

14 July 2015

Director
Operations 4
Anti-Dumping Commission
Level 35, 55 Collins Street
Melbourne VIC 3000
Email: operations4@adcommission.gov.au

Re: allegations of injury caused by exports of hot rolled plate steel from Korea

Dear Director,

On March 31, 2015, the Anti-Dumping Commission ("**the Commission**") initiated a new anti-dumping investigation on hot rolled plate steel ("**plate steel**") exported to Australia by POSCO and Hyundai Steel Company in the Republic of Korea and Taiwan (Anti-Dumping Notice N0. 2015/40). POSCO would like to state again its opinion that this investigation should not have been initiated.

In fact, POSCO was under investigation on the same plate steel, with the minor variations in relevant thickness and conditions such as Q&T greenfeed, and was found not have engaged in dumping 18 months before the initiation of this investigation. POSCO considers that the screening process undertaken by the Commission should have relevantly considered the interests of all relevant interested parties. Anti-dumping investigations are trade disruptive, and consume valuable public and private resources. The initiation of the investigation is also greatly regrettable for POSCO because of the confusing injury found to exist in Consideration Report No. 284: Application for a Dumping Notice: Hot Rolled Plate Steel Exported from the Republic of Korea (by Hyundai Iron and Steel Co Ltd and POSCO Steel) and Taiwan ("**the Consideration Report**"). In fact POSCO cannot understand how the following findings in the Consideration Report illustrate that the Bluescope Steel Limited ("**BlueScope**", "**the Australian industry**") is in an injury position:

- The finding that the Australian industry lost sales volume, despite a finding that the Australian industry's sales are higher in the period of investigation than they had been in previous years.¹
- The finding that the Australian industry lost market share in circumstances where the Australian industry's market share appears to have increased by 10% since the period of investigation in the last steel plate investigation, and its sales volume has increased over previous years.²
- The finding that the Australian industry suffered price depression and price suppression although the finding that the Australian industry supplies 70% of Australia's requirement for hot rolled plate steel – and must definitely be the price leader - and makes 70% of these sales through its network of distribution companies which are related to BlueScope or have supply agreements with BlueScope and are therefore "locked-in" customers.³

¹ In the Consideration Report at page 28.

² In the Consideration Report at page 29.

³ In the Consideration Report at page 20.

Mostly at the centre of BlueScope's injury claims is the idea that imports from the subject countries have increased significantly. However, to POSCO's awareness imports are the only other source of steel plate for Australian customers. POSCO understands that BlueScope decides not to supply some customers in the Australian market. These customers need to import steel plate. Logically once anti-dumping measures were imposed, non-subject exporters would be a more competitive source of plate steel. This increase in imports from non-subject exporters is merely because of commercial reality.

BlueScope chooses to highlight a mild increase in exports from the named exporters and from Taiwan in this investigation, but overall imports have largely decreased since the original investigation. In the Consideration Report the Commission considers that the market for steel plate was 400,000 tonnes in 2014. According to the Commission in the last investigation the market for steel plate was 500,000 tonnes in 2012. Consequently, the market has contracted by 20% since 2012. POSCO has used the information in the Consideration Report to estimate that that 82% of this contraction was because of import sales that were no longer made. The focus on the increase in imports from the subject countries is therefore misleading.

When initiating the investigation the key question the Commission asks itself is whether BlueScope made a *prima facie* case that it had suffered *material injury* as result of dumping. POSCO believes that if total scrutiny had been applied to BlueScope's application, the Commission's answer to this questions would have been "no".

Anyway, the investigation has been initiated. POSCO does not conduct unfair trading and has given its Exporter Questionnaire to the Commission for the proof of this. POSCO also now wishes to outline some factual circumstances which show that POSCO's imports have not caused material injury to the Australian industry.

(1) Careful consideration of conditions of competition required

The Consideration Report explains that at least 70% of BlueScope's sales are made through a network of distribution companies, and that the other 30% were direct to large end-users and converters.⁴ POSCO did not make any sales to large end-users or converters, so if POSCO was to cause the Australian industry injury, which it did not, this injury could have only occurred in relation to the 70% of sales that BlueScope makes to distributors.

In fact, in its application for the last steel plate investigation, BlueScope submitted that 70% of its sales of steel plate were made *via a network of distribution companies*.⁵ The proportion of BlueScope's sales of steel plate to distribution customers must not have changed since 2012. However, BlueScope's market share has increased by approximately 10% between 2012 and 2014, in a market that has contracted by approximately 20% in the same period of time. BlueScope has avoided the market trend, and its sales to distributors must have increased relative to the sales that importers made to distributors.

POSCO believes that a significant proportion of the Australian industry's distribution sales were made to BlueScope Distribution Pty Ltd (**BlueScope Distribution**). POSCO understands that it is only the Australian industry "producing like goods" which is relevant to injury questions, so BlueScope Distribution itself is not relevant Australian industry for the Commission. In the last steel plate investigation, the

⁴ In the Consideration Report at page 20.

⁵ In the document "BlueScope Steel Limited – Application for Anti-Dumping Duties – Plate Steel Exported from the People's Republic of China, Indonesia, Japan, the Republic of Korea and Taiwan, and Application for countervailing Duties – Plate Steel Exported from the People's Republic of China" at page 18.



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BlueScope Distribution was found not to purchase any plate from importers.⁶ Therefore, BlueScope's sales volume to BlueScope Distribution must be shielded from the impact of any import competition – including price pressures. POSCO respectfully requests that the Commission should determine what the shielded sales volume is and cannot find that this volume has been impacted by imports of plate steel.

In regards to non-BlueScope Distribution sales, POSCO notes the application's description of them as being to the "*main distributors in Australia*". POSCO reads this as meaning that BlueScope will only sell to entities that will purchase large volumes of steel plate on an ongoing basis, certainly, this is the story POSCO hears from the market. POSCO requests that the Commission carefully analyse how BlueScope selects its distributors. If BlueScope does not supply the small distributor segment, sales to such customers by importers cannot be considered to be causing injury. Also, BlueScope states that it has a "supply agreement" in place with many of its domestic customers.⁷ POSCO respectfully requests that the Commission review the terms of these agreements to see if they include any terms that require the customer to purchase a certain volume of BlueScope products or also limit the volume of imports that the distributor may purchase. Such terms are directly relevant to whether the Australian industry has injured itself by limiting who it sells to or whether it is protected from import based injury through contractual terms.

POSCO consider that a proper analysis will find that BlueScope's sales to distributors are shielded from import competition because those sales were mostly made to BlueScope Distribution, and therefore do not face import competition. Also, POSCO considers that BlueScope only supplies large distributors who have entered into ongoing supply agreements, which may have the effect of locking in a proportion of that customer's volume. POSCO considers this would explain why, that although the market was contracting, BlueScope has been able to increase its market share. POSCO cannot understand how, on the basis of these findings, the Commission can find that the Australian industry producing like goods has been injured by imports of steel plate.

(2) No contestability between POSCO's sales and BlueScope's sales

During the period of investigation, POSCO exported [REDACTED] tonnes of steel plate to Australia. The Commission has quantified the Australian market for steel plate as being 400,000 tonnes in 2014.⁸ Accordingly, POSCO's exports were equal only to [REDACTED] of the Australian market.

However POSCO understands that BlueScope provided around 70% of the total volume of hot rolled plate steel to the market during the period of investigation – approximately [REDACTED] tonnes. This means that POSCO's total export volume was only [REDACTED] of the Australian industry's output during the period of investigation.

POSCO cannot understand why these allegations have been made against it, and why they have been accepted on a prima facie basis by the Commission. Logically such numbers do not infer any injury. If the Australian industry wants to lower its price in reaction to such a small exporter, then that is the Australian industry's mistake, and any injury that follows from that decision must properly be attributed to the Australian industry. It could not have been caused by POSCO's exports to Australia.

⁶ At page 24 of the document "Report Number 198 – Dumping of Hot Rolled Plate Steel exported from the People's Republic of China, Republic of Indonesia, Japan, the Republic of Korea and Taiwan and Subsidisation of Hot Rolled Plate Steel Exported from the People's Republic of China".

⁷ In the document "Application for the publication of dumping duties – Hot Rolled Plate Steel Exported from the Republic of Korea (by Hyundai Iron and Steel Co Ltd and POSCO Steel) and Taiwan, page 25.

⁸ In the Consideration Report at page 21.



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In fact, POSCO does not seek to compete with the Australian industry. POSCO has a number of long-time customers that it wishes to continue to service, it does not try to take new customers away from BlueScope.

POSCO is aware that the Australian industry is selective in supplying distributors. For whatever reason, POSCO is aware that most of the Australian distributors that receive its imports cannot or will not purchase steel plate from BlueScope. POSCO spoke to some of the Australian entities that purchase its products, and has confirmed that at least [REDACTED] tonnes of its steel plate – [REDACTED] of POSCO's Australian sales – are sold to entities who do not purchase steel plate from BlueScope.

POSCO has been unable to confirm whether its remaining volume of [REDACTED] tonnes of plate steel is sold to entities that also purchased steel plate from BlueScope. But, POSCO notes that even if the Commission was to assume that this was the case, the remaining amount would only be equal to [REDACTED] of the total Australian market for plate steel and [REDACTED] of BlueScope's sales of plate steel. This insignificant volume could not factually or logically cause injury to the Australian industry producing like goods.

(3) Conclusions

POSCO does not believe the Australian industry has suffered material injury as a result of the subject imports. The market trends evidenced in the application and the Consideration Report do not allow that conclusion.

In addition to this, POSCO does not accept that its own imports could have had any effect on the Australian industry during the period of investigation. POSCO's products are only purchased by certain small distributors in the Australian market. The Australian industry does not service this segment. Accordingly, there is no, or negligible, contestability between the Australian industry and POSCO.

POSCO has been doing its business in Australia for the prosperity and benefits of the Australian economy and POSCO. Although it is regrettable that a new anti-dumping investigation has been re-initiated on POSCO, we are going to be fully co-operative on this investigation and will continue to support the Australian businesses who buy POSCO's steel plate. POSCO hopes this can be a quick and efficient investigation, which accurately finds that the Australian industry producing like goods has not suffered injury as a result of the subject imports.

Kind regards

A handwritten signature in blue ink, appearing to read "Kyle Sohn".

Kyle Sohn
Junior Manager
International Trade Affairs Group
POSCO