

30 October 2015

Mr Jukka Mantynen
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Dear Mr Mantynen

PUBLIC FILE

Investigation No. 284 – Hot rolled plate steel exported from Korea and Taiwan – Response to Statement of Essential Facts

Executive Summary

Statement of Essential Facts (“SEF”) No. 284 proposes the termination of investigations into hot rolled plate steel exported from Korea (by Hyundai Iron and Steel Co Ltd and Posco Steel) and Taiwan. As the applicant company seeking the imposition of measures, BlueScope Steel Limited (“BlueScope”) is opposed to the Anti-Dumping Commission’s (“the Commission”) proposed termination.

BlueScope submits that the Commission’s intention to terminate is flawed as it relies upon:

- the exporter’s selection of domestic grades of like goods for model matching purposes, that are not available to challenge from interested parties (including BlueScope) due to alleged confidentiality claims;
- the non-disclosure of domestic models/grades raises the very real likelihood of model mismatches and hence cast doubt over the accuracy of determined normal values;
- a failure to challenge exporters as to valid reason(s) for claims of confidentiality of models that can be readily identified in company product guides and on company websites;
- insufficient ‘testing’ by the Commission of certain costs (including certain costs for exports of like goods to third countries) to assess whether excluded costs are excessive; and
- the acceptance of adjustments to normal value (i.e. level of trade for Hyundai) without sufficient testing as to the validity of the claimed adjustment (in prior investigation, and with an absence of price differentials for competitor).

Introduction

The Anti-Dumping Commission (“the Commission”) has published Statement of Essential Facts (“SEF”) No. 284 concerning the export of hot rolled plate steel from Korea (by Hyundai Iron and Steel Co Ltd and Posco Steel) and Taiwan. The SEF has recommended the proposed termination of the investigation. The reasons for the proposed termination of the investigation are based upon the Commission’s findings that the exported goods by:

- On the basis of the dumping findings, the Commission proposes to terminate investigation No. 284. BlueScope does not agree with the Commission's findings and is seeking full disclosure on critical model matching information used for normal value purposes. BlueScope also submits that certain adjustments to normal value are not warranted and should be disregarded.

The Commission has permitted the Korean exporters Hyundai and Posco, along with exporters in Taiwan, to determine what domestic models match (whether identical or similar) models exported to Australia. The Commission has permitted the exporters to withdraw from public scrutiny the details of the specific domestic models of hot rolled plate steel used in this model matching exercise.

“For fair comparison purposes (i.e. when comparing domestic sales in Korea for Hyundai with export sales to Australia) it is critical to ensure the correct sequencing of product characteristics as per Hyundai’s Product Control Numbers (“PCNs”). A change in the sequence may result in a different model match outcome.

Therefore, the correct matching of domestic and export models is critical to the dumping margin outcomes in this (and other) investigations.

BlueScope notes that grades/models of hot rolled steel plate manufactured by both Hyundai and Posco is publicly available information. BlueScope does not consider that the Commission has afforded it a fair and reasonable understanding of the model and grades of hot rolled plate steel exported to Australia by each exporter (and ***selected by the exporters***) as like goods for fair comparison purposes. All domestic models that have been used for comparison with the goods exported to Australia have been redacted from the public file versions of the cooperative exporters' verification reports. This is in contrast with the publicly available information on all grades manufactured by:

¹ BlueScope submission 28th September 2015

- Hyundai as disclosed in its Product Guide publicly available on its website <https://www.hyundai-steel.com/kr/down/ProductsGuide.pdf> (Plate products referenced on pages 108 – 183, detailing Applications, Properties and Available size information)
- Posco that is identifiable on the company's website (www.posteel.co.kr/pns_english/steelinfo/posco_02_3.htm) detailing Applications, Specifications, and Available size information;

BlueScope queries the validity of claims of commercial sensitivity by Hyundai and Posco for the domestic sales models that is readily available on company websites (or can be downloaded from the internet).

The respective Hyundai and Posco verification reports confirm that the information supplied by the exporters by model, has been specifically prepared for the purposes of the Commission's investigation. BlueScope notes that both exporters were involved in the Canadian Border Services Agency ("CBSA") investigation into hot rolled plate steel exported to Canada. The domestic models identified in the CBSA inquiry would similarly apply in the current investigation.

In Investigation No. 198², the Commission published all grades for PT Gunung Rapaski of Indonesia (refer Table at Section 4.2 of Report No. 198, P.10). The publication of the domestic model grades used for fair comparison purposes is essential in affording the Australian industry (and other interested parties) an understanding that the model matching exercise is accurate and reasonable. As it currently stands in respect of exports of hot rolled plate steel exports by Hyundai and Posco, interested parties lack adequate information pertaining to whether the domestic sales of hot rolled plate steel are identical or similar to the models exported to Australia.

BlueScope is concerned that the Commission accepts claims of commercial sensitivity at face value when no grounds exist for this to be the case. There is less justification for the redaction of information that defines products by groupings, as this categorisation does not rely on commercial information by way of pricing, sales volumes, etc.

BlueScope requests the Commission to fully disclose the domestic models (specification details) nominated by the Korean exporters for model matching purposes – information that is already in the public domain via information contained in product guides and on company websites – to permit BlueScope a fair and reasonable understanding of the products claimed as being comparable with models/grades exported to Australia, and to understand whether the claimed pairings are accurate and reliable.

Insufficient summaries of redacted information

The Hyundai Steel Company verification report includes several areas where redacted information has not been sufficiently summarized in a non-confidential manner to enable interested parties an understanding of the text that has been removed. In particular, BlueScope highlights with the Commission areas involving redactions at Section 4.1.7 and Section 4.1.9 where summaries have not been provided.

The Commission is requested to seek non-confidential disclosures of information in the nominated Sections of the Hyundai report.

² Pt Gunung Raja Paski Verification Report, Investigation No. 198, Hot Rolled steel plate exported from China, Indonesia, Japan, Korea and Taiwan.

Verification of Hyundai Costs

The Commission's verification of exporter questionnaire manufacturing costs for Hyundai to the general ledger (P.36) refers to the removal of costs associated with export sales to third countries. It is not clear from the report whether the Commission contrasted the unit costs for the data removed in relation to export sales to third countries with the unit cost of goods exported to Australia. A comparison of this nature would identify whether any excessive costs attributed to export sales to third countries have been removed from the pool of costs isolated for sales to Australia.

The "preparation" of costs by the exporter for the Commission (including where certain costs have been excluded) does not appear to have been sufficiently tested to ensure relevant costs have not been removed from the remaining pool of costs for the goods exported to Australia.

Advertising expenses

It is noted in SEF No. 284 that the Commission has removed the downward adjustment for advertising expenses from Hyundai's normal value. However, it is further observed that the removal of the downward adjustment has not altered the determined dumping margin (i.e. negative 0.6%) for Hyundai.

It is requested that the Commission confirm the adjusted dumping margin on Hyundai's exports to Australia following the re-inclusion of the identified advertising costs.

Adjustment for level of trade

The Commission has granted Hyundai an adjustment for level of trade. BlueScope recalls that a level of trade adjustment was not available to Hyundai in Investigation No. 198. It is unlikely that Hyundai's distribution channels would have altered significantly between the two investigation periods. It is therefore reasonable for BlueScope to challenge why Hyundai has been afforded an adjustment for level of trade in the current investigation when no such adjustment was evident in Investigation No. 198.

Interestingly, Posco has indicated that there is "no difference in pricing to customers based on level of trade" as prices do not vary between the differing channels. In a fiercely competitive market such as Korea, it is unlikely that Hyundai would have differing price levels to Posco along the same distribution channels of supply.

BlueScope requests the Commission to re-visit Hyundai's apparent price differential in respect of the different channels of supply on the Korean domestic market.

Canadian investigation into exports of hot rolled plate steel from Korea

BlueScope has previously raised with the Commission (dated 28 September 2015) the recent investigation of the Canadian Border Services Agency ("CBSA") into the dumping of hot rolled plate steel from a number of countries including Korea. The measures applied with effect from 20 May 2014. Korean exporters of hot rolled steel plate covered by measures include Dongkuk Steel Mill Company Limited, Hyundai Corporation, Hyundai Steel Company and POSCO/Daewoo International Corporation. Dumping margins determined were as follows:

- Dongkuk - 59.7 per cent;
- Hyundai Corp – 20.9 per cent;
- Hyundai Steel – 1.9 per cent; and
- POSCO/Daewoo – 12.7 per cent (Pohang Mill) and 20.8 per cent (Kwangyang Mill).

The Commission has elected not to comment in SEF No. 284 on the CBSA's inquiry concerning exports from Korea as previously raised by BlueScope. The Commission may consider the CBSA inquiry to be irrelevant as the investigation periods are not aligned (i.e. the CBSA inquiry with the current investigation period). It cannot be dismissed, however, that the exports to Canada and Australia are the same goods, and that Korean export prices for the goods in periods subsequent to 2012 are higher for Canada (apparently non-dumped) than those to Australia – which the Commission has determined as non-dumped in 2014 (even though export prices to Canada are higher than to Australia by \$XX per metric tonne (for 4.75mm to 10mm thick) and \$XX per metric tonne (for greater than 10mm thickness)).

It is not unreasonable for BlueScope to question the apparent anomaly when normal values are determined upon the same methodology (i.e. domestic selling prices in Korea).

The differing outcomes in the respective investigations are of serious concern to BlueScope and represent a source of doubt as to the accuracy of normal value determination in Investigation No. 284 given the shrouded information on models used by the exporters for normal value purposes.

The non-disclosure of the specifications of each of the PCNs used by Hyundai and Posco for model matching purposes is of alarming concern. As stated repeatedly, the correct model matching remains a key issue in the determination of normal values and, in the absence of full disclosure of the specifications of the domestic models used for model matching purposes by each exporter, BlueScope has no confidence in the normal value outcomes and subsequent dumping margins determined for each of Hyundai and Posco as reported in SEF No. 284.

China Steel Corporation

The Commission has applied an adjustment to China Steel Corporation's ("CSC") normal value for pickling and oiling of the hot rolled plate steel for export. It is contended that the upward adjustment to CSC's normal value should be based upon the market price differential for pickling and oiling as per the producer's "Table Extras" for additional processing. In this regard, a market based premium of approximately A\$XX per tonne should have been applied to CSC's normal value.

The Commission is requested to validate that the level of the adjustment applied to CSC's normal value is consistent with the amounts disclosed in the company's "Extras Table".

If you have any questions in relation to this submission or would like to discuss further, please do not hesitate to contact me on (02) 4275 3859 or BlueScope's consultant, John O'Connor on (07) 3342 1921.

Yours sincerely



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