

20 July 2020

Ms Kathryn Marnell
 Assistant Director, Operations 1
 Anti-Dumping Commission
 GPO Box 1632
 Melbourne Victoria 3001

Public File

Dear Ms Marnell,

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

I. Introduction

On 25 September 2019 BlueScope Steel Limited (“BlueScope”) submitted an application for the review of anti-dumping measures applicable to exports to Australia of hot rolled coil (“HRC”) from Taiwan.

Following investigation, the Anti-Dumping Commission (“the Commission”) has published Statement of Essential Facts No. 528 (“SEF 528”) confirming that the variable factors applicable to HRC exported from Taiwan have changed.

The Commission is proposing to recommend to the Minister that the applicable variable factors be altered.

II. Investigation

The Commission received three exporter questionnaire responses from cooperative exporters in Taiwan, and conducted investigations as follows:

Exporter	Status	Verification activity	EPR Document No.
China Steel Corporation	Cooperative	On-site	14
Shang Chen Steel Co., Ltd	Cooperative	Desktop	15
Chung Hung Steel Corporation	Cooperative	Desktop	16

The Commission has determined the following dumping margins, by exporter, in this review of variable factors for the 2018/19 investigation period (i.e. 1 October 2018 to 30 September 2019):

Exporter	Dumping Margin
China Steel Corporation	-5.4 %
Chung Hung Steel Corporation	-8.9 %
Shang Chen Steel Co., Ltd	-3.2 %
Uncooperative and all other exporters	-0.6 %

The Commission conducted an on-site verification for China Steel Corporation (“CSC”). BlueScope notes that CSC exports goods to Australia that are produced by CSC itself and its wholly-owned subsidiary company, Dragon Steel Corporation (“DSC”). It is further noted that CSC “directed” the production of the

goods including controlling DSC's production activities. The Commission, however, considered CSC to be the exporter of the goods.

BlueScope submits that whilst CSC may control the production activities of its subsidiary company it remains imperative that the Commission examine the cost of production by DSC and the relevant transfer price to CSC for the sale of the goods. It is not apparent that the Commission has examined that the goods manufactured by DSC have been verified as to full cost recovery.

Notwithstanding, the Commission has concluded that for all models of HRC exported to Australia by CSC normal values have been determined under subsection 269TAC(1) with the exception of two models of goods. For two export models, there were insufficient domestic sales, so the Commission has used surrogate domestic sales with relevant specification adjustments. The specification adjustments are based upon differences in thickness and width for the two export models which did not have comparable domestic sales.

BlueScope queries whether the adjustment made for the HRC width and thickness is based upon an average over the investigation period, or for a particular quarter in which the sales were made (i.e. whether a timing difference was used). It is not clear how the Commission has calculated the adjustment.

Further, it is noted for exports by Shang Chen Steel Co., Ltd ("Shang Chen") that the Commission has included adjustments to the normal value for:

- export handling charges and wharf passage fees;
- export trade promotion fees; and
- export harbour service fees.

BlueScope queries whether CSC has also incurred the same fees for goods prior to exportation.

The Commission conducted a desktop verification audit on Shang Chen's exporter questionnaire response. There were a number of sales of exported goods that required specification adjustments which have been based upon price differentials. The specification adjustments have been based upon "domestic CTM data" – this would not, however, include any margin benefit that may be achieved for the particular model.

Chung Hung Steel Corporation ("Chung Hung") did not export the subject goods to Australia during the investigation period. The Commission has had to consider an export price for Chung Hung under the provision of subsection 269TAB(2B). The Commission considers that the "most appropriate" method of determining Chung Hung's export price is in accordance with subsection 269TAB(c) being that based on the weighted average export price of other Taiwanese exporters during the investigation period. In the absence of actual export price information by Chung Hung for the period, this method would appear to be the most appropriate for determining Chung Hung's export price.

It is noted that in respect of the adjustments to Chung Hung's normal value, the Commission has not applied the same adjustments including wharf passage fees, export trade promotion and export harbour service fees, that were applied to CSC's normal value.

III. Non-injurious price

The Commission has proposed a different methodology to determine the non-injurious price ("NIP") for the Australian industry to that determined in previous reviews as detailed in Report 400 and Report 454.

The Commission has contended that as BlueScope [*commercial-in-confidence profit considerations*] during the investigation period coinciding with negative dumping margins for all Taiwanese exporters and there being no other measures applicable on HRC, it is considered that this represents a period unaffected by dumping. The Commission noted that the NIP is higher than has been established in Report 454.

BlueScope highlights, however, that the global price for HRC is higher in the investigation period than was applicable in the investigation period for Investigation 454, so this is not unexpected. The level of profit that the Commission is proposing is not a sufficient level of profit for ongoing investment in the industry.

BlueScope does not consider that the recommended NIP is adequate to remove the injury from dumping in a market where pricing is volatile. For this reason, BlueScope considers the more appropriate basis for the NIP is that based upon an unsuppressed selling price that reflects the full margin of dumping based upon the respective normal value for each exporter.

IV. Form of measure

The Commissioner is proposing to recommend to the Minister that the anti-dumping measures be based upon the floor price duty method.

BlueScope's preference is for measures to be determined on the combination method. However, the combination method does include a floor price component, and as all exports of HRC from Taiwan have been determined as possessing negative dumping margins, for the purposes of the recommendations of this review investigation, BlueScope concurs with the Commission's proposed recommendation (i.e. measures be based upon the floor price methodology).

V. Conclusions

SEF 528 has established that each of the variable factors for all exporters of HRC to Australia from Taiwan have altered since the last review investigation.

BlueScope has indicated that it seeks to query the exclusion of certain adjustments for wharf passage fees, export trade promotion, and export harbour service fees from Shang Chen and Chung Hung's normal values when calculating the exporter's dumping margin.

BlueScope is also concerned by the change in practice to determine a USP based upon prevailing selling prices on the Australian market during the investigation period. Whilst BlueScope's HRC operation [*commercial-in-confidence profit considerations*], the adequacy of the returns for long-term viability must also be considered.

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

Yours faithfully,

[REDACTED]
Manager – Trade Measures