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30 January 2015

Mr Geoff Gleeson
Director, Operations 1
Anti-Dumping Commission
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Dear Mr Gleeson

For Public File

Investigation No. 249 – Zinc Coated (galvanised) Steel exported from India and Vietnam – BlueScope Comments re Submission by POSCO Maharashtra Steel Pvt Ltd

Introduction

I refer to the submission dated 18 December 2014 on behalf of POSCO Maharashtra Pvt Ltd (POSCO Maharashtra) concerning material injury and causal link to the Australian industry manufacturing zinc coated galvanised steel.

BlueScope Steel Limited ("BlueScope") rejects the assertions of POSCO Maharashtra and others that suggest the Australian industry manufacturing zinc coated galvanised steel has not experienced material injury following on from the imposition of anti-dumping (and countervailing) measures on exporters from China, Korea and Taiwan in February 2013.

Material Injury caused by exports from India and Vietnam

The Anti-Dumping Commission ("the Commission") is aware that POSCO Maharashtra's comment that "major exporters were excluded" from measures imposed by the Minister on 5 August 2013 does not accurately reflect the facts. The three exporters excluded from the measures cannot be described as "major" exporters.

BlueScope has demonstrated to the Commission that following the imposition of provisional measures in February 2013 on exports of zinc coated galvanised steel exported from P R China, Korea and Taiwan there was an expectation that injury from the dumping and subsidisation would recede and that the Australian industry would compete with fair prices. After the measures were imposed, importers sourced zinc coated galvanised steel from new suppliers that were not previously participants in the Australian market. These new sources of supply involved exporters in India (including POSCO Maharashtra) and Vietnam.

BlueScope's application for anti-dumping measures on exports from India and Vietnam identified the impact of the emergence of the dumped exports from India and Vietnam to account for almost 25 per cent of total exports of zinc coated galvanised steel to Australia in the twelve months ending March 2014. BlueScope

reiterates with the Commission that in the prior year to 2013/14 (year ending March) exports from India and Vietnam were at negligible levels.

It is inconceivable to suggest that the exports from India and Vietnam that were negligible in one year and, following the imposition of measures, rapidly increased to hold almost 25 per cent of total exports to Australia in the following year, have had little or no impact on the economic performance of the domestic industry. The acceleration of exports from India and Vietnam was exacerbated by the dumped prices that undercut price offers from the Australian industry and other countries of supply. BlueScope has demonstrated the prevalence of price undercutting from exports from India and Vietnam in its application.

It is irrefutable that the exports of zinc coated galvanised steel have displaced exports from the countries the subject of the measures at dumped prices and continued the material injury experienced from dumping from exports from P R China, Korea and Taiwan. The suppressive impact of the dumped prices has held the Australian industry's profit and profitability at levels below those in the previous inquiry (Report No. 190 refers) as reflected in the 2011/12 financial year. The absence of a recovery from the depressed and suppressed levels of 2011/12 combined with the dramatic increase in export volumes of the goods from India and Vietnam confirms sustained material injury to the Australian industry from the dumped exports.

Additional comments

Import pricing methodology

It is argued by POSCO Maharashtra that a factor in the injury experienced by the Australian industry is BlueScope's pricing response to imports. Selling prices for zinc coated galvanised steel are determined by imports. BlueScope is cognisant of these import prices and prices according to the available supply from alternate sources. This import pricing methodology is not solely an approach followed by BlueScope or the steel industry, as it is evident across all sectors of Australian manufacturing.

BlueScope notes further that POSCO Maharashtra suggests that the import prices from India and Vietnam fall within a "price band established by the great majority of other imports" provides little comfort to the Australian industry. In an industry where there exists substantial oversupply with producers seeking out export destinations to offload excess production, these comments do not establish that the so-called price-bands are at non-dumped levels and not unfairly priced.

Import volumes

POSCO Maharashtra seeks to downplay the volumes of zinc coated galvanised steel exported from India and Vietnam describing these as "simply replacing a small proportion of the other imports" when in fact the volumes increased to account for almost 25 per cent of total imports.

It cannot be concluded that the acceleration in exports to achieve an approximate 7 per cent market share in 2013/14 represents a "small proportion" of imports. In the absence of anti-dumping measures, the rapid growth in exports of the goods from India and Vietnam would continue, resulting in reduced sales volumes and market share (in addition to the price and profit effect injury already sustained).

Changes in the Australian market

POSCO Maharashtra suggests that the future changes in the Australian market brought about by the closure of motor vehicle manufacturing is having and will continue to have implications for Australian manufacturing.

BlueScope has observed that the Australian market for zinc coated galvanised steel has remained fairly stable since 2011/12 and that the announced closures have not thus far impacted demand in Australia for zinc coated galvanised steel.

BlueScope does not consider that there are any other factors that have influenced demand for zinc coated galvanised steel in Australia. The continued decay in the industry's economic performance since the 2011/12 investigation period in Inquiry No. 190 and following the imposition of measures can be attributed to the impact of the dumped exports from India and Vietnam that have secured approximately 7 per cent market share in short timeframe.

Injury Period

The POSCO Maharashtra submission contends that a three-year injury period for injury analysis is recommended by the WTO. BlueScope does not consider that a three-year period is reasonable as the base year is impacted by dumped and injurious exports to Australia. POSCO Maharashtra is also aware that its suggested base year was materially impacted by the global financial crisis. BlueScope has used the 2008/09 year as the base year as this was the base year in Inquiry No. 190 as this inquiry examines the "switch" of supply from countries to which measures apply, it is relevant to consider the impact on the Australian industry's economic indicators from the same base year as the earlier inquiry.

Price suppression

BlueScope reaffirms that it has experienced a divergence of the margin between selling price and costs during the investigation period. Whereas BlueScope has experienced a reduction in costs in 2013/14, the reduction in selling price (due to the price undercutting experienced from imports from India and Vietnam), has been of a greater percentage. Hence, the divergence in the margin and the further deterioration in profit in 2013/14 when contrasted with the earlier investigation period of 2011/12.

The further reduction in profit filters through to a deterioration of BlueScope's return on investment.

Captive production

BlueScope's examination of POSCO Maharashtra's comments concerning internal transfers is concerned with the apparent absence of an "objective view" by the Commission in its examination of the transfer of zinc coated galvanised steel for further working.

The Commission has verified BlueScope's internal transfers of the like goods and is satisfied that the goods are costed on a reasonable basis. The Commission has fully considered BlueScope's transfers in its assessment of local production. BlueScope rejects the unfounded assertions by POSCO Maharashtra that the Commission has accepted injury indicators that it claims have been "manipulated" by BlueScope's business accounting policies.

BlueScope finds POSCO Maharashtra's comments that BlueScope engages in "persistent anti-dumping complaints against galvanised steel" as completely inaccurate and a further misrepresentation. BlueScope's application for measures in 2012 was its first application against dumped (and subsidised) zinc coated galvanised steel. The current investigation follows the shift by importers to source dumped goods from countries not the subject of measures following the imposition of remedies to address the unfairly priced exports.

Zero-spangle product

BlueScope has previously addressed the issue of zero-spangle galvanised steel in Inquiry No. 190 in respect of exports by POSCO of Korea. The authors of POSCO Maharashtra's submission are aware of the earlier correspondence on this issue.

POSCO Maharashtra may avail itself of the exemption from the anti-dumping measures process to demonstrate that its product is not alike to the goods manufactured by BlueScope.

Closing remarks

BlueScope reiterates the allegations made in its application seeking the imposition of anti-dumping measures on exports of zinc coated galvanised steel exported from India and Vietnam that it has experienced a continuation of material injury from the surge in dumped exports from the new sources of supply and that anti-dumping measures are required to provide the Australian Industry with relief from the injurious exports.

The claims of POSCO Maharashtra that "only three factors" have been identified as injury indicators in the investigation cannot be considered irrelevant or minimalistic when the overall impact is a further reduction in the Australian industry's profit and profitability in 2013/14 from the investigation period in 2011/12 due to the switch in sources of supply to India and Vietnam. The extended material injury in 2013/14 can be directly attributed to the surge in exports from India and Vietnam that account for almost 25 per cent of total exports and approximately 7 per cent of the Australian market (in the space of 12 months).

BlueScope requests the Commission to assess the impact of material injury to the Australian industry based upon the material facts concerning the surge in exports from India and Vietnam following the imposition of measures on exports from P R China, Korea and Taiwan, and the impact of those dumped exports on the Australian industry's selling prices (i.e. as evidenced via price undercutting and price suppression).

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

Yours sincerely,



Chad Uphill
International Trade Affairs