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Dear Ms Reid

Non-Confidential

Anti-dumping investigation - exports of zinc coated (galvanised) steel from the People's Republic of China, the Republic of Korea and Taiwan

Our client, Chung Hung Steel Corporation, wishes to draw to the attention of Australian Customs & Border Protection Service (**Customs**) its concerns about certain injury aspects of the current investigation concerning galvanised steel, and to make the following submissions about those matters.

Applicant did not suffer material injury to sales and market share

In its application for the imposition of anti-dumping measures (**Application**), BlueScope Steel Limited (**Applicant**) provided an "Index table of sales quantities" at page 19. For convenience, a copy is reproduced below:

Indexed table of sales quantities

Financial Year	(a) Your sales	(b) Other Aust^n sales	(c) Total Aust^n sales (a)+(b)	(d) Dumped Imports	(e) Other Imports	(f) Total Imports	(g) Total Market
2008/09	100	100	100	100	100	100	100
2009/10	124.9	100	124.9	110.2	100.3	106.8	118.3
2010/11	109.8	100	109.8	112.8	63.6	95.6	104.6
2011/12	103.7	100	103.7	119.5	63.1	99.7	102.2

It is apparent from this table that the Applicant's sales volume and market share increased over the period 2008/09 to 2011/12. During the period of investigation (**POI**) the Applicant's sales volume was 3.7% more than its sales volume in 2008/2009.

In relation to market share, the Applicant's market share during the POI was 1.5% (103.7/102.2 – 100/100) more than its share in 2008/2009.

Accordingly, across that period, while the combined market share of imports from China, Korea and Taiwan increased, that increase appears to have affected only imports from countries which are not the subject of the current investigation.

Overall, this shows that the total Australian market size for galvanised steel and the Applicant's market share remained relatively constant (showing a marginal increase) from 2008/09 to 2011/12. From this it seems the Applicant did not suffer injury from imports from countries which are the subject of the investigation, in terms of volume.

Applicant's price undercutting and price suppression allegations must be examined

In its Application (page 20), the Applicant provided tables entitled "Indexed table of Applicant's sales quantities (metric tonnes) for like goods " and "Indexed table of Applicant's sales values for like goods ". Those tables are reproduced immediately below:

Indexed table of Applicant's sales quantities (metric tonnes) for like goods

Value	2008/09	2009/10	2010/11	2011/12
Like Goods				
Australian market	100.00	124.90	109.80	103.70
Export market	100.00	102.00	171.70	105.50
Total	100.00	120.20	122.40	104.10

Indexed table of Applicant's sales values for like goods

Value	2008/09	2009/10	2010/11	2011/12
Like Goods				
Australian market	100.00	99.30	89.90	80.10
Export market	100.00	82.50	142.20	88.60
Total	100.00	96.90	97.40	81.30

By taking the values in the second table and dividing them by the quantities in the first table, the average unit value of galvanised steel for domestic sales and export sales in each reference year can be obtained. These average unit values are set out below.

Indexed unit value table

Unit Value	2008/09	2009/10	2010/11	2011/12
Australian market	1.00	0.80	0.82	0.77
Export market	1.00	0.81	0.83	0.84

As the table above demonstrates, the Applicant's domestic prices started to fall in 2009/2010 by roughly 20% from the base year and since then have stabilised in the following 2 years. Contrary to its allegation, the Applicant did not reduce prices during the POI to meet competition from dumped imports, nor there was price undercutting from the subject countries in 2011/2012, when the Applicant claims to have suffered most injury from imports. Rather, its domestic price simply stayed relatively flat during the last 3 reference years.

Applicant's cost structure must be examined

The Applicant provided, at page 26 of its Application, a table setting out an "Index of cost variations", which is reproduced below:

Index of cost variations (based on A$ per metric tonne)

Year	2008/09	2009/10	2010/11	2011/12
Index	100.00	77.80	81.50	90.10

It is noteworthy that the Applicant has claimed that in 2011/2012 there was an increase in production costs of more than 10% (from 81.50 to 90.10) from the previous year, and that "BlueScope has sustained a reduction in its average net realisation for galvanised steel in 2011/12 of almost five percent[1]".

According to the Application, the Applicant manufactures hot rolled coil in Australia from liquid steel, via flat steel production. The steel production process is a capital intensive one that converts raw material iron ore and coal into liquid steel[2]. However, on reviewing the price trends for coal and iron ore (the primary raw materials) in 2010/11and 2011/2012 (as shown in the table below), it is apparent that costs for different types of coal and iron ore were going both upward and downward during that period. Even having regard only to those primary raw materials with increasing prices, the variance at most is only 5.7%.

[1] Application, page 27.

[2] Application, page 15.

Coal and Iron Ore International Quotation[3]

Coal	2010/11					2011/12					Variance
	Jul~Sep	Oct~Dec	Jan~Mar	Apr~Jun	Avg	Jul~Sep	Oct~Dec	Jan~Mar	Apr~Jun	Avg	
hard coking coal-Australia	225	209	225	330	**247**	315	285	235	210	**261**	**5.7%**
semi-soft coking coal-Australia	172	143	180	264	**190**	235	179	150	147	**178**	**-6.3%**
low volatile PCI coal-Australia	180	150	180	275	**196**	230	208	171	153	**191**	**-2.9%**

Iron Ore	2010/11					2011/12					Variance
	Jul~Sep	Oct~Dec	Jan~Mar	Apr~Jun	Avg	Jul~Sep	Oct~Dec	Jan~Mar	Apr~Jun	Avg	
fine Iron Ore-Australia	146.69	127.18	136.94	171.36	**146**	168.85	166.76	143.6	133.15	**153**	**5.2%**
lump Iron Ore-Australia	170.18	147.55	158.87	198.8	**169**	191.1	188.13	160.84	145.77	**171**	**1.5%**
pellet Iron Ore-Brazil	200.66	174.58	185.44	212.02	**193**	212.01	167.26	161.41	159.3	**175**	**-9.4%**

It follows that the alleged cost increase of more than 10% during the POI could not be due to raw material price increases.

While the Applicant has claimed that it was unable to raise prices to recover cost increases, it seems that the cost increases during the POI should not be as much as has been claimed. Accordingly, in our submission the Applicant's claim that its domestic price during the POI ought to have gone up, instead of decreasing slightly, to allow it to recover its increased costs, should be further examined by Customs. It does not appear to be supported by the facts in its Application.

Customs should make certain that any injury to the Applicant suffered by reason of the escalating cost due to the Applicant's Western Port plant closure is not ascribed to the imports under investigation.

Hot-rolled Substrate Galvanised Steel (HGI) could not injure the domestic industry and should be exempted from the Investigation.

As indicated in our letter to Customs dated 28 February 2013, the physical and mechanical properties of HGI and CGI are materially different. Moreover, CGI is not suitable for certain

[3] See Daily News-Section (Coal & Iron)-Text Report (Period 2010Q3~2012Q2-Quotation by quarterly).

end-uses such as structural pipes and rectangular hollow sections and, as a result, HGI cannot compete with, let alone displace, CGI in respect of these HGI-only applications.

The Applicant clearly stated in pp. 13-14 of its Application that its manufacturing process for galvanised steel is as below:

> Slab→ HRC→ CRC→ Galvanised Steel

Moreover, it also mentioned that "[t]he next process is cold rolling, which is a similar process to hot rolling but is done at ambient temperature. This is where the coil is reduced in thickness to the customer requirement, *generally 0.30 to 1.6mm* (Base metal thickness (BMT)).[4]" (*emphasis added*)

The Applicant has admitted most of its galvanised products have a base metal thickness of 0.30 to 1.6mm. Such a gauge limit is a corollary of the Applicant's use of cold-rolled coils as the base material. It follows that for those pipe specifications which have a gauge above 1.6 mm wall thickness, downstream customers (such as pipe makers) have to use HGI.

Moreover, from a commercial standpoint, CGI is about USD80–100/tonne more expensive than HGI for pipe-making (the Applicant has itself admitted that there is a cost variance between HGI and CGI[5]). Therefore, even for those Australian Standards that allow both HGI and CGI to be used as feedstock, it is commercially prohibitive to use CGI, particularly for downstream pipe makers which have to compete with imported pipes. (The anti-dumping duty against imported pipes is set at such a low level that, our client understands from downstream customers, it hardly provides protection from import competition of the finished pipes).

We are instructed that even though HGI and CGI may both be used for certain pipe and downstream specifications, customers choose HGI over CGI because of the inherent cost variance between these two feedstocks. We are instructed that the cost variance becomes a decisive a factor in procurement of feedstock by Australian pipe makers, who face fierce import competition from finished pipes.

In contrast to the Applicant's production, which focuses on galvanised steel with a base metal thickness of 0.30 to 1.6mm, our client's exports of galvanised steel to Australia centre around HGI with thickness more than 1.6mm, as demonstrated in our client's verified submission[6]. During the POI, our client exported [redacted] of product to the Australian market. Of our client's total exports, there were [redacted] – that is, more than [redacted] - which constituted HGI with a thickness more than 1.6mm.

In summary, customers choose HGI over the Applicant's CGI not because of dumped prices, but because of:

- Australian standards which do not permit the use of CGI as feedstock;

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4 Application, page 13.

5 See Customs Public File 063 "Note for file-Australian industry-BlueScope Steel-record of meeting", at 3.

6 See "CHS-Exhibit B-4 Australian Sales" submitted on December 4, 2012.

- product specifications which require a greater bas thickness than is available with the Applicant's CGI; and
- the inherent price variation between CGI and HGI, even before any dumping claims are taken into consideration.

Our client's primary position on this issue is, as expressed in our letter of 28 February 2013, that HGI should be excluded from this investigation as there is no Australian industry producing a "like good". Alternatively, if that submission is not accepted and if anti-dumping measures are ultimately imposed on imports of galvanised steel, then HGI should be excluded from such measures under sub-sections 8(7) and 10(8) of the *Customs Tariff (Anti-Dumping) Act 1975.*

However, if HGI is not excluded, then given the matters noted above, our client submits that Customs should conclude that imports of HGI did not displace the Applicant's CGI, and those imports did not cause injury to the Applicant through dumping.

If you have any queries or require further information, please let us know.

.Yours faithfully

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