

6 July 2015

Mr Geoffrey Gleeson
Director, Operations 1
Anti-Dumping Commission
Level 35, 55 Collins Street
MELBOURNE VICTORIA 3000

Dear Mr Gleeson

Public File

Statement of Essential Facts No. 249 – Zinc Coated (Galvanised) Steel exported from India and the Socialist Republic of Vietnam

Executive Summary

BlueScope Steel Limited ("BlueScope") is the applicant company that has requested the imposition of anti-dumping measures on exports of zinc coated (galvanised) steel ("the goods") exported from India and the Socialist Republic of Vietnam ("Vietnam"). BlueScope rejects the Anti-Dumping Commission's ("the Commission") proposed termination of inquiries into exports of the goods from Indian and Vietnam on the following grounds:

- dumped exports of the goods by Essar Steel India Ltd ("Essar") are above negligible levels and can be readily quarantined in a sufficient manner to identify as having been a cause of material injury to the Australian industry;
- dumped exports of the goods by Essar threaten to cause material injury to the Australian industry manufacturing like goods;
- the normal value calculations for JSW Steel Coated Products Ltd ("JSW Coated"), POSCO Maharashtra Steel Pvt. Ltd ("POSCO Steel"), and Uttam Galva Steels Ltd ("Uttam Galva") cannot be relied upon as the data used for normal value purposes is unverified;
- exports by the Hoa Sen Group of Vietnam to Australia are considered to have been made at dumped prices above negligible levels as only select sales to Hoa Sen Group's top 5 service centres were included in domestic sales. Additionally, certain adjustments made are incorrect (domestic inland freight and domestic credit terms); and
- the dumping of the goods from India and Vietnam have caused material injury to the Australian industry manufacturing like goods.

BlueScope requests the Commission to reconsider its proposed recommendation in SEF No. 249 and substitute a finding that all exports of the goods from India and Vietnam have been at dumped prices that have caused material injury to the Australian industry producing like goods. The Commission is also requested to recommend to the Parliamentary Secretary that anti-dumping measures are required to prevent further material injury to the Australian industry.

Exports by Essar

The Commission has determined that exports of the goods by Essar of India were at dumped prices. The margin of dumping was 7.4 per cent. The Commission stated that exports of dumped goods from India “represented somewhere between 4% and 5% of the total market volume”. The size of the galvanised steel market in 2013/14 was assessed by the Commission as “above 700,000” tonnes¹. Therefore, the volume of dumped Indian exports to Australia accounted for approximately 28,000 to 35,000 during the investigation period. BlueScope understands that approximately 50,000 tonnes were exported to Australia from India in 2013/14, and that Essar accounted for approximately **[CONFIDENTIAL TEXT DELETED – import volumes]**. Essar therefore accounted for a significant proportion of the dumped exports from India in 2013/14.

Essar’s exports of the goods to Australia accounted for greater than XX per cent of total imports of the goods in 2013/14, and approximately XX per cent of the total galvanised zinc market.

BlueScope further understands that Essar is the largest Indian exporter of the goods exported to Australia (by volume). Specifically, BlueScope understands from **[CONFIDENTIAL TEXT DELETED – source]** that Essar is the largest Indian exporter of the goods in the thickness range of 0.5mm to 1.5mm (under tariff classification 7210.49.00 statistical code 56). It is further understood by BlueScope that approximately XX of Essar’s exports of the goods to Australia during the investigation period were of thickness 0.5mm to 1.5mm. This category of galvanised zinc is also the XX volume import category of the goods as defined in the goods description. Essar is also understood to be the largest Indian exporter of the goods in the 1.5mm to 2.5mm category, and the 2.5mm and above category.

Exports of galvanised zinc coated steel with a thickness between 0.5mm and 1.5mm is the most common category exported to Australia in 2013/14. It is understood that Essar accounts for XX of exports in this category of all exporters from all source countries (including India and Vietnam) in the investigation period.

As the largest exporter in the most common sized goods category exported to Australia (i.e. 0.5mm to 2.5mm), Essar’s volume and pricing of the goods influences the pricing intentions of all other exporters and the import parity pricing of the Australian industry. Essar was the price-setter on the Australian market in 2013/14 as its position surpassed the volumes of exporters from China and Korea, and those of exporters from Taiwan the subject of measures.

BlueScope contends that Essar’s export prices for the volumes exported to Australia in 2013/14 (particularly for the goods in the thickness range 0.5mm to 1.5mm) were the competitive benchmark for all other suppliers.

In light of this position as the largest exporter of the goods from India and, specifically, in the highest volume thickness range 0.5mm to 1.5mm, Essar’s dumped prices had a substantial pervasive impact on the selling prices of the Australian industry. The Commission examined the impact of price undercutting of the Australian industry’s selling prices by exports of the goods from India and Vietnam. The Commission found that²:

“Essar Steel products were sold in Australia at prices that undercut BlueScope in each month at rates between 7% and 16%, which was, in most months, greater than the undercutting identified for uncooperative exporters from India.

¹ Statement of Essential Facts No. 249, P. 21.

² Ibid, P.42.

The comparison also showed that undumped goods from India and Vietnam were sold in Australia at prices that undercut BlueScope in each month at rates between 1% and 14%”.

The Commission’s statements indicate that the prices for the dumped Essar exports were at prices that undercut the Australian industry’s selling prices to a greater degree than the non-dumped prices. This finding is not surprising as Essar accounted for XX volume of exports by all exporters from India and Vietnam. Essar’s selling prices in Australia, therefore, were the lowest selling prices for all exports from India and Vietnam.

The Commission’s analysis in comparing weighted average FIS import prices for selected products (with weighted average prices by BlueScope) identified price undercutting by Essar of between 2% and 12%. This analysis was only possible for exports by Essar (analysis based upon grade and coating mass). The sales records of the remaining Indian exporters were not verified by the Commission, so breakdowns of the goods by grade and coating mass were not readily available.

As the largest exporter of dumped goods to Australia (by volume) with the lowest selling prices at the FIS level in Australia, dumped exports by Essar were pivotal in influencing the Australian industry’s selling prices (via price undercutting in the range 7% to 16%). The growth in export volumes from India in 2013/14 (when contrasted with 2012/13) demonstrates that the prices at which the dumped Indian exports from Essar undercut the Australian industry’s selling prices was a key factor in the dramatic increase in export volumes to Australia in 2013/14.

The Commission contends that its analysis of the levels of price undercutting indicated that the non-dumped selling prices of exports of the goods from Taiwan – the single largest source of the goods in 2013/14 – were lower than Essar’s FIS export prices in Australia. However, the Commission’s analysis falters in that it does not take account of the primary grades of the goods exported from Taiwan when compared with exports from India. Exports of the goods from Taiwan are primarily of thicknesses of 2.5mm and above, with only limited volumes in the largest ranged exported from India (i.e. in the thickness range 0.5mm to 1.5mm). The Commission, therefore, has erred in its analysis of comparing price undercutting at the correct product category for non-dumped exports from Taiwan with the dumped and injurious exports from India.

BlueScope submits that the export volumes of the goods by Essar in the thickness range 0.5mm to 1.5mm were a cause of material injury to BlueScope, particularly for galvanised zinc coated steel in the thickness range 0.5mm to 1.5mm. Exports of non-dumped galvanised zinc coated steel from Taiwan were, in the main, of a grade thickness of 2.5mm and greater, and therefore could not have been the cause of material injury experienced by the Australian industry for goods with thickness in the range 0.5mm to 1.5mm.

BlueScope respectfully submits that the Commission’s attribution of injury experienced by the Australian industry to non-dumped goods exported from Taiwan is not accurate. Exports of Indian galvanised zinc coated steel at dumped prices were the primary cause of injury experienced by the Australian industry for goods in the 0.5mm to 1.5mm range, the most common range of goods exported to Australia from India. BlueScope also contends that as Essar’s FIS prices undercut BlueScope’s selling prices by the greatest margins (i.e. at prices that were lower on average than export prices from Vietnam), and that exports from India are, in the main, of a different thickness to exports from Taiwan, it cannot be determined that non-dumped exports of the goods from Taiwan (primarily of a thickness of 2.5mm and greater) were the cause of injury to the Australian industry in the 0.5mm to 1.5mm thickness range.

The export volumes for the different thickness ranges confirm that exports from India (i.e. the dumped exports from Essar and other exporters at dumped prices) were the cause of material injury to the Australian industry in the price sensitive galvanised zinc coated steel 0.5mm to 1.5mm segment of the market. The export data confirms (see graphs below) that Indian exporters are suppliers of the goods with a thickness

range that is lower than the majority of export grades from Taiwan (primarily in range 2.5mm and above). Exports from Taiwan, therefore, cannot be considered to be the sole or only material cause of the injury to the Australian industry when exports from Taiwan do not generally compete against exports from India on the Australian market.

[CONFIDENTIAL GRAPHS DELETED – Galvanised Steel Export Volumes 2013/14]

Source: [Name] and [Name]

The above graphics indicate that India is the primary source of exports in the 0.5mm to 2.5mm range as confirmed by [Name] data and [Name] data. The foregoing confirms BlueScope's understanding from market intelligence that the exports of galvanised steel from India predominate in the 0.5mm to 1.5mm thickness range, and exports from Taiwan in the thickness range above 0.5mm to 1.5mm. Thus, exports from India and Taiwan are predominantly supplied to different market segments (based upon product thickness) in the galvanised steel market.

Threat of injury

Essar is an integrated steel manufacturer that produces approximately one million tonnes of coated steel per annum. The company has the capacity to increase exports to Australia – including by a more dramatic rate than was evident from 2012/13 to 2013/14. BlueScope suggests that the Commission's preliminary recommendations contained in SEF No.249 will provide Essar with the incentive to increase exports to Australia at ongoing dumped prices, given Essar's export prices undercut the Australian industry's selling prices by the greatest margins in the investigation period.

A significant proportion of Essar's exports of the goods to Australia in the investigation period (approximately XX per cent) were in the thickness range 0.5mm to 1.5mm. Essar is the dominant supplier of galvanised zinc coated steel in this category (apart from BlueScope) and thereby is the benchmark for import parity pricing by BlueScope. With prices that undercut the Australian industry, Essar will – in the absence of anti-dumping measures – continue to grow its market share from the solid base that it secured in the investigation period following the imposition of measures on dumped imports from China, Korea and certain Taiwanese exporters.

Essar's exports of galvanised zinc coated steel pose a foreseeable and imminent threat of material injury to the Australian industry on the following grounds:

- it has been determined by the Commission that Essar's exports were at dumped prices of 7.4 per cent;
 - Essar is the largest Indian exporter of the goods in 2013/14;
 - Essar is the largest exporter of the goods in the thickness range 0.5mm to 1.5mm, achieved in a short period following the imposition of measures on exports from China, Korea and Taiwan in February 2013;
 - Essar's prices undercut the Australian industry's prices by between 7 and 16 per cent;
 - price undercutting by Essar was at the largest margin of all exporters from India and Vietnam;
 - Injury attributed to exports of non-dumped goods from Taiwan is mis-guided as Taiwanese exporters are predominantly focused on the 2.5mm and above segment of the market
- it is incorrect to compare price undercutting from Taiwanese exports with that of Essar as they dominate different product segments (based upon product thickness) in the Australian market; and

- the market share already held by the dumped Essar volumes will likely increase consistent with past growth in exports following the Commission's preliminary findings in SEF No 249 to not impose provisional measures.

Essar's dumped exports have caused material injury to the Australian industry in the 0.5mm to 1.5mm segment of the market. Anti-dumping measures are justified to stem the rise in Essar's export volumes at prices that undercut the Australian industry. BlueScope requests the Commission to re-evaluate the material injury findings in SEF No 249 and publish a Preliminary Affirmative Determination ("PAD") imposing provisional measures to limit further injury to the Australian industry manufacturing like goods.

Normal value calculations for exporters not visited

The Commission conducted verification visits with Essar Steel and Hoa Sen only. Normal value assessments based upon exporter questionnaire responses ("EQRs") were made for JSW Coated, POSCO Steel and Uttam Galva of India, and for Nam Kim of Vietnam.

The Commission is aware from previous inquiries of exporters amending data provided in EQRs at the commencement of a formal verification visit. Amendments to financial information supplied in an EQR are a regular occurrence in investigations. For this reason, BlueScope does not consider that the information supplied by exporters in EQRs upon which unverified normal value assessments have been made, can be readily relied upon.

BlueScope finds the Commission's outcome in respect of the largest Indian exporter Essar to be somewhat perplexing when contrasted with the non-verified findings for JSW Coated, POSCO Steel and Uttam Galva. Essar is an integrated producer in India, as are the other three Indian exporters. As such, the exporters would all compete on the Indian domestic market in sales of the goods in a competitive manner. In order to compete with Essar's exports to Australia, JSW Coated, POSCO Steel and Uttam Galva would be required to offer similar FIS prices to Essar for sale into Australia. It is therefore unlikely that JSW Coated, POSCO Steel and Uttam Galva would not be exporting at dumped prices, given that their respective selling prices on the Indian domestic market are unlikely to be too dissimilar to Essar's domestic selling prices. In order to compete with Essar's rapidly expanding export volumes to Australia, it would be expected that JSW Coated, POSCO Steel and Uttam Galva would each have export prices at the same level or lower in order to secure export sales. The negative dumping margins therefore for JSW Coated, POSCO Steel and Uttam Galva are inconsistent with the competitive nature of selling prices on the Indian domestic market and for export sales to Australia. It can reasonably be expected that the exports from JSW Coated, POSCO Steel, and Uttam Galva like Essar were at dumped prices in the investigation period.

JSW Coated

Without detracting from the comments hereunder, BlueScope does not support the Commission's approach to non-verification of exporter data provided in EQRs. This establishes an unsafe precedent that encourages exporters to initially supply unreliable information in an EQR (on the basis that a verification visit may not occur).

Notwithstanding, the Commission has determined normal values for JSW Coated based upon domestic sales under s.269TAC(1). The domestic sales include related party sales to its parent JSW Steel Limited ("JSW Steel"). BlueScope does not consider that related party sales can be sufficiently tested in a normal value "desk audit" to establish whether these sales reflect arm's length transaction sales (as there may be rebates involved). The related party sales should have been excluded by the Commission in JSW Coated's normal value assessment. BlueScope further considers that as JSW Coated sales and costs have not been verified,

JSW Coated's normal values should have been established under s.269TAC(6) and not s.269TAC(1) using the best available information.

JSW Coated's dumping margin calculation report provides no detail as to the reasons behind the adjustment afforded JSW Coated for domestic "commissions" allegedly paid. It is not known whether the adjustment is to a related party or to a third party associate. An adjustment of this nature would incur a set amount of the invoice value and would represent a reasonable amount for the adjustment. Without diminishing the concern as to the basis for the adjustment, BlueScope questions whether exports sales are also commission-related (no adjustment having been made for export commission).

BlueScope does not consider that the Commission's report for JSW Coated reflects any level of interrogation of the financial data included in its EQR. It would appear that the information has been accepted on face value, with little indication the Commission queried the sales information and the claimed adjustments. It is further noted that the Commission denied POSCO Steel and Uttam Galva an adjustment for domestic handling charges, however, there is no discussion whether this claimed adjustment by JSW Coated was anything more than "the general cost of doing business" as claimed by POSCO Steel.

POSCO Steel

The Commission has also calculated POSCO Steel's normal values under s.269TAC(1) and where like models were not available domestically, specification adjustments under s.269TAC(8) were made. As with JSW Coated, POSCO Steel has related party sales. For the purposes of the dumping margin calculations undertaken without verification, it would seem prudent that the Commission excluded related party sales.

In the absence of complete on-site verification of POSCO Steel's financial data, normal values are correctly determined under s.269TAC(6).

Uttam Galva

BlueScope's comments concerning the basis for normal value assessment for JSW Coated and POSCO Steel under s.269TAC(6) apply equally to Uttam Galva.

It is observed that Uttam Galva sells on the domestic market to a "co-promoter". The commission has stated that no adjustment was made to Uttam Galva's normal value as the sales volume was not material. No reference is made as to whether Uttam Galva sells on export market via a sales agent, and hence, an upward adjustment to normal value would be required.

BlueScope notes that no adjustment has been made for Uttam Galva for domestic handling – how can this adjustment be warranted for JSW Coated when both Uttam Galva and POSCO Steel clearly could not substantiate the claim?

Hoa Sen of Vietnam

BlueScope provided the Commission with a submission dated 9 June 2015 concerning Hoa Sen's verification report. The contents of this submission do not appear to have been considered by the Commission in the preparation of SEF No 249.

BlueScope notes that Hoa Sen did not provide the Commission with a full listing of all of its domestic sales at the time of the verification visit. This is a minimum requirement for all co-operative exporters in all anti-dumping investigations. Hoa Sen has only provided the Commission with sales to its "Top 5" branch outlets, from which the Commission has based normal values. The sales listing did not include any delivery or

payment terms, or inland transport or credit terms. Inland freight was manually compiled for the purposes of the verification.

As Hoa Sen has failed to provide the Commission with a complete listing of domestic sales of like goods, the Commission should not have accepted Hoa Sen as a cooperative exporter. Hoa Sen's normal value assessment is therefore based upon incomplete data and should be rejected.

As it is unlikely the Commission will accede to BlueScope's request to accept Hoa Sen's data, BlueScope would highlight with the Commission that it does not consider that an adjustment for credit terms is warranted as the sales data did not include credit terms. BlueScope also questions whether it is appropriate to include "manually" prepared inland freight costs when the limited sales data provided already excluded inland freight costs.

BlueScope requests that the Commission re-visit the matters identified in its 9 June 2015 submission and the items raised herein as they relate to Hoa Sen.

Material injury from dumped exports from India and Vietnam

This submission details that injury experienced from the dumped exports by Essar in the 0.5mm to 1.5mm segment of the Australian market for like goods was significant and material, as Essar undercut BlueScope's selling prices and was not influenced in this segment by the non-dumped imports from Taiwan.

BlueScope has also demonstrated that the dumping margin calculations for JSW Coated, POSCO Steel and Uttam Galva cannot be relied upon. BlueScope has outlined that the exports by JSW Coated, POSCO Steel and Uttam Galva are therefore at dumped prices when contrasted with the normal value and export prices for Essar. BlueScope has further indicated that Hoa Sen's normal value data is incomplete and not representative of all domestic sales by the exporter in Vietnam and should be rejected.

BlueScope's submission establishes that exports by Essar have caused material injury to the Australian industry in the thickness range 0.5mm to 1.5mm segment of the market. Additionally, BlueScope has identified shortcomings with the dumping margin calculations for JSW Coated, POSCO Steel and Uttam Galva, and that these reports must be set aside. Similarly, the verification conducted at Hoa Sen is deficient as not all domestic sales of like goods have been furnished by the exporter, and it should also be set aside.

The Commission must therefore reconsider its findings in SEF No 249 and conclude that all exports of the goods from India and Vietnam were at dumped prices during the investigation period and that the dumping has caused, and threatens to cause, material injury to the Australian industry manufacturing like goods.

Concluding Remarks

This submission details that exports of the goods by Essar of India have caused material injury to the Australian industry. The material injury sustained by the Australian industry has been sustained in the market segment of the 0.5mm to 1.5mm thickness galvanised zinc coated steel where Essar's FIS prices undercut the Australian industry's prices by the greatest level when contrasted with dumped and non-dumped exports (particularly Taiwan) in the investigation period.

It is further demonstrated that the Commission has erred in its assessment of dumping margins for JSW Coated, POSCO Steel, Uttam Galva, and Hoa Sen. The information provided in EQRs by JSW Coated, POSCO Steel and Uttam Galva cannot be relied upon for normal value purposes. In respect of Hoa Sen, incomplete information concerning domestic sales raises serious concerns about the accuracy of the determined normal values. As such, the available information confirms that the information supplied by these

exporters is incomplete and therefore unreliable. BlueScope urges the Commission to reconsider normal values for the identified exporters (excluding Essar and Nam Kim Steel Joint Stock Company) using normal value information included in BlueScope's application.

BlueScope is seeking the Commission to rescind its proposed recommendation to terminate its investigations into the dumping of goods exported from India and Vietnam. BlueScope requests the Commission to recommend to the Parliamentary Secretary that exports of galvanised zinc coated steel from India and Vietnam were at dumped prices above negligible levels and that the dumping has caused material injury to the Australian industry. It is therefore further recommended that a PAD be published as soon as possible and that provisional measures be applied to all future exports of the goods from India and Vietnam to prevent further material injury to the Australian industry.

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 4638 or BlueScope's consultant, John O'Connor on (07) 3342 1921.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'C Uphill', written in a cursive style.

Chad Uphill
International Trade Affairs