII of Period 2003-2004)		

⁵² WTO Committee on Subsidies and Countervailing Measures (2015) *New and Full Notification Pursuant to Article XVI of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures – Vietnam*, G/SCM/253/VNM

⁵³ Ibid.

⁵⁴ CBSA report *Certain Oil Country Tubular Goods Originating in or Exported from the Republic of India, The Republic of Indonesia and the Socialist Republic of Vietnam*, AD/1404 4218-40 CVD/139

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	12. Support for Mechanical Products (Updating Program XV of Period 2003-2004)		
	13. Support for Shipbuilding Industry (Updating of Programme XV of Period 2003-2004)		
	14. Assistance for Commercial Development in Mountainous, Island and Ethnic Minority Areas (Updating Programme XVI of Period 2003-2004)		
	15. Assistance to Enterprises Facing Difficulties Due to Objective Reasons (Updating of Programme XVII of Period 2003-2004)		
	16. Incentives for Investment Projects in Science and Technology (Updating Programme XVIII of Period 2003-2004)		
Category 3: Preferential loans (programs 7-9)	7. Preferential Investment Credit for Development Contingent upon Export Criteria (Updating Programme VIII of Period 2003-2004)	The applicant, claims that based on the findings of a CBSA investigation into dumping and countervailing from Vietnam, a number of subsidy programs exist involving interest support loans. ⁵⁵ The applicant claims that a major exporter from Vietnam has benefited from this program. The applicant has quantified the	For programs 7-9, based on the information contained in the application and the Commission's preliminary assessment, there appears to be reasonable grounds that there is a financial contribution provided by the government, that is specific to the manufacturers of galvanised steel, and that it may be conferring a countervailable benefit. ⁵⁶
	8. Preferential Development Credit for Investment Contingent Upon Localisation Ratios (Updating Programme IX of Period 2003-2004)		

⁵⁵ WTO Committee on Subsidies and Countervailing Measures (2015) *New and Full Notification Pursuant to Article XVI of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures – Vietnam*, G/SCM/253/VNM

⁵⁶ Ibid

PUBLIC RECORD

	9. Other Preferential Investment Credit for Development (Updating Program X of Period 2003-2004)	alleged benefits to be at approximately 1.86% of export price.	
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4.5. Amount of countervailable subsidy

4.5.1. Legislative framework

Subsidy margins are determined pursuant to section 269TACD.

The amount of the countervailable subsidisation and the volume of subsidised goods cannot be negligible. Whether the countervailable subsidisation and the volume of subsidised goods are negligible is assessed under section 269TDA.

4.5.2. Applicant's claims

In relation to India, the applicant claims that the aggregate benefit of the identified subsidy programs as received by a recipient exporter are above negligible levels and therefore justify the imposition of a countervailing notice in respect of the goods exported from India. The USDOC in CRFS products calculated above negligible values for exports by an Indian exporter, JSW Steel Ltd (6.45%). The calculated benefit understood to be received by exporters in SEZs in Maharashtra as identified in Programs 2 to 5, and 7 is considered to be above negligible level (5.54 %).

In relation to Vietnam, the applicant claims that the aggregate benefit of the identified subsidy programs as received by a recipient exporter (i.e. Hoa Sen Group) are above negligible levels as evidenced in the company's consolidated financial statements for 2014/15 and therefore justify the imposition of a countervailing notice in respect of the Vietnamese exporters of the goods the subject of this application.

4.5.3. The Commission's assessment

The Commission considers that BlueScope has provided reasonable evidence of the receipt of subsidies, where possible, in relation to the largest exporters of galvanised steel from India and Vietnam. These entities account for the majority of exports to Australia from India and Vietnam.

Given that the standard income tax rate for corporations in India and Vietnam is 30% and 22% respectively, the highest possible benefit for exporters from India and Vietnam in relation to income tax rate programs alone is substantial.

Based on the information contained in the application and the Commission's preliminary assessment, there appear to be reasonable grounds that there is a financial contribution provided by the respective governments, that it is specific to the manufacturers of galvanised steel, and that it may be conferring a countervailable benefit.

The Commission will seek the necessary information from the Government of India, from the Government of Vietnam and from the exporters from both countries in order to assess the alleged subsidy programs.

4.6. Volumes

Based on information from the ABF import database, imports of galvanised steel from India and Vietnam individually represent more than 4% of the total import volume of galvanised steel for the period 1 July 2015 to 30 June 2016, and are therefore not negligible volumes as defined in subsection 269TDA(8).

5. Reasonable grounds – injury and causation factors

Having regard to the matters contained in the application, and to other information considered relevant, the Commission considers that there appear to be reasonable grounds to support the claims that the Australian industry has suffered injury caused by dumping and subsidisation, and that the injury is material.

5.1.1. Legislative framework

Under sections 269TG and 269TJ of the Act, one of the matters that the Parliamentary Secretary must be satisfied of in order to publish a dumping duty and/or a countervailing duty notice is that the material injury suffered by the Australian industry was caused by dumping and/or subsidisation.

Matters that may be considered in determining whether the Australian industry has suffered material injury caused by dumped or subsidised goods are set out in section 269TAE.

The Commission has also had regard to the *Ministerial Direction on Material Injury 2012*.⁵⁷

5.1.2. Cumulation of injury

Subsection 269TAE(2C) sets out the requirements for assessing the cumulative material injury effects of exports of goods to Australia from different countries. Where exports are from more than one country and are simultaneously the subject of a dumping and countervailing investigations, the Parliamentary Secretary may cumulatively assess the effects of such imports if:

- the margin of dumping established for each exporter is not negligible;
- the volume of dumped imports from each country is not negligible;
- the amount of countervailable subsidy in respect of the exportations from each country exceeds the negligible level, and the volume of those exportations is not negligible; and
- cumulative assessment is appropriate in light of the conditions of competition as between the imported goods and between the imported goods and the like domestic goods.

The Commission considers that there are reasonable grounds to support that:

- the margin of dumping for exporters from India, Malaysia and Vietnam is not negligible;
- the volume of dumped imports from India, Malaysia and Vietnam is not negligible;
- the subsidy margins for the exportations from India and Vietnam exceed the negligible level, and the volume of those exportations is not negligible; and
- the conditions of competition between imported products and between imported and domestically produced galvanised steel are similar.

Based on the above points, the Commission has looked at the cumulative effect of the exports from the countries subject to the application to determine whether the Australian industry has suffered injury caused by dumped goods exported from India, Malaysia and Vietnam, and suffered injury caused by subsidised goods from India and Vietnam. Furthermore, the Commission has assessed the combined effect of

⁵⁷ Ministerial Direction on Material Injury 2012, 27 April 2012, available at www.adcomission.gov.au

dumped and subsidised goods on the injury to the Australian industry. Further consideration will be given to this issue during the investigation.

5.1.3. Size of the dumping and subsidy margins

Under subsections 269TAE(1)(aa) and 269TAE(1)(ab), the Parliamentary Secretary may have regard to the size of each of the dumping and subsidy margins in respect of the goods exported to Australia.

The dumping margins for the goods exported from India, Malaysia and Vietnam outlined in Chapter 3.5 of this report are not negligible. The Commission also considers that the size of the countervailable subsidies received by the exporters from India and Vietnam outlined in Chapter 3.5 are above negligible levels. The Commissioner is therefore satisfied that the dumping and subsidy margins, in and of themselves, are likely to enable importers of galvanised steel to have a competitive advantage on price compared to the Australian industry.

5.2. Findings

Pursuant to subsection 269TC(1)(c), having regard to the matters contained in the application, and to other information considered relevant, the Commission considers that there appear to be reasonable grounds the material injury caused by dumping and subsidisation has been in the form of :

- lost sales volumes
- loss of market share
- price depression
- price suppression
- reduced sales revenue
- reduced profit and profitability
- reduced employment
- reduced return on investment

5.3. The Applicant's claims

BlueScope claims that the Australian industry has been injured through:

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

5.3.1. Commencement of injury

The applicant claims that injury in terms of this application commenced in 2013/14 following the imposition of anti-dumping measures in August 2013 on exports from China, Korea and Taiwan. The applicant further claims that material injury has continued in 2015/16 as the dumped and subsidised imports of galvanised steel from India, Malaysia and Vietnam have prevented BlueScope from achieving adequate returns on sales.

5.4. Approach to injury analysis

This chapter analyses the economic condition of the Australian industry and provides an assessment as to whether the Australian industry has suffered injury.

For the purpose of assessing whether there are reasonable grounds for establishing that an injury has occurred, the Commission has relied on data provided by BlueScope and information available in the ABF import database for the injury analysis period 1 July 2012 to 30 June 2016.

5.5. Price effects

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

BlueScope claims that it has suffered price depression and price suppression as a result of competing with dumped and/or subsidised imports from India, Malaysia and Vietnam.

Figure 2 below shows the movement in weighted average unit cost to make and sell (CTMS) and unit selling prices for galvanised steel provided by BlueScope over the injury analysis period.

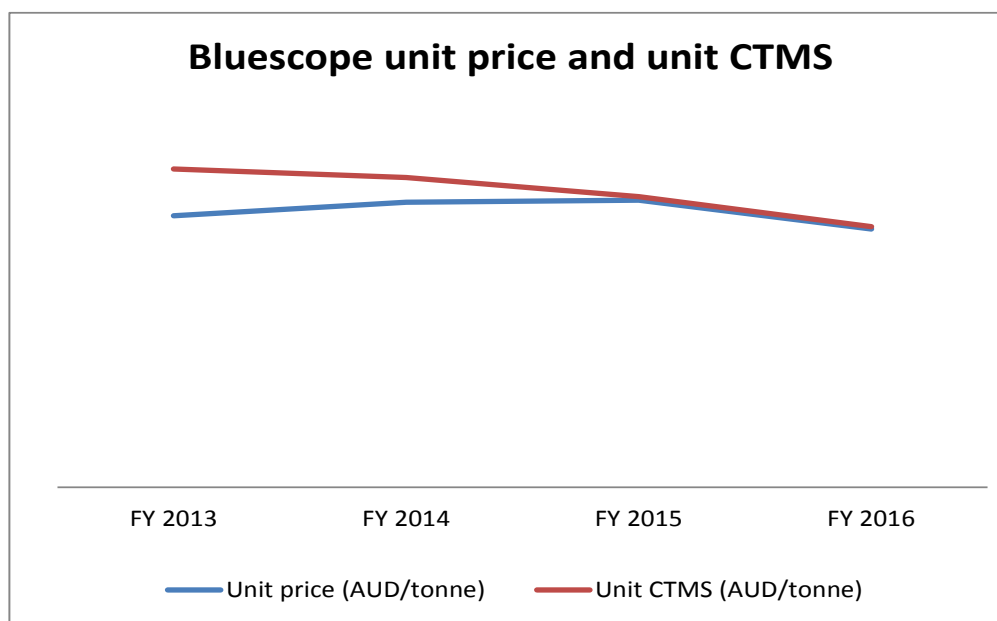


Figure 2 – BlueScope unit price v unit CTMS

Figure 2 shows that BlueScope's unit cost to make and sell exceeded its unit selling prices for financial years 2013 to 2014 and were almost at breakeven for financial years 2015 and 2016 (with the unit CTMS slightly higher than unit selling prices). The unit selling price declined over the injury analysis period, supporting BlueScope's claim of price depression.

Figure 5 also shows that the unit cost to make and sell declined in the 2016 financial year, which BlueScope has claimed is largely due to the decrease in the cost to as a result of a reduction in raw material and SG&A costs.

BlueScope claims that the implementation of anti-dumping measures on galvanised steel from China, Taiwan and Korea resulted in the industry regaining lost volume. However, BlueScope alleges that as the volume of dumped and/or subsidised imports from India, Malaysia and Vietnam increased in financial year 2014,

BlueScope did not experience an increase in sales volumes to the extent expected as a result of the imposition of measures

BlueScope claims that in response to the increase in volumes from the countries the subject of the application, BlueScope reduced its selling prices in financial year 2016. This had the effect of BlueScope recovering sales volumes.

Figure 3 below shows sales volumes and unit sales price for the financial years 2013 to 2016.

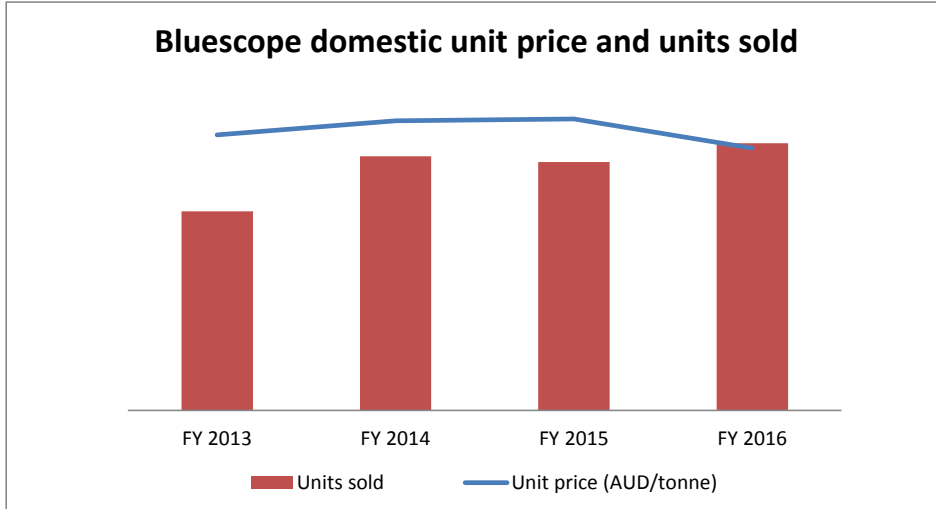


Figure 3 – BlueScope’s unit price v units sold

Figure 3 illustrates that the applicant decreased the unit price of the goods in financial years 2015 and 2016.

5.5.1. Import price

Based on previous investigations, reviews and inquiries, the Commission has established that the Australian market for galvanised steel is price sensitive and that the Australian industry is required to respond to the price of imports in order to remain price competitive.

Figure 4 below shows FOB export prices of galvanised steel for the injury analysis period using data from ABF database.

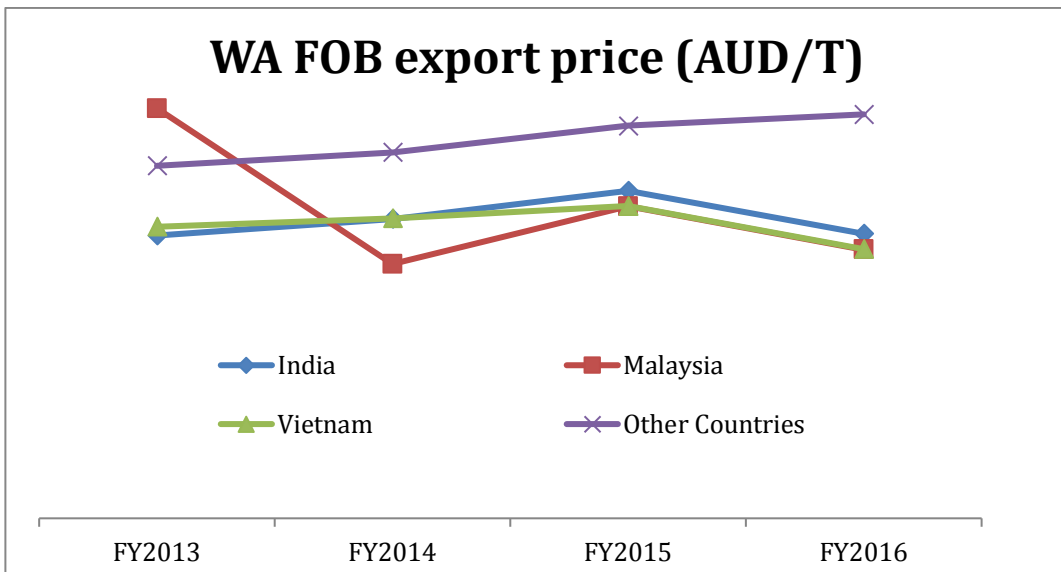


Figure 4 – FOB weighted export prices per tonne

Figure 4 shows that since financial year 2014 the prices of galvanised steel from India, Malaysia and Vietnam are below those from all other countries. FOB export prices for the other countries, generally trended upwards during the injury analysis period while those from the India and Vietnam were generally flat between financial years 2013 and 2015 and decreasing in financial year 2016. In 2013, Malaysian export prices declined in the 2014 financial year. However, in financial year 2015 prices increased to match the export prices from Vietnam and then declined again in line with export prices from India and Vietnam.

5.5.2. Price undercutting

Price undercutting occurs when imported product is sold at a price below that of the Australian industry.

BlueScope provided 11 examples of price undercutting with its application. Evidence gathered by BlueScope relies on BlueScope or its affiliated distributor dealing with its customers.

The Commission compared BlueScope’s unit selling prices to reasonable estimates of the selling prices of imports from India, Malaysia and Vietnam into the Australian market at free into store prices (FIS).

To estimate the FIS prices for India, Malaysia and Vietnam, the Commission added verified post exportation and importation costs⁵⁸ from a previous investigation (INV249)⁵⁹ to FOB export prices obtained from the ABF import database

Figure 5 below compares FIS prices of galvanised steel between the three countries subject to the application and BlueScope.

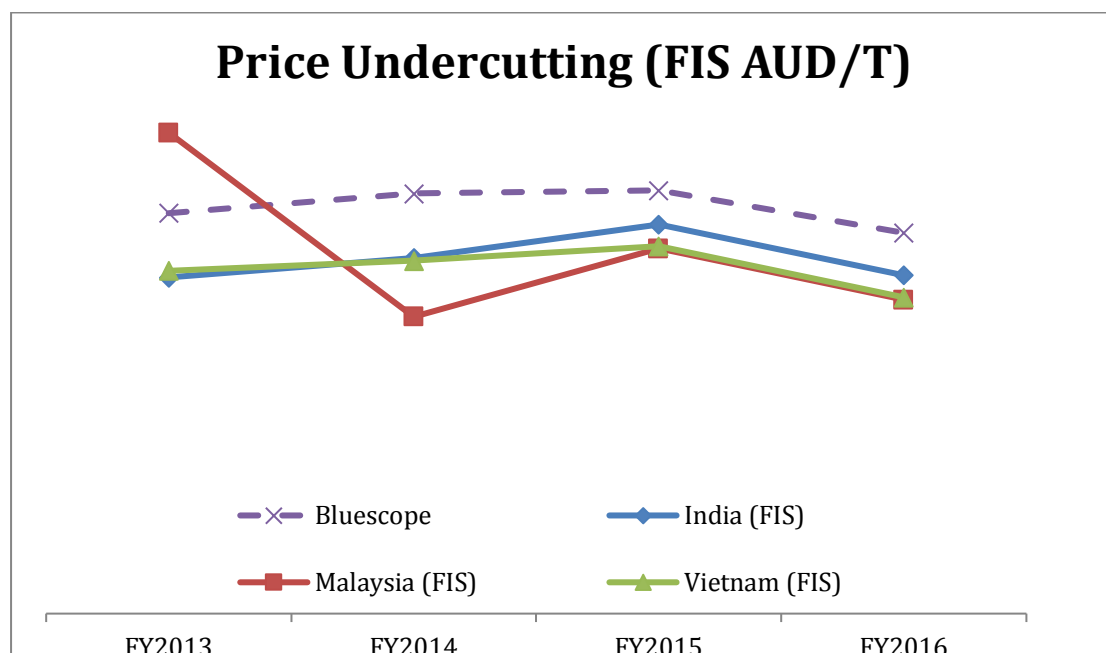


Figure 5 – Price undercutting

⁵⁸ Eg. Ocean freight, marine insurance, customs duty and clearance charges, Australian inland transport etc.

⁵⁹ INV249 – Zinc Coated (Galvanised) Steel from India and Vietnam (2015) <http://adcommission.gov.au/cases/Pages/ArchivedCases/ADC249.aspx>

The Commission found that exports of galvanised steel from India, Malaysia and Vietnam undercut BlueScope’s prices between 13% and 19% during the investigation period.

The Commission considers that there are reasonable grounds to believe that the Australian industry’s prices have been undercut by dumped and/or subsidised goods from India, Malaysia and Vietnam. This this will be further examined during the course of the investigation.

5.5.3. Conclusion – price effects

Based on the information available, there appear to be reasonable grounds to support BlueScope’s claims that the Australian industry suffered injury in the form of price suppression and price depression as a result of the alleged dumping and/or subsidisation of goods from the countries the subject of the application

5.6. Profit and profitability effects

In its application, BlueScope submitted that notwithstanding any improvement in its fixed unit costs, it could have further improved the profit and profitability of sales of the goods if not for the loss of sales volume and price undercutting of the alleged dumped and/or subsidised goods exported from India, Malaysia and Vietnam.

Figure 6 below shows BlueScope’s total profit and unit profitability over the injury analysis period.

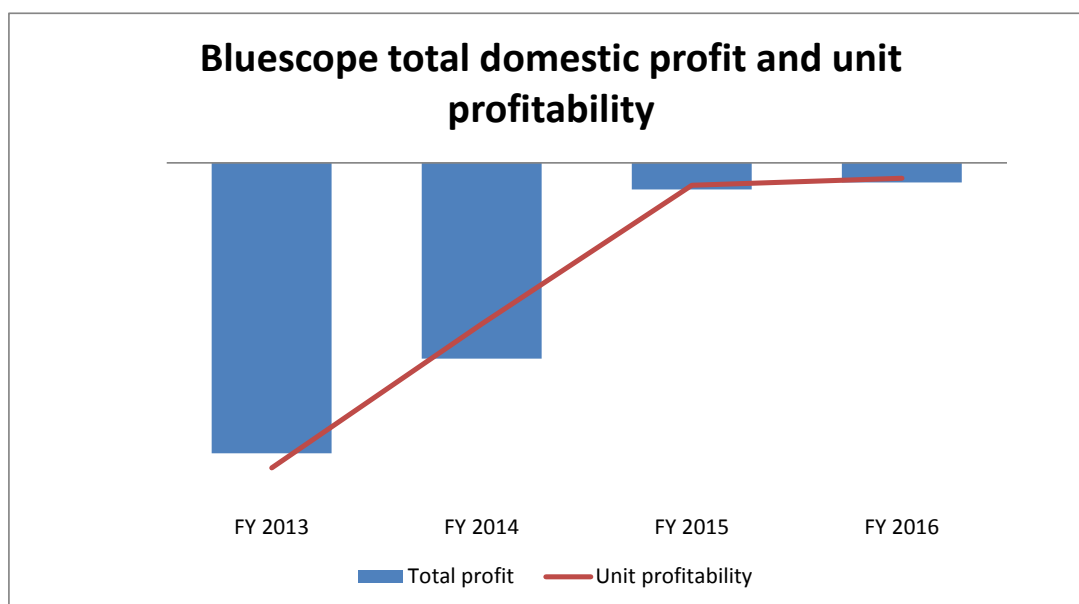


Figure 6 – BlueScope’s total profit and unit profitability

The Commission’s assessment of the Australian industry’s profit and profitability effects are contained in **Confidential Appendix 5**.

5.6.1. Conclusion – profit and profitability effects

There appear to be reasonable grounds to support the claim that the Australian industry suffered injury in the form of lost profit and profitability.

The Commission accepts that whilst BlueScope has experienced an overall improvement in its profit and profitability position, it is still experiencing reduced profits and unprofitability. The Commission considers BlueScope’s claims regarding improvement in profitability as a result of its reduction in costs to make and sell to be reasonable.

As there are reasonable grounds to support the claim that BlueScope has suffered injury in the form of price depression and price suppression, the Commission is of the view that the Australian industry may not have continued to experience unprofitability had it not experienced price suppression and price depression as a result of the dumped and/or subsidised exports from the countries the subject of the application.

5.7. Volume effects

5.7.1. Sales volume

In its application, BlueScope claims that it has suffered injury in the form of reduced sales volumes.

Figure 7 below shows the Australian industry's volume of domestic sales of galvanised steel for each financial year from 2013 to 2016.

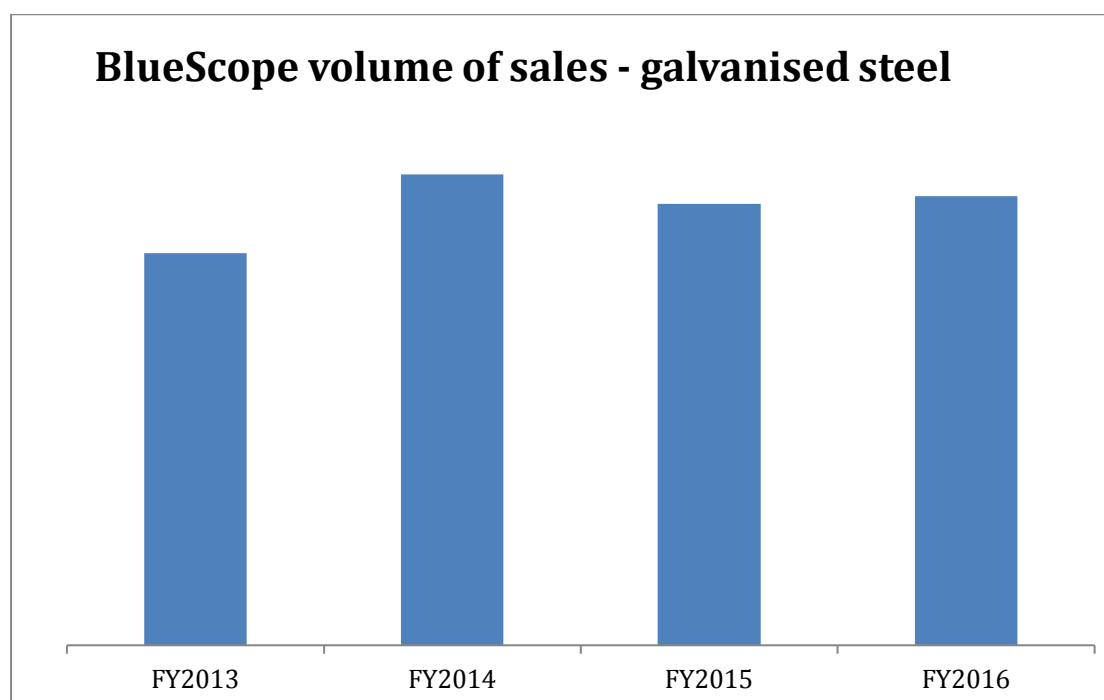


Figure 7 – BlueScope's domestic sales volume of galvanised steel

Figure 7 depicts that BlueScope's sales volume of galvanised steel increased in the 2014 financial year after the implementation of anti-dumping measures for the goods exported from China, Taiwan and Korea. However, BlueScope experienced a reduction in sales volumes in the 2015 financial year. Whilst it has recovered some of its volumes in the 2016 financial year, sales volumes remained below the volumes experienced in 2014.

5.7.2. Market share

Figure 8 below shows that the Australian industry's market share increased in each financial year from 2013 to 2016 following the imposition of measures on China, Korea and Taiwan.

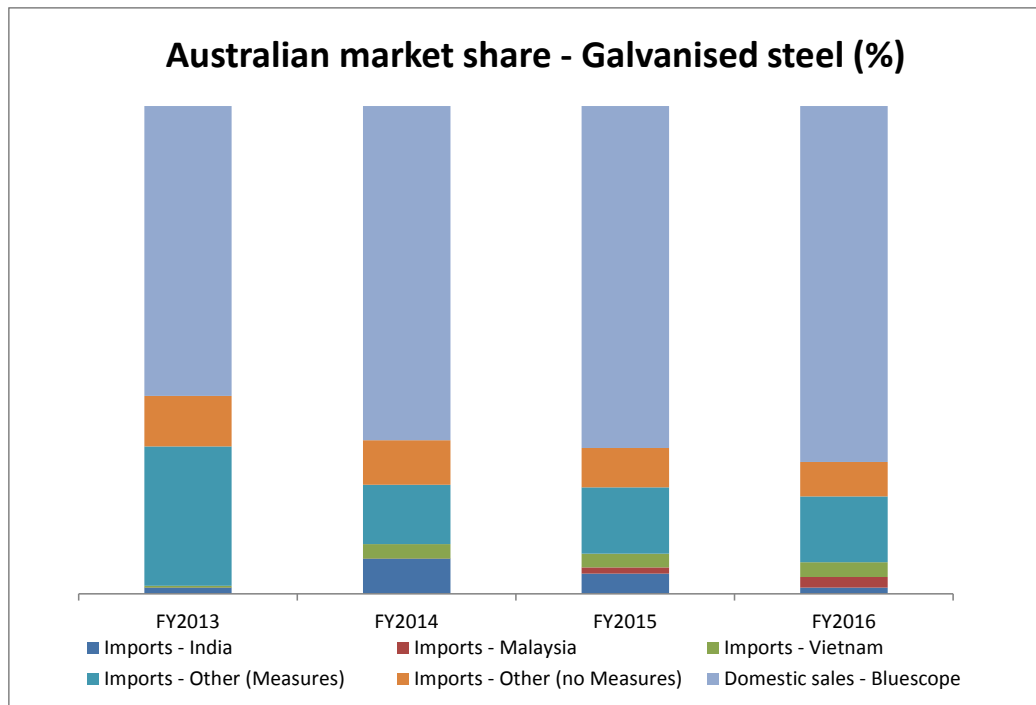


Figure 8 – Australian market share of galvanised steel

Over the injury analysis period BlueScope’s market share increased from 59% to 73% while the market share of imports from the countries subject to the application increased from 2% to 6%.

This suggests that in the investigation period BlueScope could have potentially gained an additional 4% of the market share increase experienced by the countries the subject of the application. This is consistent with BlueScope’s claims that it lost market share to India, Malaysia and Vietnam.

5.7.3. Import volumes

From the ABF’s import data, the Commission noted that during the injury analysis period:

- imports from India increased 9%;
- imports from Malaysia and Vietnam increased substantially from negligible volumes;
- imports from countries with measures decreased by 50%; and
- imports from all other countries decreased by 17%.

Collectively, the Commission estimates that, by the end of the injury analysis period, imports from the countries subject to the application increased in excess of 400%.

As at financial year 2016, imports from the countries the subject of the application represent 24% of total imports into the Australian market compared with 4% in financial year 2013.

Figure 9 below shows import volume of galvanised steel for financial years from 2013 to 2016.

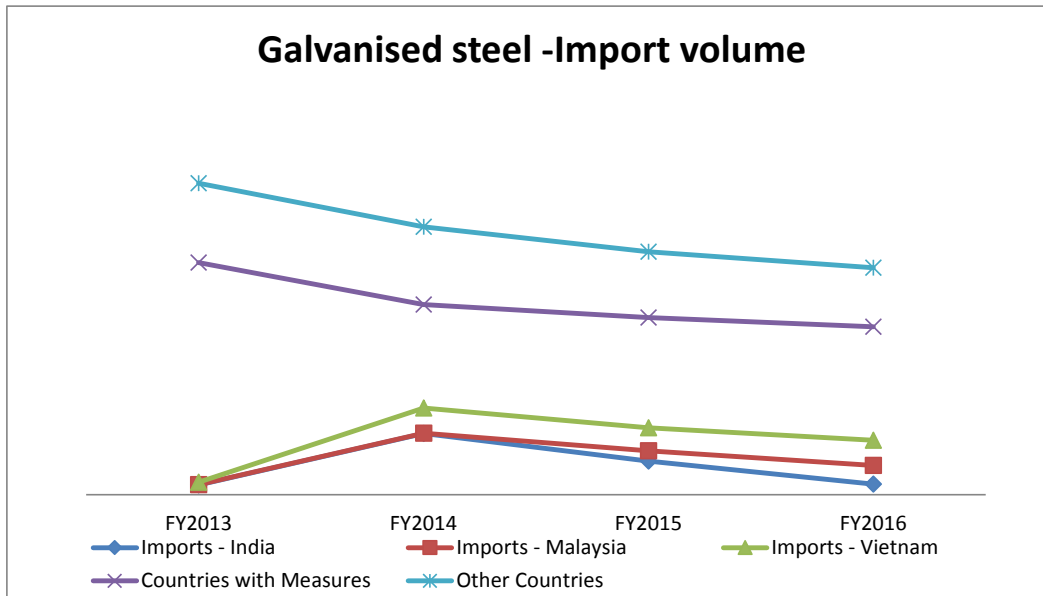


Figure 9 – Import volume of galvanised steel

5.7.4. Conclusion – volume effects

Based on the available information, the Commission considers that there appear to be reasonable grounds to support BlueScope’s claim that the Australian industry has lost the opportunity to gain potential sales volume as a result of the anti-dumping measures imposed after investigations 190 and 193.

The Commission considers that the volume of imports from India, Malaysia and Vietnam (at approximately 24% of total imports) are not insignificant, and may have contributed to the potential failure to obtain greater market share and volumes BlueScope alleges.

The Commission’s detailed assessment of the Australian industry’s sales volume and market share are contained in **Confidential Appendix 5**.

5.8. Comparison of export prices and non-injurious price

As an additional test to establish whether there is a causal link between the alleged dumped and/or subsidised goods and material injury, the Commission sought to compare weighted average export prices of alleged dumped and/or subsidised imports with an estimate of a non-injurious price (NIP) for the 12 months ending 30 June 2016.

To calculate the estimated NIP, the Commission calculated an unsuppressed selling price (USP) using the weighted average unit costs to make and sell for the FY2016. Since the applicant was making a loss, no profit was added to the CTMS.

The Commission then deducted amounts from that USP to allow for importer SG&A and profit, including into-store costs, customs duty and overseas freight. These amounts were based on verified data from REP 249. These calculations provided for a NIP at FOB terms.

The weighted average export price for the investigation period was lower than the NIP. The Commission considers the comparison of export price to the NIP to be a reasonable indicator of injury to the Australian industry.

The Commission's calculations of the NIP and the comparison with export price are at **Confidential Appendix 3**.

5.9. Other injury factors

In its application BlueScope claims injury in the form of 'other injury factors' regarding:

- reduced capital expenditure;
- reduced return on investment;
- reduced employment; and
- reduced revenues.

The Commission analysed BlueScope's Confidential Appendix A-7 and makes the following observations.

Capacity and capacity utilisation

BlueScope's capacity fluctuated slightly but generally remained at the same level throughout the injury analysis period and BlueScope was able to increase capacity utilisation overall.

Return on investment

While BlueScope's return on investment improved during the injury analysis period, it remained negative at the end of financial year 2016.

Employment numbers

BlueScope's employment numbers decreased from financial year 2013 to 2016 over the injury analysis period. Employment numbers decreased by a total of 28%.

Revenue

BlueScope's revenue increased in each year of the injury analysis period, showing an overall increase of approximately 30%.

Productivity

Productivity, measured as tonnes per shift, has improved from 6,197 tonnes in financial year 2013 to 11,300 tonnes in financial year 2016.

Capital investment

Capital invested for galvanised steel decreased from \$3.10 million to \$2.52million from financial year 2013 to 2016.

5.9.1. Conclusion – other injury factors

The Commission has considered the other injury factors outlined above and there appear to be reasonable grounds to support the claim that the Australian industry has suffered injury with respect to:

- reduced return on investment; and
- reduced employment numbers.

These factors will be considered further during the course of the investigation.

5.9.2. The Commission's assessment

The Commission's assessment of the economic condition of the Australian industry is in Confidential **Appendix 5**.

5.10. Conclusion – material injury caused by dumping and subsidisation

The Commission considers that based on the:

- increase in import volumes of galvanised steel to Australia from India, Malaysia and Vietnam;
- potential size of the alleged dumping margins;
- the likelihood that exporters from India and Vietnam may have benefited from countervailable subsidies; and
- preliminary assessment of price undercutting,

there appear to be reasonable grounds to support the claim that the Australian industry has suffered material injury caused by galvanised steel exported to Australia at dumped prices from India, Malaysia and Vietnam, and subsidised prices from India and Vietnam.

The Commissioner is satisfied that the threshold to initiate an investigation has been met.

6. Appendices and attachments

Appendices	Title
Confidential Appendix 1	Assessment of export price, import volume and market size estimates
Confidential Appendix 2	Assessment of normal value and dumping margin
Confidential Appendix 3	BlueScope's normal value and dumping margin estimates
Confidential Appendix 4	NIP calculation
Confidential Appendix 5	Assessment of the economic condition of the Australian industry
Non-Confidential Attachment 1	Public notice
Non-Confidential Attachment 2	Consultation with the Government of the Republic of India
Non-Confidential Attachment 3	Consultation with the Government of the Socialist Republic Vietnam