Australian Government
Australian Customs and Border Protection Service

CUSTOMS ACT 1901 - PART XVB

INTERNATIONAL TRADE REMEDIES BRANCH

STATEMENT OF ESSENTIAL FACTS NUMBER 190

DUMPING OF ZINC COATED (GALVANISED) STEEL AND ALUMINIUM ZINC COATED STEEL

EXPORTED FROM

THE PEOPLE'S REPUBLIC OF CHINA, THE REPUBLIC OF KOREA, AND TAIWAN

18 March 2013

PUBLIC RECORD

1 CONTENTS

PUBLIC RECORD

2 ABBREVIATIONS & SHORTENED FORMS

Abbreviation / short form	Full reference
ABS	Australian Bureau of Statistics
ACDN	Australian Customs Dumping Notice
the Act	Customs Act 1901
the applicant	BlueScope Steel Limited
AD Agreement	World Trade Organisation Agreement on Anti-Dumping
AS	Australian Standard
AZCS	aluminium zinc coated steel
BlueScope	BlueScope Steel Limited
BMT	base metal thickness
China	People's Republic of China
CON 190	International Trade Remedies Branch Consideration Report 190
Customs and Border Protection	Australian Customs and Border Protection Service
the Division	Division 2 of Part XVB of the Customs Act 1901
EXW	ex-works
FAS	free-along- side ship
FIS	free-into-store
FOB	free-on-board
GOC	Government of China
the goods	the goods subject to the applications (zinc coated (galvanised) steel and zinc aluminium coated steel)
GS	galvanised steel
HRC	hot rolled coil
NIP	non-injurious price
ITRB	International Trade Remedies Branch
Korea	The Republic of Korea
The Minister	the Minister for Home Affairs
PAD190	Preliminary Affirmative Determination Report 190
REP 177	International Trade Remedies Branch Report 177 regarding hollow structural sections
REP 188	International Trade Remedies Branch Report 188 regarding hot rolled coil
SEF	statement of essential facts
SIE	state invested enterprises
TMRO	Trade Measures Review Officer
USP	unsuppressed selling price
WTO	World Trade Organisation

PUBLIC RECORD

3 SUMMARY AND RECOMMENDATIONS

These investigations are in response to separate applications lodged by BlueScope Steel Limited (BlueScope) in relation to the allegation that dumped zinc coated (galvanised) steel and aluminium zinc coated steel[1] exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan caused material injury to the Australian industry producing like goods.

This statement of essential facts (SEF) sets out the facts on which the Chief Executive Officer (CEO) of the Australian Customs and Border Protection Service (Customs and Border Protection) proposes to base recommendations for both galvanised steel and aluminium zinc coated steel to the Minister for Home Affairs (the Minister) in relation to the applications.

3.1 Preliminary findings

Customs and Border Protection has found that galvanised steel and aluminium zinc coated steel from China, Korea, and Taiwan were exported at dumped prices during the investigation period, and that those exports caused material injury to the Australian industry.

Based on these preliminary findings and subject to any submissions received in response to this SEF the delegate proposes to recommend that the Minister publish dumping duty notices in respect of exports of galvanised steel and aluminium zinc coated steel from China, Korea and Taiwan.

Customs and Border Protection also proposes to recommend that, if the Minister agrees with the recommendation to publish dumping duty notices, certain goods should be exempt from interim dumping duty and dumping duty.

3.2 Application of law to facts

Division 2 of Part XVB of the *Customs Act 1901* (the Act) sets out, among other matters, the procedures to be followed and the matters to be considered by the CEO in conducting investigations in relation to the goods covered by an application.

3.3 Application

On 3 August 2012, BlueScope lodged applications[2] requesting that the Minister publish dumping duty notices in respect of:

- galvanised steel exported to Australia from China, Korea and Taiwan; and
- aluminium zinc coated steel exported to Australia from China, Korea and Taiwan.

[1] Refer to the full description of the goods in section 5 of this report.

[2] *Application for Dumping Duties for Galvanised Steel exported from China, Korea and Taiwan* (Galvanised Steel Application) received on 3 August 2012; and *Application for Dumping Duties for Aluminium Zinc Coated Steel exported from China, Korea* and *Taiwan* (Aluminium Zinc Coated Steel Application) received on 3 August 2012.

PUBLIC RECORD

On 17 August 2012[3] and 27 August 2012 additional information and data was received in respect of the applications. As a result, Customs and Border Protection restarted the 20 day period for considering the applications.

The CEO was satisfied that the applications were made in the prescribed manner by a person entitled to make the application.

3.4 Initiation of investigation

On 5 September 2012, following consideration of the applications, the CEO decided not to reject the applications and Customs and Border Protection initiated separate investigations. Public notification of initiation of the investigations was made in The Australian newspaper on 5 September 2012. Australian Customs Dumping Notice (ACDN) No. 2012/40 provides further details of the investigations and is available on Customs and Border Protection's website at www.customs.gov.au.

In respect of both investigations:

- the investigation period for the purpose of assessing dumping is 1 July 2011 to 30 June 2012; and
- the injury analysis period for the purpose of determining whether material injury has been caused to the Australian industry is from 1 July 2007.

3.5 Preliminary Affirmative Determination

The CEO, after having regard to the application and submissions, was satisfied that there were sufficient grounds for the publication of a dumping duty notice in respect of galvanised steel and aluminium zinc coated steel exported to Australia from China, Korea and Taiwan, and made a preliminary affirmative determination (PAD)[4] to that effect on 6 February 2013. PAD 190 contains details of the decision and is available on the public record.

Customs and Border Protection decided to require and take securities[5] in respect of any interim dumping duty that may become payable in respect of the goods from China, Korea and Taiwan that were entered into home consumption on or after 6 February 2013.

3.6 Statement of essential facts and final report due dates

The CEO must, within 110 days after the initiation of an investigation, or such longer period as the Minister allows, place on the public record a statement of the facts on which the CEO proposes to base a recommendation in relation to the application.

In formulating the SEF the CEO must have regard to the application concerned, any submissions concerning publication of the notice that are received by Customs and Border Protection within 40 days after the date of initiation of the investigation and any other matters considered relevant.

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[3] Additional information relating to minor issues was also provided on 20 and 21 August 2012.
[4] Section 269TD
[5] Section 42

The initiation notice advised that the SEFs for the investigations would be placed on the public record by 24 December 2012, however, the Delegate of the CEO was satisfied that the prescribed 110 days to place the SEFs on the public record for the investigations was likely to be insufficient and requested that the Minister extend the publication timeframes.

The Minister under s. 269ZHI of the Act extended the deadline for the publication of the SEFs for the dumping investigations to **16 March 2013**[6]. ACDN 2012/63 was issued on 21 December 2012 notifying the Minister's decision.

Interested parties will be invited to make submissions to Customs and Border Protection in response to the SEFs within 20 days of the SEF being placed on the public record. Final recommendations will be made in reports to the Minister due on or before **30 April 2013.**

3.7 Preliminary findings and conclusions

Customs and Border Protection has made the following preliminary findings and conclusions based on available information at this stage of the investigation.

3.7.1 The goods and like goods (chapter 5 of this report)

Locally produced galvanised steel and aluminium zinc coated steel are like goods to the goods the subject of the applications (the goods).

3.7.2 Australian industry (Chapter 6 of this report)

There is an Australian industry producing like goods (galvanised steel and aluminium zinc coated steel) to the goods the subject of the investigations and these like goods are wholly manufactured in Australia by BlueScope.

3.7.3 Proposed exemptions (Chapter 7 of this report)

Certain parties have made application for exemption from any imposed dumping duty on various grounds. Customs and Border Protection considers that there are certain types of goods that fall within the description of the goods the subject of the investigations that should be considered for exemption. Customs and Border Protection is proposing to recommend that the Minister exempt these goods from any dumping duty under s.8(7) of the *Customs Tariff (Anti-Dumping) Act 1975* (the Anti-Dumping Act).

3.7.4 Market (Chapter 8 of this report)

The Australian market for galvanised steel and aluminium zinc coated steel is predominately supplied by locally produced goods. Imports from the nominated countries make up the majority of the remainder, with a small volume of imports from other countries.

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[6] As this date is a Saturday, the report will be published on the following Monday, 18 March 2013.

PUBLIC RECORD

3.7.5 Dumping (Chapter 9 of this report)

(i) Galvanised steel

Customs and Border Protection has preliminarily assessed in respect of galvanised steel that:

- a market situation existed in the domestic market for galvanised steel in China during the investigation period such that selling prices in that market are not suitable for normal value purposes;
- galvanised steel exported to Australia from China, Korea and Taiwan during the investigation period was dumped;
- galvanised steel exported by Union Steel Co. Ltd (Union Steel Korea) from Korea and Sheng Yu Steel Co. Ltd (Sheng Yu) and Ta Fong from Taiwan was not dumped; and
- the volume of dumped goods from these countries, and the dumping margins for all exporters (except Union Steel Korea, Sheng Yu and Ta Fong) were not negligible.

Customs and Border Protection's preliminary assessment of dumping margins for galvanised steel exported from China, Korea and Taiwan is tabulated below:

Country	Manufacturer / exporter	Preliminary dumping margin
China	Angang Steel	19.3%
	Angang TAGAL	30.8%
	Wuhan	21.2%
	Yieh Phui Technomaterial	6.8%
	Selected non-cooperating exporters	60.6%
Korea	Dongbu Steel	3.2%
	POSCO	9.1%
	Union Steel Korea	<2%
	Selected non-cooperating exporters	17.6%
Taiwan	Chung Hung Steel	8.5%
	Sheng Yu	<2%
	Yieh Phui Enterprise	2.6%
	Ta Fong	<2%
	Selected non-cooperating exporters	12.7%

(ii) Aluminium zinc coated steel

Customs and Border Protection has preliminarily assessed in respect of aluminium zinc coated steel that:

PUBLIC RECORD

- a market situation existed in the domestic market for aluminium zinc coated steel in China during the investigation period such that selling prices in that market are not suitable for normal value purposes;

- aluminium zinc coated steel exported to Australia from China, Korea and Taiwan during the investigation period was dumped;

- aluminium zinc coated steel exported to Australia by Sheng Yu from Taiwan was dumped, but the dumping was negligible;

- aluminium zinc coated steel exported to Australia by Union Steel Korea from Korea was not dumped; and

- the volume of dumped goods from these countries, and the dumping margins for all exporters (except Union Steel Korea and Sheng Yu) were not negligible.

Customs and Border Protection's preliminary assessment of dumping margins for aluminium zinc coated steel exported from China, Korea and Taiwan is tabulated below:

Country	Manufacturer / exporter	Preliminary dumping margin
China	Angang Steel	4.9%
	Union Steel China	8.5%
	Yieh Phui Technomaterial	5.5%
	Jiangyin Zong Cheng	19.8%
	Selected non-cooperating exporters	20.4%
Korea	Dongbu Steel	5.8%
	Union Steel Korea	<2%
	Selected non-cooperating exporters	7.7%
Taiwan	Sheng Yu	<2%
	Yieh Phui Enterprise	3.3%
	Selected non-cooperating exporters	4.3%

3.7.6 Injury (Chapter 10 of this report)

Customs and Border Protection has preliminarily found that in the investigation period the Australian industry producing like goods experienced injury in the form of:

(i) Galvanised steel

- loss of sales volume;
- reduced market share;
- reduced sales revenue;
- price depression;
- price suppression;
- reduced profit and profitability;
- reduced return on investment (ROI);

- reduced ability to raise capital for re-investment; and
- reduced employment.

(ii) Aluminium zinc coated steel

- loss of sales volume;
- reduced sales revenue;
- price depression;
- price suppression; and
- reduced profit and profitability.
- reduced ROI;
- reduced ability to raise capital for re-investment; and
- reduced employment.

3.7.7 Causation factors (Chapter 11 of this report)

Customs and Border Protection has preliminarily assessed that dumping of galvanised steel and aluminium zinc coated steel exported to Australia from China, Korea and Taiwan has caused material injury to the Australian industry.

3.7.8 Will dumping and material injury continue? (Chapter 12 of this report)

Customs and Border Protection has preliminarily assessed that dumping and material injury will continue if measures are not imposed.

3.7.9 Non-injurious price (Chapter 13 of this report)

Customs and Border Protection considers that the non-injurious price can be established by reference to a constructed price which reflects an undumped import parity price.

3.7.10 Proposed measures (Chapter 15 of this report)

For all goods and nominated countries, the NIP exceeded the export price by at least the calculated dumping margin. This means that the lesser duty rule does not come into effect and the proposed measures are linked to the full margin of dumping.

PUBLIC RECORD

4 BACKGROUND

4.1 Introduction

On 3 August 2012, applications were lodged on behalf of BlueScope requesting that the Minister publish dumping duty notices in respect of:

- galvanised steel exported to Australia from China, Korea and Taiwan; and
- aluminium zinc coated steel exported to Australia from China, Korea and Taiwan.

BlueScope alleges that the Australian industry has suffered material injury caused by galvanised steel and aluminium zinc coated steel exported to Australia from Korea at dumped prices.

(i) Galvanised steel

BlueScope claimed that material injury in respect of galvanised steel commenced in 2010-11[7]. The application identified the injurious effects as:

- loss of sales volume;
- reduced market share;
- reduced revenues;
- price undercutting;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced return on investment;
- reduced ability to raise capital for re-investment; and
- reduced employment.

(ii) Aluminium zinc coated steel

BlueScope claimed that material injury in respect of aluminium zinc coated steel commenced in 2010-11[8] and has been exacerbated in 2011-12. The application identified the injurious effects as:

- loss of sales volume;
- reduced market share;
- reduced revenues;
- price undercutting;
- price depression;
- price suppression;

[7] The applicant claims that the dumping of galvanised steel commenced prior to this period (in 2008-09).
[8] The applicant claims that the dumping of aluminium zinc coated steel commenced prior to this period (in 2008-09).

- reduced profits;
- reduced profitability;
- reduced return on investment;
- reduced ability to raise capital for re-investment; and
- reduced employment.

On 17 August 2012[9] and 27 August 2012 additional information and data was received in respect of the applications. As a result, Customs and Border Protection restarted the 20 day period for considering the applications.

4.2 Applications seeking countervailing measures

On 18 October 2012, applications[10] were lodged on behalf of BlueScope requesting that the Minister publish countervailing duty notices in respect of:

- galvanised steel exported to Australia from China; and
- aluminium zinc coated steel exported to Australia from China.

On 2 November 2012, additional information and data was received in respect of the applications. As a result, Customs and Border Protection restarted the 20 day period for considering the applications.

On 26 November 2012, following consideration of the applications, the CEO decided not to reject the applications and Customs and Border Protection initiated separate investigations. Public notification of initiation of the investigations was made in *The Australian* on 26 November 2012. ACDN No. 2012/56 provides further details of the investigations and is available on Customs and Border Protection's website at www.customs.gov.au.

The earliest date PADs could be made in respect of the countervailing investigations was day 60 of the investigations (i.e. 26 January 2013). At this stage, PADs in respect of the alleged subsidisation of the goods have not been made, but may be made at a later date.

Customs and Border Protection is currently investigating subsidy claims for galvanised steel and aluminium zinc coated steel exported to Australia from China in Investigations 193a and 193b respectively.

The SEFs for the countervailing investigations are to be published by 15 May 2013.

[9] Additional information relating to minor issues was also provided on 20 and 21 August 2012.

[10] *Application for Countervailing Duties for Galvanised Steel exported from China, Korea and Taiwan* received on 18 October 2012; and *Application for Countervailing Duties for Aluminium Zinc Coated Steel exported from China, Korea* and *Taiwan* received on 18 October 2012.

PUBLIC RECORD

4.3 Previous investigations

Australia

(i) Contemporary activity

There have been no previous dumping investigations in respect of galvanised steel or aluminium zinc coated steel products.

(ii) Other related products

Hot rolled coil

An investigation regarding the alleged dumping of hot rolled coil (HRC) exported from Korea, Malaysia, Japan and Taiwan was recently conducted by Customs and Border Protection. HRC is the major raw feed material for galvanised steel and aluminium zinc coated steel. Customs and Border Protection found that HRC exported to Australia from the aforementioned countries was dumped [11] . Measures were subsequently imposed by the Minister.

International[12]

(i) South America

Other anti-dumping actions have been instigated by Brazil against exports of galvanised, galvalume and pre-painted flat steel products from Australia, South Korea, India, Mexico and China (following an application made on 1 October 2010, by Brazilian flat steel producer CSN).

(ii) European Union

(a) On 14 December 2007, the European Commission initiated anti-dumping proceedings concerning imports of certain hot-dipped metallic-coated iron or steel flat-rolled products originating in mainland China. On 7 February 2009, the European Commission terminated the anti-dumping proceedings following the withdrawal of the compliant by the applicant (on 11 December 2008) (Official Journal Decision 2009/106/EC refers)[13].

(b) More recently, on 22 February 2012, the Commission commenced an anti-subsidy investigation into imports of certain organic coated steel ("OCS") products from China into the EU (Initiation Notice No. 2012/C 52/05). The application was made by EUROFER, the European Steel Association, on behalf of its members producing like goods.

[11] ACDN 2012/66 Hot Rolled Coil Steel exported from Japan, the Republic of Korea, Malaysia and Dumping, finding in relation to an investigation in dumping.
[12] International anti-dumping / countervailing cases which are listed in this report are not exhaustive; a sample only has been included. Other related cases, including for other zinc coated steel products (i.e. zinc coated steel wires) have not been included. The anti-dumping jurisdictions for the cases listed may or may not be comparable to Australia.
[13] According to the complainant, this withdrawal was prompted by market factors. The complainant did not want to pursue its case on volume-based threat of injury which was based on an analysis of historic data that no longer fully reflected current market conditions. According to the complainant, it was preferable to respond in these circumstances to unfair injurious trade practices, should they occur, through a new case.

The Commission's investigation period into OCS exported from China to EU was the twelve months ending 30 September 2011, with the last quarter of the period coinciding with the current investigation period of the galvanised steel and aluminium zinc coated steel investigations (i.e. from 1 July 2011 to 30 June 2012).

On 15 February 2013, the Commission published a "Proposal for a Council Implementing Regulation imposing a countervailing duty on imports of certain organic coated steel products originating from the People's Republic of China" No. 2013/0052. The proposal is expected to be passed and implement by 15 March 2013.

(iii) United States

On November 5, 2012, the US Department of Commerce (the Department) initiated the second five year "sunset" review (77 FR 66439 refers) of the antidumping duty orders on certain hot-rolled carbon steel flat products from India, Indonesia, the People's Republic of China (PRC), Taiwan, Thailand, and Ukraine. The Department found that revocation of the antidumping duty orders would likely to lead to continuation or recurrence of dumping at the margins identified in the "Final Results of Sunset Reviews".

On 5 March 2013, after conducting expedited (120 day) sunset reviews of the antidumping duty orders on certain hot-rolled carbon steel flat products from India, Indonesia, the PRC, Taiwan, Thailand, and Ukraine, the Department issued notices (that came into effect on 12 March 2013) to continue the anti-dumping measures on those products exported from the nominated countries.

4.4 Current measures

There are currently no anti-dumping or countervailing measures on galvanised steel or aluminium zinc coated steel exported to Australia.

As outlined in paragraph 3.5 of this report, a PAD was made on 6 February 2013 requiring securities in respect of any interim dumping duty that may become payable in respect of the goods from China, Korea and Taiwan that were entered into home consumption on or after 6 February 2013.

4.5 Responding to this SEF

This SEF sets out the essential facts on which Customs and Border Protection proposes to rely. It represents an important stage in the investigation as it informs interested parties of the facts established and allows them to make submissions in response. It is important to note that the SEF represents Customs and Border Protection's preliminary findings, and may not represent the final views of Customs and Border Protection.

Interested parties have 20 days to respond to this SEF. Responses to this SEF should be received by Customs and Border Protection no later than **8 April 2013**. A non-confidential version of any submission must also be provided at the same time

PUBLIC RECORD

as a confidential submission in order for Customs and Border Protection to take it into consideration. Customs and Border Protection is not obliged to have regard to any submission made in response to the statement of essential facts received after 8 April 2013.

Submissions should preferably be emailed to itrops2@customs.gov.au. Alternatively they may be sent to fax number +61 2 6275 6990, or posted to:

Director Operations 2
International Trade Remedies Branch
Australian Customs and Border Protection Service
5 Constitution Avenue
CANBERRA ACT 2601
AUSTRALIA

A hard copy of the submission is not required if it is emailed to Customs and Border Protection.

Confidential submissions must be clearly marked accordingly and accompanied by a clearly marked non-confidential version for inclusion on the public record. A guide for making submissions is available at the Customs and Border Protection web site in ACDN 2013/17.

The public record contains non-confidential submissions by interested parties, the non-confidential versions of Customs and Border Protection visit reports and other publicly available documents. It is available online at http://www.customs.gov.au/anti-dumping/cases.asp or by request in Canberra (phone 02 6275 6547). This SEF should be read in conjunction with documents on the public record.

5 THE GOODS

5.1 Preliminary finding

Customs and Border Protection considers that locally produced galvanised steel and aluminium zinc coated steel are like goods to the goods the subject of the applications (the goods).

5.2 Legislative framework

Subsection 269TC(1) of the Act requires that the CEO must reject an application for a dumping duty notice if, inter alia, the CEO is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

In making this assessment, the CEO must firstly determine that the goods produced by the Australian industry are "like" to the imported goods. Subsection 269T(1) defines like goods as:

> "G*oods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration"*.

This issue is examined in Section 5.3 below.

The CEO must also be satisfied that the "like" goods are in fact produced in Australia. Subsections 269T(2) and 269T(3) of the Act specify that for goods to be regarded as being produced in Australia, they must be wholly or partly manufactured in Australia. In order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

This issue is examined in Section 5.4 below.

5.3 The goods under investigation

Following the initiation of the investigations, a number of interested parties sought clarification regarding goods that are subject to the investigations. After consultation with BlueScope, Customs and Border Protection issued ACDN 2012/62[14] to provide clarification regarding the goods that are covered by the investigations. The ACDN did not alter the description of the goods as described in the applications. The following section outlines the goods under investigation and issues raised by interested parties relating to the goods and clarified by ACDN 2012/62.

[14] ACDN 2012/62 is available on Customs and Border Protection's website at www.customs.gov.au.

5.3.1 Goods description

(i) Galvanised steel

The imported goods the subject of the galvanised steel application are described as:

> *"flat rolled products of iron and non-alloy steel of a width less than 600mm and, equal to or greater than 600mm, plated or coated with zinc"*[15].

Galvanised steel of any width is included.

The amount of zinc coating on the steel is described as its coating mass and is nominated in grams per meter squared (g/m2) with the prefix being Z (*Zinc*) or ZF (*Zinc converted to a Zinc/Iron alloy coating*). Common coating masses used for zinc coating are: Z350, Z275, Z200, Z100, and for zinc/iron alloy coating are: ZF100, ZF80 and ZF30 or equivalents based on international standards and naming conventions.

The application stated that trade and other names often used to describe galvanised steel include:

- "GALVABOND®" steel;
- "ZINCFORM®" steel;
- "GALVASPAN®" steel;
- "ZINCHITEN®" steel;
- "ZINCANNEAL"steel;
- "ZINCSEAL"steel;
- Galv;
- GI;
- Hot Dip Zinc coated steel;
- Hot Dip Zinc/iron alloy coated steel; and
- Galvanneal.

Product Treatment

The galvanised steel application covers galvanised steel whether or not including any (combination of) surface treatment, for instance; whether passivated or not passivated, (often referred to as chromated or unchromated), oiled or not oiled, skin passed or not skin passed, phosphated or not phosphated (for zinc iron alloy coated steel only).

Goods excluded from investigation scope

Painted galvanised steel, pre-painted galvanised steel and electro-galvanised plate steel are not covered by the application and subsequent investigation.

[15] Galvanised Steel Application, page 10.

(ii) Aluminium zinc coated steel

The imported goods the subject of the aluminium zinc coated steel application are described as:

> "*flat rolled products of iron and non-alloy steel of a width equal to or greater than 600mm, plated or coated with aluminium-zinc alloys,* ***not painted*** *whether or not including resin coating*"[16].

The amount of aluminium zinc coating on the steel is described as its coating mass and is nominated in g/m2 with the prefix being AZ (*Aluminium Zinc*). Common coating masses used are: AZ200, AZ150, AZ100, and AZ70.

The application stated that trade and other names often used to describe aluminium zinc coated steel, include:

- ZINCALUME® steel;
- GALVALUME® steel;
- Aluzinc, Supalume, Superlume, ZAM, GALFAN;
- Zinc aluminium coated steel;
- Aluminium zinc coated steel;
- Alu-Zinc Steel sheet in Coils;
- Al/Zn; and
- Hot Dipped 55% Aluminium-Zinc Alloy coated steel sheet in coil.

Product treatment

The aluminium zinc coated steel application covers aluminium zinc coated steel whether or not including any (combination of) surface treatment, for instance; whether passivated or not passivated, (often referred to as chromated or unchromated), resin coated or not resin coated (often referred to as Anti Finger Print (AFP) or not AFP), oiled or not oiled, skin passed or not skin passed.

Goods excluded from investigation scope

Painted aluminium zinc coated steel and pre-painted aluminium zinc coated steel are not covered by the application and subsequent investigation.

[16] Aluminium Zinc Coated Steel Application, page 10.

5.3.2 Product standards

The applications stated that:

> *"Typically each Australian and International Standard has a range of steel grades nominated as Commercial, Formable or Structural grades. The commercial/formable grades are those with mechanical properties suitable for general pressing and forming whereas the structural grades are those with guaranteed minimum properties that structural engineers utilize in the design of their final product designs"*.

(i) Australia

The Australian and New Zealand Standard Industrial Classification Code applicable to galvanised steel and aluminium zinc coated steel is category 2711.

(ii) International

There are a number of relevant International Standards for galvanised steel and aluminium zinc coated steel products (figures 1 and 2 refer) that cover a range of products through specific grade designations, including the recommended or guaranteed properties of each of these product grades.

(i) Galvanised steel

International Standards	Product Grade Names
General and Commercial Grades	
AS/NZS 1397	G1, G2
ASTM A 653/A 653M	CS type A, B and C
EN10346	DX51D, DX52D
JIS 3302	SGCC, SGHC
Forming, Pressing & Drawing Grades	
AS/NZS 1397	G3
ASTM A 653/A 653M	FS, DS type A and B
EN10346	DX53D, DX54D
JIS 3302	SGCD, SGCDD,
Structural Grades	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A 653/A 653M	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3302	SGC340, SGC400, SGC440, SGC490, SGC570 SGH340, SGH400, SGH440, SGH490, SGH570

Figure 1: International Standards for galvanised steel[17]

[17] Galvanised Steel Application, page 11.

(ii) Aluminium zinc coated steel

International Standards	Product Grades
General and Commercial Grades	
AS/NZS 1397	G1, G2
ASTM A792	CS, type A, B and C
EN10346	DX51D, DX52D
JIS 3321	SGLCC
Forming, Pressing & Drawing Grades	
AS/NZS 1397	G3
ASTM A792	FS, DS
EN10346	DX53D, DX54D
JIS 3321	SGLCD, SGLCDD
Structural Grades	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A792	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3321	SGLC400, SGLC440, SGLC490, SGLC570

Figure 2: International Standards for aluminium zinc steel[18]

5.3.3 Tariff classification

(i) Galvanised steel

The application stated that galvanised steel is classified to tariff subheadings 7210.49.00 (and statistical codes 55, 56, 57 and 58) and 7212.30.00 (and statistical code 61) of Schedule 3 to the *Customs Tariff Act 1995* (Tariff Act).

The general rate of duty is currently 5% for goods imported under these tariff subheadings. Imports from China are subject to the DCS duty rate which is free. Imports from Korea and Taiwan are subject to the DCT duty rate which is 5%.

(ii) Aluminium zinc coated steel

Aluminium zinc coated steel is classified to tariff subheading 7210.61.00 (and statistical codes 60, 61, and 62) of Schedule 3 to the Tariff Act.

The general rate of duty is currently 5% for goods imported under this tariff subheading. Imports from China are subject to the DCS duty rate which is free. Imports from Korea and Taiwan are subject to the DCT duty rate which is 5%.

5.3.4 Tariff Concession Orders (TCOs)

(i) Galvanised steel

Current tariff concessions

There are a number of TCOs currently in place applicable to the relevant tariff classification subheading 7210.49.00, which covers galvanised steel.

[18] Aluminium Zinc Coated Steel Application, page 11.

TC No.	Description
TC 0939596	STEEL, COIL, hot dip zinc coated, complying with Japanese Industrial Standard JIS G 3302:2007, having ALL of the following: (a) yield strength NOT less than 275 N/mm2 and NOT greater than 380 N/mm2; (b) tensile strength NOT less than 440 N/mm2; (c) elongation NOT less than 29% and NOT greater than 41%; (d) coating mass NOT less than 45 g/m2 and NOT greater than 65 g/m2; (e) thickness NOT less than 1.14 mm and NOT greater than 1.26 mm; (f) width NOT less than 1590 mm and NOT greater than 1605 mm
TC 9612218 **REVOKED 30 Jan 2013**	STEEL, flat rolled non alloy, hot dipped galvannealed, having ANY of the following: (a) differential coating mass on each side; (b) additional iron base alloy electroplated outer coatings; (c) width exceeding 1525 mm; (d) a minimum ultimate tensile strength of 340 MPa NOTE: Substitutable goods produced in Australia in the ordinary course of business by BlueScope Steel Ltd, Adelaide. In transit provisions apply.
TC 1242989	COILS, non-alloy steel, hot rolled, zinc coated, complying with American Society for Testing and Materials Standard ASTM A 653/A 653M - 05a, having ALL of the following: (a) coil thickness NOT less than 3.5 mm and NOT greater than 6.0 mm; (b) coil width NOT less than 784 mm and NOT greater than 1 263 mm; (c) minimum yield strength NOT less than 330 Mpa; (d) minimum tensile strength NOT less than 430 Mpa; (e) coil inside diameter NOT less than 711 mm and NOT greater than 813 mm; (f) zinc coating mass NOT less than 0.080 kg/m2 per side; (g) each coil weighing NOT less than 14 metric tonnes; (h) chemical composition by weight of ALL of the following: (i) carbon content NOT greater than 0.20%; (ii) manganese content NOT less than 0.30% and NOT greater than 0.90%; (iii) phosphorus content NOT greater than 0.03%; (iv) sulphur content NOT greater than 0.03%; (v) chromium content less than 0.30%; (vi) molybdenum content less than 0.08%; (vii) aluminium content NOT greater than 0.10%; (viii) copper content NOT greater than 0.25%; (ix) nickel content NOT greater than 0.25%; (x) titanium content NOT greater than 0.04%; (xi) vanadium content less than 0.10%; (xii) silicon content NOT greater than 0.45%
TC 1243148	COILS, non-alloy steel, hot rolled, zinc coated, complying with American Society for Testing and Materials Standard ASTM A 653/A 653M - 05a, having ALL of the following: (a) coil thickness NOT less than 1.48 mm and NOT greater than 6.0 mm; (b) coil width NOT less than 784 mm and NOT greater than 1 263 mm; (c) minimum yield strength NOT less than 360 Mpa; (d) minimum tensile strength NOT less than 460 Mpa; (e) coil inside diameter NOT less than 711 mm and NOT greater than 813 mm; (f) zinc coating mass NOT less than 0.080 kg/m2 per side;

	(g) each coil weighing NOT less than 14 metric tonnes; (h) chemical composition by weight of ALL of the following: (i) carbon content NOT greater than 0.20%; (ii) manganese content NOT less than 0.50% and NOT greater than 1.00%; (iii) phosphorus content NOT greater than 0.03%; (iv) sulphur content NOT greater than 0.03%; (v) chromium content less than 0.30%; (vi) molybdenum content less than 0.08%; (vii) aluminium content NOT greater than 0.10%; (viii) copper content NOT greater than 0.25%; (ix) nickel content NOT greater than 0.25%; (x) titanium content NOT greater than 0.04%; (xi) vanadium content less than 0.1%; (xii) silicon content NOT greater than 0.45%, Note: For the purposes of this Order, the operative period of this TCO is expected to commence on 13 November 2012 and cease on 31 May 2013.

Tariff concessions under application

There are seven TCO applications currently under consideration by Customs and Border Protection that are applicable to galvanised steel. They are as follows: TC 1304297, TC 1349350, TC 1349351, TC 1349352, TC 1349354, TC 1248929, and TC 1248930. Each of the applications states that the use of the goods is 'in PMV car body outer skins.'

The implication on the findings of the investigation of TCOs in force, or applied for, is discussed further at Chapter 7.

(ii) Aluminium zinc coated steel

Current tariff concession orders

There are no TCOs applicable to the relevant tariff classification subheading for aluminium zinc coated steel.

Tariff concession orders under application

There are no tariff concession orders under application applicable to the relevant tariff classification subheading for aluminium zinc coated steel.

6 AUSTRALIAN INDUSTRY AND LIKE GOODS ASSESSMENT

6.1 Customs and Border Protection's assessment

Based on the verified information and data available, there is an Australian industry producing like goods to the goods the subject of the applications and these goods are wholly manufactured in Australia.

Customs and Border Protection clarifies that aluminium zinc coated steel is being investigated separately to galvanised steel, as is evident in separate preliminary dumping margins calculated for each product and in Customs and Border Protection's approach to the investigation from the outset.

6.2 Locally produced like goods

Subsections 269T(2) and 269T(3) of the Act specify that, for goods to be regarded as being produced in Australia, they must be wholly or partly manufactured in Australia. In order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

Subsection 269T(1) of the Act defines like goods as:

> *"goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration*".

An Australian industry can apply for relief from injury caused by dumped or subsidised imports even if the goods it produces are not identical to those imported. The industry must however, produce goods that are "like" to the imported goods.

Where the locally produced goods and the imported goods are not alike in all respects, Customs and Border Protection assesses whether they have characteristics closely resembling each other against the following considerations:

i. physical likeness;
ii. commercial likeness;
iii. functional likeness; and
iv. production likeness.

6.3 Australian industry

BlueScope is a fully-integrated flat steel product manufacturer with large capital intensive manufacturing operations at Springhill and Port Kembla in New South Wales (NSW) and Western Port in Victoria (VIC). During the investigation period, BlueScope manufactured galvanised steel and aluminium zinc coated steel at both its Springhill (Port Kembla) and Western Port plants.

BlueScope manufactures HRC in Australia from liquid steel, via flat steel production. As Western Port no longer has a hot strip mill, hot rolled steel is transported from Port Kembla by sea or rail to be further processed into galvanised steel and

aluminium zinc coated steel. The steel production process is capital intensive and BlueScope does not use imported steel in the manufacture of the goods.

Restructure

On 22 August 2011, BlueScope's board announced a restructure of its business and the closure of its export business. The restructure included the closure of No. 6 Blast Furnace at Port Kembla, the Western Port hot strip mill and the Western Port No. 5 Coating Line. In October 2011, the No. 5 Coating Line was closed; this was one of BlueScope's two aluminium zinc coating lines.

Taking into account the reduced production capacity of BlueScope as a result of the business restructure, Customs and Border Protection is satisfied that there continues to be an Australian industry (that is, BlueScope) wholly manufacturing the goods the subject of the investigations.

6.4 Production process

The sections below detail BlueScope's manufacturing process in respect of both galvanised steel and aluminium zinc coated steel. This process is described as two stages covering the production process for HRC and the conversion of HRC into the goods.

6.4.1 Stage 1 – HRC

The main raw materials used in the production of steel are iron ore, coal and fluxes (limestone and dolomite). The raw materials are fed into the top of the blast furnace in predetermined proportions and sequences. Air, which is heated to about 1200°C, is blown into the blast furnace. This causes the coke to burn, producing carbon monoxide which creates the required chemical reaction. The iron ore is reduced to molten iron by removing the oxygen. Molten iron and slag is periodically drained from the blast furnace and the molten iron is transported to the steelmaking area.

The basic oxygen steelmaking (BOS) process creates liquid steel from molten iron, scrap steel and alloying materials. The BOS vessel is charged and a lance that blows 99% pure oxygen onto the steel and iron causes the temperature to rise to about 1700°C. This melts the scrap, lowers the carbon content of the molten iron and helps remove unwanted elements. Samples are tested and computer analyses of the steel are done to ensure the desired chemistry is achieved. The steel can be further refined by adding alloying materials which give the steel special properties required by the customer. The liquid steel is cast into slabs of various dimensions so that it can be rolled.

During the investigation period BlueScope manufactured HRC on either of two hot strip mills. The slab is reheated in a furnace to obtain consistent temperature of around 1200°C. The heated slab is reduced in thickness by passing through a set of five or six rolling mill stands to produce HRC of the desired thickness and widths. The HRC is then transferred to the Springhill and Western Port coating mills.

6.4.2 Stage 2 - conversion process - coated steel with zinc and aluminum zinc

(i) Pickling

HRC is pickled to remove scale (iron oxide) formed during the hot rolling process. The HRC is unwound, side trimmed to the customers required width and passed through a bath of 70℃ hydrochloric acid, washed, dried and recoiled.

(ii) Cold rolling

The pickled HRC is cold rolled to reduce the steel thickness. The cold rolling process is conducted at room temperature. The cold rolling process involves passing the HRC through a number of rolling mill stands to progressively reduce the thickness without changing the width. For example, a 1,200 metre coil of 2.5 mm thickness could be reduced to 0.5 mm thickness and 6,000 metres long. During the process the grain structure is elongated, making the steel hard and springy. This intermediate steel product is known as a Cold Rolled Fully Hard (CRFH) product.

(iii) Metal coating

The cold rolled coil is cleaned to remove any oils from the cold rolling process and any traces of surface oxide and is then annealed in an inert atmosphere furnace. Where formability is the prime requirement, the coil is fully annealed. Where high strength and limited formability is required, the coil is partially annealed.

The clean and annealed coil then passes from the furnace through a molten metal bath of the required composition where the molten metal chemically bonds to the steel surface. Thinner gauges of galvanised steel are coated with oil, but thicker gauges are produced bare. Aluminum zinc coated steel can be supplied with a range of surface treatments (passivation coating and a resin coating) to protect the service or supplied skin passed and without surface treatment for feed for paint lines.

6.4.3 Preliminary assessment – Australian industry and production process

BlueScope is the sole producer of galvanised steel and aluminium zinc coated steel in Australia and wholly manufactures the goods.

6.5 Like goods

(i) Galvanised steel

BlueScope stated that it manufactures flat rolled products of iron and non-alloy steel, of widths less than 600mm and widths equal to or greater than 600mm, plated or coated with zinc. The application states that galvanised steel manufactured by BlueScope is marketed under the trade names “GALVABOND®”, “ZINCFORM®” “GALVASPAN®, “ZINCHITEN®” and “ZINCANNEAL” steel. These products are sold into the Australian market direct to manufacturing customers and via distributors.

PUBLIC RECORD

BlueScope considers the locally produced goods are like products to the imported plated or coated flat rolled products of iron or steel, plated or coated with zinc. BlueScope submitted that:

> *"(a) Physical likeness*
>
> - *Products made locally by BlueScope have a physical likeness to the goods exported from China, Korea and Taiwan (the countries under reference);*
> - *BlueScope's locally produced galvanised steel and the imported goods are manufactured to Australian and International Standards;*
>
> *(b) Commercial likeness*
>
> - *Australian industry galvanised steel competes directly with imported galvanised steel in the Australian market;*
>
> *(c) Functional likeness*
>
> - *Both the locally produced and imported galvanised steel have comparable or identical end-uses; and*
>
> *(d) Production likeness*
>
> - *Locally produced and imported galvanised steel are manufactured in a similar manner and via similar production processes.*
>
> *On this basis, BlueScope considers its locally-produced galvanised steel is "alike" to the imported goods, and possess the same essential characteristics as the imported galvanised steel"*[19].

(ii) Aluminium zinc coated steel

BlueScope stated that it manufactures flat rolled products of iron and non-alloy steel, of a width equal to or greater than 600mm, plated or coated with aluminium-zinc alloys (whether or not including resin coating).

The application states that aluminium zinc coated steel manufactured by BlueScope is marketed under the trade names "ZINCALUME®" and "TRUECORE®" steel. These products are sold into the Australian market direct to manufacturing customers and via distributors.

BlueScope considers the locally produced goods are considered to be like products to the imported plated or coated flat rolled products of iron or steel, plated or coated with aluminium-zinc alloys. BlueScope submitted that:

[19] Galvanised Steel Application, pages 12-13.

"(a)Physical likeness

- *Products made locally by BlueScope have a physical likeness to the goods exported from China, Korea and Taiwan (the countries under reference);*
- *BlueScope's locally produced aluminium zinc coated steel and the imported goods are manufactured to Australian and International Standards;*

(b) Commercial likeness

- *Australian industry aluminium zinc coated steel competes directly with imported aluminium zinc coated steel in the Australian market;*

(c) Functional likeness

- *Both the locally produced and imported aluminium zinc coated steel have comparable or identical end-uses; and*

(d) Production likeness

- *Locally produced and imported aluminium zinc coated steel are manufactured in a similar manner and via similar production processes.*

On this basis, BlueScope considers its locally-produced aluminium zinc coated steel is "alike" to the imported goods, and possess the same essential characteristics as the imported aluminium zinc coated steel"[20].

6.6 Stakeholder claims in respect of like goods

A number of interested parties have made claims in relation to like goods, exemptions and the goods description. Relevant submissions have been summarised in Table 1.[21] A summary of each of the main issues raised is discussed below.

[20] Aluminium Zinc Coated Steel Application, pages 12-13.
[21] Not all submissions by all parties are individually addressed in this SEF. However, Customs and Border Protection has considered all submissions by interested parties and has taken into account the views put forward in those submissions

Party	Date of Submission	Goods issue	Refer to SEF Sections
Ace Gutters Pty Ltd	15/10/12	Unchromated product	6.6.3, 7.4.2
GM Holden Ltd	15/10/12	Tailor-welded steel	6.6.1, 7.4.1.1
B&R Enclosures	17/10/12	Supply of wide Zincanneal coil	6.7, 7.4.1.2
Chinese Iron and Steel Association (CISA)	01/11/12	Goods description generally	6.7, 7.3
Ford	01/11/12	Automotive steel	6.6.1, 7.4.1
POSCO	23/11/12	Zero spangle	6.6.2, 7.4.1.1
OneSteel ATM	27/11/12	Cold rolled coil v hot rolled coil	6.7, 7.4.2.1
Ace Gutters Pty Ltd	30/11/12	Supply of Galvalume coil	6.6.3, 7.4.2.2
GM Holden	14/12/12	Supply of wide galvanised coil	6.6.1, 7.4.1.2
OneSteel ATM	17/01/13	Exempt goods subject to TCOs	6.7, 7.4.2.1
GM Holden	07/01/13	Exempt certain goods for automotive use – tailor welded blanks and certain sizes.	6.6.1, 7.4.1.1, 7.4.1.2
CISA	15/01/13	Exempt goods not produced by BlueScope	6.7

Table 1: submissions by interested parties relating to the goods and like goods description

6.6.1 Tailor-welded steel

Tailor welded steel (also known as 'tailor welded blanks' or 'tailored blanks') consists of two galvanised steel coils of varying thickness and widths welded together using a curvature weld process.

By way of example the resulting coil may be have a thickness of 0.7 mm and width of 1,215 mm on one side and a thickness of 1.6mm and width of 1,011 mm on the other. Customs and Border Protection understands that these products are commonly used in automotive parts for passenger motor vehicles.

Tailor-welded steel not produced by BlueScope

Importers claim in their submissions that the Australian industry does not produce tailor welded coated steel to the specifications they require.

BlueScope has confirmed that it cannot manufacture tailor welded galvanised steel, however it does manufacture galvanised steel which may be further processed to produce welded steel (whether in sheets or customised form).

Is tailor-welded steel the goods?

Customs and Border Protection considers tailor welded steel falls within the goods description for the investigation, provided it meets the other specifications stated in the goods description (for example, galvanised coating).

There is nothing in the goods description for the investigation that prevents tailor welded steel from being subject to any measures imposed.

However, any interested parties who claim certain goods should be exempt from measures, including tailor welded steel may apply for an exemption from duties under sections 8(7) of the Anti-Dumping Act.

Further discussion of Customs and Border Protection's consideration of exemptions is in Chapter 7.

6.6.2 Zero spangle

The term 'spangle' refers to distinctive patterns that zinc coating leaves on coated steel. Most galvanised steel has a patterned 'spangle' on it; however it is possible to produce galvanised steel that has a non-spangle finish. Exporters claim that non-spangled or zero spangle finish is required for visible part of automotive vehicle bodies, such as the body, because 'spangles' would result in an uneven paint finish, making 'zero spangle' the only suitable product for this purpose[22].

Zero spangle steel not produced by BlueScope

Submissions were received advising that the Australian industry does not produce zero spangle coated steel.

BlueScope has confirmed that it cannot manufacture zero spangle finish coated steel, however it does manufacture galvanised steel which has a minimal or small spangle.

Notwithstanding the above, BlueScope advised that it does not manufacture zero-spangled galvanised steel which is solely used for the exterior (i.e. exposed skin panels) of automobiles.

[22] POSCO submission, EPR 190/052, page 12.

Is zero spangle steel the goods?

Customs and Border Protection considers zero spangle finish falls within the goods description for the investigation, provided it meets the other specifications stated in the goods description (for example, galvanised coating).

There is nothing in the goods description for the investigation that prevents zero spangle finish steel from being subject to any measures imposed. However, any interested parties who wish for their goods to be exempt from measures, including zero spangle steel, may apply for an exemption from duties under the Anti-Dumping Act.

Further discussion of Customs and Border Protection's consideration of exemptions is in Chapter 7 of this report.

6.6.3 Unchromated aluminium zinc coated steel

Unchromated coated steel is like to commonly produced aluminium zinc coated steel, however it does not have a protective surface treatment, making it more suitable for painting.

Unchromated product is a raw material input for painted aluminium zinc coated steel and is used as feed for a continuous coating line.

BlueScope's ability to produce unchromated coated steel

Interested parties have raised that BlueScope does not offer its unchromated GALVALUME product for sale to customers in Australia, or that if it does offer the product for sale, the terms are considered not commercially acceptable.

BlueScope confirmed with Customs and Border Protection that it is able to produce unchromated coated steel suitable for painting and advised that it does offer the product for sale on the Australian market.

A discussion of exemption claims regarding this matter by parties is in Chapter 7 of this report.

Does BlueScope produce a like good?

Customs and Border Protection is satisfied that the imported and locally produced unchromated coated steel are like goods.

Further discussion of exemption claims in relation to this product is in Chapter 7 of this report.

6.6.4 Hot rolled coil and cold rolled coil substrates

Galvanised and aluminium zinc coated steel may both be produced by coating either hot rolled coiled steel or cold rolled coiled steel. BlueScope produces its galvanised steel and aluminium zinc coated steel using a cold rolled coil (CRC) substrate. An importer, OneSteel ATM, has claimed that it requires galvanised steel produced

using a HRC substrate to produce rectangular hollow sections (RHS), and accordingly BlueScope's product is not suitable for its purposes.

Is hot rolled coil substrate galvanised steel and aluminium zinc coated steel a like good to galvanised steel and aluminium zinc coated steel?

Customs and Border Protection is satisfied that the imported and locally produced coated steel are broadly like goods regardless of the hot rolled or cold rolled nature of the substrate used in production.

Further discussion of exemptions is in Chapter 7 of this report.

6.7 Other issues – goods description too broad

The Chinese Iron and Steel Association (CISA) has submitted that the goods description is 'overly broad' because CISA understood the goods description to include *both* aluminium zinc coated steel and galvanised steel in one investigation.[23]

GM Holden has submitted that it also believes the goods description is too broad. Specifically, GM Holden would like to see three separate investigations conducted into the three main market segments for each product it has identified.[24] GM Holden also submitted that the OEM Automotive market segment should be excluded from the goods description and from measures because of an absence of injury.

Several interested parties raised the concern that goods not able to be produced by BlueScope should not form part of the goods description for the purposes of the investigation.

6.8 Customs and Border Protection's assessment - like goods

Customs and Border Protection has preliminarily assessed that BlueScope has demonstrated in relation to galvanised steel and aluminium zinc coated steel that:

- *physical likeness* - the primary physical characteristics of imported and locally produced goods are similar (both are manufactured to achieve mechanical properties designated by Australian and international standards);
- *commercial likeness* - the imported and locally produced goods are commercially alike, directly competitive and are sold to common customers;
- *functional likeness* - the imported and locally produced goods are functionally alike as they have the same end-uses; and
- *production likeness* - the imported and locally produced goods are manufactured in a similar manner.

Customs and Border Protection considers that BlueScope produces like goods that are identical to, or have characteristics closely resembling, the goods.

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[23] See CISA submission dated 17/12/12, page 1 and CISA submission dated 1/11/12, page 2.
[24] GM Holden submission dated 7 January 2013, page 5

7 EXEMPTION REQUESTS

7.1 Customs and Border Protection's assessment

Customs and Border Protection has received a number of written requests for exemptions. After examination of the facts provided, Customs and Border Protection considers that there are grounds for some exemptions to be recommended to the Minister. At this stage of the investigation it appears that there are reasonable grounds to recommend exemptions for particular products produced for the automotive industry as outlined in the sections below.

7.2 Background

In the event that measures are imposed on galvanised steel and aluminium zinc coated steel exports from the nominated countries, all grades, types and models of galvanised steel and aluminium zinc coated steel that conform to the goods description will be subject to the dumping duty notice unless the Minister exempts particular goods.

The Minister has discretion to exempt goods subject to dumping duties from that duty under the Anti-Dumping Act. In particular, section 8(7) of the Anti-Dumping Act specifies the following circumstances under which an exemption may be granted:

The Minister may, by notice in writing, exempt goods from interim dumping duty and dumping duty if he or she is satisfied:

(a) that like or directly competitive goods are not offered for sale in Australia to all purchasers on equal terms under like conditions having regard to the custom and usage of trade;

(b) that a Tariff Concession Order under Part XVA of the Customs Act 1901 in respect of the goods is in force;

(c) that:

> *(i) where the goods are goods to which section 8 of the Customs Tariff Act 1995 applies—the item in Schedule 4 to that Act that applies to the goods is expressed to apply to goods, or to a class or kind of goods, as prescribed by by-law; and*
>
> *(ii) suitably equivalent goods the produce or manufacture of Australia are not reasonably available;*

(d) that:

> *(i) the tariff classification in Schedule 3 to that Act that applies to the goods is such that no duty is payable in respect of the goods or the duty payable in respect of the goods is at a rate equivalent to a rate payable under Schedule 4 on the goods; and*

(ii) suitably equivalent goods the produce or manufacture of Australia are not reasonably available; or

(e) that the goods, being articles of merchandise, are for use as samples for the sale of similar goods.[25]

Customs and Border Protection has received a number of submissions from importers requesting that certain goods falling within the description of the goods under investigation be granted an exemption, and have produced arguments largely focussed on sections 8(7)(a) or 8(7)(b) as grounds for granting that exemption. Exemption submissions are considered in this chapter.

Although Customs and Border Protection has indicated in this report whether, on the information currently before it, it is likely or unlikely to recommend to the Minister that an exemption be granted, the decision to grant an exemption is discretionary and lies with the Minister.

Applications for exemption are generally made after the imposition of measures however, in this case, Customs and Border Protection is examining claims during the course of the investigation. If a recommendation is made to the Minister at the conclusion of the investigation to impose anti-dumping measures, Customs and Border Protection is aiming to also recommend to the Minister at the same time whether any goods should be exempt. The final report to the Minister is due by 30 April 2013. Given the timeframes and the complexities involved in this case, requests for an exemption will be considered but it may not be possible to make a recommendation to the Minister on some requests until after measures, if any, are imposed.

In the event that Customs and Border Protection has stated in this report that it is unlikely to recommend that the Minister grant an exemption, or that it recommends that the Minister does *not* grant an exemption for a particular subset of the goods, this does not prevent an interested party from submitting a later exemption request. Similarly, where Customs and Border Protection has indicated in this report that, based on the information before it, it is likely to recommend to the Minister that an exemption be granted, this may not be the final view of Customs and Border Protection and does not provide any indication of the Minister's decision.

7.3 General goods and like goods claims

As discussed in chapters 5 and 6 of this report, many interested parties have made claims that particular types of goods, or goods used in particular market segments, should be excluded from the goods descriptions for galvanised steel and aluminium zinc coated steel.

Customs and Border Protection advises that it is not possible to amend the wording of the goods description after an investigation is initiated although clarification is possible, and some clarification of the goods description is found in ACDN 2012/62.

[25] Section 8(7), *Customs Tariff (Anti-Dumping) Act 1975.*

Although the wording of the goods description cannot be altered, certain goods may be exempted from duties by the Minister. Any party who wishes particular goods to be considered for exemption from duties should make that request in writing and provide supporting evidence.

7.4 Exemption requests by market segment

Customs and Border Protection has received a number of written requests for exemption. These requests have been broadly categorised by market segment and are discussed below.

7.4.1 Exemption requests from the automotive market segment

(i) Galvanised steel

7.4.1.1 Specific and specialised types of galvanised steel

Interested parties have claimed that zero spangle galvanised steel and tailor-welded galvanised steel are not produced in Australia, and that as a result, no injury is being caused to the Australian industry due to imports of those products. Chapter 6 of this report outlines the characteristics and broad specifications of zero spangle and tailor-welded steel.

Customs and Border Protection's assessment

Customs and Border Protection has considered the information presented by interested parties including the Australian industry, and considers on the information presented, that BlueScope does not presently manufacture zero spangle or tailor-welded steel suitable for use in the automotive market. Customs and Border Protection consulted with BlueScope and it advised that it does not make a zero spangle product suitable for use by the automotive industry; however it does make a low spangle product that can be substituted for use in other sectors. Whether this product is like or directly competitive to the imported product would need to be considered on a case by case basis. Customs and Border Protection considers that zero spangle and tailor-welded galvanised steel for use in the automotive sector not capable of being produced by the Australian industry may be reasonable grounds for the Minister to consider an exemption from duties.

7.4.1.2 Certain sizes of galvanised steel

Interested parties have claimed that the Australian industry is unable to produce galvanised steel outside of certain widths and thicknesses, and that those widths and thicknesses are required by manufacturers in the automotive market segment.

BlueScope confirmed it is capable of manufacturing galvanised steel to a maximum width of 1550mm and a minimum thickness of 0.3mm.[26]

[26] Customs and Border Protection notes that the minimum and maximum thickness capabilities of BlueScope's products is also dependent on the width of that product. Customs and Border Protection has collected supporting documentation and verified BlueScope's claims.

Customs and Border Protection's assessment

The test is not whether BlueScope manufacturers an identical product, but whether it can produce a like good that is 'like or directly competitive'. Customs and Border Protection has consulted with BlueScope and members of the automotive market importing and manufacturing community and is satisfied the Australian industry, while able to produce a broad range of widths and thicknesses of galvanised steel, is capable of manufacturing galvanised steel to a maximum width of 1550mm and a minimum thickness of 0.3mm and does not produce a product that is like or directly competitive with the imported product for that application.

Customs and Border Protection considers that galvanised steel outside of the dimensions capable of being produced by the Australian industry may be reasonable grounds for the Minister to consider an exemption from duties. Based on the information available at this stage of the investigation it seems likely that any such exemption would require an end use qualifier relating to goods destined for automotive manufacture only. Parties seeking exemption for other goods outside the widths or thicknesses able to be produced by BlueScope will need to provide evidence as to why smaller widths or thicknesses are not substitutable or directly competitive in other applications.

Tariff Concession Orders

There are seven TCOs currently under application applicable to galvanised steel. They are as follows:

- TC 1304297
- TC 1349350
- TC 1349351
- TC 1349352
- TC 1349354
- TC 1248929
- TC 1248930

Each of the applications states that the use of the goods is 'in PMV car body outer skins.'

We have been advised that BlueScope does not intend to object to the applications.

Customs and Border Protection considers that galvanised steel the subject of a TCO may be reasonable grounds for the Minister to consider an exemption from duties. It is preferable not to include an end use description in any exemption although it is recognised that in some cases this may be the only means of adequately describing the goods. Customs and Border Protection is considering whether such an exemption can be drafted in this form but at this stage considers an exemption is the most appropriate way to address the claims of interested parties.

PUBLIC RECORD

(ii) Aluminium zinc coated steel

Customs and Border Protection has been informed that use of aluminium zinc coated steel in the automotive market segment is rare, and has not received submissions requesting exemption of aluminium zinc coated steel from potential measures related to the automotive market segment.

7.4.2 Exemption requests from the manufacturing market segment

(i) Galvanised steel

Customs and Border Protection has received submissions in relation to particular galvanised steel made from a hot rolled coil substrate.

OneSteel ATM has requested that Customs and Border Protection grant an exemption from measures for galvanised steel made from a hot rolled coil substrate on the basis of sections 8(7)(a) and (b) of the Anti-Dumping Act.

In particular, OneSteel ATM claimed in its submission of 27 November 2012 that CRC is unsuitable for production of structural RHS because it is not compliant with the standard AS 1163 C450PLUS.[27] OneSteel ATM also note in their submission that two TCOs have been applied for by OneSteel ATM, and approved by Customs and Border Protection, for these goods.

Tariff concessions granted

TC 1243148 was published in the Tariff Concessions *Gazette* on 12 December 2012, with a specified period of operation, being from 13 November 2012 to 31 May 2013. TC 1242989 was also published in the *Gazette* on 12 December 2012, operative from 9 November 2012, however no sunset date was specified. The TCOs are for goods compliant with American Society for Testing and Materials (ASTM) A 653/A 653M – 05a.[28]

Exemption request

OneSteel have requested an exemption for the goods described in the TCO:[29]

> *Once our two TCO applications are reviewed, you will note that the goods the subject of our applications are compliant with [the standards].*
>
> *As both BlueScope Steel and CBP have accepted that these goods are not currently manufactured in Australia, we believe that both CBP and the Minister now have the necessary legislative support to exempt these goods described in the attached TCO applications*.

[27] OneSteel submission 27/11/12, EPR 190/53, p.1.
[28] Refer to Tariff Gazette, 12 December 2012, available at www.customs.gov.au
[29] OneSteel submission, 14/12/12, EPR 190/57, p.1.

Customs and Border Protection's assessment

OneSteel argue that the goods the subject of the TCO – the same goods the subject of their application for exemption – are not manufactured in Australia.

The goods are specified in the TCO as 'raw material for the manufacture of Electric Resistance Welded (ERW) steel pipes and tubes.[30]' It is not clear what specifications such products are manufactured to. The OneSteel ATM importer visit report indicates that 'the standard ATM grade for structural RHS is AS1163 – C450 PLUS' and that this is OneSteel's most common or 'popular' pipe and tube product.[31]' Whether the product described in the TCO, compliant with American standard ASTM A 653/A 653M – 05a, is the same product as OneSteel's RHS Australian Standard (AS 1163 C450PLUS) is not clear.

Customs and Border Protection notes the standard ASTM A 653/A 653M – 05a is historical and has since 2011 been superseded by ASTM A653 / A653M – 11, which is the current standard for ASTM A653 / A653M.

OneSteel attribute the non-suitability of BlueScope's product to the cold rolling process that BlueScope's coil undertakes as they consider this alters the properties of the coil such that it is outside of the specifications for the standard.

While it appears that grounds may exist for the Minister to grant an exemption for goods falling within the description of TC 1243148 and TC 1242989 on the basis of section 8(7)(b) of the Anti-Dumping Act, Customs and Border Protection is proposing not to recommend to the Minister that an exemption be granted for goods detailed in TC 1243148, being of a thickness less than 3.5mm, because TC 1243148 will expire on 31 May 2013. Customs and Border Protection's final report is due to the Minister on 30 April 2013, and the Minister has until 30 May 2013 to decide whether or not to impose a dumping duty notice so it is likely the TCO will no longer be in force by the time any measures are imposed.

However, Customs and Border Protection is proposing to recommend to the Minister that an exemption be granted for goods covered by the description in TC 1242989 as it does not have an expiry date and will still be in effect at the time of any measures being imposed.

(ii) Aluminium zinc coated steel

OneSteel Coil Coaters and Ace Gutters Pty Ltd (Ace Gutters) have written to Customs and Border Protection requesting an exemption from measures of unchromated aluminium zinc coated steel. The exemption is claimed under s8(7)(a) of the Anti-Dumping Act, in particular, that like goods are not offered for sale to all purchasers on equal terms.

Both Ace Gutters and OneSteel Coil Coaters claim that BlueScope does not offer for sale to third party customers in Australia unchromated aluminium zinc coated steel,

[30] Refer to Tariff Gazette, 12 December 2012, available at www.customs.gov.au
[31] OneSteel ATM importer visit report, EPR 190/048, p.17.

PUBLIC RECORD

or alternatively that BlueScope will not offer for sale unchromated aluminium zinc coated steel on commercially sustainable terms.

Customs and Border Protection's assessment

BlueScope confirmed, and Customs and Border Protection verified, that BlueScope regularly produces unchromated product for use in its own paint lines.

BlueScope's sales data shows a one off sale of a small quantity to an independently operated related entity during the investigation period, which BlueScope explained was to assist when its regular supply failed. No other sales of unchromated aluminium zinc coated steel to domestic customers were recorded during that period.

BlueScope disputed claims by stakeholders that it offered un-chromated aluminium zinc coated steel at non-commercial prices. BlueScope advised that it offered supply of this product on terms that it considered were representative of commercial terms.

BlueScope stated that stakeholders had claimed that it offered un-chromated aluminium zinc coated steel (that is unpainted) at a price comparable to a painted coated steel product (which is supplied at higher prices). BlueScope disputed this claim and also advised that prices of painted galvanised steel and aluminium zinc coated steel vary significantly. BlueScope provided details of a supply quote to OneSteel ATM that it believed demonstrated its offer to sell was on reasonable commercial terms.

The quote for supply has been examined by Customs and Border Protection. The quoted price has been compared to the manufacturing cost to produce the chromated unpainted product and the internal transfer price of the unchromated product from BlueScope to its paint line facility. The quote was also compared to the end user third party sales of the painted product by BlueScope to its customers. While the quote is higher than chromated product lines that have undergone further processing, the increase in price despite less manufacturing process can be explained by market demand for the product and the fact that it is used to produce a much higher priced output product (being painted aluminium zinc coated steel). That is, BlueScope has priced supply of the product according to its value in the market, rather than the cost of production. This is an acceptable commercial practice. That said, unless the offer provided by BlueScope to sell the unchromated product was open to all parties within the Australian market on equal terms, then it could be considered as grounds for an exemption request under section 8(7) of the *Customs Tariff (Anti-Dumping) Act 1975*.

Ace Gutters submitted to the investigation that BlueScope closed its account with Ace Gutters in 2006. While Ace Gutters has provided a submission setting out past conflicts with BlueScope in relation to the establishment of its paint line, and it is understood that Ace Gutters is reluctant to deal with BlueScope in the future because of this, there is currently no evidence to show that BlueScope would not provide Ace Gutters with a quote to supply the required material if requested. There is no reasonable basis to recommend the Minister grant an exemption to account for this issue.

8 AUSTRALIAN MARKET

8.1 Background

In its applications, BlueScope submitted that in the Australian markets:

- galvanised steel is supplied into the building and construction, manufacturing, automotive and transport primary market sectors; and
- aluminium zinc coated steel is supplied into the building and construction and manufacturing primary market sectors.

BlueScope stated that the end use application of each product varies within the primary market sectors. It claimed that locally produced and imported goods are used interchangeably across a variety of applications in the Australian market.

8.2 Market segmentation and demand variability

BlueScope stated that in the Australian market the key market segments for galvanised steel and aluminum zinc coated steel are the building and construction industry segment (largest consumer by volume) and the smaller manufacturing industry segment.

(i) Galvanised steel

BlueScope stated that in the building and construction industry examples of end use applications for galvanised steel include; commercial and industrial buildings light structural sections (purlins and girts); structural sections for carports, sheds and garages; plastering and ceiling accessories; garage door tracks; structural nail-plates, post stirrups, frame connectors and bracing for timber frames.

BlueScope stated that in the manufacturing industry examples of end use applications for galvanised steel include; feedstock as input for pipe and tube manufacture; air-conditioning ducting; cable trays; components in domestic appliances; hot water system components; electrical meter cabinets; tool-boxes; meter boxes; grain silos components and general manufactured articles.

BlueScope also advised that galvanised steel is supplied to automotive components (i.e. brakes parts) and Original Equipment Manufacturer (OEM) automotive markets.

The application claims that end users (and end use applications) in the key market segments are the predominant drivers of demand for galvanised steel.

(ii) Aluminum zinc coated steel

BlueScope stated that in the building and construction industry examples of end use applications for aluminum zinc coated steel include; roll formed roof and wall cladding; rain water guttering and down-pipes; roof flashing and trims; residential roof trusses; residential roofing battens; ceiling battens; residential house framing; wall structural sections; office wall framing; garden sheds; and garage door panels.

BlueScope stated that in the manufacturing industry examples of end use applications for aluminum zinc coated steel include; components in domestic appliances; hot water system components; cabinets; flues; ducting; grain silos and general manufactured articles.

BlueScope advised that aluminum zinc coated steel is not usually supplied to the auto components and OEM automotives market segments.

The application claims that the predominant drivers of demand for aluminum zinc coated steel in the two key Australian market segments include:

- *"residential construction, specifically, residential new dwelling construction, and investment in residential alterations and additions construction;*
- *commercial and industrial construction; and*
- *substitution into markets previously dominated by other materials including replacing timber for residential framing and replacing zinc coated steel products for structural framing in commercial / industrial internal partitioning and walling market32".*

(iii) Both products

BlueScope stated that there are a variety of factors that influence demand variability for galvanised steel and aluminum zinc coated steel within the Australian market, including:

- seasonal fluctuations;
  - impacts on agriculture, such as silos depending on season;
  - building industry Christmas closures;
  - wet versus dry season in tropical climates;
- factors contributing to overall market growth or decline;
  - availability of capital for infrastructure spending;
  - general macro-economic factors such as bank interest rates;
  - global and domestic business and consumer confidence;
- government regulation;
  - standards – international manufacturers do not always manufacture to the same standards as Australian manufacturers (BlueScope claim that this is commonly not apparent until installation);
  - policy – major government spending on infrastructure (i.e. the school building revolution);
  - new home rebates – which can stimulate demand;
- short term pricing volatility;
  - pressure on Australian manufacturing to compete with imported finished products;

[32] Aluminium Zinc Coated Steel Application, page 17.

- pressure and influence on purchasing decisions for inventory levels; and
- which is evident primarily in the indirect distribution channel; and influenced through global steel capacity utilisation.

8.3 Marketing

As discussed at section 5.3.1, BlueScope sells galvanised steel and aluminum zinc coated steel under several brand names. BlueScope stated that different brands were sold into different market sectors and that this enabled BlueScope to develop marketing strategies that targeted particular market sectors.

(i) Galvanised steel

GALVABOND® is the largest selling brand of galvanised steel and is a commercial grade suitable for forming, pressing and drawing. This product has the typical spangled surface that forms as the zinc coating dries. ZINCANNEAL® is a similar product but the zinc coating is subjected to direct fire gas furnace post exiting the coating bath and consequently the surface has a much finer crystalline structure. GALVASPAN® is the second largest selling brand of galvanised steel and is aimed at the construction market for the production of purlins and girts. The vast majority of sales of this brand have a zinc coating mass of 350 g/m^2. ZINCHITEN® is a structural product that can have the same structural properties, but is typically sold with a lower coating mass. GALVAFORM® is a brand specially developed for the automotive sector and DECKFORM® was developed specifically for the steel decking market.

(ii) Aluminum zinc coated steel

ZINCALUME® and TRUECORE® are the main brands of aluminium zinc coated steel. ZINCALUME® is the largest selling brand. TRUECORE® may have the same structural properties but it is targeted to the house framing market. It is produced in limited sizes to suit the framing market and is coated with a blue tinted resin.

8.4 Market distribution

(i) Galvanised steel

BlueScope stated that a large proportion of total galvanised steel sales are made directly to the domestic building product manufacturing industry. Customers in this industry roll form the galvanised steel into building products such as structural sections for commercial buildings, garages and sheds. The building product manufacturers then distribute the manufactured products to builders. If these customers require slit coils it is supplied from the service centres. BlueScope stated that typically delivery is made four to five weeks after the order is placed, but there are many common sizes that may be delivered within two or three days. Smaller quantities are sold directly to customers in the automotive (car and component manufacturers), manufacturing and pipe and tube sectors. The balance is sold through distributors.

(ii) Aluminum zinc coated steel

BlueScope advised that a significant proportion of aluminum zinc coated steel sales are made directly to the domestic building product manufacturing industry. Customers in this industry roll form the steel into building products such as building cladding. The building product manufacturers subsequently distribute the manufactured products to builders. BlueScope stated that the majority of the balance is sold through distributors and only a very small volume is sold into other market sectors.

(iii) Both products

BlueScope stated that distributors and resellers may offer a range of services such as smaller parcels of product, along with credit facilities and further processing (such as sheeting, slitting and blanking). Distributors normally purchase either imports or BlueScope's products, but some purchase from both sources.

BlueScope and importers of galvanised steel and aluminum zinc coated steel compete in all states and territories in Australia and across each segment via the same distribution channels in order to sell product into the market.

8.5 Market size

Customs and Border Protection has preliminarily estimated the size of the Australian markets for galvanised steel and aluminium zinc coated steel using import data from Customs and Border Protection's import data base and verified and unverified data provided by BlueScope, importers and exporters. Customs and Border Protection notes the following issues with the accuracy of data sets:

- Product finishes (for example, whether aluminium zinc coated steel is painted or unpainted) are not easily identifiable in the data sets. As product finishes cannot be easily identified in the data used to estimates market volumes, it is likely that some painted products which are outside the scope of the goods may be included in import volumes. The inclusion of these products may inflate import volumes and therefore Australian market sizes; and

- Specific production dimensions (including exact width and thickness of the goods) are not discernable in data sets. While the tariff subheadings and statistical codes provide indicative parameters regarding width and thickness of imported products, they provide guidance only in determining exact product dimensions of the imported goods.

Notwithstanding these issues, for the purposes of this report, Customs and Border Protection considers that the import data available is sufficient for estimating import volumes to preliminarily assess the Australian market sizes for galvanised steel and aluminium zinc coated steel.

(i) Galvanised steel

The following graph depicts Customs and Border Protection's estimate of the Australian market size for galvanised steel using data from its import database and

BlueScope's verified sales data. Customs and Border Protection estimates that in 2011-12 the size of the Australian market for galvanised steel was approximately 630,000 tonnes.

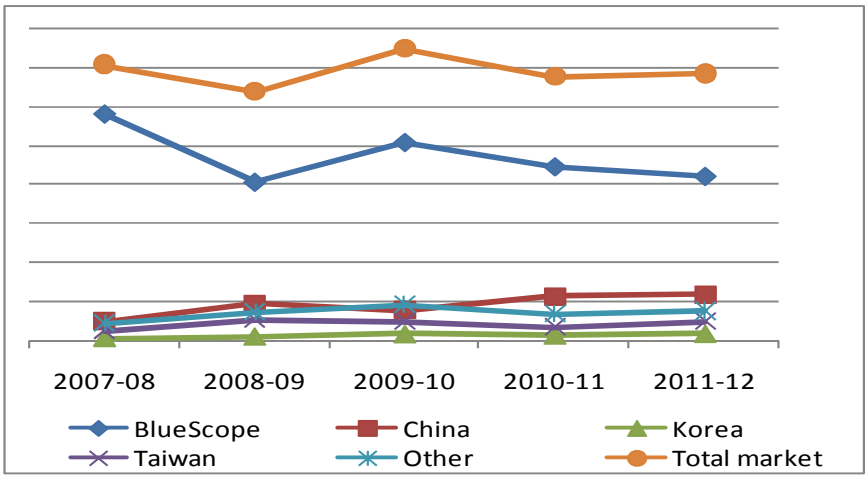

Figure 5: Australian market for galvanised steel - 2007-08 to 2011-12

The graph above shows that the total Australian market size for galvanised steel remained relatively constant (showing a marginal increase) from 2010-11 to 2011-12.

(ii) Aluminium zinc coated steel

The following graph depicts Customs and Border Protection's estimate of the Australian market size for aluminium zinc coated steel using data from its import database and BlueScope's verified sales data. Customs and Border Protection estimates that in 2011-12 the size of the Australian market for aluminium zinc coated steel was approximately 220,000 tonnes.

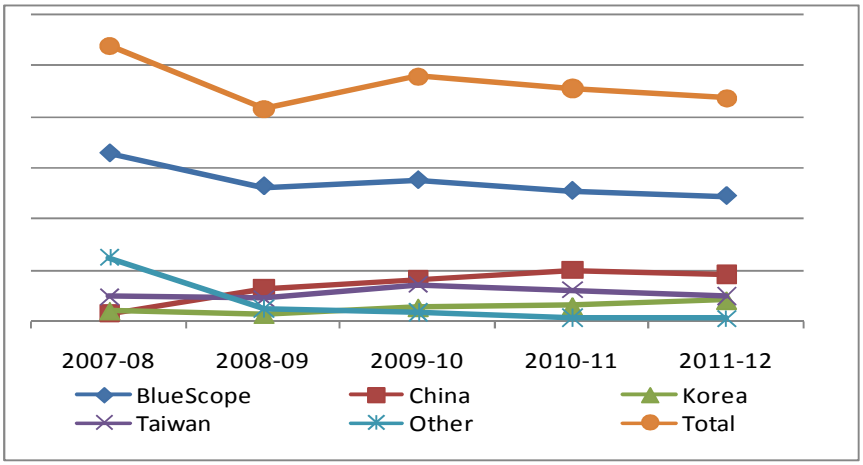

Figure 6: Australian market for aluminium zinc coated steel - 2007-08 to 2011-12

The graph above shows that the total Australian market size for aluminium zinc coated steel continually decreased during 2009-10 to 2011-12.

8.6 Alternative products

(i) Galvanised steel

BlueScope stated that other coated steel products are substitutable for galvanised steel including:

- 55% aluminum / zinc coated steel (also known as Aluzinc), 5% aluminum / zinc coated steel (also known as Galfan) and zinc / magnesium coated steel (for certain product applications); and
- painted metallic coated steel substitutes (including painted versions of the products listed above).

Inter-materials are also substitutable for galvanised steel depending on product end use, including:

- timber, hot rolled structural sections, load bearing concrete panels and masonry for framing applications in construction;
- plastic and composite materials such as conduits and ceiling and plaster fittings for non-framing products for the building industry; and
- aluminum, plastics or advanced composites for automotive applications.

BlueScope claimed that regardless of product substitutability, galvanised steel is considered by end users to be better product in the identified key applications.

(ii) Aluminium zinc coated steel

BlueScope stated that other coated steel products are substitutable for aluminum zinc coated steel including:

- galvanised steel products (for certain product applications), and
- painted metallic coated steel substitutes; such as painted aluminum zinc coated steel (e.g. COLORBOND® steel) or painted zinc coated steel.

Inter-materials are also substitutable for aluminum zinc coated steel depending on product end use, including:

- clay and cement roof tiles for domestic roofing applications;
- tilt up concrete panels and masonry bricks for industrial building walling;
- plastic and aluminum gutters and down pipes for rain water goods; and
- timber for residential or industrial / commercial structural framing applications (i.e. roof or wall framing).

BlueScope claimed that regardless of product substitutability, aluminum zinc coated steel is considered by end-users as a fit-for-purpose product that is better suited in the identified key applications to alternate substitutes "*due to its superior value proposition*"[33].

[33] Aluminium Zinc Coated Steel Application, page 19.

8.7 Importers

Customs and Border Protection performed a search of its import database and identified importers of galvanised steel and aluminium zinc coated steel. The largest nine importers accounted for approximately 90% of the total galvanised steel and aluminium zinc coated steel imports from the nominated countries.

Customs and Border Protection undertook visits to eight of those importers and prepared reports following the visits:

- Citic Australia Commodity Trading Pty Ltd
- Stemcor Australia Pty Ltd
- Marubeni-Itochu Steel Oceania Pty Ltd
- Minmetals Australia Pty. Ltd.
- Onesteel
- CMC (Australia) Pty Ltd
- GS Global Australia Pty.Ltd.
- GM Holden Ltd

These visit reports can be found on the electronic public record available on the Customs and Border Protection website at www.customs.gov.au .

PUBLIC RECORD

9 DUMPING INVESTIGATION

9.1 Preliminary findings

(i) Galvanised steel

Customs and Border Protection makes a preliminary assessment that:

- a market situation existed in the domestic market for galvanised steel in China during the investigation period such that selling prices in that market are not suitable for normal value purposes;
- galvanised steel exported to Australia from China, Korea and Taiwan during the investigation period was dumped;
- galvanised steel exported by Union Steel Korea, Sheng Yu and Ta Fong was not dumped; and
- the volume of dumped goods from these countries, and the dumping margins for all exporters (except Union Steel, Sheng Yu Steel, Sheng Yu and Ta Fong) were not negligible.

Preliminary dumping margins for galvanised steel are tabulated below:

Country	Manufacturer / exporter	Preliminary dumping margin
China	Angang Steel	19.3%
	Angang TAGAL	30.8%
	Wuhan	21.2%
	Yieh Phui Technomaterial	6.8%
	Selected non-cooperating exporters	60.6%
Korea	Dongbu Steel	3.2%
	POSCO	9.1%
	Union Steel	<2%
	Selected non-cooperating exporters	17.6%
Taiwan	Chung Hung Steel	8.5%
	Sheng Yu Steel	<2%
	Yieh Phui Enterprise	2.6%
	Ta Fong	<2%
	Selected non-cooperating exporters	12.7%

Figure 7: Preliminary dumping margins for galvanised steel

(ii) Aluminium zinc coated steel

Customs and Border Protection makes a preliminary assessment that:

- a market situation existed in the domestic market for aluminium zinc coated steel in China during the investigation period such that selling prices in that market are not suitable for normal value purposes;
- aluminium zinc coated steel exported to Australia from China, Korea and Taiwan during the investigation period was dumped;

- aluminium zinc coated steel exported by Sheng Yu was dumped but that this dumping was negligible;
- aluminium zinc coated steel exported by Union Steel Korea was not dumped; and
- the volume of dumped goods from these countries, and the dumping margins for all exporters (excluding Sheng Yu and Union Steel Korea) were not negligible.

Preliminary dumping margins for aluminium zinc coated steel are tabulated below:

Country	Manufacturer / exporter	Preliminary dumping margin
China	Angang Steel	4.9%
	Union Steel China	8.5%
	Yieh Phui Technomaterial	5.5%
	Jiangyin Zong Cheng (Jiangyin)	19.8%
	Selected non-cooperating exporters	20.4%
Korea	Dongbu Steel	5.8%
	Union Steel Korea	<2%
	Selected non-cooperating exporters	7.7%
Taiwan	Sheng Yu Steel	<2%
	Yieh Phui Enterprise	3.3%
	Selected non-cooperating exporters	4.3%

Figure 8: Preliminary dumping margins for aluminium zinc coated steel

9.2 Introduction

9.2.1 Number and categorisation of exporters

Customs and Border Protection estimates there were a total of around 107 exporters of galvanised steel and 28 exporters of aluminium zinc coated steel[34] from the three countries/region subject of this investigation that exported to Australia in the investigation period.

Despite the relatively large number of exporters, Customs and Border Protection has not undertaken a sampling exercise in terms of s.269TACB(8).

Rather, Customs and Border Protection sought to determine exporter-specific dumping margins for all exporters, after investigating the exportations of all exporters in the investigation period, whether or not they cooperated with the investigation.

[34] It is difficult to estimate the number of exporters accurately because in some cases Customs and Border Protection is only aware of the identities of the suppliers, which can be trading entities or manufacturers. Customs and Border Protection usually regards the manufacturer to be the exporter. Where the supplier details for particular importations in the Customs and Border Protection commercial database relate to traders, this means the identities and number of the exporters (manufacturers) are unknown.

Therefore, Customs and Border Protection regards all exporters to be 'selected exporters' in relation to s.269T.[35]

Shortly after initiating the investigation, Customs and Border Protection wrote to all known potential exporters of galvanised steel and aluminium zinc coated steel (identified in its import database), inviting them to make themselves known as an exporter and cooperate with the investigation by completing an Exporter Questionnaire.

Customs and Border Protection received 15 responses to the Exporter Questionnaire issued in relation to the dumping investigations. There were 13 exporters that provided adequate and timely responses to the Exporter Questionnaires– 10 were visited for verification purposes, and data for the other 4 was examined without on-site verification.

In the case of those exporters that provided an adequate and timely response to the Exporter Questionnaire, Customs and Border Protection was able to base the dumping margin calculations on the data submitted. These exporters were considered to be 'selected cooperating exporters'.

In some instances, the data submitted by these exporters was verified in on-site visits to the exporters' premises. In other cases, the data was examined by Customs and Border Protection without on-site verification.

In the case of one exporter that provided an inadequate response to the Exporter Questionnaire, or those exporters that did not respond to the questionnaire, Customs and Border Protection regarded these exporters as 'selected non-cooperating exporters'.

The calculation of dumping margins for each selected cooperating and selected non-cooperating exporter is at **Confidential Attachment 1.**

9.2.1.1 Selected cooperating exporters

Cooperating exporters collectively account for an estimated 70% of the volume of galvanised steel exports and 80% of the volume of aluminium zinc coated steel exports to Australia from the nominated countries/region in the investigation period.

Exporters whose data was verified on-site

Customs and Border Protection undertook verification visits to the following selected cooperating exporters, and based dumping margin calculations upon that verified data.

China:

- Angang Steel Company Limited

[35] S.269T(1) provides that 'selected exporter, in relation to a dumping duty notice or a countervailing duty notice in respect of goods, means an exporter of goods the subject of the application or like goods whose exportations were investigated for the purpose of deciding whether or not to publish that notice.'

- ANSC-TKS Galvanizing Co., Ltd (Angang TAGAL)
- Union Steel China Co., Ltd (Union Steel China)
- Yieh Phui Technomaterial Co., Ltd

Korea:

- Dongbu Steel Co. Ltd
- Union Steel Korea

Taiwan:

- Chung Hung Steel Corporation
- Sheng Yu
- Yieh Phui Enterprise Co., Ltd
- Asiazone Co., Limited (Asiazone)

Exporters whose data was assessed without verification

Customs and Border Protection examined the data contained in responses to Exporter Questionnaires by a further four selected cooperating exporters, and found the data to be verifiable and without material deficiency.

However, verification visits were not undertaken in relation to these exporters. Rather, Customs and Border Protection calculated dumping (and subsidy) margins after analysing the data submitted by these entities.

The four selected cooperating exporters subject of this approach are listed below.

China:

- Wuhan Iron and Steel Company Limited
- Jiangyin

Taiwan

- Ta Fong

Korea:

- POSCO

9.2.1.2 Selected non-cooperating exporters

There was one other response to the Exporter Questionnaire – from Shiang Jay Industrial Co., Ltd, a Taiwanese exporter. Customs and Border Protection found that the response to the questionnaire was deficient in a material degree. Customs and Border Protection provided an opportunity for the exporter concerned to address those deficiencies. Having regard to the original response to the Exporter Questionnaire, and to subsequent attempts to address deficiencies, Customs and Border Protection finds the response remained deficient, and could not be relied upon for calculating preliminary dumping margins.

The information provided by Shiang Jay was assessed as being materially deficient and not sufficient to warrant verification, and it is considered to be unreliable.

Customs and Border Protection considers that Shiang Jay has not fully cooperated with the investigation.

It also considers all those entities that exported galvanised steel or aluminium zinc coated steel to Australia from any of the three countries/region the subject of the investigation that did not make themselves known to Customs and Border Protection, and did not provide a response to the Exporter Questionnaire, are selected non-cooperating exporters.

The export prices and normal values for selected non-cooperating exporters have been determined after having regard to all relevant information.

The preliminary dumping findings are outlined in the sections below that are particular to each country/region.

Customs and Border Protection is currently considering a revision to the dumping securities imposed at the time of issuing the PADs based on the more accurate margins now determined following finalisation of verification and will advise interested parties in due course.

9.3 Determination of normal values – China (both products)

9.3.1 Particular market situation

In its application, BlueScope submitted that domestic prices of galvanised steel and aluminium zinc coated steel in China are not suitable for the determination of normal values under s269TAC(1) as a particular market situation in relation to those goods renders those domestic selling prices unsuitable.

In its recent investigation into dumping of hollow structural sections (HSS) exported from China, Customs and Border Protection found that a particular market situation existed in the Chinese iron and steel industry that rendered domestic selling prices of HSS unsuitable for the determination of normal value (Report 177 (REP 177) refers[36]). In particular, Customs and Border Protection found that the Chinese government influences distorted the selling prices of HRC, the main raw material used in the manufacture of HSS.

Galvanised steel and aluminium zinc coated steel producers form part of the iron and steel industry in China and HRC is the main raw material used in the production of those goods. Based on these facts and the findings in REP 177[37], Customs and Border Protection considers it reasonable to consider that the GOC influences in the iron and steel industry identified in REP 177 continue to exist in the Chinese domestic market such that HRC selling prices do not reflect competitive market costs.

[36] A detailed assessment of the market situation in China for HSS is contained in Appendix A to REP177.

[37] It is noted that on 14 January 2013 the Minister, following a recommendation from the Review Officer, asked Customs and Border Protection to reinvestigate the market situation findings in REP177. The reinvestigation report is due to the Minister on 14 April 2013.

PUBLIC RECORD

During the current investigations Customs and Border Protection has found that some exporters of galvanised steel and aluminium zinc coated steel to Australia are 'integrated producers'. This means that rather than purchasing HRC they manufacture their own HRC from raw materials such as iron ore, coke or coking coal and scrap. Customs and Border Protection considers that due to the nature of the government influences as set out in REP 177 the HRC production inputs and/or transfer prices for HRC would equally be affected and not reflect competitive market costs.

Customs and Border Protection therefore preliminarily considers that a particular market situation exists in relation to domestic sales of galvanised steel and aluminium zinc coated steel exported to Australia from China rendering domestic prices of those goods unsuitable for determining a normal value. Normal values should be constructed under s269TAC(2)(c) of the Act.

Detailed discussion of the preliminary finding in relation to market situation is at Appendix 1.

9.3.2 Approach to replacing HRC costs

The construction of normal value under s269TAC(2)(c) of the Act has been undertaken in accordance with the conditions of Regulation 180,181 and 181A of the *Customs Regulations 1926*.

Regulation 180(2) requires that if an exporter keeps records in accordance with generally accepted accounting principles and those records reasonable reflect competitive market costs associated with the production of like goods then the cost of production must be worked out using the exporter's records.

Customs and Border Protection's preliminary view is that HRC prices are affected by GOC influences and do not reasonable reflect competitive market costs.

The issue of an appropriate benchmark for HRC costs was discussed in Appendix C of REP 177. That report discussed three options for determining a benchmark, in order of preference based on World Trade Organisation (WTO) Appellate Body findings:

- private domestic prices;
- import prices; and
- external benchmarks.

(i) Private domestic prices

In REP 177 Customs and Border Protection found that private prices of HRC were equally affected by government influence and therefore not suitable. Customs and Border Protection's assessment of data submitted by cooperating exporters in the galvanised steel and aluminium zinc coated steel investigations shows that there is no significant difference between HRC prices from SIE and private suppliers. Customs and Border Protection considers that private domestic prices of HRC in

China are still not suitable for determining a competitive market cost free from government influence.

(ii) Import prices

In REP177 Customs and Border Protection found that import prices were not suitable as a benchmark due to the lack of import penetration of HRC and the likelihood that import prices were equally affected by the government influences on domestic prices.

The GOC's response to the Government questionnaire in relation to HRC imports and the data supplied by cooperating exporters during the current investigations indicate that only a small quantity of HRC was imported in China during the investigation period. Due to the small quantity of imports of HRC, it is likely that import prices were equally affected by the government influences on domestic prices. Customs and Border Protection considers that import prices are not suitable for determining a competitive market cost of HRC.

(iii) External benchmarks

Customs and Border Protection has determined that an appropriate benchmark for HRC costs in China is the weighted average domestic HRC price paid by cooperating exporters of galvanised steel and aluminium zinc coated steel from Korea[38] and Taiwan[39], at comparable terms of trade and conditions of purchase to those observed in China.

As reported in PAD190, it was observed that some Korean and Taiwanese exporters use hot rolled band (HRB) as well as HRC for the production of galvanised steel and aluminum zinc coated steel exported to Australia. Some Chinese exporters also purchase HRB. HRB is not skin passed and exhibited only a minor price difference to HRC used for the manufacture of galvanised steel and aluminum zinc coated steel during the investigation period. For the purpose of the benchmark, all HRB purchases were included.

One cooperating Korean exporter reported its HRC purchases by differentiating between HRC that was produced using the electric arc furnace method and HRC produced using the blast furnace method. The different types of HRC exhibited minor price differences in the investigation period. It is not clear what type of HRC was purchased for the production of galvanised steel and aluminum zinc coated steel in China. As such for the purpose of calculating the benchmark, all HRC purchases were included.

From the responses to the exporter questionnaire provided by three cooperating non-integrated Chinese exporters, two exporters provided HRC purchase data inclusive of delivery costs while the third exporter had both delivered and EXW terms. The delivery cost for HRC for this exporter was calculated as a weighted average cost per tonne, using the difference between the EXW and delivered prices per tonne

[38] Dongbu Steel and Union Steel.
[39] Chung Hung Steel, Yieh Phui Enterprise and Sheng Yu Steel.

multiplied by the quantity. An upward adjustment was made to all EXW HRC purchases during the investigation period.

For the purpose of calculating the benchmark, all HRC purchases by the cooperating exporters were adjusted to delivered prices.

9.3.3 Calculation of uplift

(i) Non-integrated cooperating exporters

To determine the amended competitive market costs for non-integrated Chinese exporters, Customs and Border Protection compared the benchmark prices to purchases of HRC by those exporters to arrive at a percentage difference to be applied to the raw materials cost recorded in the exporters' records. In each case, application of this benchmark resulted in an uplift to exporters' costs, i.e. the actual HRC costs incurred by galvanised steel and aluminum zinc coated steel exporters for HRC were lower than the benchmark amount.

It is noted that an error was identified and rectified when calculating the uplift percentages at the time of publishing the PAD and imposing interim dumping securities. As a result of this rectification, the uplift percentages on average increase by approximately 1%. The adjusted uplift was used to replace the HRC costs for all cooperating Chinese exporters for the purpose of this SEF.

(ii) Integrated cooperating exporters

As stated above, integrated manufacturers of galvanised steel and aluminium zinc coated steel do not purchase HRC but manufacture it themselves from other raw materials such as iron ore, coke or coking coal and scrap steel. However, as noted in Appendix 1, the GOC influences in the iron and steel industry are wide ranging and affect competitive market supply of raw material inputs including HRC . Customs and Border Protection has observed that some of the cooperating integrated exporters of galvanised steel and aluminium zinc coated steel also sell HRC to some of the non-integrated producers. Because this selling price is said not to reflect a competitive market cost to the purchaser, and has been substituted by a benchmark, this leads to an inference that the HRC manufacture costs of the integrated producers also do not reflect competitive market costs. In the absence of

- sufficient information to establish a benchmark for each of the raw material inputs to HRC; and
- sufficiently detailed cost records from the cooperating exporters in their questionnaire responses to make the adjustment at this level,

it is considered reasonable to make the substitution at the HRC level for integrated producers.

Therefore, for cooperating integrated Chinese exporters the weighted average percentage uplift found in relation to the cooperating non-integrated exporters was applied to their recorded costs to manufacture HRC.

(iii) Non-cooperating exporters

The methodology for calculating the normal value for non-cooperating exporters is discussed at sections 9.4.5 and 9.9.5.

9.4 Galvanised steel - China

9.4.1 Angang Steel

Preliminary export prices for direct and indirect exports by Angang Steel (including through Angang entities in the Angang Group of companies) were established pursuant to s. 269TAB(1)(c) having regard to all the circumstances of the exportation. Specifically the export price is ascertained based on the price paid or payable for the goods by the importer.

Preliminary normal values for domestic sales by Angang Steel were established in accordance with s.269TAC(2)(c) of the Act using Angang Steel's weighted average cost to make and sell (CTMS) data (revised for raw material cost uplift), by product model, and an amount for profit based on domestic sales of like goods sold in the ordinary course of trade. To ensure the comparability of preliminary normal values to preliminary export prices, the following adjustments were made:

Domestic inland freight	**Deduct** a weighted average cost of domestic inland freight.
Export inland freight	**Add** a cost of export inland freight.
Export handling charges	**Add** a weighted average cost of export handling charges
Angang International's and Angang HK's SG&A	**Add** an amount for Angang International's and Angang HK's SG&A.
Unrefundable VAT	**Add** the unrefundable VAT amount of 4%.
Width	**Add** RMB 200 per MT for transactions with a width of less than 1 metre.
Surface Treatment	**Add** RMB 100 per MT for transactions with fingerprint resistance surface treatment and RMB 50 per MT for transactions with a passivation surface treatment
Normal Spangle	**Add** RMB 30 per MT for transactions with normal spangle
Surface quality	**Add** RMB 50 per MT for transactions with a "FB" surface quality

PUBLIC RECORD

The preliminary dumping margin for galvanised steel exported by Angang Steel was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Angang Steel is 19.3%.

9.4.2 Angang TAGAL

For sales made to [redacted] and [redacted] **[CONFIDENTIAL - CUSTOMER NAMES]** the export price can be determined under s. 269TAB(1)(a) using the invoiced price by TAGAL less any part of that price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

For sales made to [redacted], then on-sold to [redacted], **[CONFIDENTIAL – CUSTOMER NAMES]** the export price can be determined under s. 269TAB(1)(c) having regard to all the circumstances of the exportation. Specifically the export price is ascertained using the invoiced price by TAGAL less any part of that price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

Preliminary normal values for domestic sales by Angang TAGAL were established in accordance with s.269TAC(2)(c) of the Act using Angang TAGAL's weighted average CTMS data (revised for raw material cost uplift), by product model, and an amount for profit based on domestic sales of like goods sold in the ordinary course of trade. To ensure fair comparison, adjustments were made to normal values as follows:

Domestic inland freight	**Deduct** a weighted average cost of domestic inland freight.
Export inland freight and handling	**Add** a cost of export inland freight and handling charges.
Unrefundable VAT	**Add** the unrefundable VAT amount of 4%.
Export credit terms	**Add** credit expense for export credit terms

The preliminary dumping margin for galvanised steel exported by Angang TAGAL was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for galvanised steel exported by Angang TAGAL is 30.8%

9.4.3 Wuhan

Preliminary export prices for direct and indirect exports by Wuhan (supplied through IETW and other Wugang entities) were established pursuant to s.269TAB(1)(c) of the Act using the invoiced price from Wugang Australia to its unrelated customers.

Preliminary normal values for domestic sales by Wuhan were established in accordance with s.269TAC(2)(c) of the Act using Wuhan's weighted average CTMS data (revised for raw material cost uplift), by product model, and an amount for profit based on profitable domestic sales of like goods. To ensure fair comparison, a positive adjustment of 4% was made to normal values in relation to the residual export VAT expense that is incurred for export sales but not domestic sales. A positive adjustment for selling, general and administrative expenses for IETW and Wugang Australia was also made to normal values.

The preliminary dumping margin for galvanised steel exported by Wuhan (supplied through IETW) was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Wuhan / IETW is 21.2%.

9.4.4 Yieh Phui Technomaterial

Preliminary export prices for exports by Yieh Phui Technomaterial were established pursuant to s.269TAB(1)(a) of the Act using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Preliminary normal values for domestic sales by Yieh Phui Technomaterial were established in accordance with s.269TAC(2)(c) of the Act using Yieh Phui Technomaterial's weighted average CTMS data (revised for raw material cost uplift), by product model, and an amount for profit based on domestic sales of like goods sold in the ordinary course of trade. To ensure fair comparison, positive adjustments to the constructed normal values were made under s. 269TAC(9) for:

- export packing;
- export inland freight and insurance;
- export handling and brokerage charges;
- bank fees; and
- VAT charges.

The preliminary dumping margin for galvanised steel exported by Yieh Phui Technomaterial was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Yieh Phui Technomaterial is 6.8%.

9.4.5 Selected non-cooperating exporters

Preliminary export prices for export sales by all selected non-cooperating Chinese exporters were established in accordance with s.269TAB(3) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the lowest weighted average export prices for the entire investigation period from the selected co-operating exporters, excluding any part of that price that relates to post-exportation charges.

Preliminary normal values for domestic sales by all selected non-cooperating Chinese exporters were established in accordance with s.269TAC(6) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the highest weighted average normal values for the entire investigation period from the selected cooperating exporters.

The preliminary dumping margins for galvanised steel for selected non-cooperating Chinese exporters were established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for selected non-cooperating Chinese exporters is 60.6%.

9.5 Galvanised steel - Korea

9.5.1 Dongbu Steel

Preliminary export prices for galvanised steel export sales by Dongbu Steel were established in accordance with s.269TAB(1)(a) of the Act, using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Preliminary normal values for galvanised steel domestic sales by Dongbu Steel were established in accordance with s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the ordinary course of trade. To ensure fair comparison, the following adjustments were made to normal values:

Negative
domestic packing;
domestic inland freight;
domestic warranty costs;
domestic warehousing; and
domestic credit terms.

Positive
export packing;
export inland freight;
export handling, loading and ancillary costs; and
bank charges.

PUBLIC RECORD

The preliminary dumping margin for exports by Dongbu Steel was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Dongbu Steel is 3.2%.

9.5.2 POSCO

Preliminary export prices for exports by direct sales were established in accordance with s.269TAB(1)(a) of the Act, using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Preliminary export prices for exports by indirect sales through traders were established in accordance with s.269TAB(3) of the Act, by product model, using the price paid by the Korean traders.

Preliminary normal values for domestic sales by POSCO were established in accordance with:

- for certain models, s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the OCOT; and
- for certain models, s.269TAC(2)(c) of the Act using POSCO's weighted average CTMS data, by product model, and for certain models an amount of profit based on domestic sales of like goods made in the OCOT.

To ensure fair comparison, the following adjustments were made to normal values:

- less domestic credit terms;
- less domestic inland freight and warehousing;
- less domestic handling, loading and ancillary costs;
- less domestic packing;
- less domestic warranty costs;
- less duty drawback;
- plus export packing;
- plus export inland freight;
- plus export handling, loading and ancillary costs; and
- plus export credit terms.

The preliminary dumping margin for galvanised steel exported by POSCO was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for POSCO is 9.1%.

PUBLIC RECORD

9.5.3 Union Steel Korea

Preliminary export prices for exports by Union Steel Korea were established pursuant to s.269TAB(1)(a) of the Act using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Preliminary normal values for galvanised steel domestic sales by Union Steel Korea were established in accordance with s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the OCOT.

To ensure fair comparison, the following adjustments were made to normal values:

Negative

domestic inland transportation;
domestic credit; and
physical differences

Positive
bank charges.

The preliminary dumping margin for galvanised steel for exports by Union Steel Korea was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Union Steel Korea is -2.0%.

9.5.4 Selected non-cooperating exporters

Preliminary export prices for galvanised steel export sales by all selected non-cooperating Korean exporters were established in accordance with s.269TAB(3) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the lowest weighted average export prices for the entire investigation period from the selected co-operating exporters, excluding any part of that price that relates to post-exportation charges.

Preliminary normal values for domestic sales by all selected non-cooperating Korean exporters were established in accordance with s.269TAC(6) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the highest weighted average normal values for the entire investigation period from the selected cooperating exporters.

The preliminary dumping margins for galvanised steel for selected non-cooperating Korean exporters were established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for selected non-cooperating Korean exporters is 17.6%.

9.6 Galvanised steel - Taiwan

9.6.1 Chung Hung Steel

Preliminary export prices for Chung Hung Steel for:

- direct exports were established in accordance with s.269TAB(1)(a) of the Act, using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation; and
- indirect exports through traders were established in accordance with s.269TAB(1)(c) of the Act, by product model, having regard to all the circumstances of the exportation.

Preliminary normal values for domestic sales by Chung Hung Steel were established in accordance with:

- for certain models, s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the OCOT; and
- for certain models, s.269TAC(2)(c) of the Act using Chung Hung Steel's weighted average CTMS data, by product model, and for certain models an amount of profit based on domestic sales of like goods made in the OCOT. For certain other models no profit was added pursuant to s.269TAC(13).

To ensure fair comparison, the following adjustments were made to normal values:

Negative
domestic packing

Positive
export packing;
export commission and trade fee;
export bank charges; and
export inland freight and inland transportation.

The preliminary dumping margin for galvanised steel exported by Chung Hung Steel was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Chung Hung Steel is 8.5%.

9.6.2 Sheng Yu

Preliminary export prices for galvanised steel exported by Sheng Yu were established in accordance with s.269TAB(1)(a) of the Act, using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

PUBLIC RECORD

Preliminary normal values for domestic sales by Sheng Yu were established in accordance with s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the OCOT.

To ensure fair comparison the following adjustments were made:

Negative
domestic inland freight;
domestic packaging;
timing differences (as appropriate)

Positive
export inland freight;
export packaging;
export expenses;
timing differences (as appropriate)

The preliminary dumping margin for galvanised steel for Sheng Yu was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Sheng Yu Steel is -1.0%.

9.6.3 Yieh Phui Enterprise

Preliminary export prices for Yieh Phui Enterprise for:

- indirect exports through Asiazone were established in accordance with s.269TAB(1)(a) of the Act, using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation; and
- indirect exports through other traders were established in accordance with s.269TAB(3) of the Act, using the invoiced price to the customer.

Preliminary normal values for domestic sales by Yieh Phui Enterprise were established in accordance with:

- for certain models, s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the OCOT; and
- for certain models, s.269TAC(2)(c) of the Act using Yieh Phui Enterprise's weighted average CTMS data, by product model, and for certain models an amount of profit based on profitable domestic sales of like goods.

To ensure fair comparison, the following adjustments were made to normal values:

Negative
domestic inland freight;
domestic packaging;
domestic warranty;

specification adjustment (to account for variances in coating mass, width and thickness, as required);

Positive
direct export expenses;
selling, general and administrative expenses in respect of Asiazone
specification adjustment (to account for variances in coating mass, width and thickness, as required).

The preliminary dumping margin for galvanised steel for Yieh Phui Enterprise was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Yieh Phui Enterprise is 2.6%.

9.6.4 Ta Fong Steel Co., Ltd

Preliminary export prices for galvanised steel exported by Ta Fong were established in accordance with s.269TAB(1)(a) of the Act, using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Preliminary normal values for domestic sales by Ta Fong were established in accordance with s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the OCOT.

To ensure fair comparison the following adjustments were made:

Negative
domestic inland freight;
domestic packaging;
timing differences (as appropriate)

Positive
export inland freight;
export packaging;
export expenses;
timing differences (as appropriate)

The preliminary dumping margin for galvanised steel for Ta Fong was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Ta Fong is -8.6%.

9.6.5 Selected non-cooperating exporters

Preliminary export prices for galvanised steel export sales by all selected non-cooperating Taiwanese exporters were established in accordance with s.269TAB(3) of the Act, as sufficient information for these exporters has not been furnished.

Specifically, Customs and Border Protection used the lowest weighted average export prices for the entire investigation period from the selected co-operating exporters, excluding any part of that price that relates to post-exportation charges.

Preliminary normal values for galvanised steel domestic sales by all selected non-cooperating Taiwanese exporters were established in accordance with s.269TAC(6) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the highest weighted average normal values for the entire investigation period from the selected cooperating exporters.

The preliminary dumping margins for galvanised steel for selected non-cooperating Taiwanese exporters were established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for selected non-cooperating Taiwanese exporters is 12.7**%.**

9.7 Volume of dumped exports

Customs and Border Protection preliminarily assessed that the volume of galvanised steel exported from each of the nominated countries that were dumped over the investigation period is each greater than 3% of the total import volumes of galvanised steel over the investigation period and is therefore not a negligible volume.

9.8 Galvanised steel - dumping margin summary

Customs and Border Protection's preliminary calculation of export prices, preliminary normal values and preliminary dumping margins in respect of galvanised steel are at **Confidential Appendix 1.**

9.9 Aluminium zinc coated steel - China

9.9.1 Angang Steel

Preliminary export prices for aluminium zinc coated steel exported by Angang Steel (including through Angang entities in the Angang Group of companies) were established pursuant to s. 269TAB(1)(c) having regard to all the circumstances of the exportation. Specifically the export price is ascertained based on the price paid or payable for the goods by the importer.

Preliminary normal values for domestic sales by Angang Steel were established in accordance with s.269TAC(2)(c) of the Act using Angang Steel's weighted average CTMS data (revised for raw material cost uplift), by product model, and an amount for profit based on domestic sales of like goods sold in the ordinary course of trade. To ensure the comparability of preliminary normal values to preliminary export prices the following adjustments were made:

PUBLIC RECORD

Domestic inland freight	**Deduct** a weighted average cost of domestic inland freight.
Export inland freight	**Add** a cost of export inland freight.
Export handling charges	**Add** a weighted average cost of export handling charges
Angang International's and Angang HK's SG&A	**Add** an amount for Angang International's and Angang HK's SG&A.
Unrefundable VAT	**Add** the unrefundable VAT amount of 4%.
Width	**Add** RMB 200 per MT for transactions with a width of less than 1 metre.
Surface Treatment	**Add** RMB 100 per MT for transactions with fingerprint resistance surface treatment and RMB 50 per MT for transactions with a passivation surface treatment
Normal Spangle	**Add** RMB 30 per MT for transactions with normal spangle
Surface quality	**Add** RMB 50 per MT for transactions with a "FB" surface quality

The preliminary dumping margin for aluminium zinc coated steel exported by Angang Steel was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Angang Steel is 4.9%.

9.9.2 Union Steel China

Preliminary export prices for exports by Union Steel China were established pursuant to s.269TAB(1)(a) of the Act using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Preliminary normal values for domestic sales by Union Steel China were established in accordance with s.269TAC(2)(c) of the Act using Union Steel China's weighted average CTMS data (revised for raw material cost uplift), by product model, and an amount for profit based on domestic sales of like goods sold in the ordinary course of trade. To ensure fair comparison, positive adjustments to domestic selling prices pursuant to s.269TAC(9) were made for:

- inland freight;
- VAT rebate;
- handling, loading and ancillary costs; and
- bank charges.

The preliminary dumping margin for aluminium zinc coated steel exported by Union Steel China was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Union Steel China is 8.5%.

9.9.3 Yieh Phui Technomaterial

Preliminary export prices for exports by Yieh Phui Technomaterial were established pursuant to s.269TAB(1)(a) of the Act using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Preliminary normal values for domestic sales by Yieh Phui Technomaterial were established in accordance with s.269TAC(2)(c) of the Act using Yieh Phui Technomaterial's weighted average CTMS data (revised for raw material cost uplift), by product model, and an amount for profit based on domestic sales of like goods made in the ordinary course of trade. To ensure fair comparison, positive adjustments to the constructed normal values were made under s. 269TAC(9) for:

- export packing;
- export inland freight and insurance;
- export handling and brokerage charges;
- bank fees; and
- VAT charges.

The preliminary dumping margin for aluminium zinc coated steel exported by Yieh Phui Technomaterial was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Yieh Phui Technomaterial is 5.5%.

9.9.4 Jiangyin Zhong Cheng Steel Co., Ltd

Preliminary export prices for aluminium zinc coated steel exported by Jiangyin were established in accordance with s.269TAB(1)(a) of the Act, using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Preliminary normal values for domestic sales by Jiangyin were established in accordance with s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the OCOT.

To ensure fair comparison the following adjustments were made:

Domestic packaging	**Deduct** an amount for domestic packaging costs.
Domestic inland transport	**Deduct** an amount for domestic inland transport costs.
Domestic other	**Deduct** an amount for domestic other costs.
Export packaging	**Add** an amount for export packaging costs.
Export inland transport	**Add** an amount for export inland transport costs.
Export handling	**Add** an amount for export handling costs.
Export commission	**Add** an amount for export commission expense.
Unrefundable VAT	**Add** the unrefundable VAT amount of 4%.

The preliminary dumping margin for aluminium zinc coated steel for Jiangyin was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Jiangyin is 19.8%.

9.9.5 Selected non-cooperating exporters

Preliminary export prices for export sales by all selected non-cooperating Chinese exporters were established in accordance with s.269TAB(3) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the lowest weighted average export prices for the entire investigation period from the selected co-operating exporters, excluding any part of that price that relates to post-exportation charges.

Preliminary normal values for aluminium zinc coated steel domestic sales by all selected non-cooperating Chinese exporters were established in accordance with s.269TAC(6) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the highest weighted average normal values for the entire investigation period from the selected cooperating exporters.

The preliminary dumping margins for aluminium zinc coated steel for selected non-cooperating Chinese exporters were established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices

over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for selected non-cooperating Chinese exporters is 20.4%.

9.10 Aluminium zinc coated steel - Korea

9.10.1 Dongbu Steel

Preliminary export prices for exports by Dongbu Steel were established in accordance with s.269TAB(1)(a) of the Act, using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Preliminary normal values for domestic sales by Dongbu Steel were established in accordance with s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the OCOT. To ensure fair comparison, the following adjustments were made to normal values:

Negative
domestic packing;
domestic inland freight;
domestic warranty costs;
domestic warehousing; and
domestic credit terms.

Positive
export packing;
export inland freight;
export handling, loading and ancillary costs; and
bank charges.

The preliminary dumping margin for aluminium zinc coated steel exported by Dongbu Steel was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Dongbu Steel is 5.8%.

9.10.2 Union Steel Korea

Preliminary export prices for exports by Union Steel Korea were established pursuant to s.269TAB(1)(a) of the Act using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Preliminary normal values for domestic sales by Union Steel Korea were established in accordance with s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the OCOT.

To ensure fair comparison, the following adjustments were made to normal values:

Negative

domestic inland transportation;
domestic credit; and
physical differences

Positive
bank charges.

The preliminary dumping margin for aluminium zinc coated steel exported by Union Steel Korea was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Union Steel Korea is -2.4%.

9.10.3 Selected non-cooperating exporters

Preliminary export prices for aluminium zinc coated steel export sales by all selected non-cooperating Korean exporters were established in accordance with s.269TAB(3) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the lowest weighted average export prices for the entire investigation period from the selected co-operating exporters, excluding any part of that price that relates to post-exportation charges.

Preliminary normal values for aluminium zinc coated steel domestic sales by all selected non-cooperating Korean exporters were established in accordance with s.269TAC(6) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the highest weighted average normal values for the entire investigation period from the selected cooperating exporters.

The preliminary dumping margins for aluminium zinc coated steel for selected non-cooperating Korean exporters were established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for selected non-cooperating Korean exporters is 7.7%.

9.11 Aluminium zinc coated steel - Taiwan

9.11.1 Sheng Yu

Preliminary export prices for exports by Sheng Yu were established in accordance with s.269TAB(1)(a) of the Act, using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Preliminary normal values for domestic sales by Sheng Yu were established in accordance with s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the OCOT.

To ensure fair comparison the following adjustments were made:

Negative
domestic inland freight;
domestic packaging;
timing differences (as appropriate)

Positive
export inland freight;
export packaging;
export expenses;
timing differences (as appropriate)

The preliminary dumping margin for aluminium zinc coated steel exported by Sheng Yu was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Sheng Yu is 1.9%.

9.11.2 Yieh Phui Enterprise

Preliminary export prices for Yieh Phui Enterprise for:

- indirect exports through Asiazone were established in accordance with s.269TAB(1)(a) of the Act, using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation; and
- indirect exports through other traders were established in accordance with s.269TAB(3) of the Act, using the invoiced price to the customer.

Preliminary normal values for domestic sales by Yieh Phui Enterprise were established in accordance with:

- for certain models, s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the OCOT; and
- for certain models, s.269TAC(2)(c) of the Act using Yieh Phui Enterprise's weighted average CTMS data, by product model, and for certain models an amount of profit based on domestic sales of like goods made in the OCOT.

To ensure fair comparison, the following adjustments were made to normal values:

Negative
domestic inland freight;
domestic packaging;
domestic warranty;
specification adjustment (to account for variances in coating mass, with and thickness, as required);

PUBLIC RECORD

Positive
direct export expenses;
selling, general and administrative expenses in respect of Asia zone
specification adjustment (to account for variances in coating mass, with and thickness, as required).

The preliminary dumping margin for aluminium zinc coated steel for exports by Yieh Phui Enterprise was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for Yieh Phui Enterprise is 3.3%.

9.11.3 Selected non-cooperating exporters

Preliminary export prices for aluminium zinc coated steel export sales by all selected non-cooperating Taiwanese exporters were established in accordance with s.269TAB(3) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the lowest weighted average export prices for the entire investigation period from the selected co-operating exporters, excluding any part of that price that relates to post-exportation charges.

Preliminary normal values for aluminium zinc coated steel domestic sales by all selected non-cooperating Taiwanese exporters were established in accordance with s.269TAC(6) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the highest weighted average normal values for the entire investigation period from the selected cooperating exporters.

The preliminary dumping margins for aluminium zinc coated steel for selected non-cooperating Taiwanese exporters were established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The preliminary dumping margin for selected non-cooperating Taiwanese exporters is 4.3%.

9.12 Volume of dumped exports

Customs and Border Protection preliminarily assessed that the volume of aluminium zinc coated steel exported from each of the nominated countries that were dumped over the investigation period is each greater than 3% of the total import volumes of aluminium zinc coated steel over the investigation period and is therefore not a negligible volume.

9.13 Aluminium zinc coated steel - dumping margin summary

Customs and Border Protection's preliminary calculation of export prices, preliminary normal values and preliminary dumping margins for aluminium zinc coated steel are at **Confidential Appendix 2.**

PUBLIC RECORD

10 INJURY ASSESSMENT

10.1 Preliminary assessment

Customs and Border Protection has preliminarily assessed that, based on verified information and data, the Australian industry (BlueScope) appears to have experienced injury in respect of both galvanised steel and aluminium zinc coated steel.

10.2 Injury claims

(i) Galvanised steel

See section 4.1(i) for BlueScope's injury claims in respect of galvanised steel.

(ii) Aluminium zinc coated steel

See section 4.1(ii) for BlueScope's injury claims in respect of aluminium zinc coated steel.

10.3 Commencement of injury

BlueScope claims that in respect of galvanised steel and aluminium zinc coated steel, material injury to the Australian industry caused by dumped imports commenced in 2010-11 and has been exacerbated in 2011-12.

10.4 Preliminary injury approach

The preliminary injury analysis detailed in this section is based on the verified financial information submitted by BlueScope and import data from Customs and Border Protection's import database.

BlueScope provided production, cost and sales data for "total" galvanised steel and "total" aluminium zinc coated steel products (as covered by the goods descriptions). As BlueScope manufacture and supply a wide range of like goods at varying widths and thicknesses, production, cost and sales data was also provided for key products, representing products with the highest sales volumes.

Customs and Border Protection's preliminary analysis of the economic conduction of the industry and injury factors for galvanised steel and aluminium zinc coated steel are presented separately within this section.

10.5 Cumulation of injury

Subsection 269TAE(2C) of the Act provides for consideration of the cumulative effect of exports from different countries, if, after having regard to:

- the conditions of competition between the exported goods; and
- the conditions of competition between the exported goods and the like goods that are domestically produced;

the Minister is satisfied that it is appropriate to consider the cumulative effects.

Customs and Border Protection has preliminarily assessed that in respect of galvanised steel and aluminium zinc coated steel, in respective markets, the

conditions of competition between imported and domestically produced like goods appear to be similar.

BlueScope claimed that it has been unable to increase prices to recover increased costs as a result of price undercutting by imports of galvanised steel and aluminium zinc coated steel from each of the nominated countries.

The information contained in Customs and Border Protection's import database identified several importers of galvanised steel and aluminium zinc coated steel imported from a number of the nominated countries (which was confirmed during visits to importers). Customs and Border Protection considers that this indicates that the products are used by the same or similar customers.

As discussed at chapter 5, Customs and Border Protection has preliminarily assessed that for galvanised steel and aluminium zinc coated steel and the respective imported goods that the goods are alike, have similar specifications, have similar end-uses, and compete in the same primary market segments.

Customs and Border Protection preliminarily considers that it is appropriate to consider the cumulative effect of the dumped imports.

10.6 Volume effects

10.6.1 Sales volume

(i) Galvanised steel

The following graph shows BlueScope's sales volumes for galvanised steel from 2007-08 to 2011-12.

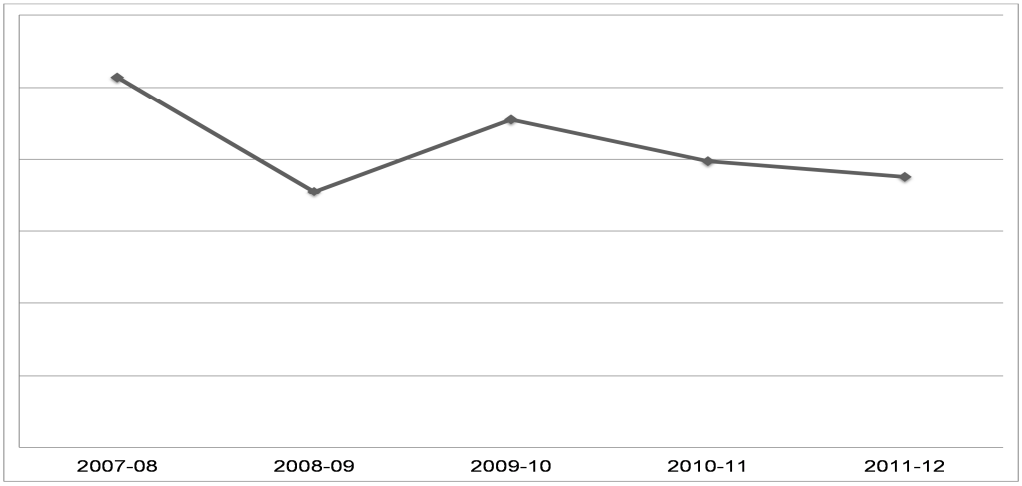

Figure 10: BlueScope's sales volume (tonnes) – galvanised steel – 2007-08 to 2011-12

This graph shows that BlueScope's domestic sales volumes of galvanised steel continually decreased since 2009-10.

(ii) Aluminium zinc coated steel

The following graph shows BlueScope's sales volumes for aluminium zinc coated steel for 2007-08 to 2011-12.

PUBLIC RECORD

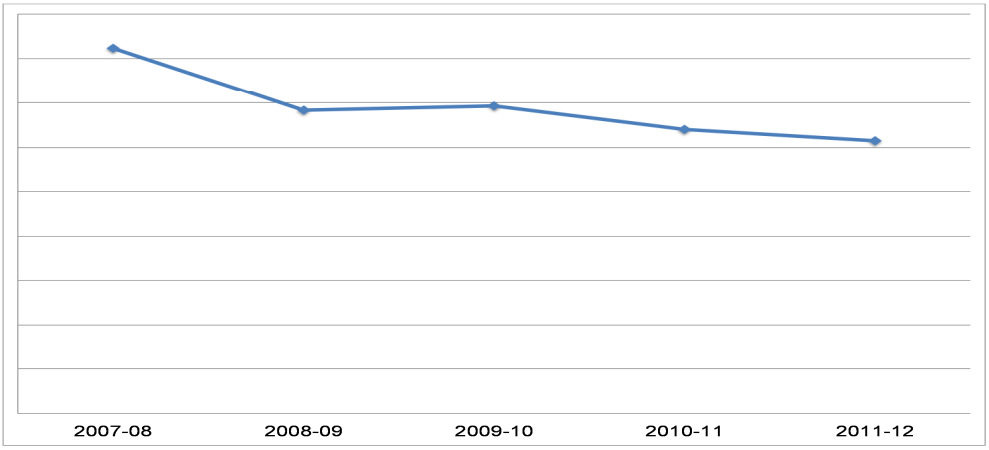

Figure 11: BlueScope's sales volume (tonnes) – aluminium zinc coated steel – 2007-08 to 2011-12

This graph shows that BlueScope's domestic sales volumes of aluminium zinc coated steel continually decreased since 2009-10. It appears that BlueScope's sales volume for aluminium zinc coated steel and galvanised steel reflect similar trends.

10.6.2 Market shares

(i) Galvanised steel

The following graph shows movements in market shares including BlueScope's market share, in the Australian market for galvanised steel for 2007-08 to 2011-12.

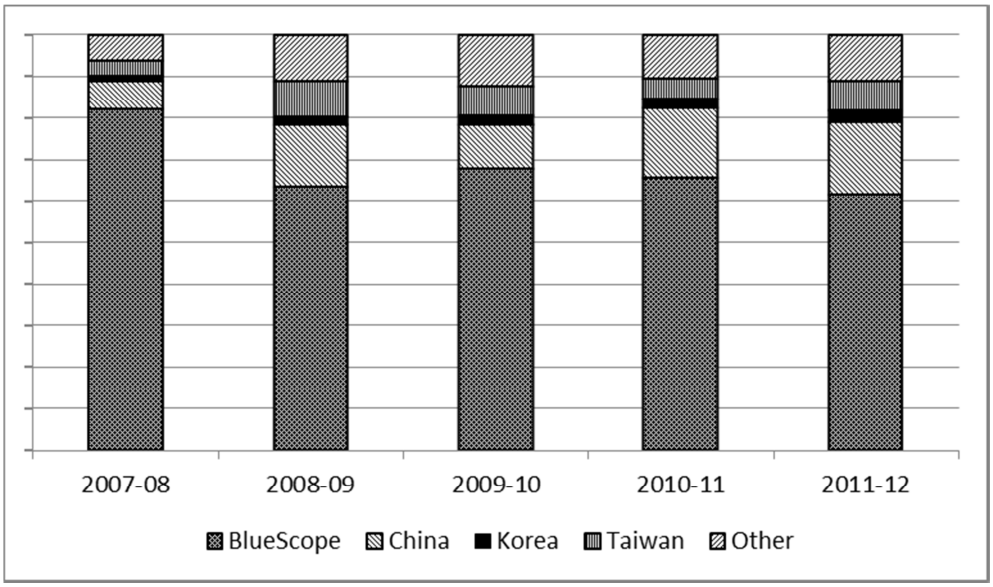

Figure 12: Market shares – galvanised steel – 2007-08 to 2011-12

This graph shows that BlueScope's market share in the Australian market for galvanised steel continually decreased since 2009-10, reflecting BlueScope's trends for sales volumes. During this period, the market share of total imports from China, Korea and Taiwan increased. Although, there has been variation in market shares

held by each of the nominated countries, with the largest market share represented by imports from China.

(ii) Aluminium zinc coated steel

The following graph shows movements in market shares including BlueScope's market share, in the Australian market for aluminium zinc coated steel for 2007-08 to 2011-12.

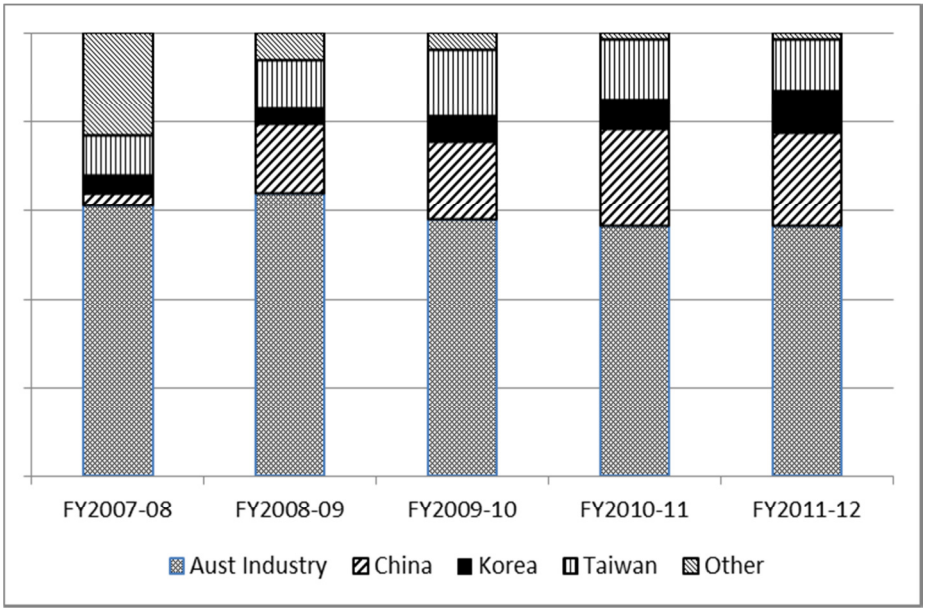

Figure 13: Market shares – aluminium zinc coated steel – 2007-08 to 2011-12

This graph shows that BlueScope's market share in the Australian market for aluminium zinc coated steel has remained relatively constant since 2009-10, in a declining market. During this period, the market share of total (aggregate) imports from China, Korea and Taiwan increased from 2008-09 to 2009-10 and has remained constant since 2009-10. Although, there has been variation in market shares held by each of the nominated countries, with the largest market share represented by imports from China. Imports from China decreased in 2011-12.

10.7 Price effects

10.7.1 Price depression and price suppression

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between revenues and costs.

(i) Galvanised steel

The following graphs show movements in BlueScope's total and unit revenues (reflecting net prices less rebates and discounts) and costs in respect of galvanised steel for 2007-08 to 2011-12.

Total revenue and costs

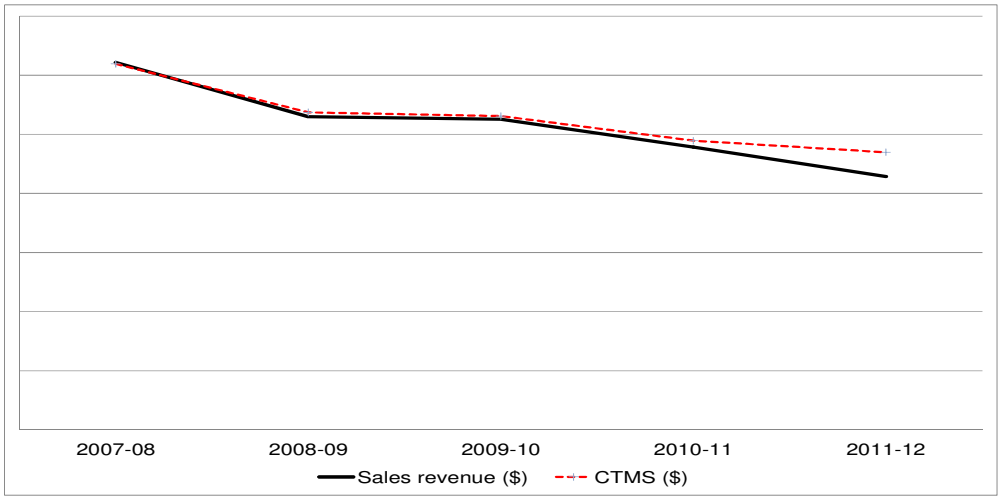

Figure 14: BlueScope's total sales revenue and costs – galvanised steel – 2007-08 to 2011-12

Unit revenue and costs (AUD ($) per tonne)

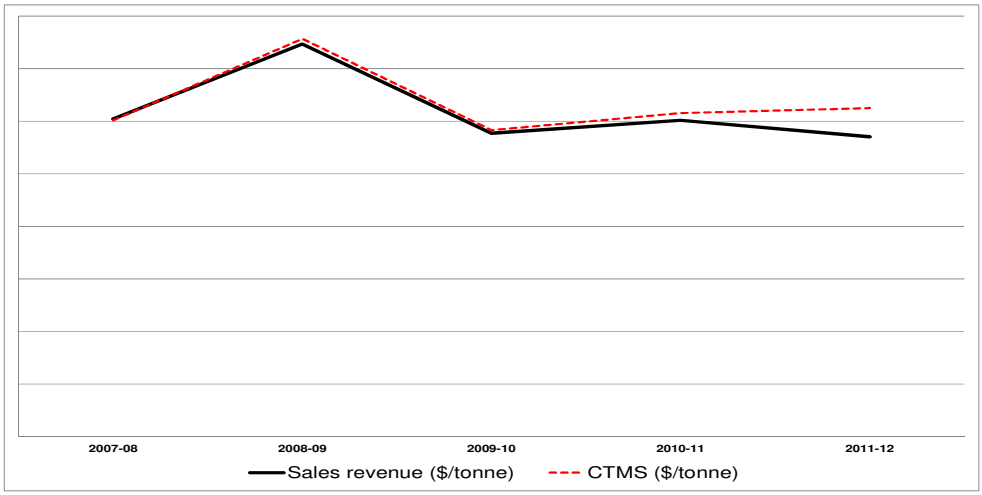

Figure 15: BlueScope's unit sales revenue and costs – galvanised steel – 2007-08 to 2011-12

The graphs show:

- total sales revenue decreased continually since 2007-08 and unit sales revenue decreased in 2011-12, which indicates price depression; and
- sales revenue and costs in respect of galvanised steel followed similar trends until 2011-12 as costs increased above revenue, which indicates price suppression (this trend was apparent for total (figure 14 refers) and unit values (figure 15 refers)).

(ii) Aluminium zinc coated steel

The following graphs show movements in BlueScope's total and unit revenues (reflecting net prices less rebates and discounts) and costs in respect of aluminium zinc coated steel for 2007-08 to 2011-12.

Total revenue and costs

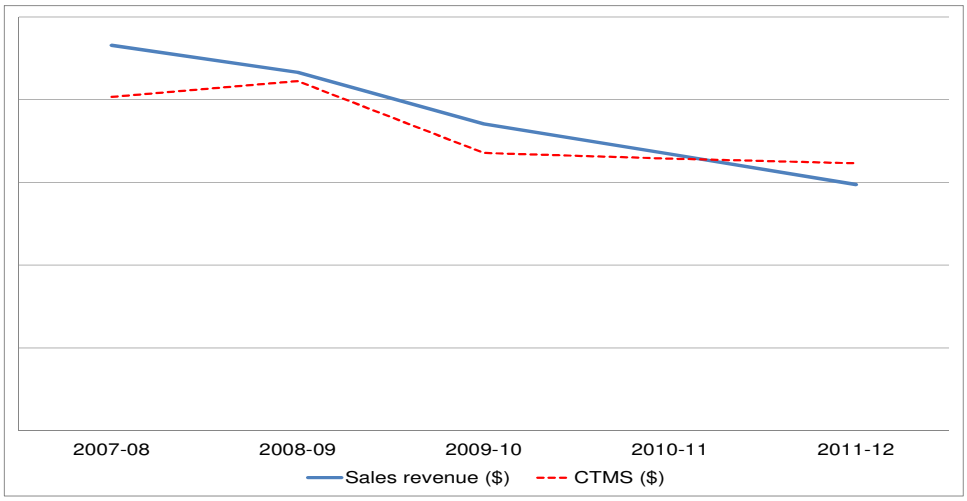

Figure 16: BlueScope's total sales revenue and costs – aluminium zinc coated steel – 2007-08 to 2011-12

Unit revenue and costs (AUD ($) per tonne)

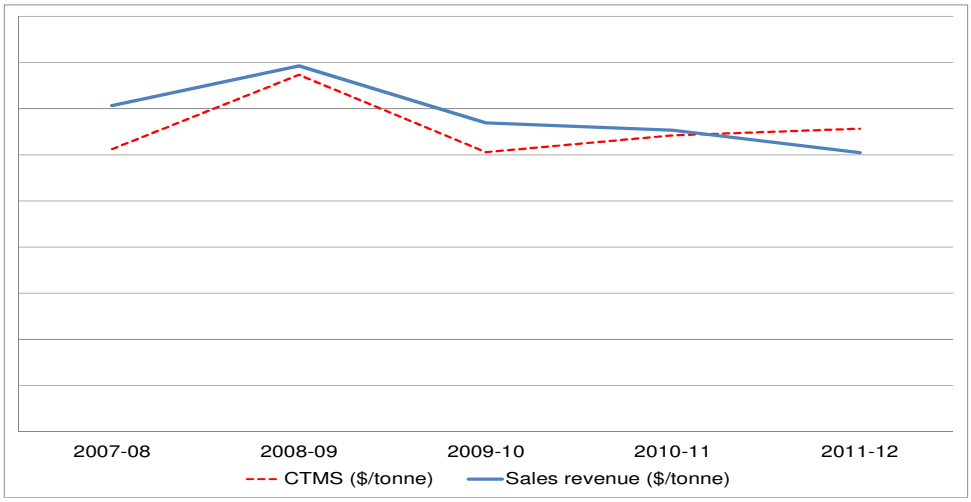

Figure 17: BlueScope's unit sales revenue and costs – aluminium zinc coated steel – 2007-08 to 2011-12

The graphs show:

- total sales revenue decreased continually since 2007-08 and unit sales revenue decreased in 2011-12, which indicates price depression; and
- sales revenue and costs in respect of aluminium zinc coated steel followed similar trends until 2009-10 and during 2011-12 costs increased above revenue,

which indicates price suppression (this trend was apparent for total (figure 16 refers) and unit values (figure 17 refers)).

10.8 Profit effects

(i) Galvanised steel

The following graph shows movements in BlueScope's total profit and profitability in respect of galvanised steel for 2007-08 to 2011-12.

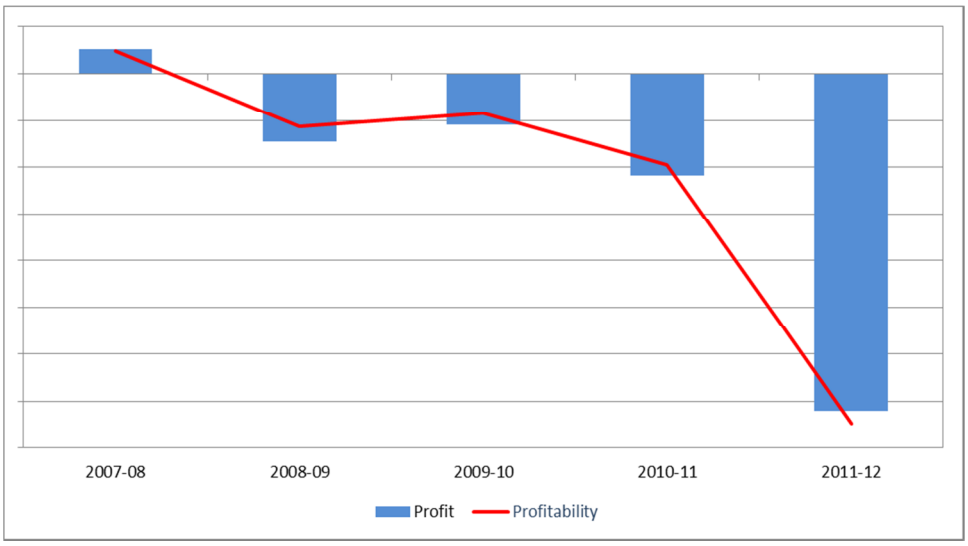

Figure 18: BlueScope's profit and profitability – galvanised steel – 2007-08 to 2011-12

This graph shows a significant decrease in BlueScope's toal profit and profitability in respect of galvanised steel since 2009-10, with an exponential decrease occurring in 2011-12.

(ii) Aluminium zinc coated steel

The following graph shows movements in BlueScope's total profit and profitability in respect of aluminium zinc coated steel for 2007-08 to 2011-12.

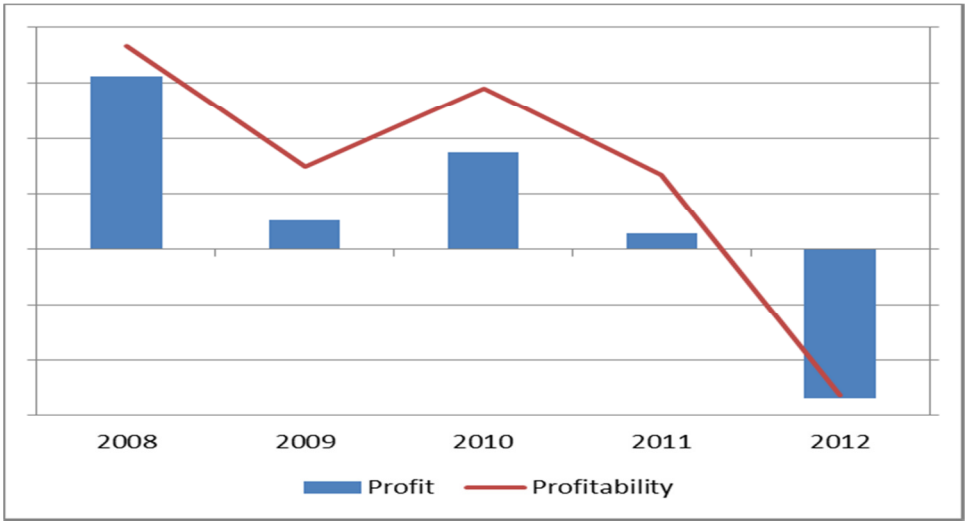

Figure 19: BlueScope's total profit and profitability – aluminium zinc coated steel – 2007-08 to 2011-12

PUBLIC RECORD

This graph shows a significant decrease in BlueScope's total profit and profitability in respect of galvanised steel since 2009-10, with an exponential decrease occurring in 2011-12.

10.9 Summary of major injury indicators

Based on the preliminary analysis detailed above, there appear to be reasonable grounds to support the claim that BlueScope has experienced injury (in respect of the major indicators) from 2010-11 to 2011-12 in the form of:

(i) Galvanised steel

- loss of sales volume;
- reduced market share;
- reduced sales revenues;
- price depression;
- price suppression;
- reduced profit and profitability;

(ii) Aluminium zinc coated steel

- loss of sales volume;
- reduced sales revenues;
- price depression;
- price suppression; and
- reduced profit and profitability.

10.10 Other injury factors

10.10.1 BlueScope's claims

BlueScope completed a Confidential Appendix A7 for galvanised steel and aluminium zinc coated steel for the period 2008-09 to 2011-12. BlueScope claims that it has experienced injury in respect of other economic / injury factors (Section 4.1 refers). Customs and Border Protection has reviewed respective Confidential Appendix A7's and identified the following trends for other injury factors[40], in respect of domestic sales of both galvanised steel and aluminium zinc coated steel (i.e. like goods).

10.10.2 Assets

(i) Both products

Customs and Border Protection identified a downward trend in the value of assets used in the production of galvanised steel and aluminium zinc coated steel from 2008-09.

[40] Where similar trends regarding other injury factors have been identified for both galvanized steel and aluminium zinc coated steel Customs and Border Protection has not repeated the findings under separate headings for each product.

10.10.3 Capital investment

(i) Both products

Customs and Border Protection identified varying trends for capital investment in the production of galvanised steel and aluminium zinc coated steel, however capital investment decreased in 2011-12 for both products.

Excluding the data provided in Confidential Appendix A7 no other information was provided to support BlueScope's claim regarding reduced ability to attract capital re-investment in respect of galvanised steel or aluminium zinc coated steel.

10.10.4 Research and development expenditure

(i) Both products

Research and development expenditure (R&D) in respect of galvanised steel and aluminium zinc coated steel decreased in 2011-12.

10.10.5 Return on Investment (return on assets employed)

(i) Galvanised steel

Return on investment (ROI) in relation to galvanised steel decreased exponentially from 2008-09 to 2011-12. The downward trend shown for ROI was the most prevalent other injury factor in Confidential Appendix A7. The most significant decrease in ROI occurred in 2011-12, which would have been impacted on BlueScope's restructure and closure of production facilities (at Western Port), including metal coating lines. BlueScope also notes that the ROI results in 2008-09 are impacted by significant capital expenditure in relation to its Port Kembla steel works.

(ii) Aluminium zinc coated steel

ROI in relation to aluminium zinc coated steel reduced substantially from 2008-09 to 2011-12 (although to a much less significant degree than compared to the ROI for galvanised steel). This would also have been impacted by the closure of one of BlueScope's two aluminium zinc coating lines in 2011. BlueScope noted that the ROI results in 2008-09 are impacted by significant capital expenditure in relation to its Port Kembla steel works.

10.10.6 Revenue

(i) Galvanised steel

Revenue from domestic sales of galvanised steel continually decreased from 2008-09 to 2011-12, with significant decreases occurring in 2011-12.

(ii) Aluminium zinc coated steel

Customs and Border Protection identified (when reconciling application appendices) that revenue amounts shown in Confidential Appendix A7 for aluminium zinc coated steel also included products with widths of less than 600mm, which are not the subject of the application. Therefore Customs and Border Protection cannot accurately assess revenue trends shown in Confidential Appendix A7. Notwithstanding this issue, Customs and Border Protection referred to Confidential Appendices A3 and A6 to identify trends for net sales revenues for aluminium zinc coated steel. As discussed at Section 10.7.1 sales revenue for aluminium zinc coated steel decreased continually from 2007-08 to 2011-12.

10.10.7 Capacity

(i) Both products

Capacity for the production of galvanised steel and aluminium zinc coated steel decreased in 2011-12, which would have been impacted by BlueScope's restructure and closure of production facilities (at Westport), including metal coating lines.

10.10.8 Capacity utilisation

(i) Both products

Capacity utilisation for galvanised steel and aluminium zinc coated steel decreased in 2011-12.

10.10.9 Employment

(i) Galvanised steel

Employment (measured in number of persons) relating to galvanised steel production decreased in 2011-12, which would have been impacted by BlueScope's restructure and closure of production facilities (at Westport), including metal coating lines.

(ii) Aluminium zinc coated steel

Employment (measured in number of persons) relating to aluminium zinc coated steel production decreased continually from 2008-09 to 2011-12. The reduction to employee levels in 2011-12 was significant. This would also have been impacted by the closure of one of BlueScope's two aluminium zinc coating lines in 2011.

10.10.10 Productivity

(i) Galvanised steel

Productivity (measured in tonnes per person) in respect of galvanised steel decreased in 2011-12.

(ii) Aluminium zinc coated steel

Productivity (measured in tonnes per person) in respect of aluminium zinc coated steel increased continually from 2008-09 to 2011-12.

10.10.11 Stocks

(i) Galvanised steel

Stock (inventory) levels of galvanised steel decreased in 2011-12.

(ii) Aluminium zinc coated steel

Stock (inventory) levels of aluminium zinc coated steel decreased significantly in 2011-12 (BlueScope stated that this predominately reflects reduced production).

10.10.12 Wages

(i) Galvanised steel

Wages related to the production of galvanised steel decreased in 2011-12. The average wage for the production of galvanised steel increased in 2011-12.

(ii) Aluminium zinc coated steel

Wages related to the production of aluminium zinc coated steel significantly decreased from 2010-11 to 2011-12, which BlueScope state reflects the significant reduction in employee numbers. The average wage for the production of aluminium zinc coated steel increased in 2011-12.

10.11 Customs and Border Protection's assessment – other economic / injury factors (including revenue effects)

Based on the information contained in the applications there appears to be reasonable grounds to support the claim that BlueScope have experienced injury in the form of:

(i) Galvanised steel

- reduced revenues;
- reduced ROI;
- reduced production capacity; and
- reduced employment.

However it is also evident the closure of BlueScope's metal coating line would have also impacted on the 2011-12 trends for other injury factors.

(ii) Aluminium zinc coated steel

- reduced revenues;
- reduced ROI;
- reduced production capacity; and
- reduced employment.

PUBLIC RECORD

11 HAS DUMPING CAUSED MATERIAL INJURY?

11.1 Preliminary assessment

Customs and Border Protection preliminarily assesses that certain galvanised steel and aluminium zinc coated steel exported to Australia from China, Korea and Taiwan at dumped prices have caused material injury to the Australian industry producing like goods. Customs and Border Protection has further investigated, analysed and assessed causation factors identified in the PAD and in submissions by interested parties and has preliminarily found that BlueScope has suffered injury in the form of:

- lost sales volume
- price suppression;
- price depression;
- reduced revenue;
- reduced profits and profitability; and
- loss of market share (galvanised steel only)

11.2 Approach to assessing material injury[41]

Section 269TAE(2C) of the Act sets out the requirements for assessing the cumulative material injury effects of exports of goods to Australia from different countries. Where exports from more than one country are simultaneously the subject of anti-dumping investigations, the Minister may cumulatively assess the effects of such imports if:

- the margin of dumping established for each country is not negligible; and
- the volume of imports from each country is not negligible; and
- cumulative assessment is appropriate in light of the conditions of competition between the imported goods and the like domestic goods.

Customs and Border Protection has assessed material injury at macro and micro level and considered cumulatively the injurious effects of dumping from the nominated countries. Customs and Border Protection considers that Australian aluminium zinc coated steel and galvanised steel is like to the goods (including having similar end-uses and competing in some of the same markets). The conditions of competition are such that it is appropriate to consider the cumulative injurious effect of the dumped imports from China, Korea and Taiwan to the Australian industry.

11.2.1 Macro analysis

In assessing whether material injury has been caused by dumping, Customs and Border Protection has conducted macro-analysis examining imports, market share,

[41] Customs and Border Protection continues to clarify that galvanised steel and aluminium zinc coated steel have been considered separately across all stages of the investigations. Injury analysis has been separately performed for galvanised steel and separately for aluminium zinc coated steel. Any reference to 'whole product group' or similar is a reference exclusively to either aluminium zinc coated steel or to galvanised steel as applicable.

prices and industry performance across the Australian industry. In conducting this assessment, price undercutting has been assessed by comparing the price of imported and locally produced aluminium zinc coated steel and galvanised steel on the basis of pricing for the total class of the goods (either aluminium zinc coated steel and galvanised steel) and pricing by product categories. Customs and Border Protection has also considered in its macro-analysis the effects of non-dumped imports, or imports from countries outside of the scope of the investigation.

11.2.2 Micro analysis

Due to complexities in the market, including the range of products and different market sectors, Customs and Border Protection has also conducted a micro analysis. Micro analysis examines the injury and effects of dumping at a model-specific product level and within particular market sectors. Where possible, price undercutting has been undertaken by comparing the price of imported and locally produced aluminium zinc coated steel and galvanised steel by direct comparison of particular locally produced and imported models or grades and by market segment for major markets where that information is available.

11.3 Causation factors

11.3.1 Sales volume

(i) Galvanised steel

BlueScope's claims[42]

BlueScope claimed that the Australian market for galvanised steel expanded in 2009-10 and that BlueScope's sales increased following the 2008-09 global financial crisis. BlueScope claimed that imports from China, Korea and Taiwan also increased, but by a lesser amount. During 2010-11, the market experienced a contraction. BlueScope's sales volumes fell, but imports from China, Korea and Taiwan continued to increase. In 2011-12 BlueScope's sales volume continued to decrease while imports from China and Korea increased. BlueScope claimed that imports from Taiwan in 2011-12 were at similar levels to earlier years. Imports of galvanised steel from all other source countries increased in 2011-12.

BlueScope claimed that the increase in imports from China, Korea and Taiwan in successive years since 2008-09 contributed to BlueScope's loss of market share in 2010-11 and 2011-12.

BlueScope claimed that dumped imports from China, Korea and Taiwan have been the major cause of lost sales by BlueScope in 2011-12.

Submissions by interested parties

Posco

[42] BlueScope's claims may vary from Customs and Border Protection's injury findings in this report (Section 10 refers).

PUBLIC RECORD

In a submission dated 23 November 2012, Posco submits that "the mere fact that the Complainant's sales have decreased in 2011-12, while imports have marginally increased, is not enough to say that one has caused the other.[43]"

Posco claims that the cause of loss of volume for BlueScope was its own restructuring, namely the company's announcement to scale down export activities and mothball its Westernport Hot Strip Mill and No. 5 Coating Line.[44]

Posco state that if ABS data is substituted for Customs and Border Protection's data, a different picture of imports is shown. Using ABS data, import volumes as a percentage of the total Australian market from 2007-08 do not increase significantly during the investigation period.[45]

Australian Steel Association Inc

In a submission dated 18 October 2012, the ASA claim that injury caused by reduced volumes is attributable to BlueScope's decision to cease export sales.

GM Holden

GM Holden's submission dated 14 December 2012 attributes loss of sales to a depressed market.[46]

Customs and Border Protection's assessment

Customs and Border Protection's analysis shows that it is likely that the significant increase in the individual and cumulative volume of imports of galvanised steel from China, Korea and Taiwan in 2009-10 contributed to BlueScope's reduced sales volume in 2010-11 and 2011-12. Customs and Border Protection identified that the most significant increase in the aggregated import volume for the nominated countries since 2009-10 occurred in 2011-12. Customs and Border Protection also considers that BlueScope's reduced sales volumes (due to imports of the goods) resulted in reducing BlueScope's market share, during a period where the overall size of the Australian market increased.

In Chapter 10 Customs and Border Protection found that BlueScope's domestic sales volumes of galvanised steel continually decreased from 2009-10.

The analysis in Chapter 10 shows that BlueScope's market share in the Australian market for galvanised steel continually decreased from 2009-10, reflecting BlueScope's trends for sales volumes. During this period, the market share of total imports from China, Korea and Taiwan increased. There has been variation in market shares held by each of the nominated countries, with the largest market share represented by imports from China.

Customs and Border Protection considers that in 2011-12 in order to maintain

[43] Posco submission, EPR190/052 page 21.
[44] Posco submission, EPR190/052 page 22.
[45] Posco submission, EPR190/052 pages 23-24.
[46] GM Holden submission, EPR190/056, page 1.

market share in a declining market, BlueScope's reduced its selling prices of galvanised steel, which is supported by the preliminary assessment of price depression.

(ii) Aluminium zinc coated steel

BlueScope's claims[47]

BlueScope claimed that the Australian market for aluminium zinc coated steel expanded in 2009-10 as imports of aluminium zinc coated steel from China, Korea and Taiwan increased by approximately 50% compared to 2008-09.

BlueScope claimed that in 2010-11, imports from China continued to increase, with imports from Korea and Taiwan decreasing. It claims that imports from China and Taiwan continued to increase in 2011-12, with imports from Taiwan in 2011-12 remaining relatively constant (when compared to the preceding year).

BlueScope claimed that imports of aluminium zinc coated steel from all other countries have decreased on an annual basis since 2008/09 and hold a relatively minor share of total imports into Australia (at approximately 5%).

BlueScope claimed that the increase in import volume from China, Korea and Taiwan in 2009-10 is considered to have been the catalyst for its subsequent reduction in sales volumes in 2010-11, continuing again in 2011-12.

Submissions by interested parties

Ace Gutters

In a submission dated 30 November 2012, Ace Gutters claim that BlueScope has mistakenly drawn a correlation between increased export volumes from the nominated countries to increased imports into Australia.[48]

Customs and Border Protection's assessment

In respect of aluminium zinc coated steel, Customs and Border Protection considers that the significant increase in the cumulative volume of imports from China, Korea and Taiwan since 2009-10 contributed to BlueScope's reduced sales volume in 2010-11 and 2011-12. Customs and Border Protection notes that in 2011-12, in a declining Australian market, while imports from China and Taiwan decreased the cumulative volume of imports from the nominated countries increased due mainly to increased import volumes from Korea. This was concurrent with a further decrease in BlueScope's sales.

Chapter 10 shows that BlueScope's domestic sales volumes of aluminium zinc coated steel continually decreased from 2009-10. BlueScope's sales volume for aluminium zinc coated steel and galvanised steel reflect similar trends.

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[47] BlueScope's claims may vary from Customs and Border Protection's injury findings in this report (Section 10 refers).

[48] Ace Gutters submission, EPR190/055, page 3.

PUBLIC RECORD

Chapter 10 also shows that BlueScope's market share in the Australian market for aluminium zinc coated steel has remained relatively constant since 2009-10, in a declining market. Customs and Border Protection considers that in 2011-12 in order to maintain market share, BlueScope's reduced its selling prices of the aluminium zinc coated steel, which is supported by the preliminary assessment of price depression.

11.4 Price effects

11.4.1 Import Parity Pricing (IPP)

BlueScope submitted that its pricing strategy for both galvanised steel and aluminium zinc coated steel is based on import parity pricing (IPP) and therefore the price of imports is a key determinant of its selling price. IPP takes into consideration the market price of the goods using contemporary price information for equivalent imported products. BlueScope uses prices gathered from the import market (including from the countries the subject of the application) to determine the selling price of its goods, with the view to selling at prices considered competitive with imports. BlueScope explained that it has been using IPP for close to a decade to price its galvanised steel coated products and has more recently introduced IPP for aluminium zinc coated products.

BlueScope submitted that the price of imported aluminium zinc coated steel was generally released into the market three months prior to the date of importation of the goods. BlueScope gathers information regarding the current market price offers (for goods from all sources) through market intelligence. BlueScope subsequently consolidates these offers (including offers for galvanised steel from China, Korea and Taiwan) and determines a benchmark IPP for particular models at FIS level. BlueScope bases its price on the benchmark with a premium.

BlueScope submitted that it does not always benchmark to the lowest offered import price, but that this was a factor taken into consideration. BlueScope stated that factors other than import prices are taken into consideration when determining price (i.e. manufacturing costs and margins), however maintaining market share and volume is the key determinant (to cover fixed costs at a minimum). BlueScope submitted that in order to maintain domestic volumes it has been required to match import prices of the dumped aluminium zinc coated steel and galvanised steel, through its IPP and that this directly caused price injury resulting in reduced revenues and profits.

BlueScope provided Customs and Border Protection with its IPP data for the investigation period for aluminium zinc coated steel and galvanised steel for key product models, showing monthly import offers (free-into-store (FIS), AUD per tonne) from the nominated countries based on market intelligence, calculated monthly benchmark IPP, BlueScope's net prices (FIS, AUD per tonne), and premiums. To support the IPP spreadsheet BlueScope provided source documentation to validate the recorded import offers. Customs and Border Protection was satisfied that the IPP information provided by BlueScope was reflective of market prices offered by exporters from Korea, Taiwan and China and that the quotes provided were reasonably accurate.

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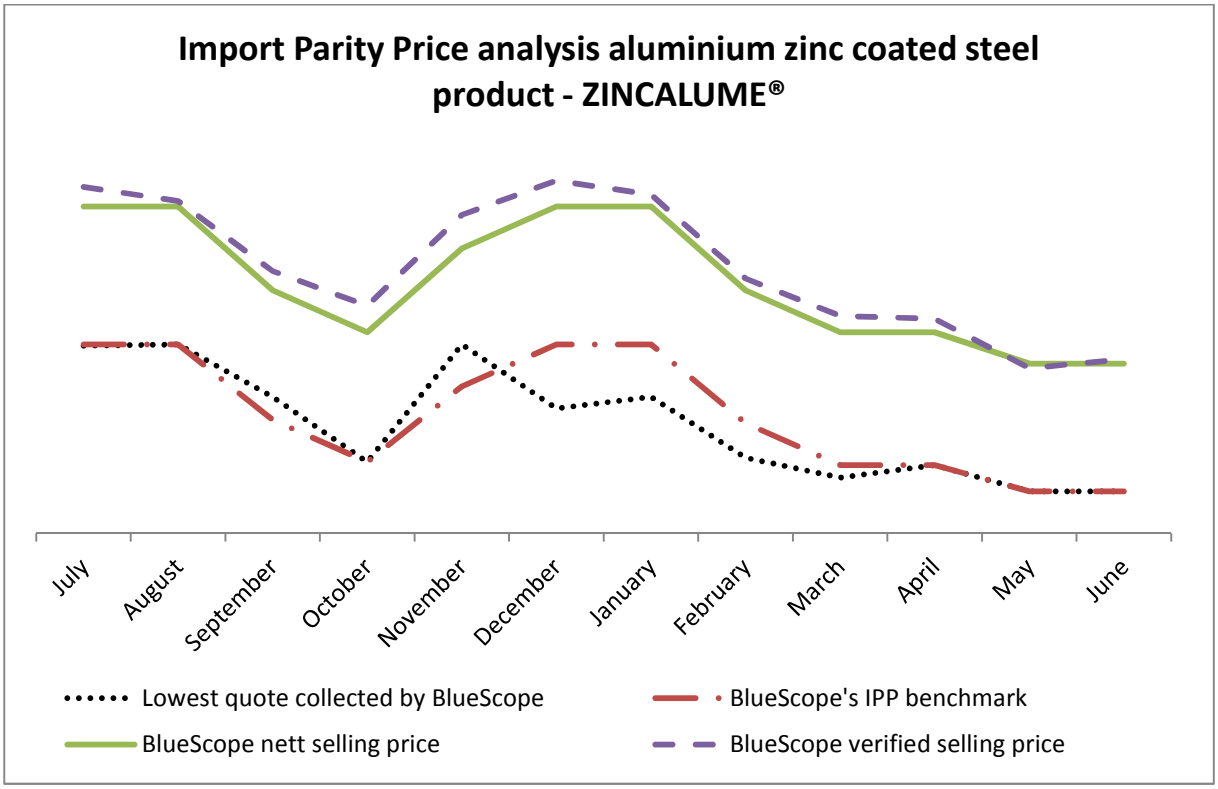
In the charts below, BlueScope's IPP benchmark price is compared with market intelligence collected by BlueScope of export prices from China, Korea and Taiwan to Australia. The chart also compares BlueScope's claimed net selling price (that is, the selling price after rebates, commissions and other post-sale deductions) comprising the IPP benchmark price plus a premium, with actual selling prices during the investigation period for a selected model.

(i) Aluminium zinc coated steel product



It can be seen that for the selected aluminium zinc coated steel model, BlueScope's IPP benchmark price closely matches the lowest quoted price, while BlueScope's verified selling prices during the investigation period closely aligned with BlueScope's planned selling price (referred to here as net selling price). The same analysis was conducted over four commonly sold models of aluminium zinc coated steel and similar correlations in prices were observed.

For aluminium zinc coated steel, it was observed that across all product models for which BlueScope collected market intelligence for IPP, the highest quoted price from at least one of the countries under investigation was equal to or higher than BlueScope's verified selling prices at FIS level in AUD. This was observed between three and seven months of the investigation period for each of the four models examined. BlueScope's verified selling price was below quoted prices collected by BlueScope from the countries under investigation for between 25% and 58% of the investigation period for each of the four products. This supports BlueScope's claim that to remain competitive its pricing must be responsive to fluctuating import prices and at times undercut import prices.

(ii) Galvanised steel product

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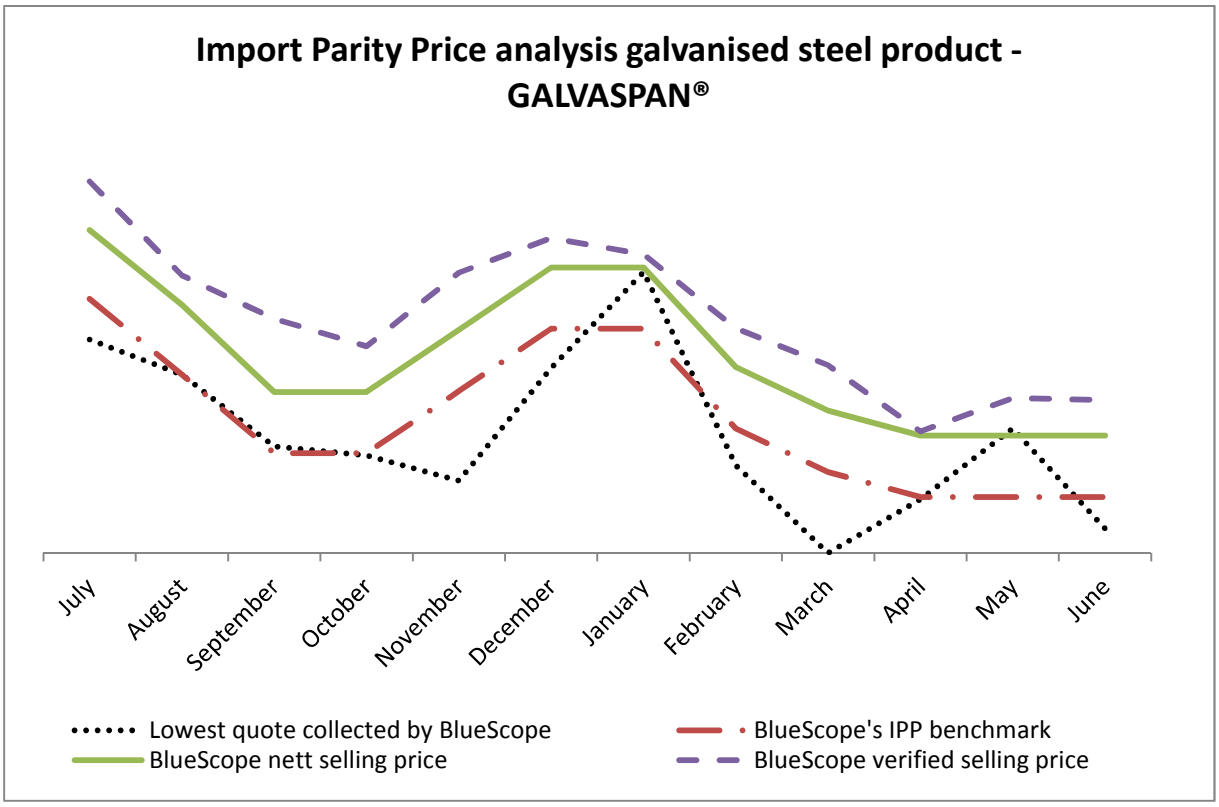

In this graph for a galvanised steel model, it can be seen that BlueScope's IPP benchmark price correlates with the lowest quoted price, while BlueScope's verified selling prices during the investigation period closely aligned with BlueScope's planned selling price (referred to here as net selling price). The same analysis was conducted over seven commonly sold models of galvanised steel. Similar correlations in prices were observed across four of the models, however the remaining three models lacked sufficient data (for example, market intelligence did not cover all months in the investigation period) to observe a firm trend.

For galvanised steel, it was observed that across all product models for which BlueScope collected market intelligence for IPP, the highest quoted price from at least one of the countries under investigation was equal to or higher than BlueScope's verified selling prices at FIS level in AUD. This was observed between three and seven months of the investigation period for each the four models examined. BlueScope's verified selling price was below quoted prices collected by BlueScope from the countries under investigation for between 25% and 42% of the investigation period for each of the four products with sufficient IPP data (the remaining three products have not been assessed).

11.4.2 Price undercutting macro level analysis

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

(i) Galvanised steel

BlueScope's claims

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In their application in respect of galvanised steel, BlueScope stated that:

> *"The influence of the dumped exports of galvanised steel on BlueScope's selling prices, profit and profitability in 2010/11 and 2011/12 has been substantial[49]".*

BlueScope claimed that in 2011-12 export prices (A$/FOB per metric tonne) for galvanised steel imported from China, Korea and Taiwan were comparable (i.e. varied within 2%) and were also $300 AUD below average export prices for imports from other countries. BlueScope claimed that in order to maintain market share it responded by offering competitive landed-into-store prices for the galvanised steel compared to export prices for imports from China, Korea and Taiwan. It claimed this is evidenced by reduced selling prices.

BlueScope provided a summary of import offers (prices shown in AUD per metric tonne and free-into-store (FIS)) from each of the nominated countries, including from cooperating exporters, at prices that it claimed undercut its selling prices. Source documentation to substantiate a selected number of import sales offers was included in the summary (where available). BlueScope also provided post exportation costs and accompanying calculations for imports from the nominated countries.

BlueScope submits that in order to maintain domestic volumes it has been required to match import prices of the dumped galvanised steel, through BlueScope's import parity pricing mechanism, where appropriate. BlueScope claimed that dumped exports of galvanised steel from China, Korea and Taiwan undercut BlueScope's average selling price by 12% to 18% in 2011-12. BlueScope claimed that the net effect of the price undercutting from the dumped exports from China, Korea and Taiwan, is that BlueScope's selling prices are depressed, and that net selling prices (excluding rebates) have reduced by 6% compared to 2010-11 average net selling prices.

Submissions by interested parties[50]

Posco

In a submission dated 23 November 2012, Posco states that 'there is no difference between prices of imports that are allegedly dumped and those that are depressed.[51],

Posco quotes the Appellate Body in DS184 (US - Hot Rolled Steel) supporting the statement that it is not possible to separate injury from dumped imports from injury from other factors, including imports from third countries that are comparably priced to the dumped imports.

Ace Gutters

[49] Galvanised Steel Application, page 29

[50] Some interested parties made submissions specifically in relation to either galvanised steel and aluminium zinc coated steel, or both. As IPP is a feature of both galvanised steel and aluminium zinc coated steel, Customs and Border Protection has collated the arguments of interested parties in this section.

[51] Posco submission, EPR190/052, page 33.

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In a submission dated 30 November 2011, Ace Gutters contend that price undercutting has not been shown to have occurred during the investigation period, and therefore no causal link may be found between dumping and injury. Ace Gutters state that because no evidence has been provided of price undercutting during the investigation period, this claim is not valid.[52]

Ace Gutters says that BlueScope has claimed that it charges a premium and also that it has an import parity price policy, which are inconsistent.

Ace Gutters do not believe BlueScope could be a price taker, rather than price setter when they are the major producer of aluminium zinc coated steel in Australia.[53]

GM Holden

In a submission dated 14 December 2012, GM Holden claim that BlueScope is 'effectively undercutting, supressing and depressing its own prices. These are business decisions on pricings rather than being driven by dumping.[54]'

Dongbu

In a submission dated 21 December 2012, Dongbu claim that BlueScope has self-inflicted the low prices in the market, and that exporters should not be 'blamed' for the low prices because they are 'forced to compete' at that level by BlueScope.[55]

Customs and Border Protection's assessment

Customs and Border Protection considered BlueScope's claims of price undercutting at a macro level comparing the price of imports to Australian industry prices on an FIS basis. Analysis indicates that BlueScope's selling price during the investigation period was competitive with import prices from China, Korea and Taiwan. This is consistent with BlueScope's decision to use Import Parity Pricing (IPP) in setting prices.

Customs and Border Protection examined the selling prices of galvanised steel imports with the Australian industry's selling prices. The Australian industry selling prices were gathered from verified data from Customs and Border Protection's visit to BlueScope. Import prices were obtained from Customs and Border Protection's import data and adjusted to an FIS price using a weighted average of post-exportation costs from importer's verified data. The adjustment considered the post-exportation costs for each country under investigation separately. Data is expressed as AUD per tonne.

The following graph demonstrates that BlueScope's prices for galvanised steel are closely aligned with import prices from China, Korea and Taiwan:

[52] Ace Gutters submission, EPR190/055, page 4.
[53] Ace Gutters submission, EPR190/055, page 9.
[54] GM Holden, submission EPR190/056, page 2.
[55] Dongbu Steel submission, EPR190/062, page 5.

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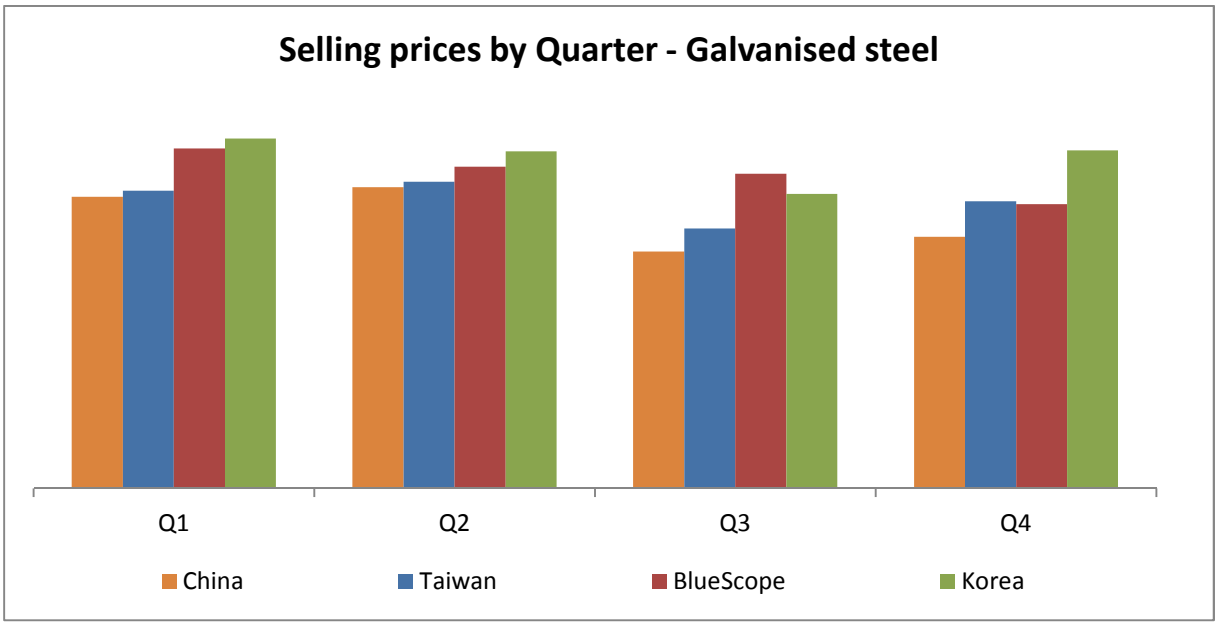

As part of macro analysis of price undercutting, Customs and Border Protection also considered the pricing of undumped imports during the investigation period.

Using Customs and Border Protection's import data for the relevant tariff and statistical codes, the weighted average selling price per tonne for each quarter of the investigation period was analysed by investigated countries and all other countries. To avoid statistical anomalies related to broker error, the import data was cleansed to remove outlying entries above $2000/tonne and below $600/tonne. Goods not matching the goods description were also removed from the data set.

The chart below demonstrates that import prices declared from China, Korea and Taiwan are substantially lower per tonne on average than for non-investigated countries. This indicates that the Australian industry feels most price pressure from China, Korea and Taiwan as these are lower priced than imports from other countries.

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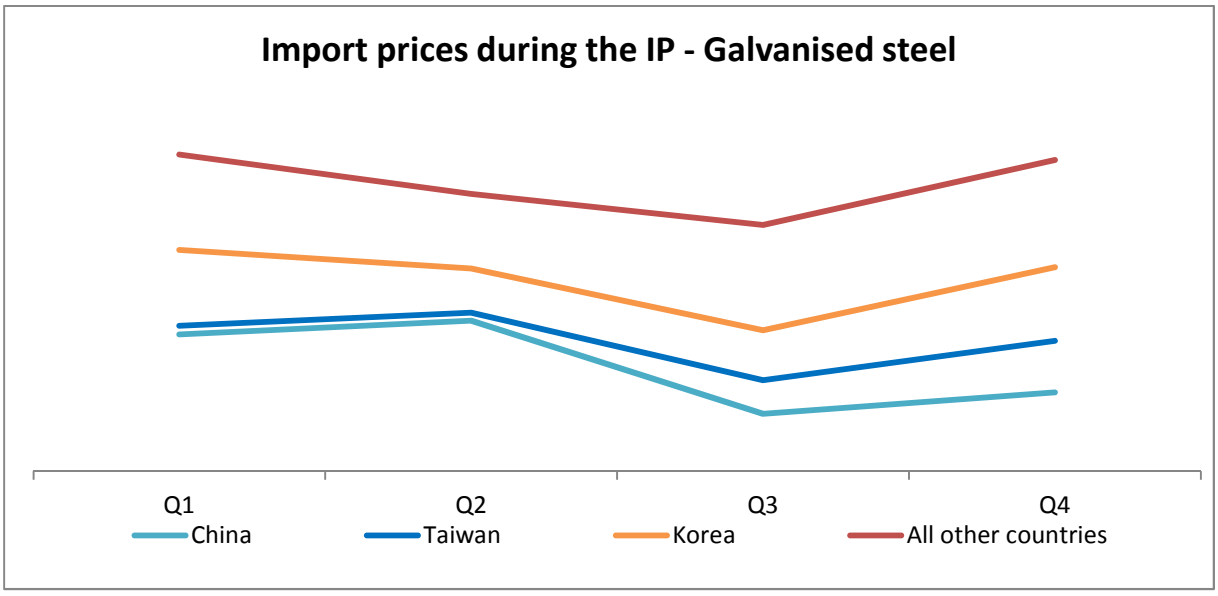

The lower import prices of China, Korea and Taiwan relative to all other countries demonstrate that greatest price pressure for BlueScope in setting IPP comes from countries selling at dumped prices. This is demonstrated at a micro level for particular products and specific exporters, and also at a macro level by product group and country. This supports BlueScope's claim that dumped imports are causing injury through price depression.

(ii) Aluminium zinc coated steel

Customs and Border Protection examined the selling prices of aluminium zinc coated steel imports with the Australian industry's selling prices. Prices were obtained from Customs and Border Protection's import data and adjusted to an FIS price using a weighted average of post-exportation costs from importer's verified data. The adjustment considered the post-exportation costs for each country under investigation separately. Data is expressed as AUD per tonne.

Customs and Border Protection examined the selling prices of aluminium zinc coated steel imports with the Australian industry's selling prices. Prices were obtained from import data and adjusted to an FIS price using a weighted average of post-exportation costs from importer's verified data. The adjustment considered the post-exportation costs for each country under investigation separately. Data is expressed as AUD per tonne.

The following graph demonstrates that BlueScope's prices for aluminium zinc coated steel are, in most cases, higher than import prices from China, Korea and Taiwan, with closer alignment in pricing in the final quarter of the investigation period.

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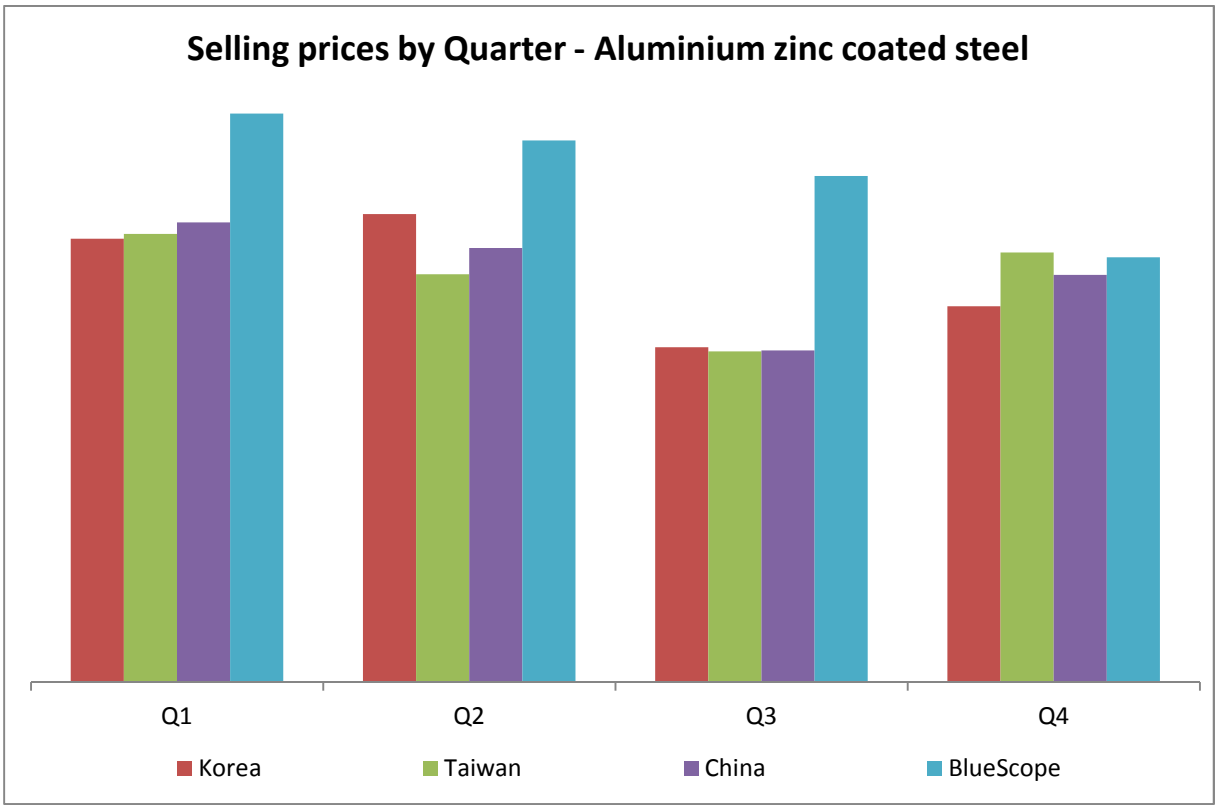

It can be seen that BlueScope's prices have decreased each quarter, with the exception of Korean Q4 export prices, BlueScope's selling price based on IPP has been undercut by all nominated countries in all quarters.

As part of the macro analysis of price undercutting, Customs and Border Protection also considered the pricing of undumped imports of aluminium zinc coated steel during the investigation period.

Using import data for the relevant tariff and statistical codes, the weighted average selling price per tonne for each quarter of the investigation period was analysed by investigated countries and all other countries. To avoid statistical anomalies related to broker error, the Customs commercial data was cleansed to remove outlying entries above $2000/tonne and below $600/tonne. Goods not matching the goods description were also removed from the data set.

The chart below demonstrates that import prices declared from China, Korea and Taiwan are substantially lower per tonne on average than for non-investigated countries. This indicates that the Australian industry feels most price pressure from China, Korea and Taiwan as these are lower priced than imports from other countries.

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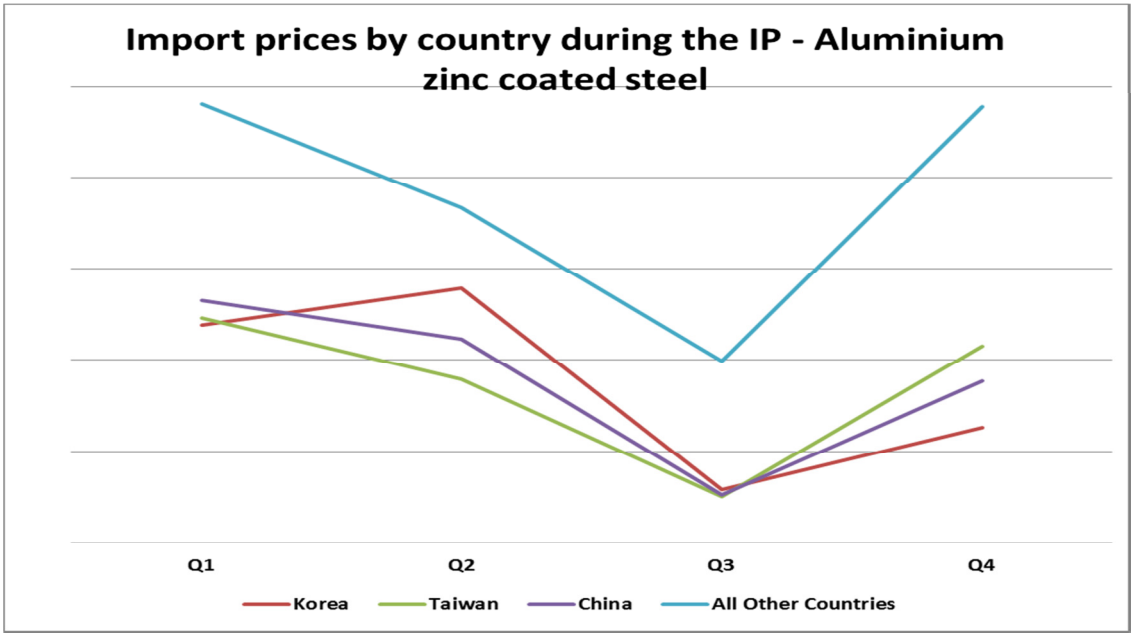

Analysis at product level and overall highlighted that BlueScope's net selling prices followed the trends of the IPP benchmark over the investigation period, indicating a direct correlation and relationship between dumped import prices and BlueScope's prices, and no relationship between undumped imports and BlueScope's prices. This supports BlueScope's claim that to remain competitive its pricing must be responsive to fluctuating import prices and at times undercut import prices.

This assessment is indicative that BlueScope has experienced price depression (by reducing selling prices) in order to compete with dumped imports at competitive prices.

11.4.3 Price depression, price suppression and profit impacts

(i) Galvanised steel

BlueScope's claims

BlueScope claimed that the CTMS for galvanised steel in 2011-12 increased by approximately 10%, but average selling prices for galvanised steel decreased by 6%. BlueScope claimed that it was unable to pass on cost increases for goods sold to the Australian customers. As a result, it has experienced material injury from imports of galvanised steel at dumped prices. BlueScope claimed that the erosion of BlueScope's margin during 2011-12 contributed to a significant decline in profit for the galvanised steel business.

Customs and Border Protection's assessment

Chapter 10 showed a significant decrease in BlueScope's profit and profitability in respect of galvanised steel from 2009-10, with an exponential decrease occurring in 2011-12. Customs and Border Protection considers that dumped imports have impacted on BlueScope's profit and profitability. This assessment is supported by the preliminary finding that BlueScope experienced price depression and suppression in

respect of galvanised steel in 2011-12 combined with the analysis above that demonstrates BlueScope followed dumped import prices in setting its prices.

(ii) Aluminium zinc coated steel

BlueScope's claims

BlueScope claimed that the CTMS for aluminium zinc coated steel increased by approximately 11% in 2011-12 compared to 2010-11, while average net selling price for aluminium zinc coated steel decreased by approximately 7.5%. BlueScope claims it is unable to pass on production cost increases by increasing prices for goods sold to Australian customers. As a result, it has experienced material injury from imports of aluminium zinc coated steel at dumped prices. BlueScope claimed that the erosion of BlueScope's margin during 2011-12 contributed to a significant decline in profit for the aluminium zinc coated steel business.

Customs and Border Protection's assessment

Chapter 10 shows a significant decrease in BlueScope's profit and profitability in respect of aluminium zinc coated steel since 2009-10, with an exponential decrease occurring in 2011-12. Customs and Border Protection considers that dumped imports have impacted on BlueScope's profit and profitability. This assessment is supported by the preliminary findings that BlueScope experienced price depression and suppression in respect of aluminium zinc coated steel in 2011-12 combined with the analysis above that demonstrates BlueScope followed dumped import prices in setting its prices.

11.5 Summary of major injury indicators

Based on the analysis detailed above, there appear to be reasonable grounds to support the claim that dumping has caused injury to BlueScope in the form of:

(i) Galvanised steel

- loss of sales volume;
- reduced market share;
- reduced sales revenues;
- price depression;
- price suppression; and
- reduced profit and profitability.

(ii) Aluminium zinc coated steel

- loss of sales volume;
- reduced sales revenues;
- price depression;
- price suppression; and

PUBLIC RECORD

- reduced profit and profitability.

11.6 Other injury factors

In chapter 10 Customs and Border Protection found that there appears to be reasonable grounds to support the claim that BlueScope have experienced injury from other injury factors in the form of:

(i) Galvanised steel

- reduced revenues;
- reduced ROI;
- reduced production capacity; and
- reduced employment.

(ii) Aluminium zinc coated steel

- reduced revenues;
- reduced ROI;
- reduced production capacity; and
- reduced employment.

Customs and Border Protection considers that it is inconclusive whether the other injury factors found above were caused by dumping, or caused by other factors such as the restructure of BlueScope's coating facilities. It is likely that at least both were contributing factors to the injury experienced by BlueScope.

11.7 Injury caused by factors other than dumping

BlueScope's claims

During Customs and Border Protection's verification visit, BlueScope noted that the coated steel markets have not recovered to their position prior to the global financial crisis and building activity is still suppressed. It also noted that the strength of the Australian dollar has some impact on the attractiveness of import offers. However, despite these observations, BlueScope claimed that neither of these factors displaces the impact of having to compete with dumped import prices. Given its import parity pricing policy dumped import prices have a direct and identifiable impact on BlueScope's prices.[56]

[56] For further information, refer to BlueScope verification report, EPR190/035, page 43.

PUBLIC RECORD

Submissions by interested parties[57]

- *GM Holden*

In a submission dated 15 October 2012, GM Holden claim that the following other injury factors are relevant:

- decrease in demand for automotive vehicles;
- post GFC restructure of BlueScope;
- appreciation of the Australian dollar;
- closure of BlueScope's Westernport plant;
- loss of export markets by BlueScope;
- increased prices for raw materials;
- decrease in general demand for Galvanised Steel; and
- increase in price for raw materials such as electricity and coking coal.

In a second submission dated 14 December 2012, GM Holden claim that BlueScope's own business decisions in setting its pricing has caused it injury. GM Holden also state that the automotive industry is depressed and that automotive industry purchasing is mainly by long term contract.

A third submission on behalf of GM Holden, dated 15 January 2013, states that '*the GFC, the factors set out in section 4.7.2(ii) of the consideration report, decrease in demand for the end product using the Galvanised steel, appreciation of the Australian dollar, increase in price for electricity and raw material prices, increases in iron ore and coal coking prices and a general reduction in demand for the entire steel industry*[58]' have caused injury to BlueScope.

- *Australian Steel Association (ASA)*

The ASA, in a submission dated 18 October 2012, claim that injury is caused by prevailing market conditions, the 'ebb and flow of business' and not by dumping.

- *Chinese Iron and Steel Association (CISA)*

The CISA , in a submission dated 1 November 2012, allege that BlueScope 'shifts profit downstream' into its distribution businesses. The CISA believe that 'allegations of injury [do] not reflect the true financial position of the Applicant[59].'

In a second submission dated 17 December 2012, the CISA attribute BlueScope's injury to the restructure of BlueScope's business and to the global financial crisis.[60]

A third submission on behalf of the CISA, dated 15 January 2013, states that there is no causal link between dumping and injury, instead this injury is caused by the global financial crisis and BlueScope's business restructure.[61]

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[57] In the interests of brevity, not all submissions by all parties are addressed in this SEF. However, Customs and Border Protection has considered all submissions by interested parties and has taken into account the views put forward in those submissions.
[58] GM Holden, 15/1/13, page 12.
[59] CISA submission, EPR190/XX, page 8.
[60] CISA, 17/12/12, page 5.

- *POSCO*

In a submission dated 23 November 2012, POSCO state that injury has been caused to BlueScope by BlueScope's decision to restructure, in particular BlueScope's decision to scale down export activities and mothball its Westernport hot strip mill and no. 5 coating line.

POSCO stated in that submission that 'The Complainant is operating in markets in which demand is contracting, and in which prices are depressed. It recently closed down one of its major production facilities, which has caused its costs to rise. These factors are the cause of injuries claimed by the Complainant. They would have occurred in the absence of the subject imports.[62]'

- *Ace Gutters*

In a submission dated 30 November 2012, Ace Gutters claim that injury has been caused to BlueScope as a result of market decline and 'the ebb and flow of business'.[63] Ace Gutters also attribute injury to the global financial crisis.[64]

- *Dongbu Steel*

In a submission dated 21 December 2012, Dongbu Steel state that BlueScope's non-supply of unpainted product to some businesses is causing it injury, as it could sell to those customers but does not.

Dongbu Steel also claim that BlueScope is the price setter in the market, and that exporters are simply lowering their prices because they are 'forced to compete' with BlueScope's pricing.[65]

11.7.1 Customs and Border Protection's assessment

(i) Both products

Economic environment

Customs and Border Protection considers that the economic slow-down evident in the investigation period may have affected BlueScope's performance to a certain degree. However, in 2011-12, the individual cumulative market volumes held by imports of galvanised steel from the nominated countries increased. Customs and Border Protection also identified that the aggregate import volumes of aluminium zinc coated steel from the nominated countries is increasing, which is driven by increased import volumes from Korea. Customs and Border Protection considers that dumped imports have impacted on BlueScope's performance in respect of galvanised steel and aluminium zinc coated steel.

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[61] CISA, 15/01/13 page 5.

[62] POSCO submission dated 23/11/12, EPR190/XX, page 30.
[63] Ace Gutters submission dated 23/11/12, EPR190/055, page 4.
[64] Ace Gutters submission dated 23/11/12, EPR190/055, page 5.
[65] Dongbu 21/12/12, page 6.

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Appreciation of Australian dollar (AUD)

Customs and Border Protection recognises that the strong AUD will have impacted on the prices of imports, making them more price-competitive. However, as dumping margins have been identified, it is likely that dumped imports have negatively affected BlueScope's performance in respect of both galvanised steel and aluminium zinc coated steel.

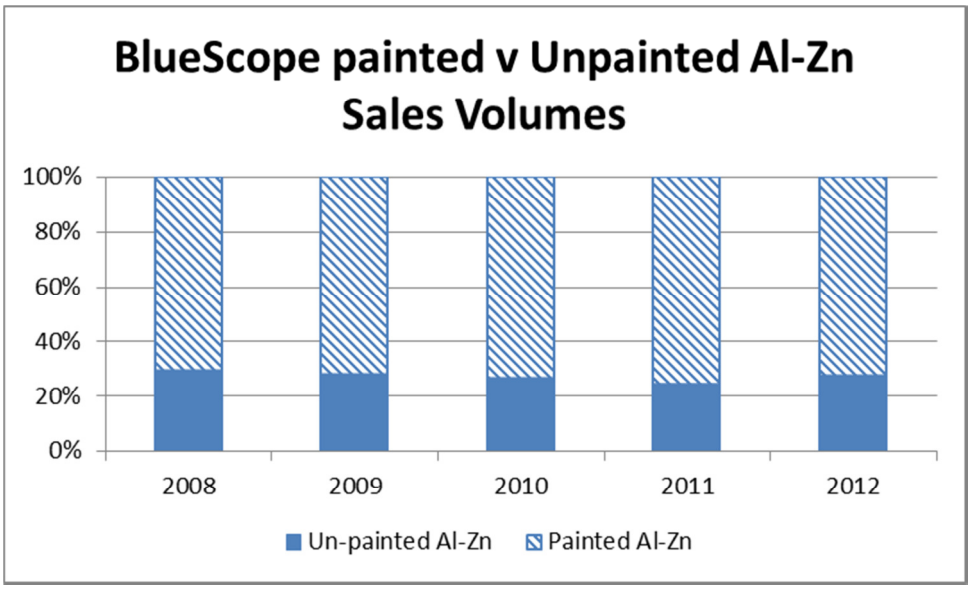
Restructure

As noted previously, BlueScope had a major restructure in the September quarter of 2011. Customs and Border Protection considers that this potentially had an effect on its performance in 2011-12, including in respect of galvanised steel and aluminium zinc coated steel. However, it notes that costs associated with this restructure have been identified and excluded from the injury analysis (for both products).

Diversion to other products

BlueScope's production lines that produce aluminium zinc coated steel also produce the feedstock for BlueScope's painted products such as COLOURBOND®. Customs and Border Protection has examined whether any injury in the form of lost volume or price depression has been exaggerated by a strategy to divert production and / or profits to BlueScope's painted products.

The following graph shows the ratio of BlueScope's aluminium zinc coated steel painted to unpainted line sales volumes. The graph shows that the volume of unpainted aluminium zinc coated steel has remained relatively constant after a slight drop in 2009 whilst the volume of painted aluminium zinc coated steel reduced in line with the overall volume decrease in the 2012 financial year. This graph shows that there has been no significant shift from one particular line of aluminium zinc coated production to the other over the investigation period. In 2012 there is a higher proportion of unpainted product to painted product to the previous year. Therefore Customs and Border Protection does not consider this to be a causation factor in BlueScope's loss of sales volume.



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Imports not causing injury to BlueScope

Chapter 7 set out a number of claims for exemption by various interested parties for goods that BlueScope does not make. Customs and Border Protection indicated in that chapter that, following consideration of these claims, it was considering recommending the Minister exempt certain goods from anti-dumping measures. The dumping of imported goods covered by any exemption based on BlueScope's inability to supply could not be said to have caused injury to BlueScope during the investigation period.

Based on verified data obtained from exporters and importers, and information from Customs and Border Protection's import database, it is estimated that goods covered by any proposed exemptions represented approximately 6% of total dumped imports during the investigation period. The goods not covered by any proposed exemption, and which therefore caused injury to BlueScope still represent a significant proportion of exports covered by the investigation.

Conclusion – other causation factors

Customs and Border Protection considers that the current economic slow-down may be affecting BlueScope's performance to a certain degree. However, it notes that in 2011-12, the individual cumulative market volumes held by imports of galvanised steel from the nominated countries increased. The aggregate import volumes of aluminium zinc coated steel from the nominated countries increased, which is driven by increased import volumes from Korea. Custom's and Border Protection considers that dumped imports have impacted on BlueScope's performance in respect of galvanised steel and aluminium zinc coated steel.

There is robust evidence to show that BlueScope sets its prices according to import parity pricing. Therefore while steel prices have been depressed globally, the presence of dumped imports in the market has further suppressed BlueScope's prices so that it is unable to increase its prices to the extent it would have if competing with un-dumped prices. This has particularly impacted BlueScope due to increased raw material prices globally.

This, combined with the evidence presented in relation to BlueScope's IPP strategy, leads Customs and Border Protection to conclude that dumping, in and of itself, has caused injury to BlueScope.

Customs and Border Protection recognises that the strong AUD will have impacted on the prices of imports, making them more price-competitive. However, given the dumping margins calculated, dumped imports have negatively affected BlueScope's performance in respect of both galvanised steel and aluminium zinc coated steel.

As noted previously, BlueScope had a major restructure in the September quarter of 2011. Customs and Border Protection considers that this potentially may have had an effect on its performance in 2011-12, including in respect of galvanised steel and aluminium zinc coated steel. However, it notes that costs associated with this restructure have been identified and excluded from the injury analysis (for both products).

11.8 Conclusion on whether dumped imports caused material injury to the Australian industry

(i) Galvanised steel

Customs and Border Protection is satisfied that, based on the information submitted in the application and verified data collection in respect of galvanised steel, BlueScope has demonstrated that it has suffered injury in respect of galvanised steel and that there are reasonable grounds for concluding that the dumping of galvanised steel exported to Australia from China, Korea and Taiwan has caused material injury to the Australian industry producing like goods.

(ii) Aluminium zinc coated steel

Customs and Border Protection is satisfied that, based on the information submitted in the application and verified data collection in respect of aluminium zinc coated steel, BlueScope has demonstrated that it has suffered injury in respect of aluminium zinc coated steel and that there appear to be reasonable grounds for concluding that the dumping of aluminium zinc coated steel exported to Australia from China, Korea and Taiwan has caused material injury to the Australian industry producing like goods.

PUBLIC RECORD

12 WILL DUMPING AND MATERIAL INJURY CONTINUE?

12.1 Preliminary findings

Customs and Border Protection makes a preliminary finding that exports of galvanised steel and aluminium zinc coated steel from China, Korea and Taiwan in the future may be at dumped prices and that continued dumping may cause further material injury to the Australian industry.

12.2 Introduction

When the Minister is satisfied that material injury to an Australian industry has been caused by dumping, anti-dumping measures may be imposed on future exports of like goods if the Minister is satisfied that the dumping and material injury may continue.

12.3 Customs and Border Protection's assessment

12.3.1 Will dumping continue?

Customs and Border Protection's dumping analysis found that galvanised steel exported from the nominated countries during the investigation period was found to be at dumped prices, with dumping margins between negligible and 30.8% (for cooperating exporters).

Customs and Border Protection's dumping analysis found that aluminium zinc coated steel exported from the nominated countries during the investigation period was found to be at dumped prices, with dumping margins between negligible and 19.8% (for cooperating exporters).

Customs and Border Protection notes that forward orders exist for exports from the nominated countries, that the galvanised steel and aluminium zinc coated steel exported from these countries have a significant share and influence in the Australian market.

Customs and Border Protection considers that dumping will continue if anti-dumping measures are not imposed.

12.3.2 Will material injury continue?

Customs and Border Protection has reviewed the Australian industry's performance over the injury analysis period and has made a preliminary finding that galvanised steel and aluminium zinc coated steel exported at dumped prices from China, Korea and Taiwan have caused material injury to the Australian industry.

Customs and Border Protection considers that the continuation of price competition from dumped imports from these countries is likely to have a continuing adverse impact on the Australian industry. Customs and Border Protection considers that this impact may be particularly evident in price depression and price suppression, reduced profits and profitability, and reduced revenues.

PUBLIC RECORD

13 NON INJURIOUS PRICE

13.1 Preliminary findings

Customs and Border Protection makes a preliminary finding that the non-injurious price (NIP) is not lower than the normal value in all cases. The lesser duty rule does not come into effect and duties should be imposed at the full margin of dumping.

13.2 Introduction

Dumping duties may be applied where it is established that dumped imports have caused or threaten to cause injury to the Australian industry producing like goods. The level of dumping duty imposed by the Minister cannot exceed the margin of dumping, but a lesser duty may be applied if it is sufficient to remove the injury. This lesser duty provision is contained in the World Trade Organisation Anti-Dumping Agreement and the Anti-Dumping Act.[66]

The NIP provides the mechanism whereby this lesser duty provision is given effect. The NIP is the minimum price necessary to prevent injury to the Australian industry producing like goods.[67]

Anti-dumping duties are based on FOB prices in the country of export. Therefore a NIP is calculated in FOB terms for the country of export.

13.3 Unsuppressed Selling Price

USP and NIP issues are examined at an early stage of an investigation and, where possible and appropriate, preliminary examinations are made during the application consideration period for the purpose of assessing injury and causal link and therefore the appearance of reasonable grounds for the publication of a dumping duty notice and or a countervailing duty notice.[68]

Customs and Border Protection generally derives the NIP by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping and subsidies. This price is referred to as the USP.

Customs and Border Protection's approach to establishing USPs observes the following hierarchy:

- industry selling prices at a time unaffected by dumping and subsidies; or
- constructed industry prices – industry CTMS plus profit; or
- selling prices of un-dumped / unsubsidised imports.

Having calculated the USP, Customs and Border Protection then calculates a NIP by deducting the costs incurred in getting the goods from the export FOB point (or another point if appropriate) to the relevant level of trade in Australia.

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[66] Subsection 8(5A) of the Anti-Dumping Act

[67] Subsection 269TACA(a) of the Act.

[68] Subsection 269TC(1)(c) of the Act.

PUBLIC RECORD

These deductions normally include overseas freight, insurance, into-store costs and amounts for importer expenses and profit.

If the export prices are greater than the NIP, it would suggest that dumping and subsidies may not be causing material injury. If, on the other hand, the export prices are lower than the NIP, this would support a finding that dumped and subsidised imports have caused material injury to the applicant producing like goods.

13.4 BlueScope's claims

On 30 January 2013, BlueScope lodged a submission regarding calculating USPs and NIPs[69]. In its submission BlueScope suggested that Customs and Border Protection calculate USPs:

- for aluminium zinc coated steel based on BlueScope's CTMS for 2011-12 plus the level of profit it achieved in 2009-10; and
- for galvanised steel based on BlueScope's CTMS for 2011-12 plus the level of profit it achieved on aluminium zinc coated steel in 2009-10. BlueScope claims that its profit on galvanised steel in 2009-10 is not indicative of a profit that could have been achieved in 2011-12 in the absence of dumping due to the effects of the global financial crisis and the level of injurious imports in 2009-10.

13.5 Customs and Border Protection's assessment

Customs and Border Protection does not consider that industry selling prices are suitable to be used as a basis for a USP due to BlueScope's matching of import prices.

Customs and Border Protection considers the most appropriate basis for estimating the USP is to construct a selling price that BlueScope could reasonably be expected to achieve in a market unaffected by dumping. BlueScope's methodology for constructing a USP is not considered reasonable given that it has no connection to the manner in which its prices are currently established. As highlighted throughout the material injury assessment, BlueScope's prices are based on an equivalent into-store import parity price plus a local premium to account for such factors as shorter lead times, delivery options and after-sales service and support.

Further, the approach submitted by BlueScope would also appear to compensate for more than just the effects of dumping. The weak demand and excess capacity of steel globally, the strong Australian dollar and the impact of BlueScope's restructured local business are all overlooked in its proposed USP.

Customs and Border Protection is of the view that in a market unaffected by dumping, it is reasonable to expect that BlueScope would be able to achieve as a minimum, selling prices that reflected un-dumped import parity pricing. Accordingly, Customs and Border Protection considers that the FOB non-injurious price for each exporter is a price equal to the respective normal value.

[69] A non-confidential version of this submission (number 66) is available on the public record.

PUBLIC RECORD

14 DISCRETIONARY FACTORS

The following matters may be considered should the Minister choose to exercise his discretion not to impose measures.

Some interested parties have claimed that an imposition of measures on galvanised steel or aluminium zinc coated steel will affect downstream suppliers. All submissions on discretionary factors received by Customs and Border Protection are available on the public record.

Parties opposed to the introduction of measures on either galvanised steel or aluminium zinc coated steel or both contend that such imposition will increase costs for the importing of the respective goods and for purchasers of the respective goods, thereby causing injury to their businesses in Australia and the end user. Some parties claimed that introducing measures may result in the loss of Australian jobs and Australian-owned businesses. They also claim that imposition of measures may result in increased prices, anti-competitive behaviour from BlueScope such as monopoly-seeking behaviour, including obstructing entry to the market for new entrants and may result in a monopoly market in Australia for either galvanised steel, aluminium zinc coated steel, or the painted COLORBOND® product lines.

These parties include Australia-based and Australian-owned importers and end users:

- KLE Pty Ltd – metal tube forming and finishing manufacturers
- B&R Enclosures Pty Ltd – specialist manufacturer of enclosures for the electrical, electronics, data and communications markets
- Ford
- GM Holden
- Thunderbox Toolboxes Pty Ltd - manufacture steel & aluminium toolboxes
- United Industrial Pty Ltd - specialises in strategic sourcing of materials and equipment for supply into predominantly the railway and construction industries
- Ace Gutters - manufacturer and supplier of rainwater products
- OneSteel Coil Coaters - producer and supplier of painted steel and aluminium coil and sheet

Importer and exporter industry associations:

- Chinese Iron and Steel Association (CISA); and
- Australian Steel Association (ASA).

Exporters:

- Dongbu Steel

15 PROPOSED MEASURES

Customs and Border Protection proposes to recommend to the Minister that dumping duty notices be published in respect of galvanised steel and aluminium zinc coated steel exported to Australia by all exporters from China, Korea and Taiwan.

For all goods and nominated countries, the NIP has been set at the normal value. This means that the lesser duty rule does not come into effect and the proposed measures are linked to the full margin of dumping.

Customs and Border Protection does propose, however, to recommend to the Minister that exemptions be applied to certain goods that are currently subject to TCOs. A complete list of the relevant TCOs and a description of the goods covered by the TCOs is at Appendix 2.

PUBLIC RECORD

APPENDIX 1 - ASSESSMENT OF A PARTICULAR MARKET SITUATION

1. INTRODUCTION

This appendix provides an assessment and preliminary determination of a 'particular market situation' in relation to galvanised steel and aluminium zinc coated steel in the People's Republic of China (China) during the investigation period. The following six subsections detail the basis of assessment and the tests applied in accordance with the WTO ADA and the Act to preliminary determine the existence of a 'particular market situation' in relation to domestic sales of the goods.

Subsection two of this appendix provides a brief background and the reasons for the assessment of a 'particular market situation' in the current investigations. This subsection also highlights the importance of the recent positive findings in Investigation number 177 (INV177) of a 'particular market situation' in the Chinese iron and steel industry by Customs and Border Protection.

Subsection three provides an overview of the Chinese iron and steel industry and its importance in China. This subsection also analyses if the GOC's influences and interferences found in INV177, continued in the current investigation period and distort the prices of galvanised steel and aluminium zinc coated steel products. The validity and continuance of various overarching macroeconomic policies, plans and legislations developed, promulgated and implemented by the GOC at central and local level found in INV177 are also assessed.

Subsection four provides detailed analyses on the implications of the GOC's import and export policies and controls on galvanised steel, aluminium zinc coated steel and their major raw materials hot rolled coil (HRC) and cold rolled coil (CRC), coke, coking coal, iron ore and scrap metal.

Subsection five considers the importance and relevance of the recent findings by the European Commission (EC) in relation to certain organic coated steel ("OCS") products exported from China to Europe. Subsection six discusses the fundamentals of the basic economic theory of supply and demand affecting the price of a commodity. It provides a theoretical framework to understand the implications of increase in the supply of a commodity in an economy through direct and indirect interventions.

Finally, based on the assessment of the current available information, Customs and Border Protection has made a preliminary positive determination of the existence of a 'particular market situation' in the galvanised steel and aluminium zinc coated steel industries in China. As such Customs and Border Protection has not been able to determine the normal values in accordance with s269TAC(1) of the Act for those goods exported from China.

PUBLIC RECORD

2. BACKGROUND

In its application, BlueScope claims that domestic prices of galvanised steel and aluminium zinc coated steel in China are not suitable for the determination of normal values due to the intervention by the GOC in the iron and steel industry continued to distort the prices of those goods in the investigation period.

Section 269TAC(1) of the Act establishes that 'the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arms length transactions by the exporter or, if like goods are not so sold by the exporter, by other sellers of like goods.'

However s.269TAC(2)(a) of the Act sets out an exception and states that where "….because the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under subsection (1); the normal value of goods exported to Australia cannot be ascertained under subsection (1); …". In such circumstances the normal value may be determined on the basis of construction of cost[70] or third country sales.[71] Therefore, a determination as to whether there is a 'particular market situation' has potential consequences for the assessment of normal value and dumping margins.

2.1 HSS Findings

In the recent hollow structural sections (HSS) investigation (Investigation number INV177), Customs and Border Protection found that the price of the main raw material for HSS, hot rolled coil (HRC) was distorted by the GOC's intervention in the Chinese iron and steel industry. Customs and Border Protection found that a 'particular market situation' existed in the Chinese iron and steel industry that rendered domestic selling prices of HSS unsuitable for the determination of normal value under s269TAC(1) of the Act (Report number 177 (REP177) refers[72]).

The Australian industry stated that the galvanised steel and aluminium zinc coated steel producers and traders form part of the iron and steel industry in China and that HRC is also the main raw material used in the production of those goods. It also claimed that the GOC continued to influence the HRC prices and the prices of its raw materials in the current investigation period through various forms of interventions in Chinese iron and steel industry summarised in subsection 2.2 below.

Customs and Border Protection's findings in the HSS investigation that the HRC selling prices in China were distorted are directly relevant to the current

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70 S.269TAC(2)(c)

71 S.269TAC(2)(d)

[72] A detailed assessment of the market situation in China for HSS is contained in Appendix A to REP177. REP177 can be accessed using the following link: http://www.customs.gov.au/anti-dumping/cases/default.asp

investigations if the GOC's interferences identified in INV177 are found to have continued in the current investigation period (i.e. July 2011 to June 2012). The GOC interferences identified in INV177 are summarised below.

2.2 Summary of Major Findings in INV177

The various forms of the GOC's intervention found in the iron and steel industry in INV177 are outlined below.

(i) the GOC plays a significant role in influencing the domestic iron and steel industry through its numerous broad, overarching GOC macroeconomic policies and plans that outline aims and objectives for the Chinese iron and steel industry, including:
- the National Steel Policy;
- national and regional five year plans and guidelines;
- a blueprint for Steel Industry Adjustment and Revitalisation;
- the alignment of the GOC policies; and

(ii) implementation measures (that go towards actively executing the aims and objectives of these policies and plans), as summarised below:
- measures to eliminate backwards production capacity and to encourage technical and environmental improvement;
- market entry criteria and industry operating conditions;
- measures to curb 'production capacity redundancy';
- guiding industry mergers and acquisitions;
- import and export measures on coke;
- subsidies in the iron and steel industry; and
- other implementation measures, including impact of SOEs

Customs and Border Protection established that:

- the GOC has exerted numerous influences on the Chinese iron and steel industry, which are likely to have materially distorted competitive conditions within that industry and affected the supply of HSS, HRC, narrow strip, and upstream products and materials;

- the impact of the GOC's influence on supply is extensive, complex and manifold, and their resulting impact on the price of HSS is not able to be easily quantified;

- the information available indicates that prices of HSS in the Chinese market are not substantially the same (likely to be artificially low), as they would have been without the GOC influence; and

- the GOC influences in the Chinese iron and steel industry have created a 'market situation' in the domestic HSS market, such that sales of HSS in that market are not suitable for determining normal value under s.269TAC(1).

2.3 Review Officer's Recommendations on INV177

The Trade Measures Review Officer (Review Officer) on 14 December 2012 published a report[73] of his review of the findings in INV177 and recommended to the Minister certain aspects of the investigation be reinvestigated. One aspect was the findings that a situation in the market of China was such that sales in the Chinese domestic market were not suitable for use in determining a normal value.

The Review Officer concluded that the evidence available to him in his view failed to sufficiently establish that policies and plans of the GOC were being implemented and enforced in a manner as would support a particular market situation finding. The Review Officer further stated that he did not wish for his conclusion to be read as positively finding that there is definitely no market situation in the Chinese domestic iron and steel industry *[Emphasis added]*. His view was that the available evidence in HSS Report number 177 (REP177) was not adequate to definitively establish a 'particular market situation' finding.

On 14 January 2013, the Minister accepted the Review Officer's recommendation and requested that the CEO of Customs and Border Protection reinvestigate a number of findings, including that a 'particular market situation' exists in the HSS domestic market in China. The HSS reinvestigation report is due to the Minister by 14 April 2013.

3. CHINESE IRON AND STEEL INDUSTRY

3.1 Government of China's response to Government Questionnaire

The GOC's response to the Government Questionnaire (GQ) in relation to a 'particular market situation' was submitted to Customs and Border Protection on 8 February 2013. In its assessment of the responses to the GQ, Customs and Border Protection found some responses were incomplete or were answered inadequately. Some attachments provided were partially omitted and not fully translated in English. In some parts of the questions where the GOC made certain claims it did not provide supporting evidence. A supplementary questionnaire was sent to the GOC to:

(i) seek complete responses to the initial GQ;
(ii) provide answers to the additional follow-up questions from the responses to the GQ; and
(iii) clarify certain new information collected during the course of the investigations.

The GOC's response to the supplementary government questionnaire (SGQ) is due by 22 March 2013.

The preliminary assessment and analysis of the existence of a 'particular market situation' in the galvanised steel and aluminium zinc coated steel in China is based on the best information available at the time of publishing the SEF.

[73] The review officers report is published on the website: http://www.tmro.gov.au

PUBLIC RECORD

3.2 Changes to macroeconomic policies and plans post INV177

In its response to the GQ (GQ A-13 refers[74]), the GOC stated that none of the major government policies/catalogue/plans identified in INV177 have changed since the INV177[75] investigation period. The following major government policies and plans were identified in INV177 that influenced the iron and steel industry and distorted the HSS prices in China.

(i) National Steel Policy (NSP)

(ii) A Blueprint for Steel Industry Adjustment and Revitalisation

(iii) Directory Catalogue on Readjustment of Industrial Structure and

(iv) 12th Five year plan for the Iron and Steel Industry

The GOC clarified that some documents are premised on a specific planning period, for example *A Blueprint for Steel Industry Adjustment and Revitalization* was from 2009 to 2011. The GOC provided further following comments in relation to the above identified major policies and plans.

(i) The National Steel Policy (NSP)

The GOC stated that the National Steel Policy is an '*aspirational*' document (and not a '*legal*' document) which sets out the means by which the steel industry can modernise its operation and remain competitive and efficient in future.

The GOC also stated that the NSP was drafted to '*discuss ways to elevate the levels of technology used in the iron and steel industry; to promote structural adjustment; to improve the industry layout; to promote recycling and to minimise the industry's environment impact; and generally to guide the sound development of the iron and steel industry'*

However, the GOC did not explain and/or provide any evidence to differentiate the difference between an 'aspirational' document and a 'legal' document.

(ii) A Blueprint for Steel Industry Adjustment and Revitalisation

The GOC stated that the purpose[76] of the 'Blueprint for Steel Industry Adjustment and Revitalisation' was to discuss methods to stabilise the steel industry following the fallout from the global financial crisis. The GOC claims that it is not uncommon for WTO members to publish such documents in relation to unprecedented economic conditions.

[74] Page 36 of the response to GQ

[75] HSS investigation period was from 1 July 2010 to 30 June 2011

[76] Page 37 of the response to GQ

PUBLIC RECORD

(iii) Directory Catalogue on Readjustment of Industrial Structure

The GOC stated[77] that the 'Directory Catalogue on Readjustment of Industrial Structure ("Directory Catalogue") is part of the same policy as the interim provisions on promoting structural adjustments (the Interim Provisions). The Interim Provisions set out the criteria under which certain production processes may be classified as 'encouraged', 'restricted', or 'eliminated' and how the government agencies may deal with such processes and the Directory Catalogue identifies what production processes actually fall within these categories.

3.3 Assessment of the GOC's influence on the current coated steel cases

The GOC did not specify any particular new policies and /or government initiatives that came into effect following INV177 that would have affected the Chinese iron and steel industry in the current investigation period (including galvanised steel, aluminium zinc coated steel and upstream industries). The GOC in its response to GQ (GQ A-14 refers) stated that "*… Initiatives or policies that "affect" an economy generally may "affect" the industries and markets in that economy. The GOC can at least say that the GOC has not engaged in any price control or price manipulation in the markets for the products to which the question refers, nor has it directed enterprises in those industries to behave in a particular way"*..

In the current investigations, based on available information Customs and Border Protection determines that various GOC's influences and interferences identified in INV177 continued to apply in the Chinese iron and steel industry. These were in the form of broad, overarching GOC's macroeconomic policies and plans that outline aims and objectives for the Chinese iron and steel industry and more specifically the 'implementing measures' that go towards actively executing the aims and objectives of these policies and plans.

Furthermore, the GOC in its response to the GQA-14 provided independent reports on the iron and steel industry. The reports '*China steel industry to keep stable growth in next five years by Wu Wenzhang', ' The iron and steel industry: a global market perspective by Ignacio et al', and 'Trends and Price Structures and Risk management by Patrick A. McCormick'* are at public record attachments 6, 7 and 8.

While these reports have analysed the past performances of the global steel markets (including the Chinese steel market), production and usage of steel (including upstream products), and tried to predict the future trends, they do not contain an analysis of the GOC's major policies, plans, blueprints, legislations and its direct and/or indirect effects on prices on iron and steel products in China. Furthermore, the reports do not specifically provide any details as to how the prices of the iron and steel products and the raw materials are determined in China.

[77] page 37 of response to GQ refers

PUBLIC RECORD

The GOC stated the Chinese central and local government issued *some opinions* to strengthen the building of government under the rule of law and that these *documents indicate the legal basis and standard practices* for the formulation and implementation of industry regulations. The GOC also stated that the Chinese central and local governments issued *series of policies and measures* to promote and develop private enterprises during 2010 to 2012 (response to GQ A-14 refers). As an example, the GOC stated that as a result of these opinions, policies and measures, the number of SIE entities has dropped by 54% and the number of private enterprises increased by 20% in 2011 compared to 2006.

However, the GOC did not provide any documentary evidence to Customs and Border Protection as to how the above opinions, policies and measures issued by the GOC helped achieve its objectives and targets. The GOC also did not identify any objectives and targets in this regard. The GOC did not specify any policy / methodology / incentives provided to achieve its intended outcome. Given the significant drop in the number of SIEs (54%[78]), the GOC did not specify what percentage of these SIE's were related to iron and steel industry; how the SIE's were restructured before and after the implementation of the GOC policies; and how the new structures were independent from government controls and interferences.

In its response to GQ A-1 (e), the GOC stated that '…*the GOC has consistently adopted the policy that the State-owned shareholding of enterprises shall be gradually withdrawn from competitive industrial sectors. In recent years this has been achieved through divestment, share transfers or other forms of state-owned share trading (including public listings and sell-downs)…".[Emphasis added]*

The GOC did not provide any evidence of such policy(ies) adopted by the GOC. The GOC did not name the government agency administrating and monitoring such 'policies'. While the GOC stated broadly that it achieved this through divestment, share transfers, or other forms of state–owned share trading and sell downs, the GOC did not explain or provide any details and evidence (such as offer document /prospectus etc used for sell downs of government shares and listing on a stock exchange); how the process has been administered (including the valuation of the stocks, names of underwriters etc) and who were the final and/or intended beneficiaries. The GOC also did not identify any SIE in the iron and steel industry (or any other industry for that matter) that has been restructured. The GOC also did not define and provide any evidence of what it considers '*competitive industrial sector*' and the criterion and/or process used by the GOC to identify the '*competitive industrial sector*'.

The GOC, after stating its strong disagreement with Customs and Border Protection's finding of the existence of a 'particular market situation' in the Chinese iron and steel

[78] Response to GQ A-14 (pg.38 refers).

industry in INV177, set out the changes that occurred after INV177 in the various polices discussed in REP177 (response to GQ A-15 refers).

The majority of policies/catalogue and plans identified in INV177 remained active and valid in the current investigation period for the galvanised steel and aluminium zinc coated steel and are directly relevant to this investigation. Furthermore, it has been noted that while some of plans and policies were partially valid (for example the Blueprint for Steel Industry Adjustment and Revitalisation was only applicable between 2009 and 2011), others had either been replaced with similar sentiments or had minor amendments and did not have any significant differing effect in the current investigation period on the iron and steel industry (for example MIIT amended the Steel Standard Conditions in June 2012).

A detailed assessment of these policies/catalogues and plans and their direct and indirect influences in the iron and steel industry in China is at Appendix A of REP177[79]. After having analysed the GOC's overall macroeconomic policies and implementation plans in the Chinese iron and steel industry, Customs and Border Protection analysed the impact of the GOC's import and export policies and controls on zinc coated (galvanised) steel, aluminium zinc coated steel and the major raw material industries in China as discussed in subsection 4 below.

4. CHINESE GALVANISED STEEL AND ALUMINIUM ZINC COATED STEEL INDUSTRIES

4.1 Raw Materials

The main raw materials identified for both products (galvanised steel and aluminium zinc coated steel) are HRC and cold rolled coil CRC. CRC is produced by further processing HRC. The main raw materials for the manufacture of HRC are:

(i) Coke
(ii) Coking Coal
(iii) Iron ore and
(iv) Scrap Metal.

The two main processes are used to produce HRC are the electric arc furnace process and blast furnace process.The key difference between the processes is that the blast furnace process is used to make steel from liquid iron, while an electric arc furnace process is used to make steel from scrap metal. Both blast and electric arc furnaces processes are used in industrial settings to heat and mold metal.

4.2 Production Process

In its applications, the Australian industry provided a detailed description of the manufacturing process of the galvanised steel and aluminium zinc coated steel. It is

[79] Part II, pages 113 to 172 of REP177: Appendix A

PUBLIC RECORD

noted that the Australian Industry is a fully-integrated[80] business entity manufacturing flat steel products.

A similar manufacturing process of galvanised steel and aluminium zinc coated steel was described by the cooperating Chinese exporters in their response to exporter questionnaires and verified by Customs and Border Protection as detailed in the visit reports[81].

During this investigation it has been established that some Chinese producers and exporters of galvanised steel and aluminium zinc coated steel to Australia were 'integrated producers' while others were 'non-integrated'. The Integrated producers manufacture their main raw material 'HRC', while the non-integrated producers purchase HRC to produce those goods. It has been found that only one of the four cooperating exporters imported HRC during the current investigation period.

4.3 Galvanised steel and aluminum zinc coated steel industries in China

In its response to GQ (GQ A-1 refers), the GOC stated that the domestic Chinese galvanised steel and aluminium zinc coated steel industries are not well defined. The GOC further stated that the '...*coated steel industries have complicated and intertwining relationships with some of their neighbouring industrial sectors…'.* The GOC further stated that '*there is no routine statistical data available purely and specifically for the domestic Chinese galvanised steel and aluminium zinc coated steel industries".* The GOC stated that data did not exist for the industries producing goods under consideration and data on raw materials is not likely to relate only to those goods as Chinese entities produce a broader range of products. The GOC stated that due to large number of participants in the Chinese steel industry, the GOC found it difficult to separately identify and categorise different steel industry participants on the basis of one or two of the products they manufacture.

The GOC provided some data on the number of Chinese entities, volume of domestic production, exportation of galvanised steel, aluminium zinc coated steel together with importation and exportation of the major raw materials (HRC, coke, coking coal, iron ore and scrap metal. (Confidential version of the response to GQ (pg. 14) refers).

The GOC claims that some producers manufacture only galvanised steel and/or aluminium zinc coated steel while others produce the HRC and the goods. The GOC indicated that there were large number business entities producing those goods (Confidential version of the response to GQ (pg. 15) refers).

The GOC stated that it has no incentive to enforce a package of policies designed to depress or suppress prices or to make them uncompetitive in the domestic Chinese galvanised steel and aluminium zinc coated steel industries and the relevant upstream industries including iron ore, coking coal, coke and scrap metal industries. The GOC further stated that '… *that it does not control or regulate the price of any of*

[80] A fully integrated industry produces the major raw material (HRC) for the goods under consideration by itself using its raw materials such as coke, coking coal and scrap metal

[81] Public version of the visit reports can be accessed using the following link; http://www.customs.gov.au/anti-dumping/cases/Current_Cases_EPR_190.asp

the input materials and certainly does not control or regulate the price of GUC…' (Response to GQ A-1 refers).

The GOC stated that the steel products are used by number of sectors. The major consumer of the steel products is the construction sector. The GOC also identified that domestic demand for steel was also driven by other consumers such as nuclear power plants, wind farms, hydro-power facilities, ports, ships, railways, transportation, mining machinery, medical equipment, construction machinery and housing. The GOC stated that the markets for the goods under consideration and HRC are incredibly competitive and that there is a strong demand domestically within China for these goods.

The GOC provided the import and export taxes, tariffs and export quotas applicable between July 2007 and June 2012. Their effects are analysed and summarised in subsections 4.4 to 4.8 below.

4.4 Galvanised steel and aluminium zinc coated steel

The GOC in its response to GQ (GQ A-3 public record Attachments 28, 29, 30, 31 and 32 refers), provided the export VAT rebates, export tariff rates, corporate income tax rates, import tariff rates and export quotas applicable to galvanised steel and aluminium zinc coated steel as summarised in Table 1 below.

Table 1: Import and export tax rates applicable to galvanised steel and aluminium zinc coated steel between July 2007 and June 2012

Export VAT Rebates	Jul 2007 to Dec 2007 (%)	Jan to Dec 2008 (%)	Jan 2009 to Mar 2009 (%)	April 2009 to may 2009 (%)	June 2009 to Dec 2009 (%)	Jan 2010 to mid- July 2010 (%)	mid July 2010 to Dec 2010 (%)	Jan to Dec 2011 (%)	Jan to June 2012 (%)
Galvanised steel	5	5	5	13	13	13	13	13	13
Aluminium zinc coated steel	5	5	5	13	13	13	13	13	13
Export Tariff rates	**Jul 2007 to Dec 2007 (%)**	**Jan to Aug 2008 (%)**	**Aug to Nov 2008 (%)**	**Dec 2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**	
Galvanised steel	0	15	15	0	0	0	0	0	
Aluminium zinc coated steel	0	0	0	0	0	0	0	0	
Corporate Tax Rate	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Galvanised steel	25	25	25	25	25	25			
Aluminium zinc coated steel	25	25	25	25	25	25			
Import Tariff rates	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Galvanised steel	8	8	8	8	8	8			
Aluminium zinc coated steel	8	8	8	8	8	8			
Export Quotas	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Galvanised steel	NA	NA	NA	NA	NA	NA			
Aluminium zinc coated steel	NA	NA	NA	NA	NA	NA			

Based on the information provided in Table 1, Customs and Border Protection considers that the GOC is encouraging export of galvanised steel and aluminium zinc coated steel by increasing the VAT rebates from 5% to 13% in April 2009; by abolishing the export tax in November 2008 (after introducing in January 2008); and by not imposing any export quota during the injury analysis period July 2007 to June 2012. The GOC discouraged importations of these goods into China by imposing 8% import duty. The GOC did not clarify if there was any import quotas of these goods from July 2007 to June 2012.

Customs and Border Protection considers the net effect of the import and export measures encouraged exportation of those goods from China. It is evident from the confidential data supplied by the GOC in response to GQA-1, that during the investigation period there has been a substantial quantity of galvanised steel and aluminium zinc coated steel exported from China. The GOC claims that there was no data available for the quantity produced domestically and quantity imported during the period under review.

4.5 Hot Rolled Coil (HRC)

As discussed earlier in this report, HRC is the major raw material for the production of galvanised steel and aluminium zinc coated steel. HRC's major raw materials are coke, coking coal, iron ore and scrap metal. The GOC in its response to GQ A-3 (public record Attachments 28, 29, 30, 31 and 32 refers), provided the VAT rebates on exports, export tariff rates, corporate income tax rates, import tariff rates and export quotas applicable on imports and exports of HRC is summarised in Table 2 below.

Table 2: Import and export tax rates applicable to HRC between July 2007 and June 2012

Export VAT Rebates	Jul 2007 to Dec 2007 (%)	Jan to Dec 2008 (%)	Jan 2009 to Mar 2009 (%)	April 2009 to may 2009 (%)	June 2009 to Dec 2009 (%)	Jan 2010 to mid- July 2010 (%)	mid July 2010 to Dec 2010 (%)	Jan to Dec 2011 (%)	Jan to June 2012 (%)
HRC	0	0	0	0	9	9	0	0	0
Export Tariff rates	**Jul 2007 to Dec 2007 (%)**	**Jan to Aug 2008 (%)**	**Aug to Nov 2008 (%)**	**Dec 2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**	
HRC	5	5	5	0	0	0	0	0	
Corporate Tax Rate	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
HRC	25	25	25	25	25	25			
Import Tariff rates	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
HRC	3	3	3	3	3	3			
Export Quotas	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
HRC	NA	NA	NA	NA	NA	NA			

PUBLIC RECORD

The above information indicates that the GOC encourages some importation of HRC by levying an import tax of 3% compared to galvanised steel and aluminium zinc coated steel with import tax of 8%. Having removed the export tax of (from 5% to 0%) in November 2008, the GOC seems to have opened the HRC export market. There were no export quotas applicable from July 2007 to June 2012. The GOC did not clarify if import quotas were applicable for HRC during this period

Customs and Border Protection considers that introducing a VAT rebate on exports (at 9% between June 2009 to mid-July 2010) and then completely removing it after mid-July 2010 to June 2012 provides an indication of the GOC's intention to discourage export of HRC. It is also evident from the confidential data supplied by the GOC in response to GQA-1, that there has been a negligible volume (less than 1%) of HRC exported compared to the quantity produced in China during the investigation period. The net effect is to increase the supply of HRC domestically to be easily and cheaply available to downstream users.

4.6 Coking Coal and Coke

Coking coal is mined from open cast or underground mines, washed, and converted into coke (almost pure carbon resulting from conversion of coal without oxygen at high temperatures). The quality of the coking coal, or rather a specific mixture of selected coals, directly influences the final coke quality. The quality of coke is more dependent on the coal mixture than on the production technology[82].

In its response to the GQA-1, the GOC identified a large number of entities (confidential version of response to the GQ refers), produced 504 mega tonnes (MGT) of coking coal in 2011. The GOC stated that due to high demand in China, coking coal is also imported from other countries. However, it did not identify the quantity by country(ies) of coking coal imported in 2011 (or in the investigation period). The GOC only stated that "…*in previous years 63% of the coal was exported from Australia to China…".* While this import quantity was small compared to its domestic production, the GOC claims that it was second largest volume of imports by any country in that year[83].

The GOC also identified that other than manufacture of steel products, coke is also used for the following purposes:

- smelting of phosphate rock in the production of elemental phosphorus;
- production of calcium carbide
- ferrochrome production;
- production of manganese alloys;
- production of soda ash;
- production of carbon electrodes; and
- domestic fuel

[82] *Ignacio et al (2011); 'The iron and steel industry: a global market perspective'*

[83] Response to GQ A-1 page 15 refers

PUBLIC RECORD

The GOC in its response to the GQ A-3 (public record Attachments 28, 29, 30, 31 and 32 refers) provided that the corporate tax rate for coke and coking coal industries was at 25% from July 2007 to June 2012. The other measures and changes over in the rates of various tariff and taxes on the coke and coking coal industries provided by the GOC are summarised in Table 3 below.

Table 3: Summary of taxes and tariff rates applicable to coke and coking coal industries between July 2007 and June 2012

Export VAT Rebates	Jul 2007 to Dec 2007 (%)	Jan to Dec 2008 (%)	Jan 2009 to Mar 2009 (%)	April 2009 to may 2009 (%)	June 2009 to Dec 2009 (%)	Jan 2010 to mid- July 2010 (%)	mid July 2010 to Dec 2010 (%)	Jan to Dec 2011 (%)	Jan to June 2012 (%)
Coke	0	0	0	0	0	0	0	0	0
Coking Coal	0	0	0	0	0	0	0	0	0
Export Tariff rates	**Jul 2007 to Dec 2007 (%)**	**Jan to Aug 2008 (%)**	**Aug to Nov 2008 (%)**	**Dec 2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**	
Coke	5	25	40	40	40	40	40	40	
Coking Coal	5	5	10	10	10	10	10	10	
Import Tariff rates	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Coke	0	0	0	0	0	0			
Coking Coal	0	0	0	0	0	0			
Export Quotas	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Coke	Subject to Export quotas	Subject to Export quotas	Subject to Export quotas	Subject to Export quotas	Subject to Export quotas	Subject to Export quotas			
Coking Coal	Subject to Export quotas	Subject to Export quotas	Subject to Export quotas	Subject to Export quotas	Subject to Export quotas	Subject to Export quotas			

The GOC in its response to GQ for INV177 (response to GQ Attachment 43 refers) advised that import tariff rates for coking coal for 2007 and 2008 were 3% (HSS REP177 page 145 refers). However, in this investigation, the GOC has provided an attachment to GQ A-3(b) (Attachment 29 refers), which states that the import tariff rate for the same period (2007 and 2008) was 0%. Clarification of the correct import tariff for coking coal has been sought from the GOC in the SGQ.

The export tax on coke increased from 5% in 2007 to 25% in 2008 and then spiked to 40% in mid-2008. The export tax continued to remain at 40% in the current investigation period. The GOC also doubled its export tax on coking coal[84] from 5% in 2007 to 10% in mid-2008. The export tax continued to remain at 10% in the current investigation period. Imposing a high export tax and no import tax on coke and coking coal in the period under examination indicates that the GOC continued to strongly discourage exportation of these materials from China while encouraging importation. The GOC stated that despite the large number of coking coal mines, the demand for coking coal (and coke) is so high in China that it requires imports from other countries to meet demand.

[84] According to *Ignacio et.al 2011* increasing demand from metallurgical industry resulted in a significant increase in global coking coal, from 480Mt in 2000 to 793.8MT in 2008, by 65%. China was responsible for almost half the world coking coal production in 2008 (response to GQ A-14 (Attachment 7 (pg 16) refers).

PUBLIC RECORD

The GOC provided in confidential form the quantity of imports and exports of coke and coking coal from January 2009 to June 2012 (confidential appendices 15,16, 22 and 23 refers). It is evident from the data provided that some coke was imported during this period and exports, after spiking in 2010, remained stable (it is to be noted that data provided by the GOC is for 'coke and semi-coke' and no further clarification was provided). The import of coking coal was stable between 2009 and 2011 while exports have steadily been increasing but remained relatively low (approximately 8% compared to the production of coking coal in 2011). The GOC in response to GQA-1 claims that no data was available for the production of coke during the period under examination. No data was provided for imports and exports of coking coal and export of coke in the prior years under examination (i.e. July 2007 to December 2008).

As a further example of its influence and control of the domestic steel market in China, the GOC imposed export quotas on coke and coking coal during the period under examination (July 2007 to June 2012). In its response to the GQ, the GOC did not provide any data (value or volume) of the export quotas imposed on coke and coking coal.

China is one of the major producers of coke in the world market. Customs and Border Protection considers that in imposing high export tax, providing no VAT rebates on exports, applying export quotas and imposing no import taxes, the GOC restrained the supply of coke to the international market. Due to these restrictions (controls), the market for Chinese produced coke was restricted to downstream users in China. In addition to the export restrictions, the GOC also implemented policies (such as no import tax) that encouraged importation of coke.

The limited availability of coke to the international market, and the effects of the GOC's export and import tax policies, indicates that there was no 'free trade' of coke to determine a competitive market price for coke in China.

Customs and Border Protection considers that as a result, not only was the price of coke distorted, but as a key raw material input this had a flow-on effect on the entire steel industry directly affecting the downstream value added industries such as HRC, galvanised steel and aluminium zinc coated steel.

4.7 Iron Ore

Iron ore is one of the major raw materials used in the production of HRC. The GOC in its response to GQ (GQ A-1 refers[85]), stated that in addition to its significant production capacity, the volume of iron ore imported into China has been steadily increasing since 2005. By 2012, the GOC claims that China's demand accounted for 60% of the global iron ore imports[86]. The GOC claims that the domestic demand is the major determinant of the price of iron ore in China.

[85] Page 17 of the response to GQ

[86] GOC referred to "the Economist "Iron Ore: the Lore of Ore" 13 October 2012; < http:// www.economist.com/node/21564559 >

The GOC in its response to GQ A-3 (public record Attachments 28, 29, 30, 31 and 32 refers), provided the export VAT rebates, export tariff rates, corporate income tax rates, import tariff rates and export quotas applicable on imports and exports of iron ore is summarised in table 4 below.

Table 4: Import and export tax rates applicable to iron ore between July 2007 and June 2012

Export VAT Rebates	Jul 2007 to Dec 2007 (%)	Jan to Dec 2008 (%)	Jan 2009 to Mar 2009 (%)	April 2009 to may 2009 (%)	June 2009 to Dec 2009 (%)	Jan 2010 to mid- July 2010 (%)	mid July 2010 to Dec 2010 (%)	Jan to Dec 2011 (%)	Jan to June 2012 (%)
Iron Ore	0	0	0	0	0	0	0	0	0
Export Tariff rates	**Jul 2007 to Dec 2007 (%)**	**Jan to Aug 2008 (%)**	**Aug to Nov 2008 (%)**	**Dec 2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**	
Iron Ore	10	10	10	10	10	10	10	10	
Corporate Tax Rate	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Iron Ore	25	25	25	25	25	25			
Import Tariff rates	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Iron Ore	0	0	0	0	0	0			
Export Quotas	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Iron Ore	NA	NA	NA	NA	NA	NA			

The GOC did not clarify if any import quotas were applicable for iron ore from July 2007 to June 2012.

The application of export tax of 10%, together with no VAT rebate on exports indicates that iron ore has been strongly discouraged from being exported. The GOC's application of no import tax also encourages importation of iron ore into China. All other export and import taxes and tariff remained stable from July 2007 to June 2012.

Customs and Border Protection considers that the net effect of the import and export measures on iron ore encouraged importation to increase in domestic supply of iron ore and provide greater access to the downstream industries for the manufacture and supply of value added products. The confidential data provided by the GOC in response to GQA-1, further confirms that while there has been substantial production of iron ore in China, there was also a significant volume imported as a proportion of production in the 2011. The GOC claims that data was not available for any exports of iron ore from China during the period under review.

4.8 Scrap Steel

In its response to the GQ (GQ A-1 refers), the GOC claims that ferrous scrap is not a widely traded commodity. It further claims that in 2011, 74.6 million tonnes of ferrous scrap was imported globally. The GOC stated that it is likely that the majority of an

economy's scrap metal demand is fulfilled domestically by steel producers re-using scrap by-product from their production processes, or from scrap traders which has been recycled and sold. GOC further stated that *"…the GOC does not see it to be necessary to maintain data on such activities…"*

The GOC in its response to GQ A-3 (public record Attachments 28, 29, 30, 31 and 32 refers), provided the export VAT rebates, export tariff rates, corporate income tax rates, import tariff rates and export quotas applicable on imports and exports of scrap metal is summarised in Table 5 below.

Table 5: Import and export tax rates applicable to scrap metal between July 2007 and June 2012

Export VAT Rebates	Jul 2007 to Dec 2007 (%)	Jan to Dec 2008 (%)	Jan 2009 to Mar 2009 (%)	April 2009 to may 2009 (%)	June 2009 to Dec 2009 (%)	Jan 2010 to mid- July 2010 (%)	mid July 2010 to Dec 2010 (%)	Jan to Dec 2011 (%)	Jan to June 2012 (%)
Scrap Metal	0	0	0	0	0	0	0	0	0
Export Tariff rates	**Jul 2007 to Dec 2007 (%)**	**Jan to Aug 2008 (%)**	**Aug to Nov 2008 (%)**	**Dec 2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**	
Scrap Metal	40	40	40	40	40	40	40	40	
Corporate Tax Rate	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Scrap Metal	25	25	25	25	25	25			
Import Tariff rates	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Scrap Metal	0	0	0	0	0	0			
Export Quotas	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Scrap Metal	NA	NA	NA	NA	NA	NA			

The application of high export tax of 40%, together with no VAT rebate on exports (0%) and no import taxes (0%) indicates that the GOC strongly discourages export of scrap metal. All other export and import taxes and tariff remained stable from July 2007 to June 2012.

Customs and Border Protection considers that the net effect of the import and export measures on scrap metal strongly discourages export of any scrap metal during the period under examination. This indicates that there is a very high demand and short supply of scrap metal in China.

4.9 Other Factors

The GOC in its response to GQ A-4 stated that coke is typically a highly polluting (high emission) and high-energy consuming product. The GOC claims that European countries and United States have strengthened their corresponding environment protection legislations to reduce coke output.

Furthermore the GOC stated that *"…China has also imposed restrictions on production of highly polluting enterprises. Efforts have been to ensure that the compliance of old technologies are checked against current standards and that if they do not meet these standards they can no longer be operational and therefore*

must be decommissioned. On this basis, the GOC imposes export quota restrictions on coke in accordance with WTO rules relevant domestic laws and regulations. Domestically, the total capacity of coke producers is restricted because of these environment constrains." "Enterprises failing to conform to environment protection standards, or to honour common practices in promoting social responsibilities, may be denied export quotas". The GOC claims that the above 'management approach' has resulted in a number of positive achievements such as growth in coke industry investments; production has slowed down; the industry has reduced its backward capacity; achieved upgrading of its investment and industrial structure. The GOC also claims that in Shanxi province, the dominant province of coke export and production, significant air quality improvements have been 'researched and documented'.

However, the GOC did not provide any evidence, capacity, volume and value of the growth of the coke industry as a result of 40% increase of export tax since 2008. The GOC also did not to provide any 'researched document' as per its claims to help Customs and Border Protection understand the GOC's 'management approach' as stated in its response to GQ.

It has been noted that China's export tariffs,[87] export quotas and export licensing on coke (and other raw materials) has recently been subject to a WTO dispute before a WTO Panel[88] and then the Appellate Body, the findings of which were handed down in July 2011 and January 2012 respectively. Both the Panel and Appellate Body found that Chinese measures on coke were WTO-inconsistent[89].

The China Iron and Steel Association (CISA), at its recent meeting with Customs and Border Protection informed that the export tax on coke has been abolished with effect from January 2013. Minutes of the meeting with CISA are at the Customs and Border Protection's website.

Further information and clarifications regarding the above issues has been sought from the GOC through the SGQ, which is due by 22 March 2013.

4.10 Changes in the last 5 years in galvanised steel and aluminium zinc coated steel industries (including mergers and acquisitions)

The GOC in its response to GQ A-1 (C)[90] stated that the GOC does not impose any special regulations on mergers and acquisitions in the steel or input materials, whether to force or prevent such mergers and acquisitions. Furthermore, the GOC stated that business activities like mergers and acquisition are matters for the individual enterprises to consider and implement if and when it is deemed to be beneficial to their business and that the GOC plays no part in the making of these decisions.

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[87] Particularly that from 2009 onwards.

[88] WTO Dispute DS394, DS395 and DS398 refers

[89] Reports of the Appellate Body, China – Measures Related to the Exportation of Certain Raw Materials (AB201-5) at 363.

[90] Response to GQ page 18 refers

PUBLIC RECORD

Customs and Border Protection considered the list of other changes identified by the GOC in in response GQ A-1 (c) in the last five years. While the list was provided (response to Public Record to GQ A-1 (c) refers), there were no major changes identified by the GOC. Only a few changes listed were relevant to the current investigations. Those changes need further clarifications and detail before they can be considered further.

Having assessed the importance of galvanised steel and aluminium zinc coated steel and its raw material and the implications of the export taxes, tariffs and quotas on them, Customs and Border Protection considered a recent countervailing investigation by the European Commission (EC). The following subsection details the relevance and findings of the EC case.

5. Relevance of recent EC Findings

In a submission to Customs and Border Protection, BlueScope highlighted the recent findings of investigation by the European Commission (the "Commission") in respect of an "Anti-dumping proceeding concerning imports into the European Union of certain organic coated steel ("OCS") products originating in the People's Republic of China" (refer Commission Regulation No. 845/2012 of 18 September 2012)[91] summarised below.

On 22 February 2012, the Commission commenced an anti-subsidy investigation into imports of certain OCS products from China into the EU (refer Initiation Notice No. 2012/C 52/05). The application was made by EUROFER, the European Steel Association, on behalf of its members producing like goods.

The Commission's investigation period into OCS exported from China to EU was the twelve months ending 30 September 2011, with the last quarter of the period coinciding with the current investigation period of the galvanised steel and aluminium zinc coated steel investigations (i.e. from 1 July 2011 to 30 June 2012).

On 15 February 2013, the Commission published a "Proposal for a Council Implementing Regulation imposing a countervailing duty on imports of certain organic coated steel products originating from the People's Republic of China" No. 2013/0052. The document is an explanatory memorandum summarising the findings of the countervailing investigation into exports of OCS from China to the EU. Some of the findings by the Commission relevant the current investigations are summarised below.

- At Paragraph 81(p20) of the proposal (Report 2013/0052 refers), the Commission found that the prices of hot rolled steel (HRS) and cold rolled steel (CRS)[92] in China are distorted. Paragraph 81 states that *"…on the basis of the totality of the information on the file it is established that the prices of HRS and CRS sold by SOEs in China are distorted, as a result of the strong*

[91] A copy of the BlueScope's submission and EC report is on Customs and Border Protection website: http://www.customs.gov.au/anti-dumping/cases/EPR193.asp

[92] For the purpose of this report, abbreviations (i) HRS and HRC mean the same and are used interchangeably and (ii) CRS and CRC mean the same and are used interchangeably.

predominance of the SOEs in the HRS and CRS market in China. The prices of HRS and CRS of private sectors are aligned with the prices of SOEs. Taking this into account it is concluded that there is no reliable market prices in China for HRS and CRS…" [emphasis added]

The Commission further stated that *"… since the whole of the Chinese market is distorted it is considered impractical to adjust cost and prices in China in any meaningful way and import prices would appear to be similarly distorted by the predominance of SOEs…"*

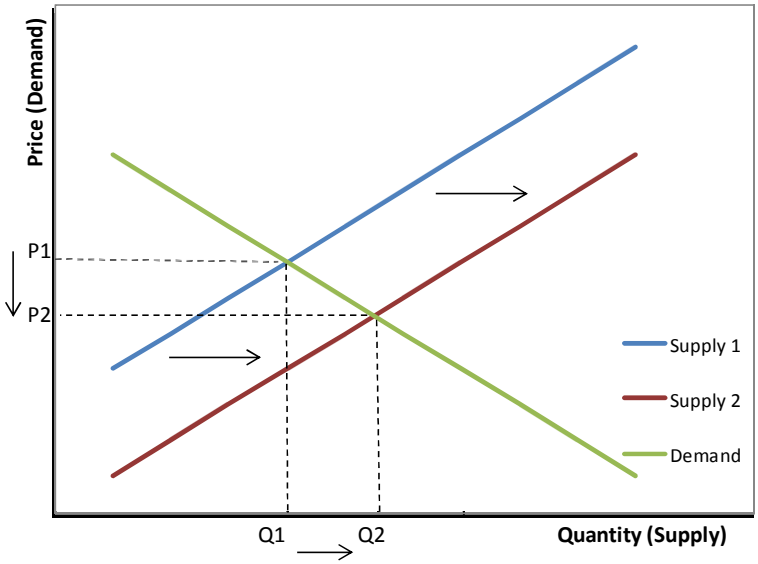
- The Commission concluded that HRS and CRS prices are not determined by the market forces free from the GOC's interferences. At paragraph 97 (pg 23) of the proposal, the Commission stated that *"…it can be concluded the GOC export restriction, government planning and the predominance of SOEs limits the freedom of private suppliers of HRS and CRS, obliging them to act in a non-commercial manner and to accept economically irrational (below-market) prices which they would not do in a free and open market. This confirms that the government policy of supply of HRS and CRS (including to the organic coated steel sector) extends to private supplier." [emphasis added]*

It is noted that the EC test applied in the above-mentioned investigation is distinctive from that applied by Customs and Border Protection Service in its assessment of whether a 'market situation' exists in a particular market. However, the considerations stated in the EC proposal are considered to have some relevance to the current investigations.

6. Economics of supply

The fundamentals of basic economics of supply theory explain that increasing the supply of a commodity, given all other factors being equal will lead to lower demand (price) due to excess supply. Figure 1 below illustrates that increasing the supply quantity from Q1 to Q2, exerts downward pressure on the prices moving the prices from P1 to P2. The equilibrium price (intersection where supply equals demand), also moves down (from intersection of P1Q1 to P2Q2).

Figure 1: Shift in Supply



6.1 What causes increase in Supply?

Some of the factors that cause the supply to increase in an economy are summarised below.

(i) *Costs of production* - A fall in the costs of production leads to an increase in the supply of a good as the supply curve shifts downwards and to the right. Lower costs mean that a business can supply more at each price. For example a firm might benefit from a reduction in the cost of raw materials.

(ii) *Changes in production technology* - technology can change very quickly and in industries where the pace of technological change is rapid it is expected to see increase in supply (and therefore lower prices for the consumer)

(iii) *Government taxes and subsidies* -government intervention in a market can have a major effect on supply. A tax on producers causes an increase in costs and will cause the supply curve to shift upwards. Less will be supplied after the tax is introduced. Alternatively providing no VAT rebates (as opposed to providing full rebate) on exports will decrease the volume of exports but will increase the domestic supply.

A subsidy has an opposite effect to that of an introduction of a tax. A subsidy will increase supply because a guaranteed payment from the Government reduces a firm's costs allowing them to produce more output at a given price. The supply curve shifts downwards and to the right depending on the size of the subsidy.

(iv) *The number of producers in the market*- the number of sellers in a market will affect total market supply. When new firms enter a market, supply increases and causes downward pressure on the market price. Sometimes producers may decide to deliberately limit supply by controlling production

through the use of quotas. This is designed to reduce market supply and force the price upwards or vice versa.

The entry of new firms into a market causes an increase in market supply and normally leads to a fall in the market price paid by consumers. More firms increases market supply and expands the range of choice available.

However, mergers and acquisitions using government interventions in a closed economy with a limited number of large producers will also lead to economies of scale leading to lower costs of production hence increased supply. This will move the supply outward (right).

6.2 How has the GOC intervened in the iron and steel industry?

Customs and Border Protection has found that the price of HRC in China was influenced by the GOC throughout the investigation period. Direct intervention by the GOC in the form of imposition of taxes, tariffs, export quotas and other indirect measures including the GOC's overarching macroeconomic policies and plans, such as the National Steel Policy, a Blueprint for Steel Industry Adjustment and Revitalisation, Directory Catalogue and 12th Five Year Plan have impacted the supply and distorted the cost of the raw materials coke, coking coal, iron ore and scrap metal which in turn has distorted the price of HRC.

The most influencing factors identified were the 40% export tax on coke and scrap metal, 0% VAT rebates on HRC, coke, coking coal and iron ore. These factors have led to increased supply of those goods moving the supply down (right) and artificially lowering the cost and thereby the selling price of these raw materials – a cost to downstream users that purchase them – used in the production of galvanised steel and aluminium zinc coated steel in China.

6.3 Subsidisation

The Australian industry, following its application and initiation of the dumping investigations, lodged two separate applications alleging Chinese producers of galvanised steel and aluminium zinc coated steel are in receipt of countervailable subsidies.

Customs and Border Protection initiated the subsidy investigations on 26 November 2012 (INV193a and 193b) and is concurrently investigating 29 subsidy programmes. The SEFs for the subsidy investigations were due on 18 March 2013. However, based on Customs and Border Protection's request, the Minister has extended the due date for publishing the SEFs to 15 May 2013. The recommendations and the final report for the subsidy investigations are due to the Minister on 29 June 2013.

However, Customs and Border Protection has noted that 27 of the 29 alleged subsidy programs were investigated during the recent HSS investigation (INV177). Customs and Border protection found that those 27 subsidy programs were in receipt of countervailable subsidies from the GOC. Therefore, Customs and Border Protection considers it is likely that the 27 identified countervailable subsidy

programs in INV177 will also have impacted on the costs of factors of production of galvanised steel and aluminium zinc coated steel in China.

6.4 Comparative analysis of HRC Costs

Customs and Border Protection has undertaken a comparative analysis of the domestic Chinese cost of HRC with prices in Korea and Taiwan (Korea and Taiwan are also subject to current dumping investigations INV 190a and INV 190b) from exporters that are co-operating with the investigations and found that the Chinese domestic HRC costs were substantially lower.

Customs and Border Protection considers this supports the conclusion that the cost of the raw materials used in the production of HRC in China are lower than what it would be without government influence, which in turn has resulted in the price of HRC in China being lower than what it would be without government influence.

7. Conclusion – A Particular Market Situation

Customs and Border Protection has determined that the GOC has exerted numerous influences on the Chinese iron and steel industry, which have substantially distorted competitive market conditions in the iron and steel industry in China. The impact of the GOC's numerous broad and extensive overarching macroeconomic policies and plans outlining the aims and objectives for the Chinese iron and steel industry have been significant. Furthermore, the various taxes, tariffs, export and import quotas have influenced the raw materials used in production of the goods, which based on fundamental economic theory would lead to a distortion in the selling prices of the goods themselves.

Customs and Border Protection's preliminary assessment and analysis of the available information indicates that prices of galvanised steel and aluminium zinc coated in the Chinese market are not substantially the same as they would have been without the influences by the GOC. Customs and Border Protection considers that GOC influences in the Chinese iron and steel industry have created a 'market situation' in the domestic galvanised steel and aluminium zinc coated markets, such that sales of galvanised steel and aluminium zinc coated steel in China are not suitable for determining normal value under s.269TAC(1) of the Customs Act.

APPENDIX 2 – TCO DETAILED LIST

CURRENT TCOs

TC 1242989

7210.49.00 COILS, non-alloy steel, hot rolled, zinc coated, complying with American Society for Testing and Materials Standard ASTM A 653/A 653M - 05a, having ALL of the following:
(a) coil thickness NOT less than 3.5 mm and NOT greater than 6.0 mm;
(b) coil width NOT less than 784 mm and NOT greater than 1 263 mm;
(c) minimum yield strength NOT less than 330 Mpa;
(d) minimum tensile strength NOT less than 430 Mpa;
(e) coil inside diameter NOT less than 711 mm and NOT greater than 813 mm;
(f) zinc coating mass NOT less than 0.080 kg/m2 per side;
(g) each coil weighing NOT less than 14 metric tonnes;
(h) chemical composition by weight of ALL of the following:
(i) carbon content NOT greater than 0.20%;
(ii) manganese content NOT less than 0.30% and NOT greater than 0.90%;
(iii) phosphorus content NOT greater than 0.03%;
(iv) sulphur content NOT greater than 0.03%;
(v) chromium content less than 0.30%;
(vi) molybdenum content less than 0.08%;
(vii) aluminium content NOT greater than 0.10%;
(viii) copper content NOT greater than 0.25%;
(ix) nickel content NOT greater than 0.25%;
(x) titanium content NOT greater than 0.04%;
(xi) vanadium content less than 0.10%;
(xii) silicon content NOT greater than 0.45%

Stated Use:
As raw material for the manufacture of Electric Resistance Welded (ERW) steel pipes and tubes

TC 1243148

7210.49.00 COILS, non-alloy steel, hot rolled, zinc coated, complying with American Society for Testing and Materials Standard ASTM A 653/A 653M - 05a, having ALL of the following:
(a) coil thickness NOT less than 1.48 mm and NOT greater than 6.0 mm;
(b) coil width NOT less than 784 mm and NOT greater than 1 263 mm;
(c) minimum yield strength NOT less than 360 Mpa;
(d) minimum tensile strength NOT less than 460 Mpa;

(e) coil inside diameter NOT less than 711 mm and NOT greater than 813 mm;
(f) zinc coating mass NOT less than 0.080 kg/m2 per side;
(g) each coil weighing NOT less than 14 metric tonnes;
(h) chemical composition by weight of ALL of the following:
(i) carbon content NOT greater than 0.20%;
(ii) manganese content NOT less than 0.50% and NOT greater than 1.00%;
(iii) phosphorus content NOT greater than 0.03%;
(iv) sulphur content NOT greater than 0.03%;
(v) chromium content less than 0.30%;
(vi) molybdenum content less than 0.08%;
(vii) aluminium content NOT greater than 0.10%;
(viii) copper content NOT greater than 0.25%;
(ix) nickel content NOT greater than 0.25%;
(x) titanium content NOT greater than 0.04%;
(xi) vanadium content less than 0.1%;
(xii) silicon content NOT greater than 0.45%,

Note: For the purposes of this Order, the operative period of this TCO is expected to commence on 13 November 2012 and cease on 31 May 2013.

Stated Use:
As raw material for the manufacture of Electric Resistance Welded (ERW) steel pipes and tubes

TC 0939596

7210.49.00 STEEL, COIL, hot dip zinc coated, complying with Japanese Industrial Standard JIS G 3302:2007, having ALL of the following:
(a) yield strength NOT less than 275 N/mm2 and NOT greater than 380 N/mm2;
(b) tensile strength NOT less than 440 N/mm2;
(c) elongation NOT less than 29% and NOT greater than 41%;
(d) coating mass NOT less than 45 g/m2 and NOT greater than 65 g/m2;
(e) thickness NOT less than 1.14 mm and NOT greater than 1.26mm;
(f) width NOT less than 1 590 mm and NOT greater than 1 605 mm

Stated Use:
For the manufacture of motor vehicles

New Applications (wording to be finalised) as at 12 March 2013

TC 1307948

7210.49.00 STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following:
(a) yield strength NOT less than 190 MPa;

(b) tensile strength NOT less than 340 MPa;
(c) total elongation NOT less than 32%;
(d) total coating mass NOT less than 30 g/m2 and NOT greater than 70 g/m2 on each side;
(e) in ANY of the following sizes: (i) thickness 0.70 mm and width 1 740 mm; (ii) thickness 1.00 mm and width 1 225 mm
For the purposes of this Order, tolerances allowable for specification (e) are: (a) thickness +/- 10% (b) width +/- 1%

Stated Use:
In PMV car body outer skins

TC 1308073

7210.49.00 STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following: (a) yield strength NOT less than 235 MPa and NOT greater than 400 MPa; (b) tensile strength NOT less than 390 MPa; (c) total elongation NOT less than 28%; (d) total coating mass NOT less than 35 g/m2 and NOT greater than 65 g/m2 on each side; (e) in ANY of the following sizes:
(i) thickness 1.00 mm and width 1 150 mm;
(ii) thickness 1.00 mm and width 1 225 mm;
(iii) thickness 1.20 mm and width 940 mm; (iv) thickness 1.20 mm and width 970 mm;
(v) thickness 1.20 mm and width 1 050 mm;
(vi) thickness 1.40 mm and width 930 mm;
(vii) thickness 1.40 mm and width 960 mm;
(viii) thickness 1.40 mm and width 975 mm;
(ix) thickness 1.40 mm and width 1 110 mm;
(x) thickness 1.60 mm and width 1 080 mm;
(xi) thickness 1.60 mm and width 1 165 mm;
(xii) thickness 1.60 mm and width 1 300 mm;
(xiii) thickness 1.60 mm and width 1 318 mm;
(xiv) thickness 1.80 mm and width 1 082 mm;
(xv) thickness 2.00 mm and width 792 mm;
(xvi) thickness 2.00 mm and width 850 mm;
(xvii) thickness 2.00 mm and width 990 mm;
(xviii) thickness 2.00 mm and width 1 020 mm;
(xix) thickness 2.00 mm and width 1 280 mm;
(xx) thickness 2.00 mm and width 1 282 mm;
(xxi) thickness 2.00 mm and width 1 310 mm
For the purposes of this Order, tolerances allowable for specification (e) are: (a) thickness +/- 10% (b) width +/- 1%

Stated Use:
In PMV car body outer skins

TC1308125

7210.49.00 STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following: (a) yield strength NOT less than 155 MPa and NOT greater than 295 MPa; (b) tensile strength NOT less than 340 MPa; (c) total

elongation NOT less than 34%; (d) total coating mass NOT less than 35 g/m2 and NOT greater than 65 g/m2 on each side; (e) thickness 0.75 mm and width 1 600 mm For the purposes of this Order, tolerances allowable for specification (e) are: (a) thickness +/- 10% (b) width +/- 1%

Stated Use:
In PMV car body outer skins

TC1308115

7210.49.00 STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following:
(a) yield strength NOT less than 115 MPa and NOT greater than 305 MPa;
(b) tensile strength NOT less than 270 MPa;
(c) total elongation NOT less than 37% and NOT greater than 57%;
(d) total coating mass NOT less than 35 g/m2 and NOT greater than 65 g/m2 on each side;
(e) in ANY of the following sizes:

(i) thickness 0.55 mm and width 1 117 mm;
(ii) thickness 0.55 mm and width 1 201 mm;
(iii) thickness 0.60 mm and width 1 473 mm;
(iv) thickness 0.65 mm and width 895 mm;
(v) thickness 0.65 mm and width 1 275 mm;
(vi) thickness 0.65 mm and width 1 595 mm;
(vii) thickness 0.70 mm and width 870 mm;
(viii) thickness 0.75 mm and width 1 090 mm;
(ix) thickness 0.75 mm and width 1 450 mm;
(x) thickness 0.80 mm and width 1 214 mm;
(xi) thickness 0.80 mm and width 1 700 mm;
(xii) thickness 1.00 mm and width 815 mm;
(xiii) thickness 1.00 mm and width 1 180 mm;
(xiv) thickness 1.40 mm and width 933 mm
(xv) thickness 1.40 mm and width 1 070 mm;
(xvi) thickness 1.80 mm and width 835 mm;
(xvii) thickness 1.80 mm and width 1022 mm

For the purposes of this Order, tolerances allowable for specification (e) are: (a) thickness +/- 10% (b) width +/- 1

Stated Use:
In PMV car body outer skins

TC1308126

7209.16.00 STEEL, flat rolled, iron OR non-alloy steel, cold rolled, not coated, in coils complying with Japanese Industrial Standard G3141 (JIS G3141) grades SPCC, SPCD or SPCE having ALL of the following:
(a) yield strength NOT less than 115 MPa and NOT greater than 265 MPa;
(b) tensile strength NOT less than 270 MPa;
(c) total elongation NOT less than 36% and NOT greater than 57%;
(d) in ANY of the following sizes:

(i) thickness 1.40 mm and width 773 mm;
(ii) thickness 1.40 mm and width 1050 mm;
(iii) thickness 2.00 mm and width 620 mm

For the purposes of this Order, tolerances allowable for specification (d) are: (a) thickness +/- 10% (b) width +/- 1%

Stated Use:
In PMV car body outer skins

TC1308130

7209.17.00 STEEL, flat rolled, iron OR non-alloy steel, cold rolled, not coated, in coils complying with Japanese Industrial Standard G3141 (JIS G3141) grades SPCC, SPCD or SPCE having ALL of the following;
(a) yield strength NOT less than 115 MPa and NOT greater than 265 MPa;
(b) tensile strength NOT less than 270 MPa;
(c) total elongation NOT less than 36% and NOT greater than 57%;
(d) in ANY of the following sizes:

(i) thickness 0.70 mm and width 1390 mm
(ii) thickness 0.80 mm and width 1110 mm

For the purposes of this Order, tolerances allowable for specification (d) are: (a) thickness +/- 10% (b) width +/- 1%

Stated Use:
In PMV car body outer skins

TC1308121

7210.49.00 STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following: (a) yield strength NOT less than 160 MPa and NOT greater than 325 MPa; (b) tensile strength NOT less than 270 MPa; (c) total elongation NOT less than 35% and NOT greater than 50%; (d) total coating mass NOT less than 45 g/m2 and NOT greater than 65 g/m2 on each side; (e) in ANY of the following sizes:
i. thickness 1.00 mm and width 878 mm;
ii. thickness 1.20 mm and width 801 mm;
iii. thickness 1.20 mm and width 1049 mm;
iv. thickness 1.40 mm and width 1030 mm;
v. thickness 1.60 mm and width 870 mm;
vi. thickness 1.60 mm and width 1172 mm;
vii. thickness 1.80 mm and width 960 mm;
viii. thickness 1.80 mm and width 1175 mm;
ix. thickness 2.00 mm and width 1070 mm

For the purposes of this Order, tolerances allowable for specification (e) are: (a) thickness +/- 10% (b) width +/- 1%

Stated Use:
In PMV car body outer skins

TC1308144

7208.26.00 STEEL, flat rolled, iron OR non alloy steel, hot rolled, pickled, not coated, in coils, complying with Japanese Industrial Standard G3131 (JIS G3131), grades SPHC OR SPHD, having ALL of the following:
(a) yield strength NOT less than 175 MPa and NOT greater than 325 MPa;
(b) tensile strength NOT less than 270 MPa;
(c) total elongation NOT less than 35% and NOT greater than 53%;
(d) thickness 3.20 mm and width 1130 mm

For the purpose of this Order, tolerance allowable for specification (d) are:
(a) thickness +/- 10%
(b) width +/- 1%

Stated Use:
In PMV car body outer skins

TC1308136

7208.26.00 STEEL, flat rolled, iron OR non-alloy steel, hot rolled, pickled, not coated, in coils, complying with Japanese Industrial Standard G3134 (JIS G3134) grade SPFH590 OR Japanese Industrial Standard G3113 (JIS G3113) grade SAPH440, having ALL of the following:
(a) yield strength NOT less than 265 MPa and NOT greater than 600 MPa;
(b) tensile strength NOT less than 440 MPa;
(c) total elongation NOT less than 18% and NOT greater than 46%;
(d) thickness 3.20 mm and width 950 mm

For the purposes of this Order, tolerances allowable for specification (d) are: (a) thickness +/- 10% (b) width +/- 1%

Stated Use:
In PMV car body outer skins

TC1308076

7208.27.00 STEEL, flat rolled, iron OR non alloy steel, hot rolled, pickled, not coated, in coils, complying with Japanese Industrial Standard G3131 (JIS G3131), grades SPHC OR SPHD, having ALL of the following:
(a) yield strength NOT less than 175 MPa and NOT greater than 325 MPa;
(b) tensile strength NOT less than 270 MPa;
(c) total elongation NOT less than 35% and NOT greater than 53%;
(d) in ANY of the following sizes:
(i) thickness 2.00 mm and width 1022 mm;
(ii) thickness 2.00 mm and width 1070 mm;
(iii) thickness 2.60 mm and width 1015 mm;
(iv) thickness 2.90 mm and width 1200 mm

For the purpose of this Order, tolerance allowable for specification (d) are:
(a) thickness +/- 10%
(b) width +/- 1%

Stated Use:
In PMV car body outer skins