



BlueScope Steel Limited
Sirius Building
Five Islands Road, Port Kembla NSW 2505
PO Box 1854, Wollongong NSW 2500



14 November 2019

Ms Kathryn Marnell
Assistant Director, Operations 1
Anti-Dumping Commission
Level 35
55 Collins Street
Melbourne Victoria 3000

Public File

Dear Ms Marnell,

Review of anti-dumping measures Investigation No. 528 – Hot Rolled Coil Steel exported from Taiwan

I. Introduction

BlueScope Steel Limited (“BlueScope”) is the Australian manufacturer of Hot Rolled Coil steel (hereafter referred to as “HRC” and/or “the subject goods”) and is the applicant company for the review of anti-dumping measures.

In the conduct of this inquiry, the Anti-Dumping Commission (“the Commission”) has sought the views of BlueScope as to the appropriate basis for an Unsuppressed Selling Price (“USP”), Non-Injurious Price (“NIP”) and the form of measures to be applied.

This submission addresses BlueScope’s views.

II. Proposed USP/NIP

The USP is the selling price that the Australian industry could reasonable achieve in the market in the absence of dumped and/or subsidised imports. The Commission’s preferred approach, as outlined in Chapter 23 of the Dumping and Subsidy Manual, when establishing a USP is to consider the following hierarchy:

- Industry selling prices at a time unaffected by dumping;
- Constructed selling prices; industry cost-to-make-and-sell (“CTM&S”) plus profit; or
- Selling prices of un-dumped goods.

From the USP, the Commission will derive the NIP. The NIP is determined by deducting from the USP the costs incurred from the export Free-On-Board point (or another point if appropriate) to the relevant level of trade in Australia (e.g. at the distributor or customer level). The deductions normally include overseas freight, insurance, in-store costs, and amounts for importer selling, administration and warehousing expenses, and profit. The NIP will be used to determine, if appropriate, whether to recommend to the Minister that the lesser duty rule applies.

The HRC measures as applicable to Taiwan were recently reviewed (Investigation No. 454). In this review, the Commission noted that:

In [Continuation] REP 400, the Commission re-examined the hierarchy applying to the establishment of the USP rather than following the approach in REP 188 [where the then Australian Customs and Border Protection Service determined the USP to be a price equal to the respective normal values of each exporter]. The Commission established the USP by reference to BlueScope's CTMS, plus an amount for the profit actually realised during the relevant inquiry period. The Commission then made deductions for the profit obtained and the SG&A expenses and into store costs incurred by the most efficient importer amongst those verified during that inquiry.

The Commission considers that the approach taken in REP 400 remains appropriate, and has therefore constructed the USP by reference to BlueScope's CTMS during the review period.

[T]he Commission has established positive dumping margins for all exporters in the review period, which has coincided with a reduced profit obtained by BlueScope. In these circumstances, the Commission considers it appropriate to use the profit amount established in REP 400 as the profit component of the USP (and not incorporate an additional, theoretical rate of return).

The Commission has verified BlueScope's CTM&S for the twelve months ending September 2019 and established that domestic sales [*confidential CTM&S and HRC market details*]. BlueScope asserts, [*market trend analysis*], that Taiwanese-origin HRC exports to Australia over the review period (when compared to equivalent normal values) are likely dumped.

BlueScope therefore recommends that the USP be based upon BlueScope's cost-to-make-and-sell ("CTM&S") plus an amount of profit.

III. Form of Measures

Continuation Report 400 recommended a change in the basis for the form of measures to be applied to exports of HRC from Taiwan, from the combination method (that applied following the imposition of measures in December 2012) to measures based upon the floor price duty method. Review Inquiry 454 continued to apply this form of measure.

BlueScope submits that the measures which previously applied (based upon the combination method) are the most effective in addressing injurious dumping. Where the exporter reduces export prices that are not consistent with prevailing normal values, the variable component of the measure addresses any reductions in export price below the prevailing normal value and/or non-injurious price. Measures based upon the floor price method do not require the determination of an ascertained export price, as the floor price establishes the benchmark for measures to apply (if required).

However, the use of the floor price methodology is disadvantageous to Australian industry in a rising market (as the floor price is determined based upon historic normal value information – in this case, that established during Review Inquiry 454). The Commission is aware that the investigation period in Inquiry No. 400, and the overlapping investigation period of Inquiry No.454, exhibited the lowest price points in HRC in the past decade; prices have since recovered, however, the normal values upon which the floor prices have been established for Taiwanese exporters are at historic lows.

BlueScope, therefore, is required to compete with a floor-price established at ultra-low pricing levels (that occurred during the above-noted investigation periods) whereas actual prices have recovered and are significantly above those prices in 2016/17.

BlueScope therefore requests the Commission to recommend to the Minister that the preferred (and most effective) form of measure is that based upon the combination method (which requires the determination of

an ascertained export price). BlueScope is cognisant that the Commission may – given that HRC prices have increased since Investigation No. 400/454 – consider an appropriate form of measure to be based upon the *ad valorem* method. BlueScope is not supportive of this methodology as it is open to circumvention (with the exporter reducing export prices to absorb duties payable).

IV. Recommendations

BlueScope recommends that the Commission determine a USP for the Australian industry based upon BlueScope's CTM&S plus an amount for profit. From this USP, a NIP may be determined for each of the identified Taiwanese exporter categories (whether cooperative or uncooperative).

In respect of the proposed form of measures to be applied to future exports of HRC from Taiwan, it is BlueScope's preference that the measures be based upon the combination method (i.e. incorporating a fixed and variable component).

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

Yours faithfully,

[REDACTED]

Manager – Trade Measures