



**APPLICATION FOR EXEMPTION FROM DUTY UNDER
THE CUSTOMS TARIFF
(ANTI-DUMPING) ACT 1975 LODGED BY KASIA
NOMINEES PTY LTD**

**SUPPLEMENTARY AUSTRALIAN INDUSTRY
QUESTIONNAIRE**

ONESTEEL AUSTRALIAN TUBE MILLS PTY LTD

BACKGROUND

The Anti-Dumping Commission (the Commission) received an application from Kasia Nominees Pty Ltd (Kasia) for exemption from dumping and countervailing duties under the *Customs Tariff (Anti-Dumping) Act 1975* (the Dumping Duty Act), in respect of certain hollow structural sections (HSS) exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea), Malaysia and Taiwan.

In its application, Kasia requested an exemption from anti-dumping measures under Sections 8(10) and 10(8) of the Dumping Duty Act, on the grounds that like or directly competitive goods to those that are the subject of the application for exemption are not offered for sale in Australia to all purchasers on equal terms under like conditions having regard to the custom and usage of trade.

The goods subject to the application for exemption are:

electric resistance welded pipe made of carbon steel, comprising circular and hollow sections normally referred to as CHS (circular hollow sections) having a hot-dipped galvanised (HDG) finish, and a nominal size (NB) of either 25, 32, 40 or 50 millimetres exported to Australia from China, Korea, Malaysia and Taiwan.

Throughout this questionnaire, goods that meet this description will be referred to as 'HDG HSS'.

On 19 February 2014, an exemption inquiry was initiated into the claims raised by Kasia in its application.

As a known Australian manufacturer of HSS, OneSteel Australian Tube Mills Pty Ltd (OneSteel ATM) was contacted by the Commission shortly after the initiation of the exemption inquiry, and offered the opportunity to respond to Kasia's application, by completing an Australian Industry Questionnaire.

OneSteel ATM provided its response to that questionnaire on 13 March 2014. In that response, OneSteel ATM opposed Kasia's application in its entirety, and submitted that OneSteel ATM produces goods that are identical to those subject to Kasia's application.

OneSteel ATM submitted that this identical HDG HSS is

...produced from black CHS that is manufactured at ATM's facilities, galvanised by a third party in Australia and then sold by ATM.

The purpose of this Supplementary Australian Industry Questionnaire is to clarify certain matters, and request further evidence from OneSteel ATM in relation to its original questionnaire response, to assist the Commission in determining whether the grounds for the exemption requested by Kasia are met.

INSTRUCTIONS ON COMPLETING THIS 'RESPONSE TO THE EXEMPTION APPLICATION'

The Commission will use the information provided by OneSteel ATM to determine:

- whether like or directly competitive goods are offered for sale in Australia, and
- whether offers for sale of the goods are available to all purchasers on equal terms under like conditions having regard to custom and usage of trade.

Due date for response

OneSteel ATM is requested to complete this questionnaire and return it to the Commission by **29th April 2014**.

Responses may be lodged either by mail or by email to the following.

Director Operations 2
Anti-Dumping Commission
Customs House
5 Constitution Avenue
Canberra ACT 2601
Australia

Email: operations2@adcommission.gov.au
Fax: +61 2 6275 6990

Verification of the information that you supply

The Commission may seek to verify some or all of the information supplied in the response. The Commission may request evidence to support the claims such as quotations and offers of sale. An onsite visit by the Commission may be required in some cases. A report will be prepared of visits conducted and a non-confidential version will be made available to the applicant for comment.

There is no legislative timeframe for completion of an exemption inquiry, however a recommendation to the Parliamentary Secretary to the Minister for Industry will be made as soon as practicable after obtaining all the relevant information.

Public Record

In responding to this questionnaire, you are required to lodge one confidential version (for official use only) and one non-confidential version (for public record) of your submission by the due date.

Please ensure that each page of information you provide is clearly marked either "FOR OFFICIAL USE ONLY" or "PUBLIC RECORD".

All information provided to the Commission in confidence will be treated accordingly. The non-confidential version of your submission will be placed on the public record.

Please note, Australia's anti-dumping and countervailing legislation requires that to the extent that information given to the Commission is claimed to be confidential or whose publication would adversely affect a business or commercial interest, the person giving the information must ensure that a summary of that information contains sufficient detail to allow a reasonable understanding of the substance of the information, but does not breach confidentiality nor adversely affect those interests.

The legislation allows that a person is not required to provide a summary for the public record if the Commission can be satisfied that no such summary can be given that would allow a reasonable understanding of the substance of the information. However, such a summary would add considerably to an interested party's understanding of information contained in a document.

As provided for in Australia's anti-dumping and countervailing legislation, all submissions are required to have a bracketed explanation of deleted or blacked out information for the non-confidential version of the submission. Note that if such an explanation is not provided, the Commission may disregard the information in the submission. An example of a statement to accompany deleted/blacked out text is:

[explanation of cost allocation through the divisions].

If, for some reason, you cannot produce a non-confidential summary, please contact the investigation Case Manager.

PART A – SUPPLY OF IMPORTS

A.1 Has OneSteel ATM and/or any of its affiliates (e.g. OneSteel Metalcentre) imported and/or supplied HDG HSS during the period 1 January 2013 – 31 March 2014?

If 'No', continue to Part B. If 'Yes', please complete the remainder of Part A.

OneSteel ATM (ATM):

ATM has not imported any HDG HSS during the period 1 January 2013 -31st March 2014.

[confidential reference to historical imports]

ATM supplied Australian manufactured HDG HSS. It has done this by manufacturing black (uncoated) HSS which was then galvanized by an external contractor. The finished HDG HSS product was then on-sold by ATM to its distribution network.

OneSteel [Affiliate name]

[Affiliate name] has imported and supplied imported HDG HSS during the period 1 January 2013 -31st March 2014.

[Affiliate name] has also supplied Australian manufactured HDG HSS during the period 1 January 2013 -31st March 2014.

A.2 Outline (separately for each entity):

- the full range of imported HDG HSS supplied by OneSteel ATM and/or its affiliates;
- the source of imported HDG HSS supplied by OneSteel ATM and/or its affiliates; and
- the supply chain of imported HDG HSS supplied by OneSteel ATM and/or its affiliates.

[confidential reference to historical imports]

The supply chain of imported HDG HSS followed the typical import process:

- Manufacturer to Port for shipping
- Transhipped from [redacted] to Australia
- Arrival Australian Ports
- Clearance, de-stuffing from container
- Transport to [redacted] site

[Affiliate name]

█ has imported and supplied imported HDG HSS in a range of █ NB to █ NB pipe (see Appendix A for full range of sizes). This product has been imported from [country].

The supply chain of imported HDG HSS followed the typical import process:

- Manufacturer to Port for shipping
- Transhipped from █ to Australia.
- Arrival Australian Ports
- Clearance, destuffing from container
- Transport to █ site

A.3 In what circumstances would a customer of OneSteel ATM or its affiliates that wished to purchase HDG HSS be supplied imported product as opposed to product that OneSteel ATM claims is manufactured in Australia?

OneSteel ATM (ATM)

Currently, ATM does not supply imported HDG HSS products █

[Affiliate name]

Affiliate name may supply either Australian produced or imported HDG products depending on a range of factors that include: customer preference, stock availability and lead time.

A.4 Can OneSteel ATM's customers specify that they would prefer imported or Australian-produced HDG HSS when purchasing HDG HSS from OneSteel ATM?

OneSteel ATM will only supply Australian-produced HDG HSS.

A.5 Of OneSteel ATM's total sales of HDG HSS during the period 1 January 2013 – 31 December 2013, what percentage (based on sales volume) is represented by:

- black HSS that is outsourced galvanised in Australia;
- imported goods?

Of OneSteel ATM's total sales of HDG HSS during the period 1 January 2013 – 31 December 2013, the following percentages (based on sales volume) are represented by:

- black HSS that is outsourced galvanised in Australia ~ █%
- imported goods ~ █%

See B.5 for further information on this situation.

A.6 Are there any differences in:

- quality;
- standard;
- end use;
- physical characteristics;
- production process; or
- commercial characteristics

between OneSteel ATM's Australian-produced HDG HSS, and the imported HDG HSS supplied by OneSteel [REDACTED]? Explain these fully.

It is understood that the thickness of zinc galvanising on HDG HSS is particularly important to its end use, please address this specifically in your answer to the above.

OneSteel ATM no longer supplies imported HDG HSS. When comparing Australian manufactured HDG HSS to OneSteel ATM's previously supplied imported HDG HSS (last purchased in [REDACTED]) the following comments are made:

Quality: The product quality of the imported HDG HSS was [REDACTED]
[Confidential assessment of quality]

- Standard: No the imported product was ordered to meet the same standard.
- End use: The only difference in end use would be the required zinc thickness for a particular corrosion environment. The ATM produced HDG HSS would be applicable in more applications than the [REDACTED] imported HDG HSS as it has a thicker zinc coating whereas the latter has an air-blown reduced thickness coating. Thickness of zinc galvanizing is typically related to the corrosion rate of zinc/steel in a particular environment. Such macro (i.e. climatic) environments can range from severe (industrial pollution, wind-blown chlorine salts from marine environments, etc), to mild (somewhat inland away from severe coastal) to benign-low (way inland, arid, dry rural areas and also inside air-conditioned buildings, etc). Micro environment effects can also dictate corrosivity rates and may sometimes change a particular situation from low to an aggressive environment (e.g. poor moisture runoff leaving metal surfaces damp for extended periods, etc). Consequently, the use of a particular galvanized coating is dependent on the nature of the corrosive environment and the standard that the galvanized coating is produced to – i.e. there is no ready answer unless these parameters are spelt out. However, as a rule of thumb, the higher the corrosion rate the thicker the zinc coating required.
- Physical characteristics: Physically imported and Australian produced HDG HSS are [REDACTED]. The size, shape, weight and grades are all similar.
- Commercial characteristics: The commercial characteristics between the imported and Australian produced HDG HSS are very alike. The goods are directly competitive in the same market sectors and the distribution channels are the same.

- A.7** Are there any minimum order quantities that relate to imported HDG HSS? What are these?

When imported HDG HSS was sold by [REDACTED] the minimum order quantity was one [REDACTED] the same as for Australian produced HSS. [REDACTED]
[REDACTED]

PART B – AUSTRALIAN PRODUCTION

- B.1** Are all OneSteel ATM's customers able to purchase Australian-produced HDG HSS, or is this limited to certain customers?

All ATM's distributor customers can access the Australian-produced HDG HSS.

- B.2** Describe the production process of the Australian-produced HDG HSS (including the outsourced galvanisation process).

ATM manufactures black CHS (Circular Hollow Sections) on the rolling mills at the Acacia Ridge (QLD) site from steel strip. In this process, a slit steel coil is unwound and fed into an accumulator. The accumulator permits the mill to be run at full speed whilst another coil is butt welded and fed into the process. After the accumulator the coil is passed through a series of rollers that changes its shape. For tube forming, the rollers shape the initially flat coil into a "C", then "U" and finally into an "O" shape when it is then welded using electric resistance welding (ERW) techniques. Thereafter the shape is then finished to the tolerances required by the specified Standard. Mill speeds can vary from 30 metres per minute for very large and thick sections to 140 metres per minute for small bore thin tube. After tube finishing, a flying saw is used to cut the tube to the specified length whereupon it is bundled and strapped into pack form and subsequently despatched to the warehouse/customer. The whole process is undertaken in the "cold" condition which provides significant advantages such as strength increases.

For application of the HDG coating, the black CHS is batch galvanized off-site by a third party and returned to ATM for future sale. This process relies on the immersion of the CHS into molten zinc which is typically at 450-480 degrees Celsius. Prior to immersion, the black CHS is degreased where rust and other surface contaminants are removed by immersion in tanks of hot caustic, then acid pickling (typically sulphuric or hydrochloric acids) followed by rinsing. Following the surface cleaning process, the CHS is immersed in a heated flux solution which removes the oxide film that forms on the steel surface after acid cleaning, and prevents further oxidation before galvanizing. The CHS is then galvanized by immersion in molten zinc. On immersion in the galvanizing bath the steel surface is completely covered by the molten zinc, which reacts with the steel to form a series of zinc-iron alloy layers, producing a uniform coating. The CHS is then withdrawn at a controlled rate and carries with it an outer layer of molten zinc which solidifies to form the relatively pure outer zinc coating. Upon extraction from the galvanizing bath the item is then quenched to cool.

- B.3** Identify the entity(ies) that OneSteel uses to galvanise black CHS into HDG HSS.

[confidential suppliers]

- B.4** The Commission understands that OneSteel ATM previously galvanised black CHS into HDG HSS in-house.

Explain why OneSteel ATM uses the outsourced galvanising method, as opposed to galvanising in-house.

Does OneSteel ATM still have the facilities to galvanise CHS into HDG HSS in-house? What would be required to re-commence galvanising in-house by OneSteel ATM?

1. OneSteel ATM previously manufactured HDG HSS in-house using continuous galvanising process at both the Acacia Ridge and Newcastle facilities but these plants were mothballed and eventually decommissioned. The displacement of Australian-produced HDG pipe by dumped imports reduced manufacturing volumes to a level that made continuous galvanising uneconomical. This combined with the ability to substitute a large proportion of the product applications with newer technology pre-galvanised products [redacted].

2. ATM has chosen to outsource the galvanising process as described for applications where substitution of pre-galvanised products is not feasible due to end user requirements or for compliance with Australian Standards.

[redacted] Outsourcing of Hot Dipped Galvanising is a more [redacted] effective and scalable solution for our customers who required a HDG finish from Australian manufactured product.

3. ATM has the capability to in-house manufacture [redacted] pre-galvanised product that substitute for a large proportion of the product applications. In terms of continuous HDG galvanising facilities (air blown), ATM has completely decommissioned and removed the Acacia Ridge facility. ATM's Newcastle continuous HDG Galvanised facility equipment is still in place in a decommissioned state. This facility [redacted]

- B.5** As an attachment to the response to the Australian Industry Questionnaire, OneSteel ATM submitted a listing of sales invoices that are claimed to be of Australian-produced HDG HSS.

Can OneSteel ATM provide evidence that the following sales of HDG HSS were produced in Australia?

785685
779282
797714
777877

With respect to the attachment to the Australian Industry Questionnaire, [redacted]
[Confidential comments on evidence]

[redacted] See Appendix B for evidence that product sales for this invoice number relate to HDG HSS manufactured in Australia.

If required, OneSteel ATM can provide further evidence on sales of HDG HSS produced in Australia as noted in the attached revised spreadsheet.

B.6 Are there any minimum order quantities that relate to Australian-produced HDG HSS? What are these?

Yes. There is a minimum order quantity of [redacted]

PART C – ACCESS TO HDG HSS

C.1 It is understood (from previous investigations into HSS) that OneSteel ATM limits direct access to purchases from it to entities that have an established 'distributorship' arrangement with OneSteel ATM, while other entities can purchase OneSteel ATM product via the distribution network.

- a) Please confirm if this remains the case.
- b) Outline the criteria that must be met in order to be granted a 'distributorship' with OneSteel ATM
- c) Do all entities with OneSteel ATM distributorships have equal access to HDG HSS manufactured by OneSteel ATM? If not, please outline the differences.

a) The distribution network model continues to be adopted by OneSteel ATM. OneSteel ATM would assume that most if not all major steel manufacturing businesses would use a defined distribution model to sell their products. Non distributors can purchase OneSteel ATM product via the distribution network.

b) Applicants for OneSteel ATM distributorships are examined on a case by case basis to determine if they would offer a net benefit to the OneSteel business. Some of the key criteria considered in an assessment of an application for a distributorship include: [redacted]

[Confidential criteria for distributorship]

c) OneSteel ATM offers Australian manufactured HDG HSS to all existing distributors as per the published Product Availability Guide.

C.2 Are there any differences in:

- price;
 - terms of trade (including credit and/or delivery terms);
 - range;
 - product characteristics of Australian-made HDG HSS offered and/or sold to OneSteel ATM's customers?
-
- price
Yes there are some variations in pricing due to factors such as [REDACTED]
 - terms of trade (including credit and/or delivery terms)
Yes there are variations in [REDACTED] Delivery lead times are based on customer location as per the OneSteel ATM Guide to Purchasing. (See attached document).
 - range
There are no differences in the range of HDG HSS offered and/or sold to OneSteel ATM's customers.
 - product characteristics
There are no differences in the product characteristics of HDG HSS offered and/or sold to OneSteel ATM's customers.

C.3 OneSteel ATM's *Pricing and Availability Guide* includes HDG HSS as part of OneSteel ATM's product offering.

- a) Is the product in the availability guide generally imported or Australian-made HDG HSS?
- b) Do OneSteel ATM's customers have to specify that they would like to purchase Australian-made HDG HSS when ordering from the availability guide?
- c) If no specification is made, will OneSteel ATM's customers be supplied imported or Australian-made HDG HSS?
- d) Do OneSteel ATM's customers generally know whether the HDG HSS they purchase from OneSteel ATM is Australian-produced or imported?

For the size range noted in the Exemption Application:

- a) Australian made.
- b) No, as ATM now only sells Australian made HDG HSS
- c) Australian made.
- d) It is our understanding that customers will know it is Australian made.

C.4 The Commission has received a submission from an Australian company (MAS) that claims to have approached a OneSteel distribution business (Midalia) with a request to purchase HDG HSS, and was advised that the product on offer is imported and not Australian-manufactured.

This submission is available on the Public Record, accessible at www.adcommission.gov.au (case number EX0015).

Please respond to/explain the circumstances of MAS' submission.

OneSteel ATM's distributors are not compelled to only source product supplied by OneSteel ATM. OneSteel's distributors may source and sell both Australian produced and imported product.

The product offered by any of OneSteel's distributor locations at any particular point in time will be influenced by a combination of their customer's requirements, stock availability, product lead time, quality, price, minimum order quantity and the individual sales person understanding of all of the above.

**SUPPLEMENTARY QUESTIONS FOR ONESTEEL AUSTRALIAN TUBE MILLS
(ATM) FOLLOWING MEETING OF 15 APRIL 2014**

In addition to the questions contained in the *Supplementary Australian Industry Questionnaire* forwarded to ATM in relation to the above exemption inquiry, please answer the following.

- 1) ATM advised during its meeting with the Anti-Dumping Commission that imports of HDG CHS by ATM's competitors are likely to be batch-galvanised (and not air-blown). Is ATM aware of imports of air-blown HDG CHS from the countries subject to anti-dumping measures? If so, please identify any known source(s) (country and supplier).

There are numerous such suppliers. One known to us is:

- [REDACTED] – [REDACTED].

- 2) Is the HDG CHS imported by ATM air-blown or batch-galvanised? Where imports are sourced from more than one supplier, please answer this question separately for each supplier.

OneSteel ATM does not currently import HDG HSS [REDACTED]
[REDACTED]

- 3) What thickness is the zinc coating (e.g. 500g/m²) of the HDG CHS imported by ATM (specify separately for each source of supply)?

OneSteel ATM does not currently import HDG HSS [REDACTED]
[REDACTED]

- 4) Outline the full range of black CHS manufactured by ATM in Australia.

[REDACTED] NB. Please note that this list includes black, primer-painted and clear HSS which all could be galvanized by external contractors.

- 5) Is any HDG CHS that is outsource-galvanised by ATM made from imported CHS (as opposed to ATM's own production)? Provide details of the imported goods if this is the case (e.g. origin, sizes, etc).

No, not in the size range nominated in the Exemption Application.

■ NB & ■ NB pipe are imported by OneSteel ATM from ■ which can be galvanized by external contractors.

- 6) Clarify when ATM's Acacia Ridge hot-dip galvanising plant was decommissioned (i.e. converted from a 'mothballed' state).

The Acacia Ridge plant was mothballed in ■ and decommissioned in ■

- 7) Does ATM make its customers aware of the existence of Australian-produced HDG CHS? How is this communicated to customers?

ATM promotes themselves as an Australian manufacturer for the sizes within the range of our rolling mill capabilities. The product in question falls within that range.

- 8) When ATM's customers place an order for HDG CHS, are they routinely supplied imported HDG CHS or Australian-made batch galvanised HDG CHS?

Currently, Australian-made batch galvanized HDG CHS is exclusively supplied for the size range noted in the Exemption Classification.

- 9) Outline the rationale for adopting ATM's current supply of HDG CHS, that is:

- a. decommissioning of ATM's own HDG facilities;
- b. sourcing imported HDG CHS; and
- c. supplying some Australian-made batch-galvanised HDG CHS.

Include in your answer the reason why ATM continues to supply Australian batch-galvanised HDG CHS, instead of opting for a wholly import-based product offering.

- a. As outlined in question B4 the displacement of Australian-produced HDG pipe by dumped imports reduced manufacturing volumes ■

- b. ■ [confidential reference to historical imports] ■

- c. As outlined in question B4. Outsourcing of Hot Dipped Galvanising is a more cost effective and scalable solution for our customers who required a HDG finish from Australian manufactured product.

- 10) What level of inventory (if any) does ATM keep of:

- a. imported HDG CHS;
- b. Australian-produced batch galvanised HDG CHS?

- a. No inventory held. ■

b. No inventory held. Orders are fulfilled at time of rolling and subject to a minimum order quantity.

- 11) Clarify if there are any applications that either ATM-produced batch galvanised HDG CHS and pre-galvanised CHS are not suitable for?

If there are any such applications, does ATM supply any CHS that is suitable for this end use? Is this CHS manufactured in Australia or imported?

There are some applications where a batch dipped HDG galvanised product is not suitable due to bending or welding requirements and pre galvanised CHS doesn't have a thick enough zinc coating for the corrosive environment. In these instances suitable Australian produced product is supplied in the form of black CHS which is galvanised after a fabricator has shaped or welded the black CHS.

PART D - DECLARATION

I hereby declare that OneSteel ATM has completed the attached response to application for exemption and, having made due inquiry, certify that the information contained in this Response is complete and correct to the best of my knowledge and belief.

Name :.....Arun Syam

Signature 

Position in Company National Product Development Manager

Date 29 April 2014