



INVESTIGATION INTO ALLEGED DUMPING OF CERTAIN ZINC COATED (GALVANISED) STEEL EXPORTED FROM INDIA AND THE SOCIALIST REPUBLIC OF VIETNAM

NOTE FOR FILE RECORD OF MEETING WITH THE AUSTRALIAN STEEL ASSOCIATION INC.

Background

On 11 July 2014 the Anti-Dumping Commission (the Commission) initiated an investigation into the alleged dumping of zinc coated (galvanised) steel exported to Australia from India and the Socialist Republic of Vietnam.

On 29 September 2014 the Commission met with the Australian Steel Association Inc. (ASA) to discuss matters related to the investigation.

Date: Monday 29 September 2014

Attendees: Mr David Birrell, Chief Executive Officer, Australian Steel Association Inc.

Mr Jack Howard, Director, Staughton's

Ms Heidi Matuschka, Manager, Operations 1, Anti-Dumping Commission

Ms Jasna Halilovic, Senior Investigator, Operations 1, Anti-Dumping Commission

Matters discussed

- ASA noted that there is a concurrent requirement for both material injury and dumping to be substantiated for a dumping case to proceed, and requested that the Commission prioritise substantiation of the material injury claims made by BlueScope.
- ASA reiterated its position that BlueScope did not experience material injury over the investigation period. ASA argued that all the injury indicators suggest an improvement (or a 'reversal in trend') since dumping measures were imposed on galvanised steel and aluminium-zinc coated steel exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan in the previous dumping investigation.
- In particular, ASA stated that over the investigation period, BlueScope experienced:
 - a 25 per cent increase in sales volume;
 - a 26 per cent increase in revenue;
 - a 26 per cent increase in capacity utilisation;
 - a 25 per cent increase in market share (and a 35 per cent decrease in competition);
 - a 10 per cent increase in employment numbers;
 - an improvement in profitability; and
 - an improvement in pricing.

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- ASA noted BlueScope's comment that "BlueScope has experienced increased production of galvanised steel following the imposition of anti-dumping measures from China, Korea and Taiwan in February 2013" (from BlueScope's application, page 30). ASA agreed with this comment and claimed that any injury that may have existed has been dealt with by the imposition of previous dumping measures.
- ASA submitted that BlueScope's application has demonstrated a 25 per cent increase in its sales volume whilst also increasing its prices, and that this demonstrates that market forces have been altered to the extent that BlueScope is enjoying a near-monopoly market position. ASA claimed that imports of coated steel declined by 40 per cent and that this indicates a substantial lessening of competition in the Australian coated steel market and that the reduction in competition in the coated steel market would be exacerbated by the imposition of new dumping measures.
- ASA also stated that it is reasonable (and necessary) that Australian steel users seek alternative sources of supply and that imports from other countries, such as India and Vietnam, replace the reduction in imports from countries now subject to dumping measures. ASA argued that this is not a circumvention issue but a standard business practice.
- With the exception of the 2008 financial year, ASA suggested that the 2014 financial year saw the greatest improvement in market conditions and claimed that BlueScope saw an improvement across all the objective criteria used to assess material injury.
- ASA also drew attention to four key external factors:
 - the depreciation of the Australian dollar against the US dollar. ASA claimed that for each one US cent change in the exchange rate, there is a AUD3 million change in EBIT for BlueScope;
 - the decrease in iron ore prices. ASA claimed that for each one USD change in the price of iron ore, there is a AUD7.6 million change in EBIT for BlueScope;
 - the decrease in coking coal prices. ASA claimed that for each one USD change in the price of coking coal, there is a AUD4 million change in EBIT for BlueScope; and
 - increased activity in the Australian construction industry which stimulates demand for coated steel products.
- ASA proposed that BlueScope's Zinalume® product (aluminium-zinc coated steel) should be considered 'like' to the goods under consideration as it is produced to the same Australian standard and on the same production line as galvanised steel, as well as competing in the same market. Further, ASA expressed its view that BlueScope has sacrificed its sales of galvanised steel by promoting their Zinalume® product as the superior option in the Australian market.
- The attendees discussed ASA's submission dated 5 September 2014, as well as BlueScope's response to that submission dated 22 September 2014. With regard to BlueScope's response to ASA's submission, ASA stated that it had not asserted that BlueScope's injury claims are linked to exports from Japan and New Zealand.
- ASA refuted BlueScope's comment on page 22, paragraph 3, of BlueScope's application. ASA believes that BlueScope should not draw a relationship between Japanese and New Zealand coated steel sales and sales from India and Vietnam.
- ASA stated that the change in Japanese coated steel sales is directly attributable to the closure announcements by Australia's automotive manufacturers. ASA also stated that any decline in New Zealand coated steel sales is at the discretion of BlueScope given that the New Zealand coated steel business is a wholly-owned subsidiary of BlueScope.

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- ASA further stated that the 25 per cent increase in BlueScope's sales during the investigation period would more than offset any reduction in sales from BlueScope's New Zealand operations. ASA clarified that neither of the above factors relate to coated steel imports from India and Vietnam, which are used in the construction industry.
- The attendees discussed ASA's views on model matching. In particular, ASA submitted that there are four cost elements that have the most impact on price:
 - zinc coating mass;
 - base metal thickness;
 - width; and
 - standard/grade.