



Australian Government
**Department of Industry,
Innovation and Science**

**Anti-Dumping
Commission**

INVESTIGATION 370

**ALLEGED DUMPING OF ZINC COATED (GALVANISED)
STEEL EXPORTED FROM THE REPUBLIC OF INDIA
(INDIA), MALAYSIA AND THE SOCIALIST REPUBLIC OF
VIETNAM (VIETNAM)**

AND

**ALLEGED SUBSIDISATION OF GALVANISED STEEL
EXPORTED FROM INDIA AND VIETNAM**

VISIT REPORT - AUSTRALIAN INDUSTRY

BLUESCOPE STEEL LIMITED

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

November 2016

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BACKGROUND AND PURPOSE

1.1 Background

On 7 October 2016, the Commissioner of the Anti-Dumping Commission (the Commissioner) initiated a dumping investigation into alleged dumping of zinc coated (galvanised) steel (the goods) exported to Australia from the Republic of India (India), Malaysia and the Socialist Republic of Vietnam (Vietnam) and alleged subsidisation of the goods exported to Australia from India and Vietnam.

The application was lodged by BlueScope Steel Limited (BlueScope) requesting that the Assistant Minister for Industry, Innovation and Science and Parliamentary Secretary to the Minister for Industry Innovation and Science¹ (Parliamentary Secretary) publish a dumping duty notice in respect the goods exported from India, Malaysia and Vietnam and a countervailing duty notice in respect of the goods exported from India and Vietnam.

In its application, BlueScope alleges that the Australian industry has suffered material injury caused by galvanised steel exported to Australia from India, Malaysia and Vietnam at dumped and/or subsidised prices.

The background to the initiation of this investigation is contained in Consideration Report number 370 (CON 370). Public notification of the initiation of the investigation was made on 7 October 2016 in the Anti-Dumping Notice No. (ADN) 2016/105.

Public Record version of the application, CON 370 and ADN 2016/105 are available on the Commission's website www.adcommission.gov.au.

¹ On 19 July 2016, the Prime Minister appointed the Parliamentary Secretary to the Minister for Industry, Innovation and Science as the Assistant Minister for Industry, Innovation and Science. For the purposes of this decision the Minister is the Parliamentary Secretary to the Minister for Industry, Innovation and Science.

2 THE GOODS AND LIKE GOODS

2.1 Australian Industry

BlueScope is the sole manufacturer of galvanised steel in Australia.

2.2 Description

The goods the subject of the application (the goods) are defined as follows:

“Flat rolled iron or steel goods (whether or not containing alloys) that are plated or coated with zinc”.

The goods are also generically described as galvanised steel. Galvanised steel of any width is included in this application.

Exclusions

Painted galvanised steel, pre-painted galvanised steel, electro-galvanised steel, corrugated galvanised steel or aluminium zinc alloy coated or plated steel are excluded from the application.

The full description of the goods is contained in ADN 2016/105.

2.3 Like Goods sold on the domestic market

BlueScope considers that its locally produced galvanised steel is ‘alike’ to the imported goods and possesses the same essential characteristics as the imported goods, because both goods:

- are alike in physical appearance;
- compete directly in the same market;
- are directly substitutable; and
- have the same end-uses.

Although BlueScope does not manufacture galvanised steel containing alloys, its application stated that other alloy zinc coated products are wholly substitutable with iron and non-alloy zinc coated steel products.

Based on information available, as well as discussions and verification of data provided by BlueScope, the Commission considers:

- the primary physical characteristics of the goods and locally produced goods are similar;
- the goods and locally produced goods are commercially alike as they are sold to common users, and directly compete in the same market;
- the goods and locally produced goods are functionally alike as they have a similar range of end-uses; and
- the goods and locally produced goods are manufactured in a similar manner.

In light of the above, the Commission is satisfied that the Australian industry produces like goods to the goods the subject of the application (including those goods that comprise other alloy steel), as defined in subsection 269(T)(1).

The issue of like goods will continue to be assessed throughout the investigation.

2.4 Product Control Number (PCN) - Coding system

BlueScope has utilised the PCN system to divide its sales and costs of galvanised steel into eight different categories as detailed below:

- i. Prime/non-prime product;
- ii. Base Steel – hot/cold rolled;
- iii. Hot dipped coating type;
- iv. Coating mass;
- v. Grade designation;
- vi. Thickness;
- vii. Width; and
- viii. Form

Details of this verification process are contained in the verification work program, and its relevant attachments are at **Confidential Attachment 1**.

2.5 Conclusion

The Commission is satisfied that:

- the galvanised steel produced by BlueScope is like goods to the imported goods;²
- at least one substantial process of manufacture of galvanised steel is carried out by BlueScope in Australia;³ and
- there is an Australian industry which produce like goods in Australia.

² Subsection 269T(1)

³ Subsection 269T(3)

3 VERIFICATION OF SALES

3.1 Verification of Australian sales to audited financial statements

The visit term verified the completeness and relevance of BlueScope's sales spreadsheet by reconciling it to audited financial accounts in accordance with Anti-Dumping Notice (ADN) No. 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of BlueScope's sales spreadsheet by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.3 Sales to related parties

BlueScope sells to both related and unrelated entities. The verification team found that selling prices and terms of trade to related entities were comparable to those offered to major unrelated customers.

The verification team has not found any evidence to suggest that the related parties transactions are not at arm's length.

3.4 Conclusion

The verification team is satisfied that the sales listing provided by BlueScope is complete, relevant and accurate.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

The visit team verified the completeness and relevance of BlueScope's sales spreadsheet by reconciling it to audited financial accounts in accordance with Anti-Dumping Notice (ADN) No. 2016/30.

The verification team identified an issue in relation to selling general and administration (SG&A) expenses. The verification team did not identify any other issues.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

4.1.1 Selling General and Administration expenses

The verification team noted that some unrelated SG&A expenses to the goods were included in the costs to make and sell data. Following the visit BlueScope explained that there was an error in the methodology it used to allocate the SG&A expenses. BlueScope provided a revised CTMS data excluding all unrelated items recollecting its SG&A expenses to the goods for the entire injury analysis period (i.e. from FY2013).

The verification team is satisfied that SG&A expenses provided in the revised Confidential Appendix A6.1 and A6.2, are a reasonably complete and relevant account of the SG&A allocation during the investigation period (including the injury analysis period) provided to the Commission.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

4.1.2 Verification of costs to source documents

The visit team verified the accuracy of BlueScope's cost to make and sell spreadsheet by reconciling it to source documents in accordance with ADN 2016/30.

The verification team did not identify any issues during this process.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

4.2 Conclusion

The visit team considers that BlueScope's revised cost to make and sell data in Confidential Appendices A6.1 and A6.2 are a reasonably complete, relevant and accurate reflection of the cost to make and sell for BlueScope.

5 ECONOMIC CONDITION OF THE INDUSTRY, INJURY CLAIMS AND CAUSATION

5.1 Applicant's injury claims

In its application, BlueScope submitted that the Australian industry has suffered material injury caused by galvanised steel exported to Australia at dumped and/or subsidised prices and from India, Malaysia and Vietnam. BlueScope claimed that the industry has been injured through:

- lost sales volumes
- loss of market share
- price depression
- price suppression
- reduced sales revenue
- reduced profit and profitability
- reduced employment
- reduced return on investment

The following analysis, in the context of the alleged injury, has been completed using data provided by BlueScope and verified by the Commission.

5.2 Commencement of injury and analysis period

The applicant claims that injury in terms of this application commenced in 2013/14 following the imposition of anti-dumping measures in August 2013 on exports from China, Korea and Taiwan. The applicant further claims that material injury has continued in 2015/16 as the dumped and/or subsidised exports of galvanised steel from India, Malaysia and Vietnam have prevented BlueScope from achieving adequate returns on sales.

5.3 Approach to injury analysis

For the purpose of assessing whether there are reasonable grounds for establishing that an injury has occurred, the Commission has relied on data provided by BlueScope and verified by the Commission and information available in the Australian Border Force (ABF) import database for the injury analysis period 1 July 2012 to 30 June 2016.

5.3.1 Price effects

BlueScope claims that it has suffered price depression and price suppression as a result of competing with dumped and/or subsidised imports from India, Malaysia and Vietnam.

Figure 1 below shows the movement in weighted average unit cost to make and sell (CTMS) and unit selling prices for galvanised steel provided by BlueScope over the injury analysis period.

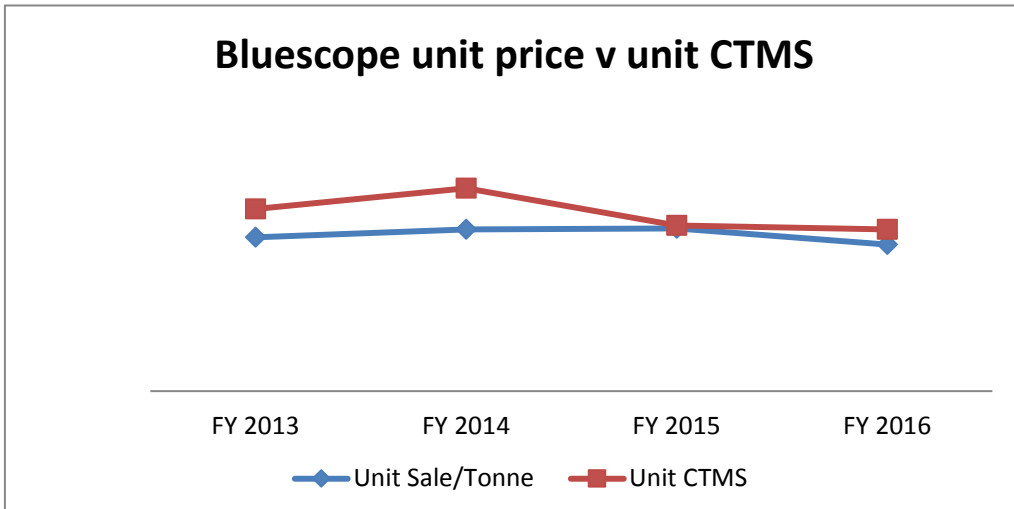


Figure 1 – BlueScope unit price v unit CTMS

Figure 1 shows that BlueScope’s unit cost to make and sell exceeded its unit selling prices for financial years 2013 to 2014 and were almost at breakeven for financial years 2015, CTMS increased in FY2016 (with the unit CTMS slightly higher than unit selling prices). BlueScope claims that it was not able to increase the unit selling prices over the injury analysis period, supporting the applicant’s claim of price depression.

Figure 1 also shows that the unit cost to make and sell stayed relatively stable in the 2016 financial year compared to FY2015, which BlueScope has claimed was largely due to a reduction in raw material and SG&A costs.

BlueScope claims that the implementation of anti-dumping measures in 2013 on galvanised steel from China, Taiwan and Korea resulted in the industry regaining lost volume. However, BlueScope alleges that as the volume of dumped and/or subsidised imports from India, Malaysia and Vietnam increased in financial year 2014, BlueScope did not experience an increase in sales volumes to the extent expected as a result of the imposition of measures.

BlueScope claims that in response to the increase in volumes from the countries the subject of the application, BlueScope reduced its selling prices in financial year 2016. This had the effect of BlueScope recovering sales volumes.

Figure 2 below shows sales volumes and unit sales price for the financial years 2013 to 2016.

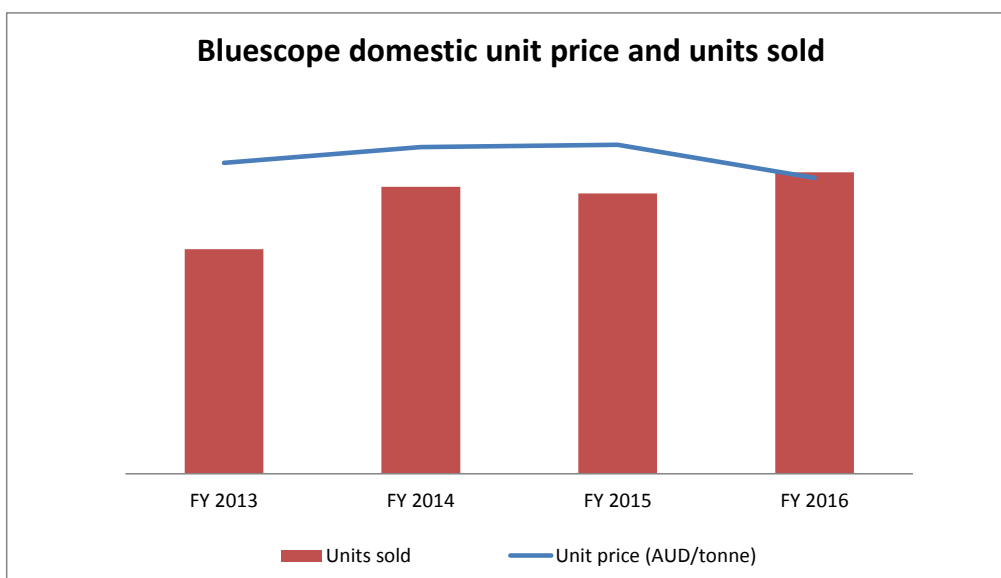


Figure 2 – BlueScope’s unit price v units sold

Figure 2 illustrates that the applicant decreased the unit price of the goods in financial years 2015 and 2016.

5.3.2 Price undercutting

Price undercutting occurs when imported product is sold at a price below that of the Australian industry.

At the visit in addition to the examples of price undercutting provided with its application, BlueScope provided additional details evidencing the price-injury impact from the dumped and/or subsidised imports from India, Malaysia and Vietnam. BlueScope provided detailed information, analysis and data to support its claims.

The verification team compared BlueScope’s unit selling prices to reasonable estimates of the selling prices of imports from India, Malaysia and Vietnam into the Australian market at free into store prices (FIS).

To estimate the FIS prices for India, Malaysia and Vietnam, the Commission added verified post exportation and importation costs⁴ from a previous investigation (INV249)⁵ to FOB export prices obtained from the ABF import database.

Figure 3 below compares FIS prices of galvanised steel between the three countries subject to the application and BlueScope.

⁴ Example - Ocean freight, marine insurance, customs duty and clearance charges, Australian inland transport etc.

⁵ INV249 – Zinc Coated (Galvanised) Steel from India and Vietnam (2015)
<http://adcommission.gov.au/cases/Pages/ArchivedCases/ADC249.aspx>

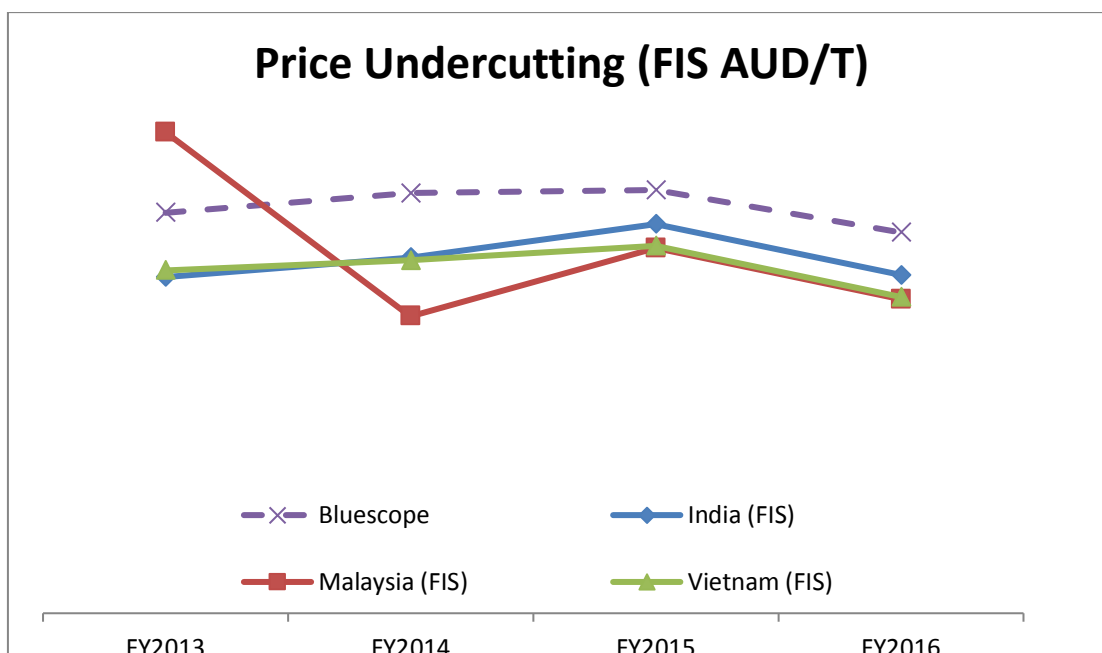


Figure 3 – Price undercutting

The verification team found that exports of galvanised steel from India, Malaysia and Vietnam undercut BlueScope’s prices between 13% and 19% during the investigation period.

5.3.3 Conclusion – price effects

Based on this analysis, there appears to be reasonable grounds to support the claim that the Australian industry has experienced injury in the form of price suppression. This will be further examined during the course of the investigation.

5.4 Profit and profitability

In its application, BlueScope submitted that notwithstanding any improvement in its fixed unit costs, it could have further improved the profit and profitability of sales of the goods if not for the loss of sales volume and price undercutting of the alleged dumped and/or subsidised goods exported from India, Malaysia and Vietnam.

Figure 4 below shows BlueScope’s total profit and unit profitability over the injury analysis period.

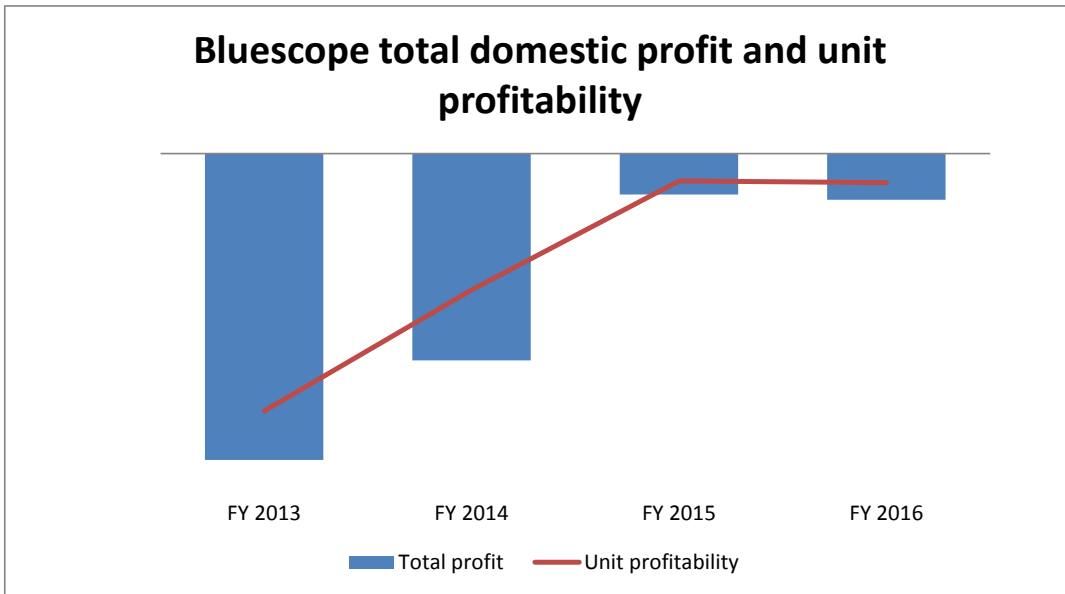


Figure 4 – BlueScope’s total profit and profitability for galvanised steel

5.4.1 Conclusion – profit and profitability effects

There appear to be reasonable grounds to support the claim that the Australian industry suffered injury in the form of lost profit and profitability.

The Commission notes that whilst BlueScope has experienced an overall improvement in its profit and profitability position, it is still experiencing reduced profits and unprofitability. The Commission considers BlueScope’s claims regarding improvement in profitability as a result of its reduction in costs to make and sell to be reasonable.

As there are reasonable grounds to support the claim that BlueScope has suffered injury in the form of price depression and price suppression, the Commission is of the view that the Australian industry may not have continued to experience unprofitability had it not experienced price suppression and price depression as a result of the dumped and/or subsidised exports from the countries the subject of the application.

5.5 Volume trends

BlueScope has claimed that the Australian industry suffered material injury in relation to loss of sales volume or market share. BlueScope stated in its application that it experienced increased production, sales volume and market share in 2013-14,⁶ albeit by reducing its unit prices.

5.5.1 Sales volume

In its application, BlueScope claims that it has suffered injury in the form of reduced sales volumes.

⁶ Assessment based on an April-March year.

Figure 5 below shows the Australian industry’s volume of domestic sales of galvanised steel for each financial year from 2013 to 2016.

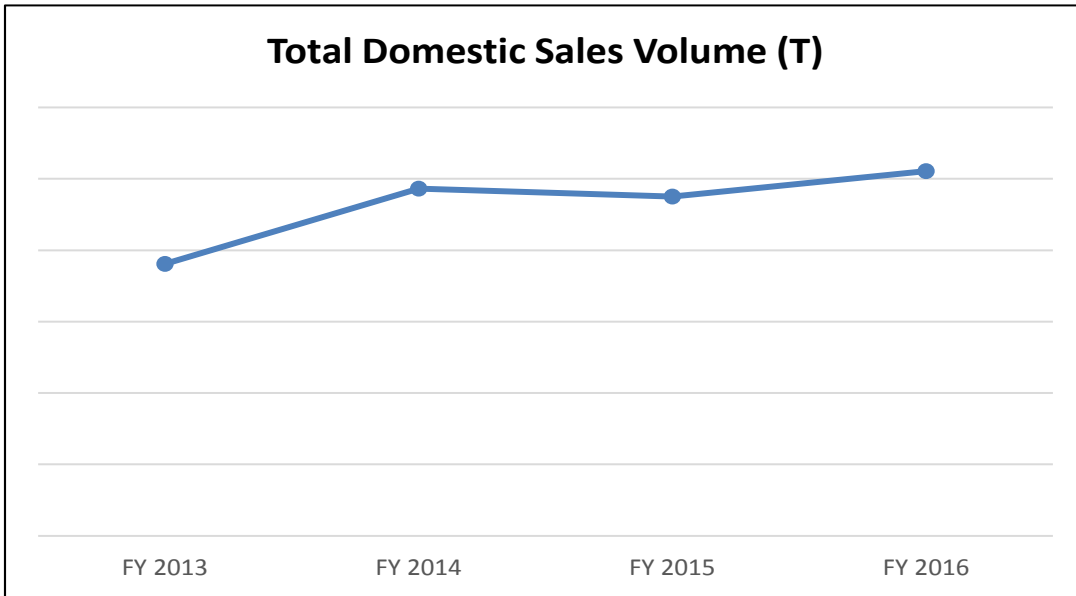


Figure 5 – domestic sales volume of galvanised steel

Figure 5 depicts that BlueScope’s sales volume of galvanised steel increased in the 2014 financial year after the implementation of anti-dumping measures for the goods exported from China, Taiwan and Korea. However, BlueScope experienced a reduction in sales volumes in the 2015 financial year. The graph suggests that BlueScope has recovered some of its volumes in the 2016 financial year.

5.5.2 Market Share

Figure 6 below shows that the Australian industry’s market share increased in each financial year from 2013 to 2016 following the imposition of measures on China, Korea and Taiwan.

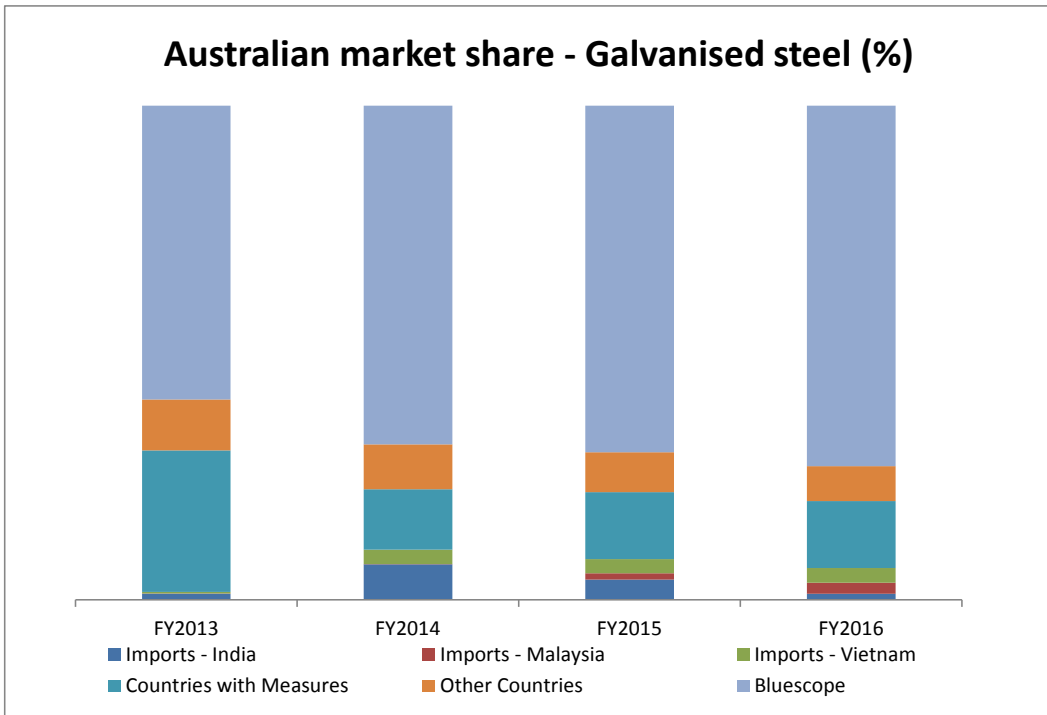


Figure 6 – Australian market share based on ISSB, ABS and BlueScope sales data

Over the injury analysis period, BlueScope’s market share increased from 59% to 73% while the market share of imports from the countries subject to the application increased from 2% to 6%.

This suggests that in the investigation period BlueScope could have potentially gained additional market share but for the existence of dumped and/or subsidised goods from India, Malaysia and Vietnam. This is consistent with BlueScope’s claims that it lost market share to India, Malaysia and Vietnam.

5.5.3 Conclusion – volume trends

Based on the available information, the verification team considers that there appear to be reasonable grounds to support BlueScope’s claim that the Australian industry has lost the opportunity to gain potential sales volume as a result of the dumped and/or subsidised imports from India, Vietnam and Malaysia which emerged post the anti-dumping measures imposed in 2013 after investigations 190 and 193.

The Commission considers that the volume of imports from India, Malaysia and Vietnam (at approximately 24% of total imports) are not insignificant, and may have contributed to the potential failure to obtain greater market share and volumes BlueScope alleges.

5.6 Other economic factors

In its application BlueScope claims injury in the form of ‘other injury factors’ regarding:

- reduced capital expenditure;
- reduced return on investment;

- reduced employment; and
- reduced revenues.

The verification team verified information provided by BlueScope and makes the following observations.

Capacity and capacity utilisation

BlueScope's capacity fluctuated slightly but generally remained at the same level throughout the injury analysis period and BlueScope was able to increase capacity utilisation overall.

Return on investment

While BlueScope's return on investment improved during the injury analysis period, it remained negative at the end of financial year 2016.

Employment numbers

BlueScope's employment numbers decreased from financial year 2013 to 2016 over the injury analysis period. Employment numbers decreased by a total of 28%.

Revenue

BlueScope's revenue increased in each year of the injury analysis period, showing an overall increase of approximately 30%.

Productivity

Productivity, measured as tonnes per shift, has improved from 6,197 tonnes in financial year 2013 to 11,300 tonnes in financial year 2016.

Capital investment

Capital invested for galvanised steel decreased from \$3.10 million to \$2.52million from financial year 2013 to 2016.

Conclusion – other injury factors

The verification team has considered the other injury factors outlined above and there appear to be reasonable grounds to support the claim that the Australian industry has suffered injury with respect to:

- reduced return on investment; and
- reduced employment numbers.

These factors will be considered further during the course of the investigation.

5.7 Factors other than dumping

At the visit, BlueScope stated that the imposition of dumping measures on imported galvanised steel in August 2013 should have resulted in an improvement to its prices.

BlueScope noted that while it had experienced an increase in sales volume and market share since FY2012, this had not translated into improved prices and

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margins due to increasing competition from imported galvanised steel from India, Malaysia and Vietnam.

BlueScope stated that it remains ready to supply increased demand in Australia and considers that the only material factor adversely impacting the Australian industry is the dumped and/or subsidised exports of galvanised steel from India, Malaysia and Vietnam.

6 UNSUPPRESSED SELLING PRICE AND NON-INJURIOUS PRICE

The Commission generally derives the non-injurious price by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping. This price is referred to as the unsuppressed selling price.

The Commission's preferred approach to establishing unsuppressed selling prices observes the following hierarchy:

- industry selling prices at a time unaffected by dumping;
- constructed industry prices, industry cost to make and sell plus profit; or
- selling prices of un-dumped imports.

Having calculated the unsuppressed selling price (USP), the Commission then calculates a non-injurious price (NIP) by deducting the costs incurred in getting the goods from the export free on board point (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, insurance, into-store costs and amounts for importer expenses and profit.

Following the verification visit BlueScope has provide a detailed submission regarding its opinion on the most appropriate method to calculate the unsuppressed selling price and NIP.

The Commission will consider this issue in the Statement of Essential Facts.

APPENDICES AND ATTACHMENTS	
Confidential Appendix 1	Analysis of revenue and cost data using revised information.
Confidential Attachment 1	Verification work program