

31 July 2013

Ms Joanne Reid
Director, Operations 3
The Anti-Dumping Commission
C/o Australian Customs and Border Protection Service
Customs House
5 Constitution Avenue
CANBERRA ACT 2601

Dear Ms Reid

Public File

Re: Steel plate exported from China, Indonesia, Japan, Korea and Taiwan – BlueScope comments concerning Preliminary Affirmative Determination No. 198 (Dumping only)

Background

I refer to Preliminary Affirmative Determination (PAD)¹ Report No. 198 (Dumping Only) published on 19 July 2013 in respect of certain hot rolled plate steel exported from the People's Republic of China ("China"), the Republic of Indonesia ("Indonesia"), Japan, the Republic of Korea ("Korea") and Taiwan.

The findings of the Anti-Dumping Commission ("the Commission") concerning the preliminary dumping margins for hot rolled plate steel exported from Korea across the three cooperating exporters are illogical. The range of dumping margins from negative 7.9 per cent for Hyundai Steel Company ("Hyundai") to Dongkuk Steel Mill Co., Ltd ("DSM") at (positive) 18.4 per cent, does not support a rational finding for Hyundai's normal values determined under s.269TAC(2)(c).

Korean Exporter Verification Reports – Normal values and dumping margins

BlueScope Steel Limited ("BlueScope") has reviewed the Hyundai and Posco exporter verification reports available on the public file. The DSM exporter verification reporter was made available on 26 July.

BlueScope has provided submissions detailing its concerns with the Commission's determination of preliminary dumping margins for Hyundai and Posco¹. BlueScope's representations address the Commission's determination of preliminary normal values for Hyundai based upon Hyundai's cost-to-make-and-sell ("CTM&S") hot rolled plate steel. In respect of Posco, BlueScope has addressed the determination of certain normal values under s.269TAC(2)(c) where domestic sales of equivalent goods in the ordinary course of trade were not available and Posco's CTM&S plus profit was used.

It is noted that for DSM, the Commission has determined normal values under s.269TAC(1) for those exported goods where there was a sufficient volume of domestic sales made in the ordinary course of trade. For those remaining export sales where the domestic sales equivalent were not in the ordinary course of trade, the Commission has determined normal values under s.269TAC(2)(c).

¹ Refer submissions dated 4 July 2013.

The Korean domestic market for steel products – particularly slab steel, plate steel and hot rolled coil (“HRC”) is an open and competitive market. Plate steel is a commodity product and there has been and continues to be a world oversupply of commodity steel products. DSM – unlike Hyundai and Posco – is not an integrated producer of hot rolled plate steel from liquid steel. DSM purchases slab and manufactures plate and HRC. DSM sells plate steel domestically and must be price competitive with Hyundai and Posco. These market conditions do not give rise to a broad pricing range on the domestic market in Korea that is reflective of the dumping margins established for the Korean exporters, namely a range between Hyundai’s negative 7.9 per cent margin and DSM’s positive 18.4 per cent margin (i.e. a spectrum of 26.3 per cent).

The range between the determined Hyundai margin and that for DSM supports BlueScope’s concern that Hyundai’s normal value is understated and, as a consequence, the Australian industry is required to compete with Korean export prices that are artificially low and injurious (and do not permit the Australian industry to re-invest over the longer-term).

The Australian plate steel market is similar to the Korean domestic market in [REDACTED]

[exporter and domestic market intelligence] As such, the preliminary dumping margin for Hyundai is illogical on the basis of [REDACTED]

[REDACTED] **[exporter Australian activity intelligence]**– refer attached Confidential offers. Earlier in 2012, [REDACTED] **[market intelligence]**– (also attached).

[exporter Australian activity intelligence]

Low demand and oversupply has been a feature of the highly competitive domestic marketplace in both Korea and Australia, resulting in narrow price bands for plate steel products.

Throughout 2012 DSM would be expected to benefit from low slab input pricing from suppliers competing for this marginally priced business. In this highly competitive domestic market place, Hyundai’s full slab input CTM&S component of its plate process would be considered higher than its slab sale price to DSM (i.e. less than full cost recovery as Hyundai would be unable to recover all fully absorbed costs in a fiercely competitive market). The Hyundai Normal value calculated under s269TAC(2)(c) should reflect a full CTM&S (including a fully absorbed transfer price for slab) plus appropriate profit, and should align/be similar to DSM’s domestic selling prices. This expected dynamic would result in a positive dumping margin finding for Hyundai. However the Commissions’ determination on preliminary normal values for Hyundai and DSM suggest otherwise.

Similar to the Australian market, the Korean domestic market is very competitive with three local suppliers – Hyundai, Posco and DSM. BlueScope understands [REDACTED]

[commercially sensitive market intelligence] In a competitive market such as Korea, the supply of commodity grade plate steel sells in a narrow price band. Hyundai, therefore, would be unlikely to recover all of its production costs on its domestic sales. Where the normal values are based upon constructed costs, Hyundai’s normal value should exceed (or at least align) with that for DSM.

Following a review of the Hyundai exporter visit report and the DSM exporter visit report it can only be concluded that Hyundai's normal value is artificially low and does not include the fully absorbed cost(s) of slab steel and the subsequent plate steel.

The preliminary normal values determined for Hyundai and Posco – both fully integrated steel producers that use iron ore and coking coal as raw materials – must reflect a comparable normal value to that assessed for DSM – a manufacturer that purchases some steel slab from the two Korean integrated producers. DSM's domestic purchase price for steel slab should corroborate with the internal transfer price for Hyundai and Posco's steel slab into steel plate manufacture – an appropriate benchmark to determine whether Hyundai and Posco are recovering all costs in the steel slab transfer price. The broad range in the determined dumping margins for Hyundai and DSM suggests that the two integrated producers' steel slab price has not been sufficiently tested as to whether it reflects full cost recovery.

Re-Assessment of Hyundai normal value

BlueScope is seeking the Commission to reconsider the normal value findings for Hyundai and Posco, by taking full account of the normal value findings for DSM that reflect market selling prices for hot rolled plate steel sold competitively in Korea. The DSM domestic prices are considered by BlueScope to incorporate a full cost recovery price for steel slab (DSM's slab purchase price can be compared with Hyundai's and Posco's transfer price for slab) plus the value-added costs of converting slab into hot rolled plate steel and an amount for margin.

It is further emphasized that the Hyundai normal values established under s.269TAC(2)(c) understate a representative selling price for hot rolled steel plate exported to Australia. Hyundai and Posco are substantial suppliers of steel plate domestically, with the Commission determining that Hyundai has been selling domestically at a loss. Hyundai's normal values therefore have been determined on the basis of its CTM&S. However, Hyundai's normal value has been assessed at a level that represents Hyundai's CTM&S plus only a minor amount for profit, and does not wholly address the injurious nature of future Hyundai export prices to Australia, as the level of profit is inadequate and does not allow for re-investment in the industry.

BlueScope reinforces early representations and requests that the Commission re-assess Hyundai's normal values for hot rolled plate steel. Full account of DSM's normal values for hot rolled plate steel can be used as a benchmark for assessing whether Hyundai's normal values are artificially low – as is evidenced by the preliminary negative 7.9 per cent margin.

Please do not hesitate to contact me on (02) 4275 3859 if you have any questions.

Yours sincerely



Alan Gibbs
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