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15 May 2020

Mrs Heidi Yang  
Assistant Director, Operations 1  
Anti-Dumping Commission  
Level 35  
55 Collins Street  
Melbourne Victoria 3000

### Public File

Dear Mrs Yang,

### Review of anti-dumping measures Investigation No. 521 – Zinc Coated (Galvanised) Steel exported from China, India, Korea, Malaysia, Taiwan, and Vietnam

BlueScope Steel Limited (“BlueScope”) is the Australian manufacturer of Zinc Coated (Galvanised) steel (hereafter referred to as “galvanised steel” and/or “the subject goods”) and is the applicant company for the review of anti-dumping measures.

BlueScope provides the following submission to the Anti-Dumping Commission (“the Commission”) concerning the subject goods exported from Korea by Dongbu Steel Co., Ltd (“Dongbu”) in relation to the following:

- Adjustments;
- Foreign Exchange Gains & Losses; and
- Related Parties.

#### 1. Adjustments

##### Packing Costs

The majority of Dongbu’s Exporter Questionnaire Response (“EQR”) at Section E-2 relating to domestic and export packing costs is confidentialised. The Commission notes at Section 9.1 of the Exporter Verification Report that domestic and export packing is similar, however that “...exported goods are loaded for shipping in stacks, where domestic goods are placed on the side”.<sup>1</sup>

BlueScope notes that galvanised steel for the export market is typically shipped in containers. As there is no mention in the verification report of an adjustment for goods shipped in containers, BlueScope requests that the Commission review the information relating to adjustments for packing costs.

##### Domestic Warranty Expense

BlueScope submits that warranty claims are addressed within the steel industry via credits issued for product defects, goods incorrectly supplied and/or invoiced, damaged in transit, and the like. Their occurrence is therefore not limited to a domestic market but apply universally. BlueScope’s view however is that such an adjustment would be, in Dongbu’s case, difficult to substantiate.

<sup>1</sup> Dongbu Exporter Verification Report, Section 9.1.

Indeed, this was ratified in Dongbu's Exporter Verification Report in Review inquiry 449 where the Commission concluded that:

*"Dongbu submitted that, occasionally, credit is provided to customers in certain circumstances whereby a claim is made for defective merchandise. Dongbu explained that there were no formal documents regarding warranties for the goods. For this reason, a downwards adjustment to the normal value for warranty expenses was not made. The verification team notes that the amounts in relation to warranties is not material."*<sup>2</sup>

BlueScope respectfully submits that a warranty claim is likely unsubstantiated in the current review, and that a downwards normal value adjustment is not warranted.

## **2. Foreign Exchange Gains & Losses**

BlueScope notes that there is no mention of foreign exchange gains and losses in the verification report.

Dongbu's EQR states that purchased hot-rolled coil ("HRC") and zinc are the major raw materials used in the manufacture of the subject goods.<sup>3</sup> Whilst likely that Dongbu purchased some of this feed material locally, to the extent that any was imported BlueScope requests that the Commission review the exchange rates used, and determine the date, for such transactions. BlueScope also requests that the Commission do similar for sales of the subject goods.

The date of transaction typically refers to the date of invoice; a foreign exchange gain or loss can then arise when the exchange rate is different on the date when a payment is received or made, as compared to the rate applying at the date of invoice.

Changes in foreign exchange rates between the date of transaction – date of invoice – and the date of payment, can result in decreased revenue from exports (in this case, galvanised steel), and increased costs for imports of raw material (HRC and zinc). Given there is no evidence of foreign exchange hedging activities (i.e. forward contracts), any gains or losses are directly relevant to Dongbu's sales revenues realised, or material cost expenses incurred, following currency conversion.

BlueScope therefore submits that:

- For foreign exchange losses on subject goods exports to Australia, an upwards adjustment to the normal value is required; and
- For foreign exchange losses on HRC and zinc import purchases, that these be added to the Cost to Make for the Ordinary Course of Trade Test, and to any constructed normal value.

## **3. Related Parties**

Section 1.1 of the verification report notes that Dongbu was subject to an arrangement with its creditors during the review period.<sup>4</sup> In June 2019, it was reported that the South Korean corporate 'KG Group' had emerged as the new owner, establishing a new entity 'KG Steel' to facilitate the acquisition and ongoing operations.<sup>5</sup>

Whilst late in the review period, BlueScope requests that the Commission review the relationship between Dongbu and the KG Group for commercial arrangements that may impact the subject goods. For example, the KG Group, as a large multinational with interests in chemicals, fertilizers, consulting, and media, will likely have export channels to market. Any services provided to Dongbu for the export of galvanised steel (including those to Australia) should be profitable to the KG Group at a fully absorbed cost to make and sell,

<sup>2</sup> Dongbu Exporter Verification Report, Review Inquiry No. 449, p.12.

<sup>3</sup> Dongbu EQR, p.38.

<sup>4</sup> Dongbu Exporter Verification Report, Section 1.1.

<sup>5</sup> Non-Confidential Attachment 1: '*Dongbu Steel bolsters capital under new owner and debt relief*', Business News Korea.

and the prices charged and payment terms to Dongbu should be equivalent to the prices charged and payment terms to external customers.

There is also no mention of finance costs in the verification report. By their very nature, creditor arrangements and organisational restructures incur costs. It is understood that Dongbu's creditors had been attempting to divest the steel business for the five years prior to the current review period.<sup>6</sup> BlueScope therefore considers it likely that Dongbu incurred finance costs, and respectfully requests that the Commission review these vis-à-vis the subject goods.

If you have any questions concerning this submission, please do not hesitate to contact me on [REDACTED].

Yours faithfully,

[REDACTED]

Manager – Trade Measures

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<sup>6</sup> Ibid.