

20 January 2021

Mrs Olivia Tsang
Assistant Director, Investigations Unit 4
Anti-Dumping Commission
GPO Box 1632
Melbourne Victoria 3001

Public File

Dear Ms Tsang,

Review of anti-dumping measures Investigation No. 521/522 – Zinc Coated (Galvanised) Steel, and Aluminium Zinc Coated Steel

BlueScope Steel Limited (“BlueScope”) is the Australian manufacturer of Zinc Coated (Galvanised) steel (“galvanised steel”), and Aluminium Zinc Coated steel (“AlZn steel”) and is the applicant company for the above-noted reviews.

BlueScope provides the following submission to the Anti-Dumping Commission (“the Commission”) concerning the recently published Statement of Essential Facts (“SEF”).

1. Exporters Cost of Production

BlueScope supports several of the Commission’s preliminary findings, including:

- the Commission’s view that a particular market situation existed in relation to the domestic market for galvanised steel and AlZn steel in China for the review period;¹
- in the Chinese domestic market, Chinese galvanised steel and AlZn steel producers operate under market conditions that differ from those of exporters in other subject countries, and that of the Australian industry. Specifically, the market situation in China reduces production and selling risks for producers and reduces input costs across all production. This lowers galvanised and AlZn steel prices throughout the market, such that prices reflect the lowered marginal cost of the HRC input. As such, the market situation directly affects galvanised steel and AlZn steel prices, respectively;²
- the Commission considers that the effect of the market situation on Chinese export prices of galvanised steel and AlZn steel to Australia, and the relationship between those export prices and cost, is materially different;³
- the Commission’s view that, due to the influence of the Government of China (“GOC”) in domestic steel markets generally and Hot Rolled Coil (“HRC”) specifically, the exporters’ records do not reasonably reflect competitive market costs for the production or manufacture of the goods. Specifically, the Commission considers that HRC costs in China, which make up a major proportion of the total costs of production of galvanised and AlZn steel, are distorted by GOC influence and do not reasonably reflect competitive market costs associated with the production or manufacture of the goods. The result of these distortions is that the cost of HRC in China is not a normal or ordinary cost associated with the production of galvanised steel or AlZn steel;⁴ and

¹ SEF, p.29.

² Ibid, p.31.

³ Ibid.

⁴ SEF, p.35-36.

- accordingly, the Commission considers it appropriate that HRC relating to the cost of production in the exporters' records be adjusted to reflect competitive market costs, and that the method outlined below be applied in making these adjustments.⁵

BlueScope supports the Commission's overarching HRC benchmark and cost adjustment methodology, this being:

- to use the exporters records, but only after an adjustment is made for the costs of HRC. Such an adjustment ensures that the exporter's records reflect competitive market costs (being the cost of production in China, absent the market situation, which requires the use of constructed normal values).⁶ The Commission excluded Chinese originating HRC, and HRC from other unknown sources, from the calculation of competitive HRC costs, in order to minimise the risk that these costs have been impacted by GOC influence.⁷

2. HRC Purchases in Korea, Taiwan, and Vietnam

Notwithstanding BlueScope's overarching agreement with the Commission's approach to the HRC benchmark and cost adjustment methodology, BlueScope disagrees with the Commission's view that the exclusion of Chinese origin HRC mitigates the risk that the surrogate HRC costs in the constructed normal values have been impacted by the GOC's influence.

At A.3.2 of the SEF⁸, the Commission considers the volume materiality of Chinese HRC:

"Imported HRC from China accounted for 0.2 per cent of the HRC purchases from exporters in Korea, Taiwan, and Vietnam. Therefore the Commission is of the view that the use of Chinese HRC does not appear to materially affect the price of zinc coated (galvanised) steel in these three countries because the proportion of Chinese HRC is negligible.

Nonetheless, in conducting the following analysis, the Commission has excluded HRC purchases from China to identify HRC prices in Korea, Taiwan and Vietnam that are, to the extent possible, not influenced by uncompetitive HRC prices from China."

Accommodating the exclusion for Chinese and other unknown HRC sources, the Commission considers verified HRC purchases by cooperating exporters of galvanised steel in Korea, Taiwan, and Vietnam in Review no. 521 as the best available information to use as the basis for the cost adjustment for both galvanised steel and AlZn steel.⁹ In comparing prices for the HRC benchmark, the Commission provided the following chart at Appendix A.3.2¹⁰:

⁵ Ibid, p.36.

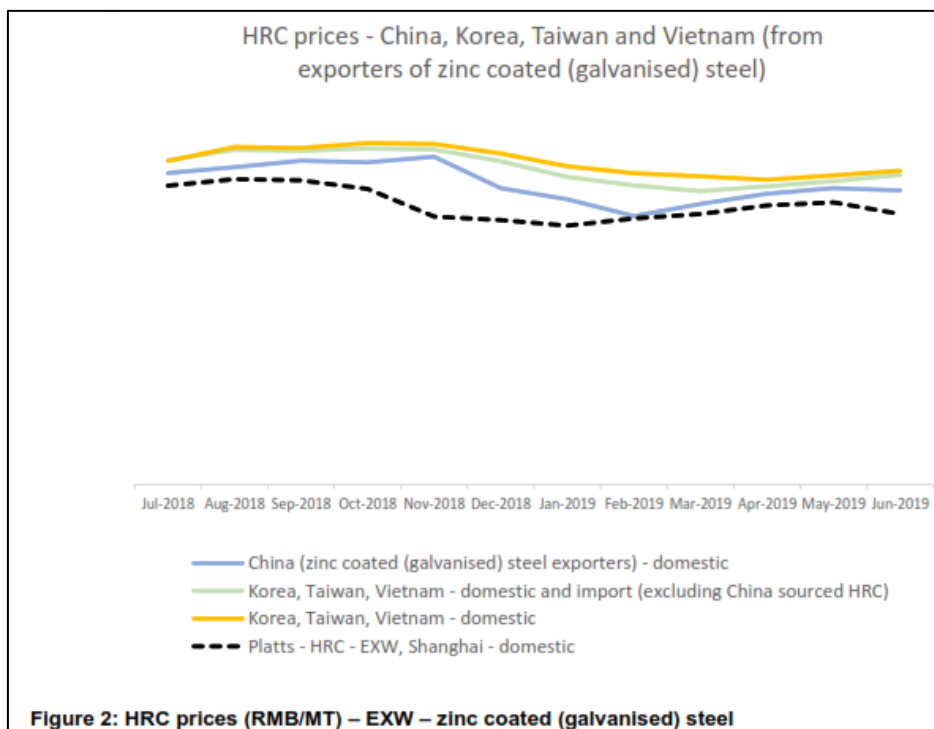
⁶ Ibid.

⁷ Ibid, p.37.

⁸ SEF, p.105.

⁹ Ibid, p.37-38. Initially, the cost replacement benchmark was based on data from the two onsite verified cooperating exporters of galvanised steel in Korea and Taiwan (Dongbu and Yieh Phui); then extended to Chung Hung and Prosperity (Taiwan), and CSVN (Vietnam).

¹⁰ SEF, p.106.



Excluded from the above analysis is a Korea, Taiwan, and Vietnam domestic and import price trend line including China sourced HRC. BlueScope asserts that such a trend line would very closely align with the Commission’s green line above, but that this close alignment would be explained by the GOC’s influence on the HRC price, irrespective of the level of Chinese HRC volumes purchased by cooperative exporters in Korea, Taiwan, and Vietnam. BlueScope’s view is that the price and prevalence of Chinese HRC in the Korean, Taiwan, and Vietnamese markets (generally), impacts the price points of all other HRC sources as assessed by the Commission, irrespective of China’s exclusion.

In substantiating this claim, BlueScope has sourced Free-on-Board HRC price and volume import data for Korea, Taiwan, and Vietnam from [confidential data source], in addition to home market HRC prices for these countries from [confidential data source] and other reputable sources.¹¹ The data seeks to validate the degree to which the price of Chinese-origin HRC affects overall HRC import price points in these markets, and whether the exclusion of China results in a measurable and meaningful mitigation of the GOC’s influence.

BlueScope can demonstrate that:

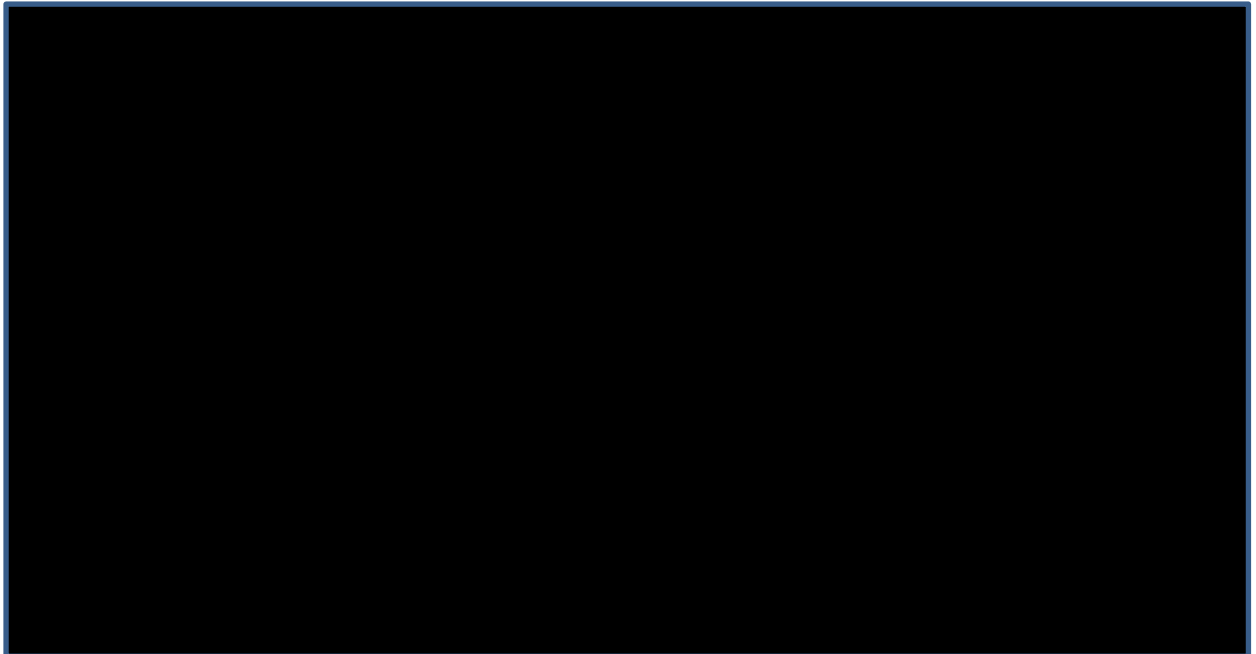
1. The exclusion of China does not result in HRC price points that are materially different (and in some cases, not at all different) than if China were to remain included within the surrogate HRC cost. In other words, China’s price influence is evident irrespective of their exclusion. China’s dominant HRC trade flow volumes to Korea, Taiwan, and Vietnam clearly dictates the price from all other import sources;¹² and
2. Home market HRC prices for Korea, Taiwan, and Vietnam show a discernible difference to all import equivalents that are heavily GOC influenced (as also shown by the Commission in Figure 2 above).

¹¹ In the case of Vietnam, home market pricing has been sourced from [confidential data source].

¹² This is not only the case during the 521/522 inquiry period, but also over the three years prior, as charted and discussed below.

Korea

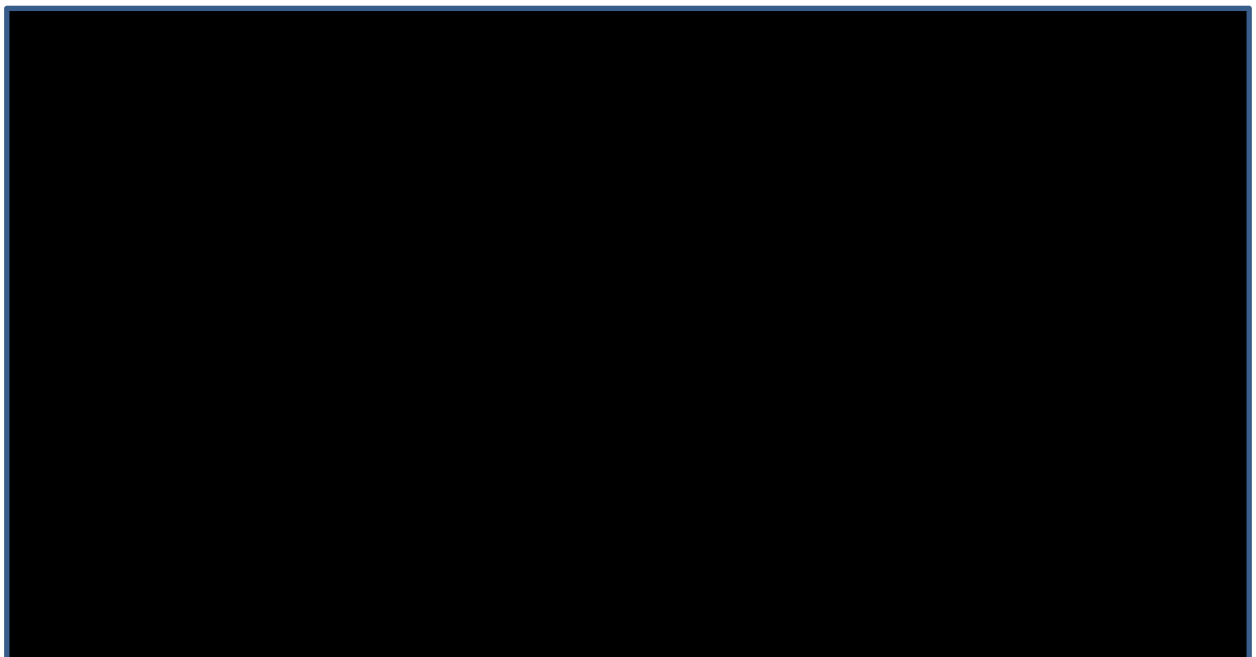
BlueScope's assessment of prices over the Fiscal Year ("FY") 2016 to FY2019 period evidences the above-noted conclusions. Whilst in the earlier periods chartered, the variance driven by China's exclusion is slightly discernible, the impact is negligible during the current Review 521/522 inquiry periods:



Confidential Chart 1: Korean HRC Price Comparisons (FY2016-2019) (Source: [confidential data sources])¹³

Taiwan

For Taiwan, a similar trend is evident, albeit with the GOC influence consistently impacting the traded HRC import price:



Confidential Chart 2: Taiwan HRC Price Comparisons (FY2016-2019) (Source: [confidential data sources])¹⁴

¹³ Confidential Attachment 1 Korean HRC Price Comparisons.

¹⁴ Confidential Attachment 2: Taiwan HRC Price Comparisons.

Vietnam

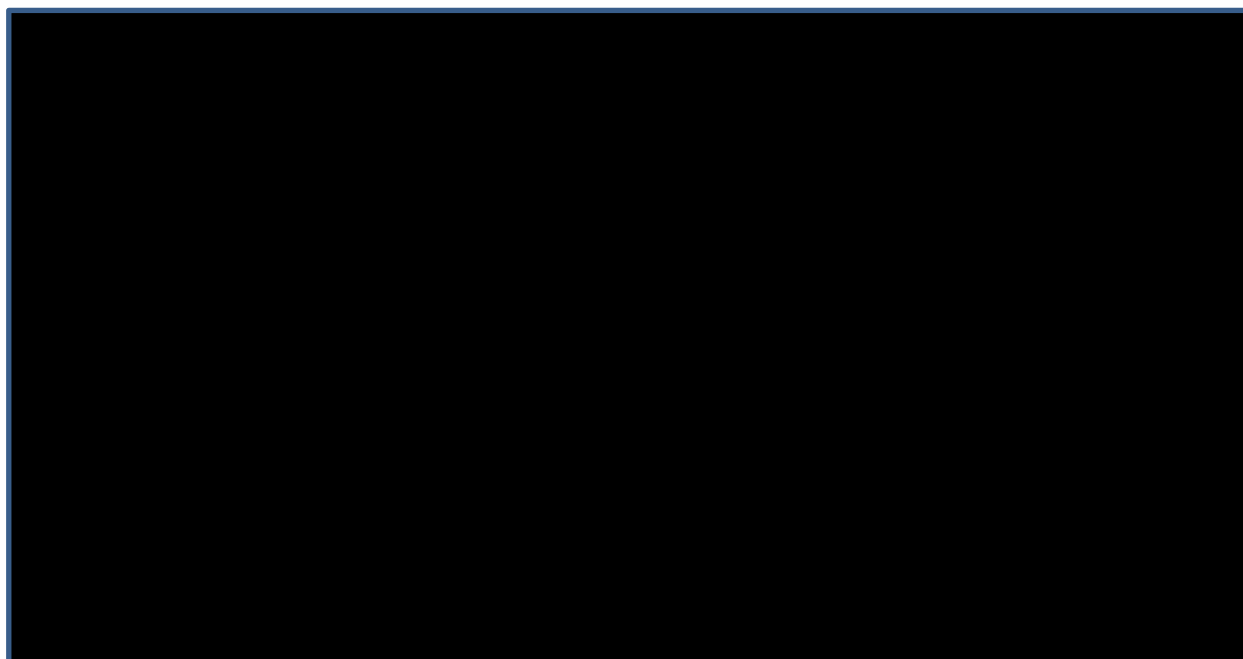
Producers of galvanised steel in Vietnam have historically sourced HRC feed material from import sources only, given (up until recently) the absence of a major domestic integrated steel producer. [Confidential market commentary source] had earlier reported that:¹⁵

“According to statistics from the South East Asian and Steel Institute, Vietnam’s HRC import volumes virtually doubled between 2012 and 2016 – from 4.85 million tonnes in 2012 to 9.39 million tonnes in 2016 – on the back of booming demand for downstream construction materials such as cold-rolled, hot-dipped galvanised coil and steel pipes.

The majority of the HRC imported was from key supplier China, where major steel mills such as Boasteel, Benxi Iron & Steel, Wuhan Iron & Steel and Maanshan Iron & Steel regularly sell spot cargos to Vietnam.”

With Formosa Ha Tinh Steel Corporation (“Formosa”)¹⁶ and others¹⁷ now producing HRC at scale in Vietnam, BlueScope understands that Vietnamese metallic coated steel producers have started sourcing HRC locally and will look to increase the scale of these purchases over time. During the Review 521/522 inquiry period however, China remained a major exporter of HRC to the Vietnamese market (against which Formosa – and other emerging domestic HRC producers – would have been competing).

In the absence of a published and reputable domestic Vietnamese HRC price index (due, in part, to the infancy of the industry), BlueScope has formulated a HRC price index based on [confidential data source and HRC grade].¹⁸ A comparison of this index price to Vietnamese HRC import prices (including, then excluding China), yields the following trend:¹⁹



Confidential Chart 3: Vietnam HRC Price Comparisons (FY2016-2019) (Source: [confidential data sources])²⁰

¹⁵ Confidential Attachment 3.

¹⁶ Refer www.fhs.com.va/Portal/hrband

¹⁷ Confidential Attachment 4.

¹⁸ This grade is commonly used as feed in the manufacture of galvanised and AlZn steel.

¹⁹ Confidential Attachment 5: Vietnam HRC Price Comparisons.

²⁰ Ibid.

HRC Price Comparison Conclusions

BlueScope agrees with the Commission's preferred approach to use verified information from all three countries (Korea, Taiwan, and Vietnam) to calculate the HRC cost replacement benchmark. BlueScope also agrees with the Commission that HRC prices in China, Korea, Taiwan, and Vietnam all appear to follow a similar price trend.²¹

However, given the above-evidenced Chinese HRC price influence on all other HRC import prices into the Korean, Taiwanese and Vietnamese markets, BlueScope requests that the Commission amend the calculation of the HRC benchmark to include only those prices relating to domestic HRC purchases by the cooperating exporters verified.

BlueScope also requests that the Commission clarify whether the Vietnamese domestic HRC price is lower or higher compared to Chinese imports. If the former (given the continued prevalence of Chinese HRC in the Vietnamese market, and the relative recency of Vietnam's integrated steel production industry), BlueScope requests that only verified domestic HRC prices in Korea and Taiwan be used in the HRC benchmark.

3. Preliminary assessment of Jiangyin Zongcheng Steel Co., Ltd.'s Export Price

The SEF at section 4.6.3.1²² states that Jiangyin Zongcheng Steel Co., Ltd ("Zongcheng") did not export any volume of galvanised steel to Australia during the review period. Section 4.7.2.1 confirms that Zongcheng exported low volumes of AlZn steel during the review period, when compared to previous volumes exported.²³

In determining an export price in the absence of (in the case of galvanised steel) and low volume of (in the case of AlZn steel) export trade, the Commission has considered it appropriate to ascertain Zongcheng's galvanised steel and AlZn steel export price under Section 269TAB(2B)²⁴. Pursuant to this section, the Commission can determine the export price having regard to any of the following:²⁵

- a previous export price for like goods exports to Australia by Zongcheng, established in accordance with section 269TAB(1), for a decision of a kind mentioned in section 269(2D);
- the price paid/payable for the like goods sold by Zongcheng in arms-length transactions for exports from China to a third country; or
- an export price for like goods exported to Australia by another exporter (or exporters) established in accordance with section 269TAB(1) for a decision mentioned in section 269TAB(2D).

For both galvanised and AlZn steel, the Commission has consequently determined Zongcheng's export price having regard to its previous export price (per Review Inquiry No. 456/457²⁶), with a timing adjustment based on the weighted average price movement for Chinese HRC:

"The Commission notes that global steel prices have moved since the last review period (i.e. 1 October 2016 to 30 September 2017). The Commission therefore considers that a timing adjustment is required to reflect what Zongcheng's export price would have been during the current review period. The Commission has used published steel pricing data from Platts, specifically the weighted average price of HRC for China for the period in Review No. 457 [and 456] (weighted by Zongcheng's quarterly export volumes from that period) and compared it to the average price of the same index for the current review period. The Commission found that the ascertained export price for Zongcheng's exports of the goods has changed."²⁷

²¹ SEF, p.106.

²² SEF, p.44.

²³ SEF, p.73.

²⁴ References to any statutory provisions are references to the provisions of the Customs Act 1901, unless otherwise specifically stated.

²⁵ There is no hierarchy specified to these options.

²⁶ The investigation period for which was the twelve months ending September 2017.

²⁷ SEF, p.46-47 and 76.

Respectfully, BlueScope submits that the Commissioner has erred in the determination of the galvanised steel and AlZn steel export price, and that the export price should be calculated using an alternative index.

Relevant Timing-Adjustment Benchmark

BlueScope has assessed the following subject-goods-related published price indices,²⁸ and movements thereof over the FY2017²⁹ to FY2019 period (including the index used by the Commission) for comparative purposes in determining the export price:³⁰



The Commission's use of the Chinese HRC benchmark in the determination of Zongcheng's FY19 galvanised steel and AlZn steel export price assumes that the subject goods prices (when assessing their movement from the previous review period) have experienced a similar appreciation to that of HRC. However, as demonstrated above, the pricing trend for Chinese traded galvanised steel (i.e. the hot-dipped galvanised Ex-Stock Shanghai China price index) is [XX] percentage points lower.

Producers of galvanised steel, whether BlueScope or others, have been unable to recover the full cost of the HRC price increase over the FY17 – FY19 comparison period. This is validated per the above official price indices, and [confidential assessment of BlueScope's Confidential Appendix A6.1].

Accordingly, BlueScope recommends that the ADC amend its export price determination methodology for both galvanised steel and AlZn steel to utilise the movement in the Platts HDG EX-Stock Shanghai China index, as opposed to HRC.³¹

BlueScope argues that using the Chinese HRC price movement for the export price determination is not aligned with the reality of subject goods pricing over the comparison period. As such, using this methodology would not result in a price at which Zongcheng would have otherwise exported galvanised and AlZn steel to Australia at during FY2019.

The Commission has made a similar and appropriate change to its methodology for establishing the export price for the cooperative Vietnamese galvanised steel exporter China Steel Sumkin Vietnam Joint Stock Company ("CSV") between the verification report and the SEF.³² In this instance, the Commission revised its low volume export price methodology for CSV by referencing the appropriate movement in the subject

²⁸ Whether that be specific to the subject goods, or the HRC or cold-rolled coil substrate feed thereof.

²⁹ FY2017 covers 9 months of the review period for Review's 456/457 (12 months ending September 2017), when the variable factors were last reassessed by the Commission for galvanised and AlZn steel.

³⁰ Confidential Attachment 6: Index Data Analysis.

³¹ Given the absence of a Chinese or Asian-regional AlZn index, the China Platts HDG index is the most closely aligned and relevant for adjusting Zongcheng's AlZn export price.

³² SEF, p.63-64.

goods average Australian export price between the earlier and current review period,³³ as opposed to using a South East Asian HRC benchmark.

4. Normal Value Adjustments

Cooperative Exporters

The Commission has made the following normal value adjustments, to which BlueScope respectfully contests are unwarranted and inconsistent with the Commission's prior treatment in Review inquiries 456/457:

Exporter	Country	Product	Adjustment	Comments
Zongcheng	China	AlZn	Domestic packaging costs	In REP 456, the Commission made normal value adjustments for export transport, packing, handling, commissions, and inspection fees. ³⁴
Zongcheng	China	Galvanised	Domestic packaging costs	Similar to REP 456, the Commission in REP 457 made normal value adjustments for export transport, packing, handling, commissions, and inspection fees. ³⁵
Dongbu Steel Co., Ltd	Korea	Galvanised	Domestic packaging costs	In REP 457, the Commission referenced at Table 9 ³⁶ an adjustment for domestic packaging yet noted in the 'Deduction/addition' column that this adjustment type related to domestic inland transport. BlueScope requests that the Commission clarify whether the adjustment was packing, or transport related.
Yieh Phui Enterprise Co., Ltd	Taiwan	Galvanised	Domestic warranty costs	In REP 457, the Commission made normal value adjustments for packaging, freight, credit, handling, and port charges. ³⁷

BlueScope queries the requirement to make the above-noted downwards normal value adjustments given their absence in the prior review 456/457 inquiries. BlueScope contends that domestic supply chains, and the various components thereof in servicing the above-noted exporters' domestic markets, would not have altered since the earlier review 456/457 inquiry periods,³⁸ and that these downwards adjustment are not required.

Non-cooperative Exporters

In the case of non-cooperative exporters of galvanised steel from Korea and Vietnam, the Commission details that its normal value calculations are exclusive of favourable adjustments.³⁹ The SEF is silent on the its methodology in this regard for non-cooperative exporters of galvanised steel from China, India, Malaysia, and Taiwan.

³³ SEF, p.64.

³⁴ REP 456, section 4.5.2.3 (p.38).

³⁵ REP 457, section 4.3.3.3 (p.24).

³⁶ REP 457, section 4.4.5.3 (p.27-28).

³⁷ REP 457, section 4.4.7.3 (p.30).

³⁸ Being the twelve months ending September 2017.

³⁹ SEF, p.68, 70.

In the case of non-cooperative exporters of Chinese AlZn steel, the Commission “...has used the highest of weighted average normal values of those that were established for the cooperating selected exporters in the review period, less favourable adjustments.” (emphasis added).

It is unclear to BlueScope whether the Commission has made favourable downwards adjustments to the Chinese AlZn non-cooperative normal value. If these adjustments have been made, respectfully, BlueScope submits this to be incorrect. BlueScope considers that uncooperative exporters should not benefit from the adjustments afforded to cooperative ones. BlueScope therefore requests that the Commission clarify this point, and also clarify the normal value adjustment methodology for non-cooperative galvanised steel exporters from China, India, Malaysia, and Taiwan.

5. Form of measures

BlueScope supports the Commission’s proposal to implement measures based on the floor-price methodology, for all exporters found not to be dumping during the review investigation period. In BlueScope’s view, this is reasonable and has been applied appropriately by the Commission to other exporters found not to have exported at dumped prices. BlueScope also supports the Commission’s determination that the combination method be used for the remaining exporters found to have exported at dumped prices (including non-cooperative exporters).

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

Yours faithfully,

[REDACTED]
[REDACTED]