



Australian Government
**Department of Industry,
Innovation and Science**

**Anti-Dumping
Commission**

CUSTOMS ACT 1901 - PART XVB

**CONSIDERATION REPORT NO. 374
AND 376**

**CONSIDERATION OF TWO APPLICATIONS FOR
REVIEWS OF ANTI-DUMPING MEASURES APPLYING TO
ZINC COATED (GALVANISED) STEEL EXPORTED TO AUSTRALIA
FROM THE PEOPLE'S REPUBLIC OF CHINA AND TAIWAN BY
YIEH PHUI (CHINA) TECHNOMATERIAL CO., LTD; AND
CHUNG HUNG STEEL CORPORATION.**

SEPTEMBER 2016

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ABBREVIATIONS

Abbreviation	Full title
ABF	Australian Border Force
ADN	Anti-Dumping Notice
ACBPS	Australian Customs and Border Protection Service
the Act	the <i>Customs Act 1901</i>
ADRP	Anti-Dumping Review Panel
Angang	Angang Steel Co. Ltd
the applicants	Yieh Phui (China) Technomaterial Co., Ltd; and Chung Hung Steel Corporation.
Benxi Iron	Benxi Iron and Steel (Group) International Economic and Trading Co.
BlueScope	BlueScope Steel Limited
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CHS	Chung Hung Steel Corporation
CTMS	cost to make and sell
Dongbu	Dongbu Steel Co., Ltd
HRC	hot rolled coil
the goods	zinc coated (galvanised) steel
ICD	interim countervailing duty
IDD	interim dumping duty
Korea	the Republic of Korea
NIP	non-injurious price
the Parliamentary Secretary ¹	the Assistant Minister for Industry, Innovation and Science and the Parliamentary Secretary to the Minister for Industry, Innovation and Science
REP 190	<i>International Trade Remedies Branch Report No. 190</i>
REP 193	<i>International Trade Remedies Branch Report No. 193</i>
REP 272 and 273	<i>Anti-Dumping Commission Report No. 272 and 273</i>
REP 274	<i>Anti-Dumping Commission Report No. 274</i>
REP 290	<i>Anti-Dumping Commission Report No. 290</i>
REP 298	<i>Anti-Dumping Commission Report No. 298</i>
Sheng Yu	Sheng Yu Co., Ltd
Ta Fong	Ta Fong Steel Co., Ltd
TAGAL	ANSC TKS Galvanising Co., Ltd
Union Steel	Union Steel Co., Ltd
Yieh Phui Enterprise	Yieh Phui Enterprise Co. Ltd.
YPT	Yieh Phui (China) Technomaterial Co., Ltd
Zongcheng	Jiangyin Zongcheng Steel Co., Ltd

¹ 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.

1 SUMMARY AND RECOMMENDATION

1.1 Background

This report provides the results of the Anti-Dumping Commission's (the Commission's) consideration of two separate applications lodged by Yieh Phui (China) Technomaterial Co., Ltd (YPT) and Chung Hung Steel Corporation (CHS) for reviews in respect of the anti-dumping measures relevant to their respective exports of zinc coated (galvanised) steel exported to Australia from the People's Republic of China (China) and Taiwan.

The applicants consider it appropriate to review the anti-dumping measures because one or more of the variable factors relevant to the taking of the anti-dumping measures have changed. The alleged change in variable factors relate to the normal value and export price relevant to the dumping duty notice.²

The Commission has examined each of the two applications separately, however for administrative convenience has published this combined consideration report.

1.2 Recommendation

The Commission recommends that the Commissioner of the Anti-Dumping Commission (the Commissioner) not reject each of the two applications for the reasons outlined in section 1.4 and chapter 3 of this report and initiate separate reviews into the anti-dumping measures in so far as they relate to each applicant.

1.3 Legislative background

Division 5 of Part XVB of the *Customs Act 1901* (the Act)³ sets out, among other things, the procedures to be followed by the Commissioner in dealing with an application for a review of anti-dumping measures.

Division 5 empowers the Commissioner to reject or not reject an application for review of anti-dumping measures. If the Commissioner does not reject an application, he is required to publish a notice indicating that he is proposing to review the anti-dumping measures covered by the application.

1.4 Findings and conclusions

Based on the findings outlined in this report, the Commission is satisfied that, in relation to each of the two applications:

- the applications comply with subsections 269ZB(1) and (2); and
- there appear to be reasonable grounds for asserting that the variable factors relevant to the taking of anti-dumping measures have changed.

² As outlined in section 2.1, there is a countervailing duty notice in relation to China, however YPT is not subject to the countervailing duty notice.

³ All legislative references in this report are to the *Customs Act 1901*, unless otherwise specified.

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Accordingly, the Commission recommends that the Commissioner not reject each of the two applications.

2 BACKGROUND

2.1 History of the existing anti-dumping measures

2.1.1 Original investigations

On 5 September 2012, a dumping investigation into galvanised steel exported from China, the Republic of Korea (Korea) and Taiwan was initiated following an application by BlueScope Steel Limited (BlueScope).

On 26 November 2012, a countervailing investigation into galvanised steel exported to Australia from China was initiated following a further application by BlueScope.

On 26 April 2013, the CEO of Australian Customs and Border Protection Service (ACBPS) terminated the dumping investigation into galvanised steel exported from Korea by Union Steel Co., Ltd; (Union Steel) and exported from Taiwan by Ta Fong Steel Co., Ltd (Ta Fong) and Sheng Yu Co., Ltd (Sheng Yu).⁴

On 17 June 2013, the then CEO of ACBPS terminated its countervailing investigation into galvanised steel exported by Angang Steel Co. Ltd (Angang) and ANSC TKS Galvanising Co., Ltd (TAGAL).⁵

The dumping investigation, as outlined in *International Trade Remedies Branch Report No. 190* (REP 190),⁶ found that:

- galvanised steel exported to Australia from China, Korea and Taiwan during the investigation period was dumped;
- the volume of dumped goods from each of these countries, and the dumping margins for all exporters (except Union Steel, Sheng Yu and Ta Fong) were not negligible;
- for China the dumping margins were between 6.8 per cent and 62.9 per cent;
- for Korea, with the exception of Union Steel, the dumping margins were between 3.2 per cent and 28.5 per cent;
- for Taiwan, with the exception of Sheng Yu and Ta Fong, the dumping margins were between 2.6 per cent and 8.6 per cent;
- the dumped exports caused material injury to the Australian industry producing like goods; and
- continued dumping may cause further material injury to the Australian industry.

⁴ TER 190A sets out the reasons for these terminations and is available on the Commission's electronic public record

⁵ TER 193(i) sets out the reasons for this termination. This report is available on the Commission's electronic public record.

⁶ REP 190 investigated galvanised steel and aluminium zinc coated steel exported from China, Korea and Taiwan. Due to the close nature of these products and common interested parties, findings from both dumping investigations were detailed in one report.

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The countervailing investigation, as outlined in *International Trade Remedies Branch Report No. 193* (REP 193),⁷ found that:

- with the exception of Angang and TAGAL, galvanised steel exported to Australia from China was subsidised with subsidy margins ranging from 5.2 per cent and 22.8 per cent;
- the volume of subsidised goods from China was not negligible;
- the subsidised goods caused material injury to the Australian industry producing like goods; and
- continued subsidisation may cause further material injury to the Australian industry.

On 5 August 2013, the then Attorney-General, following consideration of REP 190 and REP 193, published a:

- dumping duty notice applying to galvanised steel exported to Australia from China, Korea (with the exception of Union Steel Korea) and Taiwan (with the exception of Ta Fong and Sheng Yu). The form of measures applying to the dumping duty notice was the combination of fixed and variable duty method; and
- countervailing duty notice applying to galvanised steel exported to Australia from China (with the exception of Angang and TAGAL).

The anti-dumping measures were outlined in Anti-Dumping Notice (ADN) No. 2013/66.

As outlined in ADN No. 2014/12, following a review by the Anti-Dumping Review Panel (ADRP) of certain findings made by the Attorney-General, the then Parliamentary Secretary to the Minister of Industry decided to vary the countervailing duty notice so as to reduce the applicable countervailable subsidies by the amounts referable to programs 1 to 3 described in REP 193. The then Parliamentary Secretary's decision to vary the countervailing duty notices required an amendment to the interim dumping duty (IDD) payable on imports of galvanised steel. This is because the original dumping margins were reduced by the amount of subsidy attributable to subsidy programs 1 to 3 in determining the IDD payable.

Notice of the then Parliamentary Secretary's decision was published on 20 February 2014. The notice had retrospective effect from 5 August 2013. As a result, the subsidy margins ranged from 3.0 per cent to 6.9 per cent for exporters from China (with the exception of Angang, TAGAL and YPT).

Given that neither applicant is subject to countervailing duty the reviews will not examine matters relating to the countervailing duty notice.

⁷ REP 193 investigated galvanised steel and aluminium zinc coated steel exported from China, Korea and Taiwan. Due to the close nature of these products and common interested parties, findings from both countervailing investigations were detailed in the one report.

2.1.2 Review of measures – Dongbu Steel Co., Ltd

On 1 October 2014, Dongbu Steel Co., Ltd (Dongbu) lodged an application requesting a review of the anti-dumping measures applying to its exports of galvanised steel to Australia from Korea. *Anti-Dumping Commission Report No. 272 and 273* (REP 272 and 273) recommended that the dumping duty notice have effect in relation to Dongbu as if different variable factors had been ascertained.

The then Parliamentary Secretary for Industry and Science accepted the findings in REP 272 and 273 and the decision to alter the notice as it applied to Dongbu was published in the *Commonwealth of Australia Gazette* on 3 August 2015 and *The Australian* newspaper on 4 August 2015.

2.1.3 Anti-circumvention inquiries

On 1 April 2015, BlueScope lodged an application requesting an anti-circumvention inquiry in relation to galvanised steel exported from Korea and Taiwan. Subsequent to this, on 7 May 2015, BlueScope lodged a further application requesting an anti-circumvention inquiry in relation to galvanised steel exported from China.

Due to the identical nature of the goods and the alleged circumvention activity, the Commission conducted these anti-circumvention inquiries in parallel.

As a result of the anti-circumvention inquiries, the Commissioner considered that a circumvention activity had occurred with respect to certain exporters.

On 17 March 2016, the then Assistant Minister for Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science accepted the Commissioner's findings and recommendations in *Anti-Dumping Commission Report Nos. 290 and 298* (REP 290 and 298). On 18 March 2016, a notice was published (ADN No. 2016/23 refers) on the Commission's electronic public record outlining the then Parliamentary Secretary's decision to alter the original dumping duty notice by amending the goods description to include alloyed galvanised steel exported from:

- China by Angang or Benxi Iron and Steel (Group) International Economic & Trading Co (Benxi Iron)., or
- Taiwan by Yieh Phui Enterprise Co. Ltd. (Yieh Phui Enterprise).

The notice also covered the then Parliamentary Secretary's decision to alter the original countervailing duty notice by amending the goods description to include alloyed galvanised steel exported from China by Benxi Iron.

Certain findings in relation to REP 290 and REP 298 are currently subject to a review by the ADRP. As part of the ADRP's review, the ADRP has asked the Commission to reinvestigate certain findings, including findings that relate to the altered dumping duty notice for Yieh Phui Enterprise. The ADRP review is ongoing and will be taken into consideration should the ADRP's review impact on any reviews of measures that follow

2.2 The current applications

The Commission received the following two applications for a review of the anti-dumping measures applying to galvanised steel from China and Taiwan.

- On 1 September 2016, an application was lodged by CHS requesting a review of the anti-dumping measures in relation to its exports of the goods to Australia from Taiwan; and
- On 8 September 2016, an application was lodged by YPT requesting a review of the anti-dumping measures in relation to its exports of the goods from China.

Both applications claim that there has been a change in the variable factors relevant to each of the particular applicants' circumstances.

The applications are not prevented by subsection 269ZA(2), which provides that an application for review must not be lodged earlier than 12 months after the publication of a dumping duty notice, or a notice declaring the outcome of the last review of the dumping duty notice.⁸

Pursuant to subsection 269ZC(1), the Commissioner must, within 20 days after receiving the application, examine the application and decide whether to reject the application.

As such, the decision whether to reject the applications must be made for:

- CHS, no later than 21 September 2016; and
- YPT, no later than 28 September 2016.

If the Commissioner is not satisfied, having regard to an application and to any other information that the Commissioner considers relevant, of one or more matters referred to in subsection 269ZC(2), the Commissioner must reject the application.

2.3 The goods subject to the anti-dumping measures

The goods to which the current dumping duty notice applies (the goods) are:

“flat rolled products of iron and non-alloy steel, of a width less than 600mm and, equal to or greater than 600mm, plated or coated with zinc; and

flat rolled products of alloyed steel, of a width less than 600mm and, equal to or greater than 600mm, plated or coated with zinc exported from:

- *China by Angang Steel Co, Ltd or Benxi Iron and Steel (Group) International Economic & Trading Co., or*
- *Taiwan by Yieh Phui Enterprise Co., Ltd.”*

⁸ The last time this occurred was the 3 August 2015.

2.3.1 Additional information in relation to the goods

Zinc coated steel is commonly referred to as galvanised steel.

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*). Common coating masses used for zinc coating are: Z350, Z275, Z200, Z100, and for zinc/iron alloy coating are: ZF100, ZF80 and ZF30 or equivalents based on international standards and naming conventions.

2.3.2 Product treatment

The applications cover galvanised steel whether or not including any (combination of) surface treatment, for instance; whether 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).

2.3.3 Excluded goods

Painted galvanised steel, pre-painted galvanised steel, electro-galvanised plate steel and corrugated galvanised steel are not covered by the dumping duty notice.

2.3.4 Tariff classification of the goods

Goods identified as galvanised steel, as per the description above, are classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

- 7210.49.00 statistical code 55, 56, 57 and 58;
- 7212.30.00 statistical code 61;
- 7225.92.00* statistical code 38*; and
- 7225.92.00* statistical code 71*.

*The last two tariff subheadings only apply to the following exporters/suppliers:

- Angang;
- Benxi Iron.; and
- Yieh Phui Enterprise.

The goods exported to Australia from Taiwan are subject to a 5 per cent customs duty. The goods exported to Australia from China under tariff subheadings 7210.49.00 and 7212.30.00 are subject to a 3 per cent rate of customs duty. As a result of the Australia and China Free Trade Agreement the customs duty is progressively reducing by 1 percentage point at the beginning of each calendar year, and will be duty free from 1 January 2019. Similarly the goods exported to Australia from China under tariff subheading 7225.92.00 are subject to a 1.7 per cent rate of customs duty. As a result of the Australia and China Free Trade Agreement the customs duty will be duty free from 1 January 2017.

3 CONSIDERATION OF THE APPLICATIONS

3.1 Legislative background

Subsection 269ZB(1) requires that an application for review be in writing, be in a form approved by the Commissioner for the purposes of this section, contain such information as the form requires, be signed in the manner indicated by the form and be lodged in a manner approved under section 269SMS.

Without otherwise limiting the matters that can be required by the form to be included, subsection 269ZB(2) provides that the application must include:

- a description of the kind of goods to which the anti-dumping measures the subject of the application relate; and
- a description of the anti-dumping measures the subject of the application; and
- if the application is based on a change in variable factors, a statement of the opinion of the applicant concerning:
 - the variable factors relevant to the taking of the anti-dumping measures taken that have changed; and
 - the amount by which each such factor has changed; and
 - the information that establishes that amount; and
- if the application is based on circumstances that in the applicant's view indicate that anti-dumping measures are no longer warranted, evidence (in accordance with the form) of the circumstances.

Subsection 269ZC(2) specifies the matters which the Commissioner must consider in making a decision whether to reject the application. These matters are:

- that the application complies with section 269ZB; and
- that there appear to be reasonable grounds for asserting either, or both, of the following:
 - that the variable factors relevant to the taking of anti-dumping measures have changed;
 - that the anti-dumping measures are no longer warranted.

3.2 Assessment of the applications – compliance with section 269ZB

When considering the requirements of subsections 269ZB(1) and (2), the Commission notes that both applications submitted:

- are in writing;
- are in the approved form (*Form B602 – Application for a review of measures*) and contain such information as the form requires (including evidence in support of the amount by which normal value and export prices, where applicable, have changed since anti-dumping measures were last imposed and information on the causes of the change to normal values and export prices and whether these causes are likely to persist);
- are signed in the manner required by the form;

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- were lodged in a manner approved under section 269SMS, being by email to the Commission's nominated email address (as nominated in the Commissioner's instrument made under section 269SMS);
- provide a description of the kind of goods to which the anti-dumping measures the subject of the applications relate;
- provide a description of the anti-dumping measures the subject of the applications; and
- include a statement of the opinion of the applicants concerning the variable factors relevant to the taking of the anti-dumping measures taken to have changed; the amount by which each factor has changed; and the information that establishes that amount (as discussed in section 3.3. below).

As a result of the above, the Commission is satisfied that both applicants have met the requirements of subsections 269ZB(1) and (2).

3.3 Variable factors

The Commission considers that to comply with section 269ZB, the applicants must provide information to establish that, in the applicants' opinion, one or more of the variable factors have changed. The applicants do not have to provide information to establish that all the variable factors have changed.

The following sections will address each applicants' claims that there has been a change in variable factors.

If the application is based on a change in variable factors, subsection 269ZB(2)(c) requires that an applicant provide a statement of its opinion regarding:

- the variable factors relevant to the taking of the anti-dumping measures that have changed;
- the amount by which each such factor has changed; and
- information that establishes that amount.

3.3.1 CHS

Ascertained export price

CHS claims that the ascertained export price has changed since the original investigation and provided evidence in support of its claims. In particular, it included details and price movements for galvanised coated steel over the 2015 and 2016 financial year.

Ascertained normal value

In its application, CHS claimed that its ascertained normal value has changed since the original investigation. CHS attributed this change to a global decline in the price of raw material inputs, specifically hot-rolled coil (HRC). To support this, CHS provided prices and a graph showing the trend of iron ore prices from China in the period January 2010 to July 2016.

The Commission notes that iron ore is a core input to the production of HRC, which in turn is a material input into the production of galvanised steel. The Commission compared the pricing of iron ore and HRC (from the East Asian region) over the original investigation period and the proposed review period as demonstrated below at Figure 1.⁹

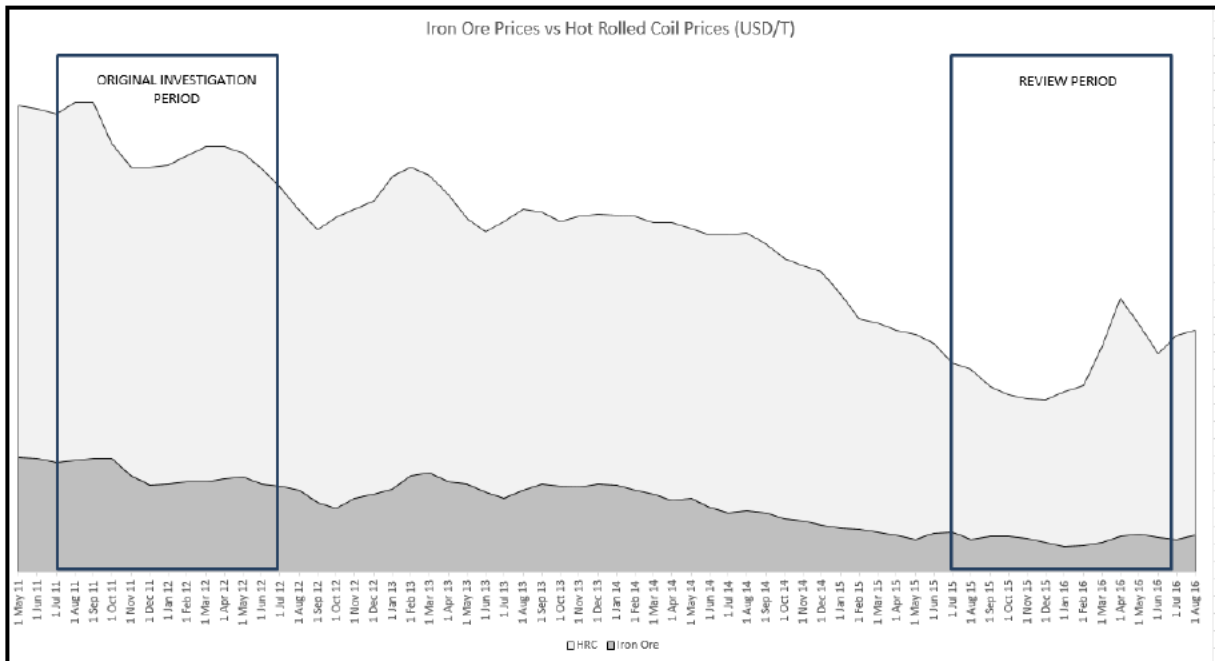


Figure 1 – Iron Ore Prices vs HRC Prices

Figure 1 shows that HRC costs have decreased. Overall, the Commission found that there are reasonable grounds for CHS to assert that its ascertained normal value has changed.

Commission’s assessment

The Commission considers that CHS has provided sufficient information to establish the statement of its opinion concerning the amount by which the variable factors have changed as required by subsection 269ZB(2)(c).

Therefore, the Commission is satisfied that, in respect of the variable factors, CHS’s application complies with section 269ZB.

3.3.2 YPT

Ascertained normal value

In its application, YPT asserted that its ascertained normal value has changed since the original investigation. YPT claimed that its domestic selling prices of the goods have fallen and its cost to manufacture has declined. YPT attributed the fall in the

⁹ As the iron ore pricing data is from an independent third party source, the Commission considers the data to be reliable. The HRC prices were derived from the Commission’s paid subscription source.

normal value to the global decline in the price of raw material inputs, specifically HRC, and has expressed an opinion that this trend will persist due mainly to global overcapacity of steel producers.

In support of its claims, YPT supplied a ledger of purchases of HRC and market data on traded HRC pricing for East Asia imports.

The Commission notes that the cost of HRC is a relevant consideration in determining YPT's normal value. Further the Commission's own sources of independent third party pricing data validates the decline in HRC pricing since the original investigation period, as demonstrated above in Figure 1.

Commission's assessment – YPT

The Commission considers that YPT has provided sufficient information to establish the statement of its opinion concerning the amount by which the variable factors have changed as required by subsection 269ZB(2)(c).

Therefore, the Commission is satisfied that, in respect of the variable factors, YPT application complies with section 269ZB.

3.3.3 Non-injurious price

Neither of the applicants have claimed a change in the variable factor of the non-injurious price (NIP).

In the original investigation, the ACBPS considered the most appropriate basis for estimating the NIP and found that it was reasonable to expect that the Australian industry would be able to achieve as a minimum, selling prices that reflected un-dumped import parity pricing. Accordingly, the ACBPS considered that the NIP for each exporter should equal the respective normal value.

The Commission considers that it is appropriate to review the NIP in respect of any review that follows the applications.

3.4 Assessment of applications – compliance with section 269ZC

In determining whether to reject an application under section 269ZC, a further matter that is required to be considered by the Commissioner is whether there appear to be reasonable grounds for asserting that the variable factors relevant to the taking of anti-dumping measures have changed.

The Commission considers that on the basis of information available to him the Commissioner has sufficient grounds to determine whether or not he would be induced to recommend to the Parliamentary Secretary a change in the relevant variable factors.

Based on the Commission's analysis in section 3.3, there appear to be reasonable grounds for asserting under subsection 269ZC(2)(b)(i) that the variable factors relevant to the taking of anti-dumping measures have changed.

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Based on this assessment, the Commission recommends that the Commissioner not reject both applications pursuant to subsection 269ZC(1) as it is satisfied of the matters referred to in subsection 269ZC(2).

3.5 Conclusions and recommendations

The Commission has considered each application in accordance with sections 269ZB and 269ZC. The Commission is satisfied, on the basis of the information provided in the applications, and other relevant information, that for each application:

- the applications comply with section 269ZB; and
- there appear to be reasonable grounds for asserting that the variable factors relevant to the taking of the anti-dumping measures have changed.

The Commission recommends that the Commissioner:

- not reject the applications and initiate two reviews into the current anti-dumping measures applying to YPT and CHS; and
- the review period for each review be set as 1 July 2015 to 30 June 2016.