



ANTI-CIRCUMVENTION INQUIRY

HOLLOW STRUCTURAL SECTION EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA, THE REPUBLIC OF KOREA AND MALAYSIA

RECORD OF MEETING WITH AUSTUBE MILLS PTY LTD

Date: 2 June 2015

Location: Arrium
Level 5 380 Docklands Drive, Docklands

Attendees:	<u>Anti-Dumping Commission</u>	<u>Austube Mills Pty Ltd</u>
	Andrea Stone Manager, Operations 2	Matt Condon Manager Trade Development
	Roman Maevsky Manager, Operations 2	Arun Syam Industry & Trade Development Manager
		Brett Willcox Manager – Strategy & Business Planning
		John O'Connor Director John O'Connor and Associates

Background:

- Interim dumping duty and interim countervailing duty (the measures) is applicable to exports of hollow structural section (HSS) made from carbon steel exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Malaysia.
- Following an application from Austube Mills Pty Ltd (ATM), the Anti-Dumping Commission (the Commission) has initiated an anti-circumvention inquiry into the slight modification of HSS exported from China, Korea and Malaysia (case 291).
- In its application, ATM alleged that the measures have been circumvented by the slight modification of exported goods so as to not be the subject of the existing measures.

This modification was identified as the addition of minute levels of alloying elements (specifically boron, but potentially other elements) to the product so that it becomes 'alloyed' HSS and can be declared as alloyed HSS and can evade duties collected on non-alloyed tariff codes.

- The anti-circumvention inquiry relating to HSS exported from China, Korea and Malaysia was initiated on 11 May 2015.

Purpose of visit:

- The purpose of the visit was to gain a better understanding of:
 - the process involved in the slight modification of HSS to circumvent the measures;

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- alloys that may be used for this slight modification
 - the commercial activities that may surround this circumvention; and
 - how it is marketed to end use applications.
- The meeting will assist in the preparation of importer and exporter questionnaires and provide guidance for the inquiry process.

Preliminary discussion:

- Commission staff discussed the key dates and processes of the inquiry, being the same as for an investigation, with the Statement of Essential Facts due 110 days from initiation and the report to the Parliamentary Secretary due after 155 days.
- The Commission explained that exporter questionnaires are in the process of being finalised and will be sent to ATM for their comment prior to being disseminated to relevant exporters. The same will apply to importer questionnaires.
- ATM highlighted that, since the Commission imposed the measures in July 2012, a significant increase in the imports of HSS under the applicable 'alloyed' tariff classification and statistical code have been observed (starting November 2012).

ATM observed that imports ordered after July 2012 would likely have arrived in Australia by November 2012, further supporting a correlation between the measures and a change in trade patterns.

To support these assertions, ATM supplied charts of import statistics of alloyed HSS generated from data gathered from the Australian Bureau of Statistics. These charts show minimal trade of alloyed HSS in the months (which can be identified through tariff classification) preceding the imposition of the measures. In or around November 2012 it can be observed that imports of alloyed HSS increased greatly.

[Redacted]
[Evidence of boron addition]

Additionally, a chart comparing 'alloy RHS' (rectangular hollow sections) with 'alloy pipe' demonstrates a significant increase in 'alloy RHS' imports beginning in November 2012 and rising sharply from March 2013 onwards.

The import statistics charts and [Redacted] [Evidence of boron addition] form **Confidential Attachment 1**.

- ATM also provided several articles referring to the addition of alloys to various steel and steel products, which form **Confidential Attachment 2**.

Technical matters:

Manufacture of alloyed HSS

- ATM explained that, to make alloyed HSS that circumvents the measures, manufacturers of HSS would simply purchase their steel raw material (hot rolled coil) with the requisite amounts of alloy already included in it.
- ATM explained that no further changes need to be made to the manufacturing process of HSS itself¹ to make alloyed HSS (i.e. the only difference in the HSS manufacturing process would be the purchase of alloyed hot rolled coil).

¹ HSS is manufactured by the rolling, welding and finishing of hot rolled coil (and in some cases narrow strip) that is generally purchased from a steel supplier (i.e. not typically made by the HSS manufacturers themselves).

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- ATM submitted that there is no impact on the finishing of HSS such as subsequent painting and galvanising if the HSS includes minute amounts of boron or other alloys.
- ATM flagged that Boron can impact on the weldability of the steel and more care is required in welding and there is concern on this issue around the world.

Manufacture of alloyed hot rolled coil

- ATM's suppliers of raw materials have advised that the process of adding boron and other alloys to steel to make alloyed hot rolled coil occurs when molten steel passes through the ladle treatment station during the steelmaking process, where micro additions of alloys and temperature control is undertaken.
- ATM explained that to make hot rolled coil with enough boron in it to be classified as alloyed product (>0.0008%) (used to make alloyed HSS), approximately 20-25kgs of the element in the form of ferro-boron would need to have been added, in the steelmaking process, into the specific steel batch (approx. 270 tonnes per batch).
- ATM advised that its suppliers have informed that the cost of ferro-boron is approximately USD [redacted]/kg [cost of ferro-boron] and to achieve the minimum boron addition required for HSS to be classified as alloyed, the approximate cost is AUD [redacted]/tonne [cost of ferro-boron].
- ATM stated it is unlikely that its supplier would charge ATM extra for this boron-added hot rolled coil as opposed to unalloyed HRC, as the cost difference is minute.
- In relation to alloys other than boron, ATM advised that other alloys may be used to create alloyed hot rolled coil which is then used to manufacture HSS. These alloys would also be added to the molten steel. The addition of some elements such as Chromium may result in a reduction in the amounts of other elements in the steel such as Manganese (this does not occur when small amounts of boron are used as the alloy).
- ATM submitted that the most common elements which could be used to circumvent the measures are chromium, molybdenum, niobium, titanium, vanadium and zirconium however they have not seen any of these used as yet. However, ATM explained that that it could not rule out the use of other alloys.

ATM submitted that the addition of these elements could impact the performance of the steel

Possible alloys

- ATM provided a PowerPoint presentation that outlined the list of "other alloys" and their concentration which would change non-alloyed steel into alloyed steel for the purposes of Schedule 3 of the Customs Tariff. This identified the following alloys that could be included in steel to allow it to be considered 'alloyed' and their quantities as:
 - 0.0008% or more of boron;
 - 0.3% or more of aluminium
 - 0.30% or more of chromium
 - 0.4% or more of copper
 - 0.4% or more of lead
 - 1.65% or more of manganese
 - 0.08% or more of molybdenum
 - 0.1% or more of other elements (except sulphur, phosphorus, carbon and nitrogen, taken separately); and
 - eight other alloying elements
- ATM's presentation also outlined the maximum levels of 'other alloys' allowed in steel under the Australian standard AS/NZS1163 (the standard applicable to HSS in Australia):

Element	AS/NZS1163 (C350)	AS/NZS1163 (C450)	Alloy under
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			Schedule 3
Chromium	Max 0.30%	Max 0.50%	0.30% or more
Molybdenum	Max 0.10%	Max 0.35%	0.08% or more
Niobium	Max 0.15%*	Max 0.15%*	0.06% or more
Zirconium	No limit specified	No limit specified	0.05% or more
Boron	No limit specified	No limit specified	0.0008% or more
Other elements	No limit specified	No limit specified	0.1% or more

*other alloying elements vanadium and titanium need to be allowed for in this maximum

ATM's presentation also included details of ATM's manufacturing process and the manufacturing process of steel and hot rolled coil (the raw material for HSS).

ATM's PowerPoint forms **Non Confidential Attachment 3**.

- The Commission queried what the maximum level of boron is that could be added to HSS without impacting its properties.

ATM advised that the addition of 0.0020% to 0.0030% of boron is the maximum amount which would result in the alloyed HSS being like non-alloyed HSS. Any higher boron levels exacerbate welding problems to a level which would be impractical for end users to accommodate.

Legitimate trade:

- ATM explained that there are specific types of alloyed pipe and tube that it considers are legitimately traded (i.e. not circumventing the measures). These are:

 [Types]

- ATM explained that these types of pipe and tube include the alloy of boron, but have undergone a quenching and tempering process that 'activates' and hardens the boron to allow the pipe and tube to be used in specific applications. Standard HSS with boron added is not quenched and tempered.
- ATM explained that, unlike quenched and tempered hot rolled coil, the tariff classification for quenched and tempered pipe and tube is the same as untreated alloyed HSS, and so the imports data would show a mixture of the two. However, ATM explained that the market for quenched and tempered pipe and tube is very limited and the Commission should not expect to see a large volume of legitimate trade of quenched and tempered product.
- ATM explained that legitimate quenched and tempered pipe and tube would be identifiable by:
 - price – it would be significantly higher in price than HSS that includes minute alloys for circumvention purposes;
 - mechanical properties – quenched and tempered pipe and tube would be significantly stronger and harder than HSS that includes minute alloys for circumvention purposes; and
 - be referenced to a vastly different product Standard (i.e. not the typical HSS Standard).
- Manufacturers legitimately selling quenched and tempered alloyed pipe and tube would specifically state the presence, benefits, processing and handling procedures required for these products.
- ATM provided marketing material of legitimate trade from a number of importers which include the benefits of alloyed steel, which forms **Confidential Attachment 4**.
- ATM explained that the major importer it considers to be circumventing the measures through the slight modification of HSS does not advertise its HSS as anything other than standard HSS (i.e. not having boron added nor being quenched and tempered).

Marketing and end use:

- ATM advised that non-alloyed HSS and the alloy added HSS that it contends are circumventing the measures are marketed in the same way.

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- ATM contended that it is unlikely that importers advertise the presence of minute amounts of boron in their steel to their Australian customers. ATM explained that there is no mention on major importers' publicly available marketing and downloadable media of the addition of boron, benefits from the addition and how to handle boron during fabrication, processing and welding (confirming that there is no beneficial impact on the product through the addition of small amounts of boron apart from evading duties).
- ATM submitted that commercially, the boron added HSS that it contends are circumventing the measures is being sold to the same end users through the same distribution channels on the same terms as non-boron added HSS.
- ATM explained that if alloying elements are not added to achieve a bona fide beneficial alloying effect (as in legitimate alloy pipe and tube), then there is no reason for a customer to buy an alloy HSS over a non-alloy HSS.
- ATM explained that it would be impossible for the end user to know whether such a small amount of boron (or other alloys) has been added to the HSS without a chemical analysis, observing the import documentation or observing the mill certificate. The visual and physical characteristics of steel would not differ from such a small addition of boron or other elements.
- ATM advised that the boron added HSS subject to this inquiry is functionally the same as the non-boron added HSS as they are being used in the same end use applications. Additions of other alloys in minor quantities would also not beneficially impact on the end use.

Test certificates:

- ATM provided a sample of test certificates for various imported goods, attached at **Confidential Attachment 5 and 6**, and identified the differing methods used by various exporters to identify additions of 'other alloys' including boron.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Impact on other Commission activities]