

11 July 2018

Ms Heidi Yang  
Assistant Director  
Investigations 1  
Anti-Dumping Commission  
Level 35  
55 Collins Street  
Melbourne Victoria 3000

**Public File**

Dear Ms Yang,

**Review of measures investigation No. 454 – Hot rolled coil – BlueScope’s comments on Statement of Essential Facts**

**I. Summary**

BlueScope Steel Limited (“BlueScope”) has reviewed Statement of Essential Facts No. 454 concerning hot rolled coil (“HRC”) exported from Taiwan to Australia. The Anti-Dumping Commission’s (“the Commission”) proposed recommendation confirms that:

- The ascertained export price has changed;
- The ascertained normal value has changed; and
- The ascertained Non-Injurious Price (“NIP”) has changed.

The Commission is proposing to recommend to the Assistant Minister that the variable factors applicable to all exporters has changed during the investigation period.

BlueScope has identified differences in adjustments to Taiwanese exporter’s normal values in the current review investigation which differ to adjustments made in the recent Investigation 400 review and continuation investigation. These matters impact the determination of normal values and warrant further clarification by the Commission.

BlueScope concurs with the Commission that the combination form of measures be applied to future exports from Taiwan.

**II. Normal values**

BlueScope notes that in this review investigation China Steel Corporation (“CSC”) has been granted downward adjustments to the normal value for domestic packing and domestic warranty expenses. These adjustments were not identified in Investigation 400. It is also noted that an adjustment for export packing has also been included.

The identification of packing costs relates to the packing associated with pickled and oiled HRC. BlueScope acknowledges that packing for pickled and oiled product for export would attract a higher packing costs and is therefore warranted. However, CSC did not seek a downward adjustment in Investigation 400 for domestic

warranty costs. BlueScope questions why a warranty cost is now justified given the absence of any claim for domestic warranty cost in Investigation 400. Further, it is noted for Shang Chen Co., Ltd that the Commission has made an upward adjustment for export warranty expenses – why would this same adjustment not apply to CSC’s normal value for export warranties?

BlueScope remains concerned at any warranty adjustment on product that may have been initially sold as prime product, but has been subsequently discounted due to a customer complaint / claim that the supplied product was not of prime quality. BlueScope is firmly of the view that all prime sales that have had subsequent discounts for quality reasons should be treated as non-prime sales and removed completely from the data set for dumping margin calculations. (i.e. in other words the original sale was non-prime product, but was not detected as such by the seller - until the customer notified the seller that it was not prime quality.)

In respect of Shang Chen Steel Co., Ltd (“Shang Chen”) the Commission has not included any adjustments for packing expenses (as was included in Investigation 400) for both domestic and export sales. It may be that these cancel each other out. Perhaps of greater concern, however, is the absence of an upward adjustment for export commissions, which it is considered should continue to be applied. As there is no Shang Chen exporter verification report on the Electronic Public Record (“EPR”) as at the date of this submission, BlueScope is unclear why the adjustment for export commissions has been omitted.

Adjustments afforded to Chung Hung Steel Corporation (“Chung Hung”) in this review investigation mirror the adjustments provided to the exporter in Investigation No. 400.

### **III. Unsuppressed selling price/non-injurious price**

BlueScope provided the Commission with a submission dated 4 June 2018 addressing the level of profit applied to the unsuppressed selling price (“USP”) for the purposes of establishing the non-injurious price used for each exporter in Taiwan.

The USP includes a [XX] per cent level of profit based upon the level achieved in the investigation period in Investigation No. 400. The Commission is again proposing the same level of profit in this current review investigation involving the exporters from Taiwan.

BlueScope contends that the level of profit accepted by the Assistant Minister in Investigation No. 400 and that proposed in the current review of measures inquiry is less than adequate for a high, capital-intensive industry such as steel-making (whether in Australia, or globally). Levels of return that are required for capital intensive producing assets in the global steel industry are in the range [XX to XX] percent. A level of profit of [XX] per cent falls substantially short of these required rates of return.

BlueScope urges the Commission to reconsider the substantially low and inadequate rate of return included in the calculated USP. The inclusion of this level of low return is a barrier to BlueScope re-investing in HRC manufacture over the longer term. The Commission, therefore, is imposing a restraint on BlueScope’s ability to reinvest by establishing an ultra-low level of return for HRC in the determined USP.

### **IV. Form of measures**

BlueScope welcomes the Commission’s proposed recommendation to the Assistant Minister that the form of measures to be applied to all exporters from Taiwan be based upon the combination form of duty (i.e. incorporating a fixed and variable component).

This form of measure is warranted following the Commission's investigation that all exporters were found to have exported at margins of dumping when the form of measure applied was based upon the floor-price methodology.

BlueScope requests the Commission to propose to the Assistant Minister in the final report that the form of measure to be applied is that based upon the combination method.

**V. Closing comments**

BlueScope ostensibly supports the Commission's review of variable factors in the current HRC investigation. It is noted that following Investigation No. 400, future exports by Taiwanese producers were the subject of a floor price. However, this review investigation has determined that with a floor-price methodology employed, all exporters in Taiwan exported at dumped prices throughout the investigation period.

BlueScope welcomes the Commission's proposed reversion back to measures based upon the combination method for all exporters in Taiwan.

BlueScope has identified certain normal value adjustments to CSC and Shang Chen that differ from Investigation No. 400, and requests that the Commission re-examine the basis for the inclusion of a domestic warranty adjustment (CSC) and the absence of the export commission adjustment for Shang Chen.

If you have any questions concerning the attached spreadsheet, please do not hesitate to contact me on (02) 4240 1214, or BlueScope's representative Mr John O'Connor on (07) 3342 1921.

Yours faithfully,



Chad Uphill  
Leader – Trade Affairs