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5th September 2014

Director Operations 1  
Anti-Dumping Commission  
Customs House  
1010 La Trobe Street  
Docklands Vic 3008

Attention: Ms Heidi Matuschka

Dear Heidi

**Submission – Public File Version**

**Re: Zinc Coated (galvanised) steel Exported from India and Vietnam: ADC Case 249**

Please find attached the Australian Steel Association Inc (ASA) submission in response to Australian Anti-Dumping Commission (ADC) investigation into the alleged dumping of zinc coated ( galvanised ) steel exported from India and Vietnam following an application lodged by Bluescope Steel Limited ( the Applicant)

**1.0 Summary:**

Anti-dumping relief is premised on addressing material injury. Any investigation of dumping must consider concurrently whether material injury has occurred.

For the investigation of zinc coated (galvanised) steel exported from India and Vietnam, it is evident that not only has material injury not occurred but rather the Applicant has enjoyed a dramatic improvement in outcomes against all the objective criteria used to assess material injury.

In responding, we draw attention to the fact that the Application has been based on incomplete data prior to the conclusion of the period under investigation; that is injury was claimed to have occurred prior to its occurrence.

Whilst this may be considered pre-emptive action by the Applicant, this is not the purpose of anti-dumping remedies, and in our opinion progression of this investigation would only serve to further curtail competition in the Australian coated steel market.

As evidenced from data provided with the Application and subsequently available, against the objective material injury criteria of:

- (i) Volume
- (ii) Revenue
- (iii) Capacity Utilisation
- (iv) Market Share
- (v) Employment numbers
- (vi) Profitability and
- (vii) Pricing

the Applicant has, without the application of duties, experienced a dramatic reversal of trend to the extent that the Applicant's improved fortunes during the PUI have far outstripped market conditions.

Without any objective basis to the claims of material injury, we respectfully request that this investigation into coated steel imports from India and Vietnam be terminated immediately.



In responding to the Application, the ASA wishes to draw attention to the following factors:

## **2.0 Procedural**

### **2.1: Application is based on data well prior to the completion of the Period Under Investigation.**

We note with concern that the Application is based on data prior to the Period Under Investigation; that is injury is being claimed prior to its occurrence.

The ASA acknowledges the principles identified in the Dumping and Subsidy Manual that 'for causation of material injury there will be a focus on injury indicators in the dumping investigation period and the Commission's view that s.269T(2AD) allows the examination of material injury indicators before the investigation period, but it cannot support an inference or presumption that material injury identified as occurring before the investigation period can be attributed to dumped imports<sup>i</sup>'.

The ASA contends that not only is the presumption of (alleged) material injury not related to the nominated imports but evaluation, following the completion of the PUI, clearly demonstrates that no material injury has occurred.

During the PUI, the Applicant has in fact enjoyed a reversal of fortune with significant gains **all** indices used to assess material injury.

### **2.2: Data Integrity**

Data for Vietnam was not available from ISSB and is based on only 8 months of the PUI<sup>ii</sup> excluding the last 4 months prior to the completion of the period under investigation. For India, only 7 months data from the PUI was used.

Therefore the veracity of claims of injury, and indeed whether imports from Vietnam even met minimum volume requirements, let alone caused injury, need to be questioned.

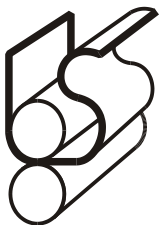
### **2.3: Product / Market**

Of the eleven Good Under Consideration, four products, namely ZINCANNEAL, ZINCSEAL, Hot Dip Zinc / Iron Alloy Coated Steels, and Galvanneal are used almost exclusively for the auto sector.

As has been well documented, 2013/14, (the PUI), witnessed the announcement of the closure of Australia's three remaining automotive manufacturers. Automotive steels have represented a significant proportion of the Applicant's coated steel business. We draw attention to this omission of one of the most significant changes in Australian coated steel market conditions in the last half century from Section A-4 of the Application<sup>iii</sup>.

Importantly, galvanised imports from India and Vietnam are not for use in the auto sector.

This means that any decline in overall market conditions due to the cessation of auto manufacture is not attributable to coated steel imports from India and Vietnam.



## 2.4: Market

Further compounding the unfounded claim that ascribes changed market conditions to coated steel imports from India and Vietnam is the comment that:

*“It is further noted that galvanised steel exports from other countries (mainly Japan and New Zealand) have also declined in 2013/14. Exports of galvanised steel from India and Vietnam, therefore have increased at a time when exports from other countries and, the market overall, have decreased”<sup>iv</sup>.*

In this regard, it is worth noting that:

(i) Japanese galvanised steel exports ‘have predominantly’ been for use in the auto sector. The decline in Japanese exports is wholly consistent with the decline in the auto sector following the announcement of closure by Australia’s three car manufacturers.

As galvanised steel exported from India and Vietnam are not used in the auto sector, it is totally incorrect to relate imports from India and Vietnam to declining Japanese exports.

(ii) The rise (or fall) of New Zealand galvanised steel exports is at the discretion of the Applicant.

As evidenced in the Application<sup>v</sup>, New Zealand galvanised steel exports are a subsidiary business of the Applicant, Bluescope Australia & New Zealand.

It is therefore incorrect to draw any correlation between an internal decision by the Applicant to reduce New Zealand exports to imports from India or Vietnam.

This claim is more perverse in the context of the 25 per cent increase in coated steel sales by the Applicant’s Australian operations during the PUI.

## 3.0 Material Injury:

Article 3.1 of the Anti- Dumping Agreement requires that the determination of injury be based on positive evidence and involve an objective evaluation of the volume and price effects that constitute injury.

Article 3.4 of the ADA provides a non- exhaustive list of factors that must as a minimum be taken into account. These provisions are reflected in S269TAE.

With regard to coated (galvanised) steel for the 2013/14 PUI, it can be comprehensively demonstrated that against this objective criteria there not only has been no material injury, but rather there has been a substantive reversal of trend to the benefit of the Applicant.

The Application refers to ADC Report 190 where material injury was claimed in the following forms:

- Loss of Sales Volume
- Reduced Market Share
- Reduced Sales Revenue
- Reduced Profit & Profitability
- Reduced Return on Investment
- Reduced Production Capacity
- Reduced Employment



Consideration Report No 249 notes the Applicant's claims for material injury through:

- Price suppression
- Reduced profit and profitability
- Reduced return on investment
- Reduced employment numbers
- Reduced ability to raise capital for reinvestment

As evidenced below, not only are these claims no longer valid against each of these objective criteria, the Applicant has significantly benefited during the period of investigation.

Considering each, it is clear that any claim of injury is **NOT** due to:

### 3.1 Volume

Claims of material injury are not based on Volume. As indicated, the Applicant has enjoyed a **25% surge in volumes** during the PUI<sup>vi</sup>.

### 3.2 Revenue Variations

Claims of material injury are not based on revenue variation. The Application indicates a **26% improvement** for the Period Under Investigation<sup>vii</sup>

### 3.3 Capacity Utilisation

Claims of material injury are not based on capacity utilisation. The Application indicates an **18 per cent increase** in Capacity Utilisation (metric tonnes per annum) for the Period under Investigation<sup>viii</sup>.

### 3.4 Market Share

Claims of material injury are not based on market share. The Application demonstrates a more than 40 per cent decrease in imports for the period under investigation. For the domestic monopoly producer, this reflects a more than **65 per cent** increase relative to their previous market share.

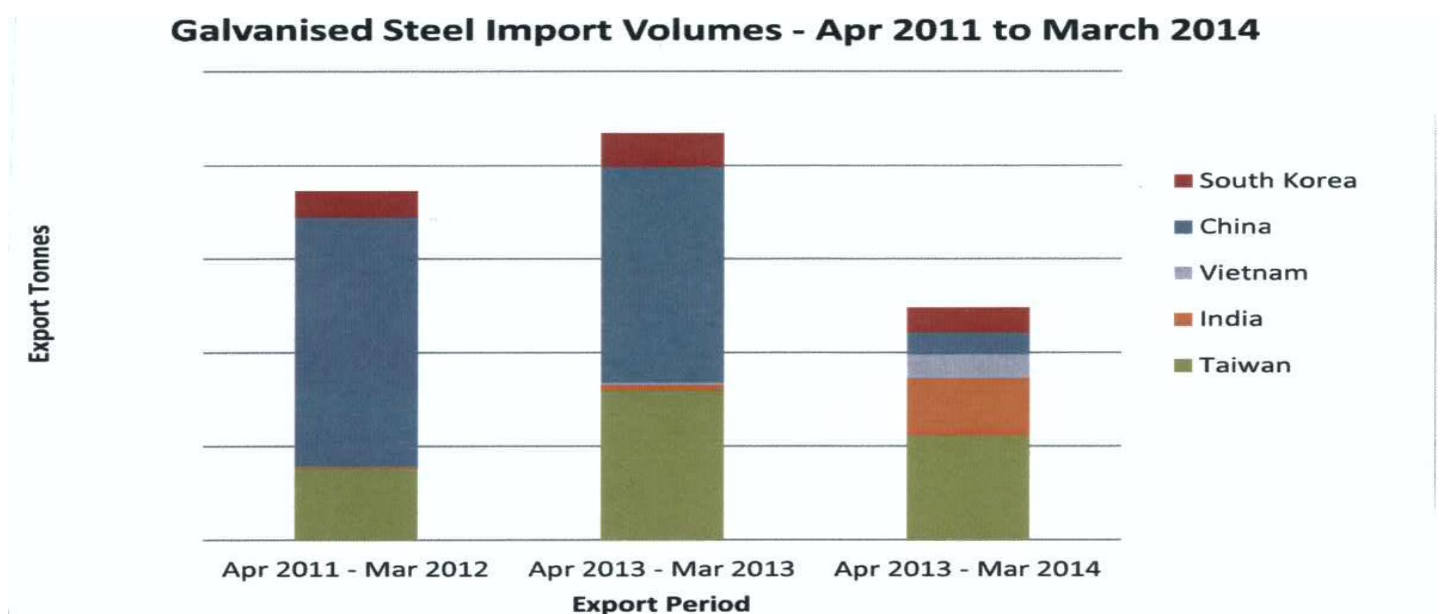


Fig 1:



### 3.5 Index of Employment Numbers

Claims of material injury are not based on Employment numbers.

The Application indicates a **10 per cent increase** in employee number for the PUI<sup>ix</sup> consistent with increased volumes.

### 3.6 Profitability

Claims of material injury are not based on Profitability.

The Application demonstrates a dramatic turnaround of profitability during the PUI.

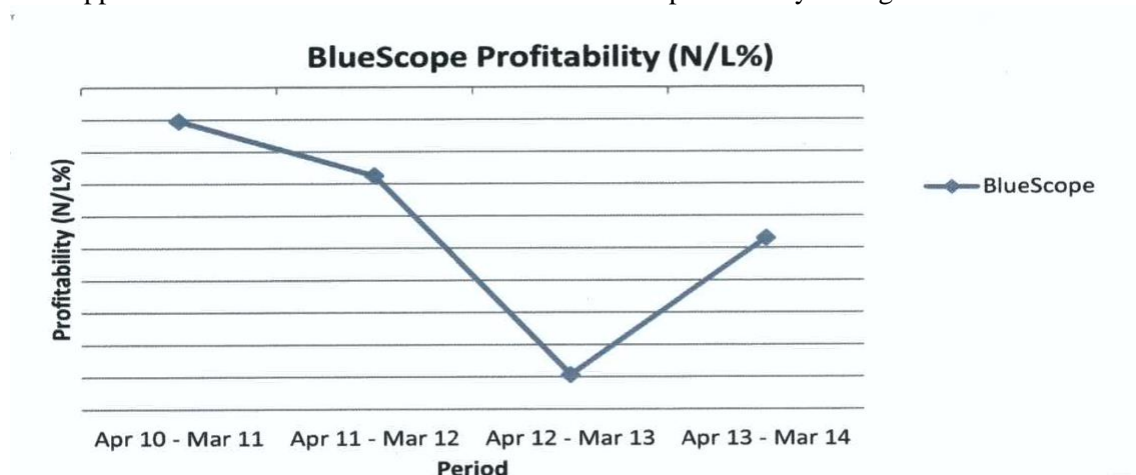


Fig 2:

During the period under investigation, the Applicant has, in fact, enjoyed substantively improved outcomes against the material injury criteria of:

- Sales Volume
- Market Share
- Sales Revenue
- Profit & Profitability
- Return on Investment
- Production Capacity &
- Employment

### 4.0 Pricing

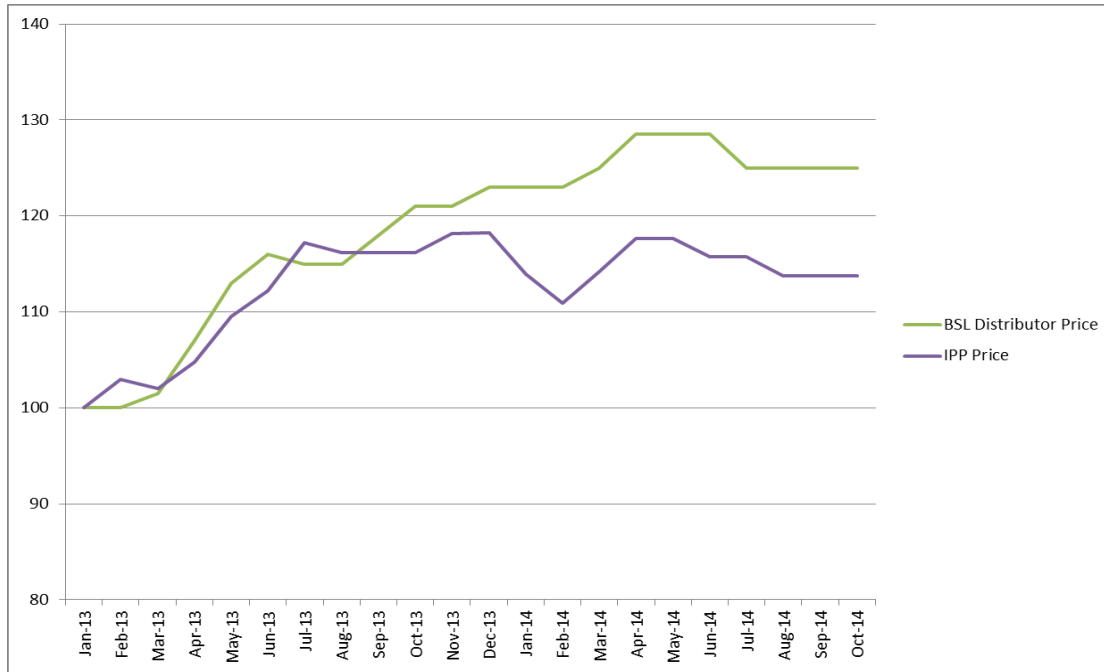
The claims of material injury are therefore focused on solely price suppression.

This however is not borne out by the facts.

Whilst the Application states that the prices for the goods under investigation declined by 9 per cent during 2012/13<sup>x</sup>, we note that this is not the period under investigation and is more relevant for the previously concluded investigations (REP 190 and REP 193).



Since January 2013 and continuing through 2013/14, ( the PUI), the Applicant has not only enjoyed a **25%** increase in pricing, it has enjoyed pricing increases at a rate greater than international parity pricing.



Source: BSL Coated Steel Pricing Market Offers

Fig 3

The positive story on pricing is reinforced by the 2014 comments in the 2014 Financial Results presentation that:

*“Spread increased driven by higher domestic prices<sup>xi</sup>....*

Significantly, analysis of profit results for the Period Under Investigation ( Attachment 1) indicate a dramatic improvement in pricing between the first half and the second half of the period under investigation without the application of dumping duties.

The pre-emptory nature of the Application excludes this critical point.



## 5.0 Market

The Australian Steel Association contend that:

- The minimal amount of coated steel imports from India and Vietnam has had no impact on the Applicant other than would be expected in the normal course of business.
- That the reduction of alternate competition to the domestic monopoly by prior dumping actions has not only resulted in a lack of injury, it has introduced a lack of competition in the Australian coated steel market.

This is demonstrated below:

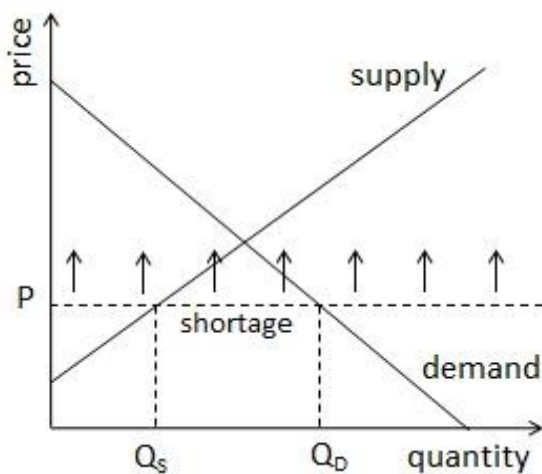


Fig 4

Microeconomic theory demonstrates an equilibrium between supply and demand.

The ability of the Applicant to both substantively increase volume ( & market share) whilst also substantively increasing price reflects an absence of market competition and a shortage of alternate forms of supply.

This anti-competitive effect would be further exacerbated should dumping duties be applied to the remnant forms of competition to the domestic monopoly.

In this regard we note the comments from an Australian manufacturer who uses coated steel as an input to their manufacturing operation:

**“ Steel is a commodity traded on the world market and as an Australian manufacturer the last thing we want is any additional duty to be imposed...The few remaining Australian manufacturers will be forced to pay more for raw material... This will of course render our local products uncompetitive & compromise many more thousands of jobs throughout the country<sup>xii</sup>”**



## 6.0 Conclusion

Increases in the costs of raw and semi- finished steels is a factor **negatively** impacting the ability of Australia's fabrication and manufacturing sector to compete with imports of fully manufactured goods.

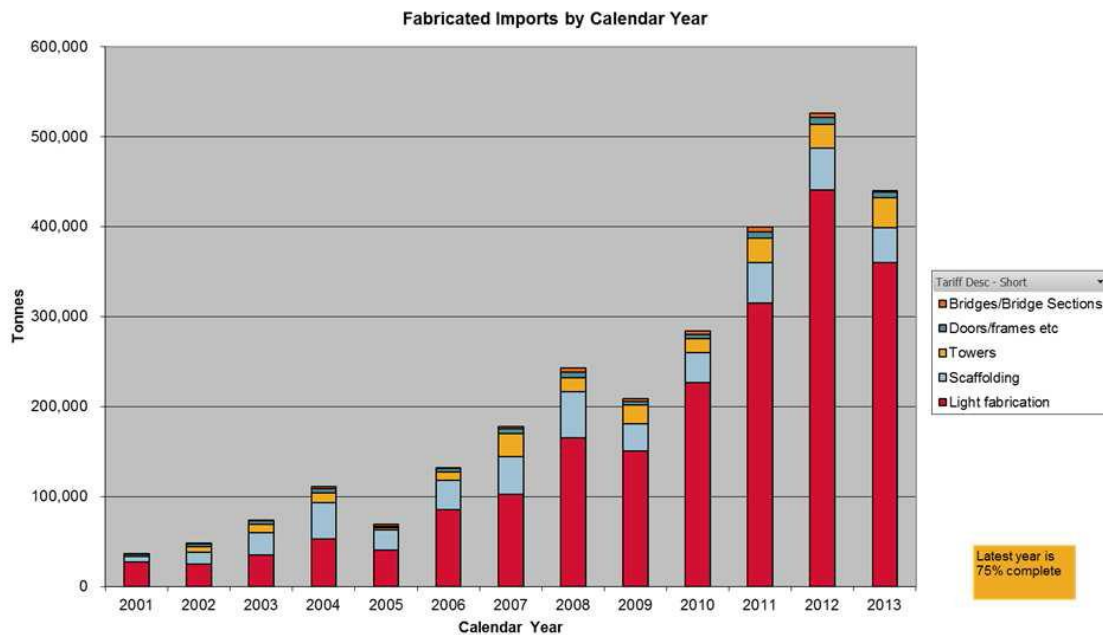


Fig 5

In the absence of material injury, and given the positive turnaround of the Applicant's fortunes without the imposition of duties, we appeal that an additional burden on Australia's manufacturers not be applied by the progression of ADC Case 249 and that the case be terminated immediately.

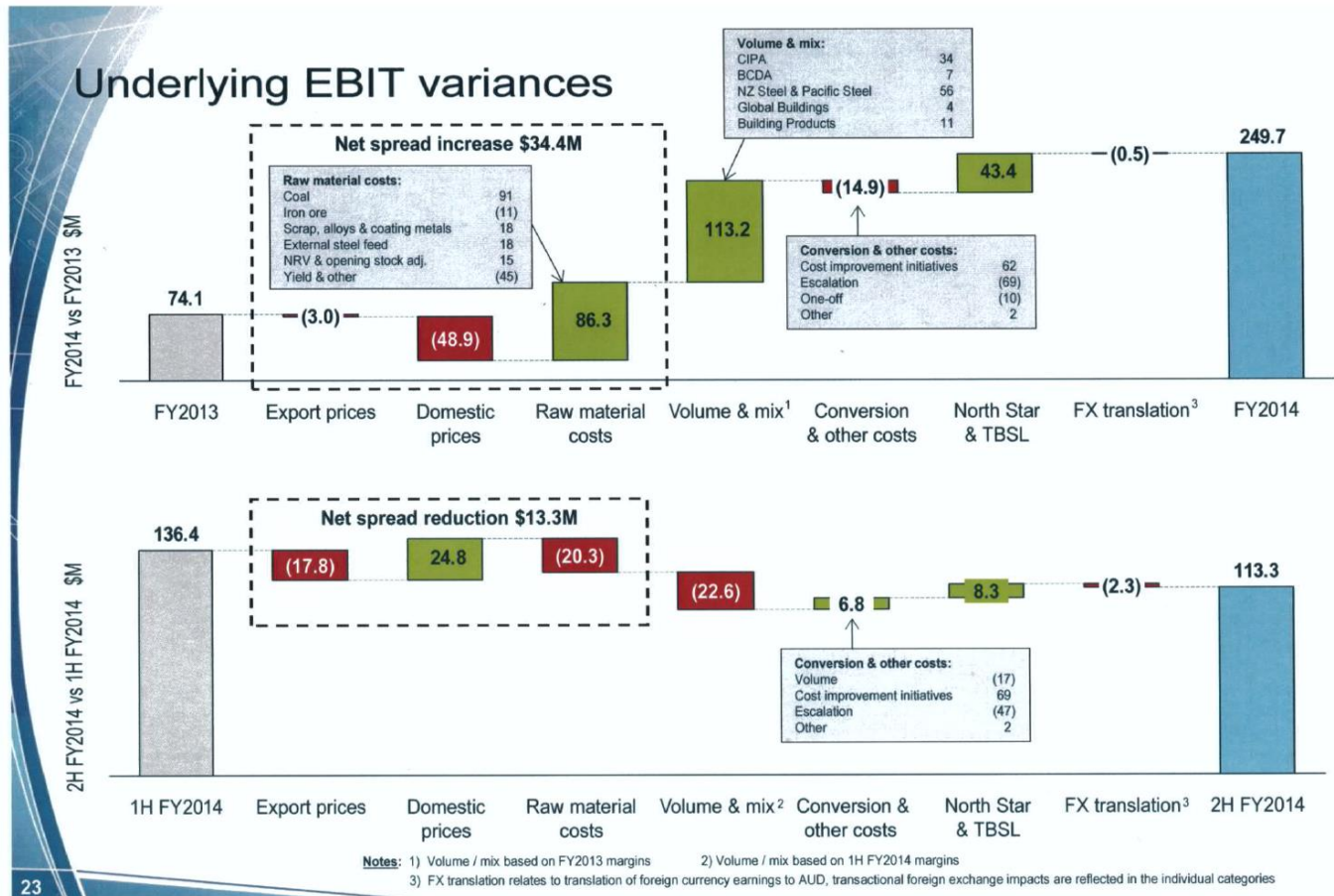
David Birrell  
Australian Steel Association





## Attachment 1

### Bluescope Coated & Industrial Products Profit Variances 2H 14 vs 1H 14





## END NOTES:

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- <sup>i</sup> Dumping and Subsidy Manual ; 21.2 Policy; page 120; para 5
  - <sup>ii</sup> Application for Dumping Duties; Notes to Indexed Table of Sales Quantities; page 22
  - <sup>iii</sup> Application for Dumping Duties; Section A-4: The Australian market; pages 18-21
  - <sup>iv</sup> Application for Dumping Duties; page 22; para 3
  - <sup>v</sup> Application for Dumping Duties; Section A-2 Company Information, Item 2; page 8
  - <sup>vi</sup> Application for Dumping Duties Indexed Table of Sales Quantities; page 22
  - <sup>vii</sup> Application for Dumping Duties Index of Revenue Variations (\$); page 31
  - <sup>viii</sup> Application for Dumping Duties Index of Capacity Utilisation; page 32
  - <sup>ix</sup> Application for Dumping Duties Index of Employment Numbers; page 32
  - <sup>x</sup> Application for Dumping Duties Index of Employment Numbers; page 30
  - <sup>xi</sup> BSL Financial Results Presentation; August 25<sup>th</sup> 2014; Slide 10; Item 2
  - <sup>xii</sup> Submission to ADC; Thunderbox Tools 24<sup>th</sup> July 2014