



## Australian Industry Questionnaire

**Case number:** 558

**Product:** Aluminium zinc coated steel (of a width equal to or greater than 600 millimeters)

**From:** The Republic of Korea, Taiwan and the Socialist Republic of Vietnam

**Review period:** 1 April 2019 to 31 March 2020

**Response due by:** 6 August 2020

**Return completed questionnaire to:**  
[investigations4@adcommission.gov.au](mailto:investigations4@adcommission.gov.au)

**Anti-Dumping Commission website:** [www.adcommission.gov.au](http://www.adcommission.gov.au)

## DECLARATION

I believe that the information contained in this response is complete and correct.

Signature:

Name: [REDACTED]

Position: Manager – Trade Affairs

Company: BlueScope Steel Limited

ABN: 16 000 011 058

Date: 6 August 2020

## TABLE OF CONTENTS

<b>SECTION A MARKET SITUATION .....</b>	<b>4</b>
A-1    WHETHER SALES ARE SUITABLE .....	5
<b>SECTION B AUSTRALIAN MARKET .....</b>	<b>13</b>
B-1    PREVAILING CONDITIONS OF COMPETITION IN THE AUSTRALIAN MARKET.....	13
B-2    LIKE GOODS IN THE AUSTRALIAN MARKET .....	18
B-3    RELATIONSHIP BETWEEN PRICE AND COST IN AUSTRALIA .....	20
B-4    MARKETING AND SALES SUPPORT IN THE AUSTRALIAN MARKET .....	23
<b>SECTION C PRODUCTION AND PRODUCTION COSTS .....</b>	<b>24</b>
C-1    PRODUCTION OF THE GOODS .....	24

## SECTION A MARKET SITUATION

Section 269TAC(1) of the *Customs Act 1901* (Cth) (the Act) provides that, subject to this section, the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arms length transactions by the exporter or, if like goods are not so sold by the exporter, by other sellers of like goods.

In addition, section 269TAC(2)(a)(ii) of the Act provides that, subject to this section, where the Minister is satisfied that because of the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under subsection (1), the normal value of the goods exported to Australia cannot be ascertained under subsection (1).

In the application from BlueScope Steel Limited (BlueScope) received by the Commission on 4 June 2020 in respect of aluminium zinc coated steel (of a width less than 600 millimeters) (the goods), it was claimed that a particular market situation exists with respect to the goods within China and Vietnam.

BlueScope has based its claim that a particular market situation exists within China primarily on previous findings by the Commission. The application specifically refers to findings relating to Government of China (GOC) influence in steel markets and the impact on HRC prices, which is the key raw material used in the manufacture of the goods.<sup>1</sup>

BlueScope has based its claim that a particular market situation exists within Vietnam because the Government of the Socialist Republic of Vietnam (GOV) has intervened in the domestic steel industry through:

- electricity prices;
- Steel Master Plans;
- Industrial Development Strategy;
- State ownership of precision tube manufacturers;
- domestic price stabilisation initiatives;
- steel industry construction project and investment control; and
- steel industry subsidisation.

As part of its investigation, the Commission will consider if a market situation exists in the aluminium zinc coated steel (of a width less than 600 millimeters) market in China and Vietnam during the investigation period. The Commission will also investigate whether any market situation, if found to exist, influences a comparison between export prices and normal values. To undertake this assessment, the Commission requires further information about the respective markets.

---

<sup>1</sup> See, for example, findings set out in *Anti-Dumping Commission Report No. 441* (steel pallet racking), *Anti-Dumping Commission Report Nos. 456 and 457* (aluminium zinc and zinc coated steels) and *Anti-Dumping Commission Report No. 379* (HSS).

## A-1 Whether sales are suitable

If the Minister is satisfied a market situation exists (in either China or Vietnam or both countries) during the investigation period, the Minister must consider whether, because of that market situation, exporters' domestic sales of the goods are suitable for determining a price under section 269TAC(1) of the Act.

- In the event that the Minister is satisfied a market situation is found to exist during the investigation period, please comment and provide any relevant evidence on:
  - (a) the effect of the market situation on exporters' domestic prices in China/Vietnam (as relevant);
  - (b) the effect of the market situation on exporters' export prices;
  - (c) whether the effect of the market situation is such that exporters' domestic prices and export prices cannot be properly compared.
- Please provide any further information and evidence you may wish to submit.

In addition to the market situation claims detailed in the application, BlueScope Steel Ltd ("BlueScope") makes the following representations to the Anti-Dumping Commission ("the Commission") in addressing the above.

### **(a) The Effect of the Market Situation on Exporters Domestic Prices**

#### **Vietnam**

BlueScope submits that the Government of Vietnam ("GOV") is heavily involved in the steel industry, including the aluminium-zinc coated steel sector. The price of the subject goods produced in Vietnam is substantially determined by the GOV, and is lower than it otherwise would be in a competitive market.

#### ***Domestic Price Analysis***

As noted in its application, BlueScope was unable to source domestic selling price information for aluminium zinc coated steel sold in Vietnam. At this stage in the inquiry, BlueScope would expect the Commission to encounter similar difficulties.

The Canada Border Services Agency's ("CBSA") recent Statement of Reasons on its preliminary determination on the dumping and subsidisation of corrosion-resistant steel sheet from Turkey, the United Arab Emirates, and Vietnam noted that:

*"...the CBSA received substantially complete submissions to the Dumping RFI for three exporters in Vietnam. The CBSA used the information submitted to analyse the hot-rolled coil purchases and cold-rolled coil purchases in Vietnam. The prices were then compared to world average prices of hot-rolled coil and cold-rolled coil."<sup>2</sup>*

The CBSA then concluded that:

*"The results of the comparison described above indicate that the prices of domestically produced hot-rolled coil was 18.7% lower than the world average price; imported hot-rolled coil was 17.5% lower than the world average price; and domestically produced cold-rolled coil was 18.4% lower than the world average price.*

*In this regard, for the preliminary determination, the domestic price analysis of hot-rolled coil and cold-rolled coil suggest that there is sufficient reason to believe that the prices in the flat-*

---

<sup>2</sup> Non-Confidential Attachment 1: CBSA Statement of Reasons concerning the preliminary determinations with respect to the dumping and subsidising of Certain Corrosion Resistant Steel Sheet originating in or exported from Turkey, The United Arab Emirates, and Vietnam; April 3, 2020, p.30.

*rolled steel sector in Vietnam are not substantially the same as they would be if they were determined in a competitive market.”<sup>3</sup>*

Cold-rolled steel substrate (i.e. HRC that is further cold reduced) is the most significant cost input for aluminium zinc coated steel. Depending on market conditions, this substrate can account for [XX]% of BlueScope’s subject goods cost to manufacture.<sup>4</sup> BlueScope submits that the logical extension of an 18.4% lower-than-competitive world average price for cold-rolled steel in the Vietnamese market translates into a lower-than-competitive market price for subject goods selling prices in Vietnam.

Whilst unable to source domestic sell price information for the subject goods in Vietnam, BlueScope has [*confidential Vietnam pricing sources*] in seeking to validate pricing differentials (either for aluminium zinc coated steel, or the HRC/cold-rolled substrate feed thereof). To that end, BlueScope has quantified quarterly in-country pricing for [*confidential pricing sources*]<sup>5</sup> from [*confidential pricing sources*].<sup>6</sup>

Table 1 below depicts and compares these prices to domestic HRC prices in China, South Korea, Japan, and Taiwan over the investigation period.<sup>7</sup> In doing so, [*confidential price trend details*].<sup>8</sup>

---

<sup>3</sup> Ibid.

<sup>4</sup> Confidential Attachment 2.

<sup>5</sup>

<sup>6</sup> Confidential Attachment 3.

<sup>7</sup>

<sup>8</sup> South Korea and Taiwan are considered most appropriate for this price comparison as both countries are often cited by the Commission for benchmarking and surrogacy purposes. A recent commentary by the Commission on Korean and Taiwanese HRC benchmark suitability was the Pallet Racking (REP 441) SEF of 5 November 2018. In relevant part “*The Commission has, therefore, preliminary determined that an appropriate benchmark for HRC costs in China is the weighted average domestic HRC prices paid by cooperating exporters from Korea and Taiwan in Reviews 456 and 457, at comparable delivery terms to those observed in China. As explained in Reviews 456 and 457, these markets are characterised by a number of producers, buyers and sellers of HRC in an environment which appears to be free from distortions caused by government or other interference.*” Refer pages 102-103.

Table 1: Vietnamese HRC Price Comparison over the Investigation Period



Source: [REDACTED]

Where the Minister is satisfied that a market situation is found to exist during the investigation period, it is clearly evident that such a situation has the effect of facilitating lower input substrate HRC feed costs for the manufacture of the subject goods. In the absence of a market situation, this feed cost would otherwise be higher. BlueScope submits that this then extends to the selling prices of aluminium zinc coated steel in the Vietnamese market being lower also.

**(b) The Effect of the Market Situation on Exporters Export Prices**

Commodity prices on export markets, including that of steel, are generally considered to be traded within a perfectly competitive market structure; namely, free market entry and exit, and the existence of many buyers and sellers, none of which by their own influence can impact the export/world price for a particular product.

Recent steel-specific trade distortive practices, such as the United States Section 232 tariffs and the consequent decision by the European Union to impose safeguard measures on steel products, will impact the globally traded prices (and destinations) for steel, including that of the subject goods.

Across U.S., Canada, Europe, China, Asia Pacific, Latin America and Middle East markets, BlueScope estimates there to be approximately [*commercial-in-confidence estimate of the number of subject goods steel producers globally*].<sup>9</sup>

The price achieved on the export market by Vietnamese producers of aluminium zinc coated steel would be similar to that achieved by other exporters from other countries. There would hence be an obvious disconnect between such prices, and the price at which the subject goods are sold at on the Vietnamese domestic market where a PMS has been found to exist per the extensive steel industry involvement by the GOV.

---

<sup>9</sup> Confidential Attachment 4.

**(c) Whether Domestic and Export Prices are Comparable**

**A4 Copy Paper**

In December 2019, the World Trade Organisation (“WTO”) Panel in *Australia – Anti-Dumping Measures on A4 Copy Paper* (DS529/R) released its report.<sup>10</sup> The decision follows a complaint against Australia by Indonesia and is the only WTO panel or Appellate Body decision that considers the Particular Market Situation provision found at article 2.2 of the Anti-Dumping Agreement (“ADA”).

The decision provides some guidance on investigating authorities’ use of the ADA’s market situation provisions. The panel refused to put limits on what may qualify as a PMS, and further, it accepted that low-priced inputs (including those that are used for goods for both domestic and export markets) can contribute to a PMS. The panel also left the door open to subsidies contributing to a market situation (the Commission did not investigate subsidies, but found that government interventions in the form of subsidies contributed to a market situation).<sup>11</sup>

While the panel did not find fault with Australia’s approach to determining the existence of a PMS, it did take issue with Australia’s determination that the PMS was such that domestic and export “sales do not permit a proper comparison”. The panel held that “...we consider that the “proper comparison” language calls for an assessment in respect of the comparison of domestic and export prices.”<sup>12</sup>

It went on to find that:

*“While the proper comparison in Article 2.2 refers to the comparison between the domestic and export prices, a purely numerical comparison between the two prices may not reveal anything about whether the domestic price can be properly compared with the export price. Rather, it is necessary to conduct a qualitative comparison of the domestic and export prices. The phrase “because of the particular market situation” makes clear that the qualitative assessment of whether the domestic and export prices can be properly compared should focus on how the particular market situation affects that comparison. We therefore consider that the “proper comparison” language calls for an assessment of the relative effect of the particular market situation on domestic and export prices. We understand that, in certain circumstances, as a result of this assessment, the investigating authority may conclude that the particular market situation has no effect on the export prices.”<sup>13</sup>*

The WTO’s reasons provide a theoretical, but not a practical, guide as to how an investigating authority is to determine whether a PMS makes it inappropriate to compare domestic and export prices.

Australia argued that all that was necessary was a determination that domestic sales are not suitable for establishing normal values that will provide a reliable foundation. The WTO rejected this approach because it focused on domestic prices and sales, without paying attention to export prices. It noted that the PMS was based on decreased input costs, and that the same low-priced input was used to produce goods for both the domestic and export market. As such, it was incumbent on Australia to explain why the market situation caused by low-priced inputs made domestic and export prices unsuitable for comparison (i.e. the qualitative analysis).

***Vietnam – Subject Goods Price Comparability***

In the current case, the Vietnamese PMS has rendered the domestic price and export price unsuitable for comparison. The PMS factors identified by BlueScope in its application and other representations, assumed here as assessed by the Commission in an affirmative manner and thus concluded that such

<sup>10</sup> Non-Confidential Attachment 5: *Australia – Anti-Dumping Measures on A4 Copy Paper* (WT/DS529/R).

<sup>11</sup> In BlueScope’s view, this is critical. Subsidies in certain parts of the steel industry are all-pervasive. These will continue to endure as a foundation for PMS findings.

<sup>12</sup> Non-Confidential Attachment 5: *Australia – Anti-Dumping Measures on A4 Copy Paper* (WT / DS529 / R), para 7.73.

<sup>13</sup> *Ibid*, para 7.75.



a situation exists, affect the input costs and selling prices for the subject goods for export and domestic markets differently.

For example, domestic market distortions affecting the domestic price will have an exclusive impact on domestic sales as export sales will be priced competitively relative to export market pricing (see above at (b)). This includes the impact on the domestic price of the dominance of a small number of large state-owned metallic coated steel producers, and government policies targeting domestic supply.

It is widely considered that prices are materially lower on the export market for steel products, on the premise that steel manufacturers seek to service profitable domestic markets first, and export surplus production (usually covering only variable costs). Applied to aluminium zinc coated steel, when Vietnamese export prices are contrasted with selling prices in a competitive market (such as Australia, where pricing is determined on an [XXX] basis), they are clearly lower (due to GOV influence) and undercut all other participants.<sup>14</sup>

Specific to BlueScope’s claims, a summary of why a proper price comparison will not be permitted is provided below:

<b>Basis for a PMS Finding</b>	<b>Impact on Price Comparability; Vietnamese Normal Values v’s Export Prices</b>
<p>1. GOV Industrial Policies</p>	<p><b><i>Steel Master Plans</i></b></p> <p>BlueScope contends that the objectives, policies and implementation directives of the two consecutive plans consistently indicate the GOV’s continuous involvement in the administration and control of the steel industry.</p> <p>The GOV and Vietnamese steel producers have previously indicated that the latest Steel Master Plan had been revoked at the end of 2018. It is submitted, however, that the revocation of the Steel Master Plan in no way hinders or minimizes the effects of the plan on Vietnamese subject goods production and prices over the investigation period.</p> <p>Rather, the effects of the plans, which impacted the structure and capacity of Vietnam’s aluminium zinc coated steel industry, continue.</p> <p>BlueScope contends that the GOV is influencing the price of various steel goods in the Vietnamese steel industry, including the price of aluminium zinc coated steel. BlueScope further contends, absent this influence, that the price of aluminium zinc coated steel in the Vietnamese market would be otherwise higher. The CBSA has recently and preliminary concluded similar, stating that:</p> <p style="padding-left: 40px;"><i>“Based on the evidence in the document [the Steel Master Plan 2015-2025], the GOV not only intervenes to manage the supply of steel products, which in turn influences <b>domestic</b> prices, but also directly controls prices of various products in the steel sector, which would have a direct impact on the domestic price of COR.</i></p> <p style="padding-left: 40px;"><i>“...the existence of the Steel Master Plan 2015-2025 demonstrates the GOV’s intention to remain active in managing the domestic steel sector. Further, the directives contained in these plans demonstrate the GOV’s intention and ability to control prices directly or indirectly of various upstream and downstream steel products and therefore, alter the composition and competitiveness of the flat rolled steel sector. Such influence would alter the natural forces of supply and demand</i></p>

<sup>14</sup> Refer Confntial Appendix A2.

	<p style="text-align: center;"><i>and would <b>substantially influence the price of goods</b> in this sector, which includes COR.”<sup>15</sup> [emphasis added].</i></p> <p><i>Industrial Development Strategy</i></p> <p>BlueScope noted that the GOV’s Development Strategy prioritises, inter-alia, steel production until 2025. The GOV have recently commented that under this plan they would manage disbursement for many projects with public investment, leading to higher demand for steel products.<sup>16</sup></p> <p>The prevalence of the Steel Master Plans, the ongoing effects post their alleged rescindment, and the GOV’s Industrial Development Strategy will impact the in-country price of the subject goods. This impact is not commensurate vis-à-vis the export price.</p>
<p>2. GOV Ownership of Suppliers/Producers</p>	<p>BlueScope noted Nam Kim Steel, Vina One Steel Manufacturing Corporation, and Vietnam Steel Corporation (“VNSteel”), as large state owned/government affiliated subject goods producers.</p> <p>State ownership in the Vietnamese steel sector is almost 20%.<sup>17</sup> This considerable holding distorts both raw material input costs to aluminium zinc coated steel producers (as recently confirmed by the CBSA<sup>18</sup>), and subject goods selling prices.</p> <p>Specific to VNSteel, as a large-scale state-owned steel producer in Vietnam, the Ho Chi Minh City Securities Corporation had earlier advised that:</p> <p style="text-align: center;"><i>“...VNSteel does not enjoy much pricing power because prices for many of VNSteel’s finished products are regulated by the State. This is part of the burden of being an SOE and industry champion.”<sup>19</sup></i></p> <p>The notion of a lack of pricing power, in an economic sense, translates logically to an inability of VNSteel to achieve market-based selling prices (i.e. lower than they otherwise would be).</p> <p>As a feed supply to metallic coated steel manufacturing in Vietnam (including aluminium zinc coated steel), VNSteel has a 30% share of the cold rolled steel market.<sup>20</sup> It is also understood that several other SOE cold-rolled steel producers provide feed for subject goods manufacture.</p> <p>BlueScope submits that the raw material feed cost and subject goods selling price impact of the GOV’s ownership of suppliers to/producers of the subject goods would be confined primarily to the Vietnamese domestic market.</p>

<sup>15</sup> Non-Confidential Attachment 1: CBSA Statement of Reasons concerning the preliminary determinations with respect to the dumping and subsidising of Certain Corrosion Resistant Steel Sheet originating in or exported from Turkey, The United Arab Emirates, and Vietnam; April 3, 2020, p.22.

<sup>16</sup> Non-Confidential Attachment 6: Vietnam News – Vietnam to produce hot rolled steel this year. February 8, 2018.

<sup>17</sup> Non-Confidential Attachment 1: CBSA Statement of Reasons concerning the preliminary determinations with respect to the dumping and subsidising of Certain Corrosion Resistant Steel Sheet originating in or exported from Turkey, The United Arab Emirates, and Vietnam; April 3, 2020, p.24.

<sup>18</sup> Ibid.

<sup>19</sup> Confidential Attachment 7.

<sup>20</sup> Non-Confidential Attachment 1: CBSA Statement of Reasons concerning the preliminary determinations with respect to the dumping and subsidising of Certain Corrosion Resistant Steel Sheet originating in or exported from Turkey, The United Arab Emirates, and Vietnam; April 3, 2020, p.25.

	<p>Further, the mere existence of only a few major subject goods producers in Vietnam, as opposed to the multitude of steel producers who participate in the world export market for aluminium zinc coated steel (i.e. the 'Concentration Ratio'<sup>21</sup>) is indicative of price incomparability.</p> <p>The prices charged by a limited number of subject goods producers in Vietnam under a PMS (i.e. exhibiting a 'high' concentration ratio) cannot reasonably be compared to those prices for the same/similar goods on the export market with many more competitors at a far lower concentration measure.<sup>22</sup></p>
<p>3. GOV Price Stabilisation</p>	<p>The GOV's steel price stabilisation initiatives have been noted to comprise the following:</p> <ul style="list-style-type: none"> <li>– Directives to SOE steel producers to keep their prices unchanged;</li> <li>– The inclusion of steel on a list of products in need of price stabilisation;</li> <li>– Acting against steel producers who raise prices excessively; and</li> <li>– Implementing controls, specific to steel, on price management and price regulation (Circular 122 and the Price Law refers).</li> </ul> <p>By their very nature, the initiatives look to manage the in-country price of Vietnamese steel products. This extends to the subject goods. These stabilisation initiatives, however, would have little to no bearing on the determination of an export price.</p>
<p>4. GOV Subsidisation</p>	<p>BlueScope submits that the GOV maintains extensive ownership and control over certain large Vietnamese steel producers, its subsidiaries, as well as other critical sectors which are major input segments involved in the production of aluminium zinc coated steel.</p> <p>At Section C of its application, BlueScope evidenced recent affirmative countervailing subsidy findings by the CBSA involving steel exports from Vietnam; namely <i>Oil Country Tubular Goods</i> (positive subsidy margin of 19%), <i>Certain Copper Pipe Fittings</i> (positive subsidy margin of 30.6%), and <i>Cold Rolled Steel</i> (positive subsidy margin of 6.5%). And as noted above, the CBSA are currently assessing whether Vietnamese producers of corrosion resistant steel sheet are in receipt of countervailable subsidies.</p> <p>Subsidies reduce the price of steel (inputs and final selling prices) in the domestic Vietnamese aluminium zinc coated steel industry. BlueScope contends that the export price would not be impacted, but that the exporter producers' margin may be (i.e. on the basis of lower subsidised input costs, the margin on an export sale may be higher given the setting</p>

<sup>21</sup> The Concentration Ratio indicates whether an industry is comprised of a few large firms, or many smaller ones. The four-firm concentration ratio, consisting of the four largest firms in an industry, expressed as a percentage, is a commonly used measure. The ratio is calculated as the sum of the market share percentage held by the largest specified number of firms in an industry. A low concentration ratio indicates greater competition in an industry, compared to one with a ratio nearing 100%, which would be a monopoly. An oligopoly is evident when the top five firms in a market account for more than 60% of total market sales, according to the concentration ratio.

<sup>22</sup> This was recently recognised by the Commission in the July 2020 Statement of Essential Facts into the continuation of anti-dumping and countervailing measures on aluminium extrusions exported to Australia from China. The Commission concluded that the presence of only a few Chinese SOE's, accounting for a large percentage of output and market share, indicates a higher likelihood that GOC plans and directives will be adhered to; and that such status permits preferential treatment by Chinese financial institutions (in terms of access to, and the cost of, financing). See p.98.

	of a sell price with reference to a word-traded, not a Vietnamese in-country, dynamic). <sup>23</sup>
--	---

---

<sup>23</sup> Again, this was recognised in the above aluminium extrusions China continuation Statement of Essential Facts where the Commission noted that the existence of a PMS permits exporters “...a cost advantage that either manifests as an increased margin at the prevailing level of competitive pricing in the Australian market, a low export price that undercuts the prevailing level of competitive pricing, or a combination whereby the manufacturer can enjoy a higher margin while still undercutting other market participants.” See p.47.

## SECTION B AUSTRALIAN MARKET

In responding to the questions in section B please respond to these questions in relation to the investigation period (1 April 2019 to 31 March 2020).

### **B-1 Prevailing conditions of competition in the Australian market**

1. Describe the Australian market for the goods and the prevailing conditions of competition within the market, including:

- (a) Provide an overall description of the market in Australia for the goods which explains its main characteristics and trends over the past five years;

BlueScope submits, in addition to the volume and price trends of both the locally produced and imported subject goods per Confidential Appendix A2, that the main characteristics and trends of the aluminum zinc coated steel market over the past five years can be summarised as follows:

*[Commercial-in-confidence market characteristics and trends assessment]*.

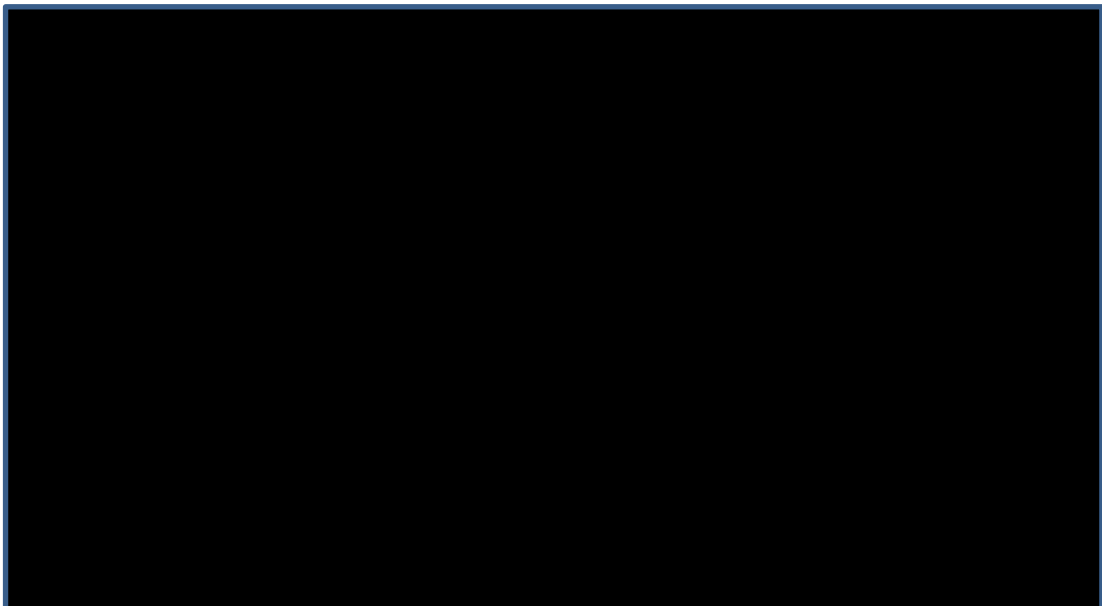
- (b) Provide the sources of demand for the goods in Australia, including the categories of customers, users or consumers of the product;

Key sources of demand in the Australian market for the subject goods includes:

- Residential construction. Specifically, residential new dwelling construction, and investment in residential alterations and additions construction;
- Commercial and industrial construction;
- Substitution into markets previously dominated by other materials including replacing timber for residential framing and replacing aluminium zinc coated steel products for structural framing in the commercial / industrial internal partitioning and walling market.

- (c) Provide an estimated proportion (%) of sales revenue from each of those sources of demand listed in (b);

Per the 'Segment' classification of Appendix A-4, these sources are represented as follows:



- (d) Describe the factors that influence consumption/demand variability in Australia, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production;

A variety of factors influence demand variability for aluminium zinc coated steel products within the Australian market, including:

**Seasonal fluctuations**

- Agriculture – for example, silos (seasonally dependent);
- Building industry Christmas shutdown directly impacts construction; and
- Wet versus dry season in tropical climates impact construction.

**Factors contributing to overall market growth or decline**

- Availability of capital for infrastructure spending – government and private;
- General macro-economic factors such as bank interest rates directly impact on investment decisions by home buyers, investors and developers;
- Global and domestic economic conditions (GDP, unemployment, inflation, interest rates); and
- Global and domestic business and consumer confidence.

**Government regulation**

- Standards – international manufacturers do not always manufacture to the same standards as Australian manufacturers; an issue not commonly understood until installation;
- Policy – major government spending on infrastructure such as the Urban Congestion Fund, Roads of Strategic Importance etc.; and
- New home rebates which can pull forward demand.

**Developments in technology affecting either demand or production**

- Not significant.

**Short Term Pricing Volatility**

- Pressure on Australian manufacturing to compete with imported finished products;
- Which can influence purchasing decisions on inventory levels;
- Is more evident in the indirect distribution channel;
- Is influenced via global steel capacity utilisation; and
- Has a seasonal element.

- (e) Describe any market segmentations in Australia; such as geographic or product segmentations;

Both BlueScope and importers of aluminium zinc coated steel compete in all Australian States and Territories, and across each segment via similar distribution channels. Products are sold directly to larger manufacturing companies in Australia and to distributors/resellers that on-sell the product into the market.

Distributors and resellers may offer a range of services such as further processing (sheeting, slitting, etc.), smaller parcels of products and credit facilities.

- (f) Provide an estimated proportion of sales revenue from each of the market segments listed in (e);

As provided above at B-1(c).

- (g) Describe the way in which Australian manufactured, Korean, Taiwanese, Vietnamese and other imported goods compete in the Australian market;

As described above at B-1(e). Further, all customers can either purchase locally, or can import the subject goods per the following channels:

- Direct from the overseas mill;
- Via an international trader; and/or
- Via an aligned/non-aligned Australian based stockiest/reseller.

- (h) Describe the ways that the goods are marketed and distributed in the Australian market; and

A major proportion of aluminium zinc steel sales are made directly to the domestic building product manufacturing industry. It is this domestic building product manufacturing industry that roll-forms aluminium zinc coated steel into building products such as roof cladding etc. The building product manufacturers then distribute the manufactured products to builders, homeowners etc. The balance of sales of the subject goods is made to either the local distribution market (via distributor/resellers), or direct to the general manufacturing industry.

- (i) Describe any other factors that are relevant to characteristics or influences on the market in Australia for the goods.

The Australian market for aluminium zinc steel products is made up of two key market segments:

- the building and construction industry segment (largest consumer by volume); and
- the smaller manufacturing industry segment.

The building and construction industry segment can be further segmented into residential construction, and industrial/commercial.

Within the construction industry BlueScope's major customers can be described as roll-formers of cladding (i.e. roofing and walling), and framing products.

Within the manufacturing industry, the major customers are commonly referred to as appliance manufacturers.

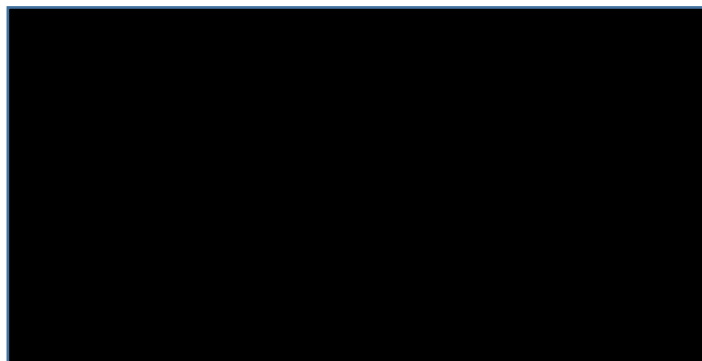
*Provide documentary evidence to support the responses made to questions 1(a) to (i).*

2. Provide a diagram which describes the Australian market structure for the goods, ensuring that all the categories of participants are included. In this diagram use linkages to illustrate the different levels of trade and distribution channels within the Australian market.



3. Describe the commercially significant market participants in the Australian market for the goods at each level of trade over the investigation period. Include in your description:
  - names of the participants;
  - the level of trade for each market participant (e.g., manufacturer, reseller, original equipment manufacturer (EOM), retailer, corporate stationer, importer, etc.);
  - a description of the degree of integration (either vertical or horizontal) for each market participant; and
  - an estimation of the market share of each participant.

The significant market participants have been determined with reference to BlueScope's sales volumes per Confidential Appendix A4:





4. Identify the names of commercially significant importers in the Australian market for the goods over the investigation period and estimate their market share. Specify the country each importer imports from and their level of trade in the Australian market, if known.



5. Describe the regulatory framework of the Australian market for the goods as it relates to competition policy, taxation, product standards and the range of the goods. Provide a copy of any regulation described, if available.

Australian standards apply to the manufacture of aluminium zinc coated steel. There are several relevant International Standards for aluminium zinc coated steel, covering the full range of products via specific grade designations, and including the recommended or guaranteed properties of each of those product grades.

These relevant standards are as follows:

International Standards	Product Grades
<i>General and Commercial Grades</i>	
AS/NZS 1397	G1, G2
ASTM A792	CS, type A, B and C
EN10346	DX51D, DX52D
JIS 3321	SGLCC
<i>Forming, Pressing &amp; Drawing Grades</i>	
AS/NZS 1397	G3
ASTM A792	FS, DS
EN10346	DX53D, DX54D
JIS 3321	SGLCD, SGLCDD
<i>Structural Grades</i>	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A792	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3321	SGLC400, SGLC440, SGLC490, SGLC570

6. Describe any entry restrictions for new participants into the Australian market for the goods. Your response could include information on:
- resource ownership;
  - patents and copyrights;
  - licenses;
  - barriers to entry;
  - import restrictions; and
  - government regulations(including the effect of those government regulations).

*In responding to question 6 ensure that relevant regulations are referenced.*

With the exception of requisite export/import licensing requirements, it is generally considered that there are no entry restrictions for new participants in the Australian market.

## **B-2 Like goods in the Australian market**

1. Generally describe the range of products/models of the goods offered for sale in the Australian market. The description should include all goods under consideration including those produced by your company. Your description could include information about:
- quality differences;
  - price differences;
  - supply/availability differences;
  - technical support differences;
  - the prevalence of private labels/customer brands;
  - the prevalence of generic or plain labels;
  - the prevalence of premium labels; and
  - product segmentation.

BlueScope manufactures flat rolled products of iron and non-alloy steel, of a width greater than or equal to 600mm, plated or coated with aluminium-zinc alloys (whether or not including resin coating).

The locally produced goods are considered to be like product to the imported plated or coated flat rolled products of iron or steel, plated or coated with aluminium-zinc alloys.

The subject goods manufactured by BlueScope are coiled for supply to customers and may later be cut into sheets for sale to manufacturers, or slit into narrower widths.

The most common coating is AZ150 (150 grams of aluminium/zinc coating metal per square meter). Other coatings may include AZ200, AZ100 and AZ70.

The steel chemistry, percentage cold reduction, annealing oven temperature, and line speeds are used to produce the required mechanical property (structural) grades, as designated by International Standards.

Typically, each International Standard has a range of steel grades nominated as either Formable or Commercial, or Structural grades. The formable/commercial grades are those with mechanical properties suitable for general pressing and forming whereas the structural grades are those with guaranteed minimum properties.

The locally produced subject goods have a width greater than or equal to 600mm, with product thicknesses in the range of 0.30mm Base Metal Thickness ("BMT") to greater than 2.00mm BMT (BMT represents the steel thickness without the metallic coating).

Copies of BlueScope's Product Brochures for ZINCALUME® steel are included at Non-Confidential Attachments 3-5.

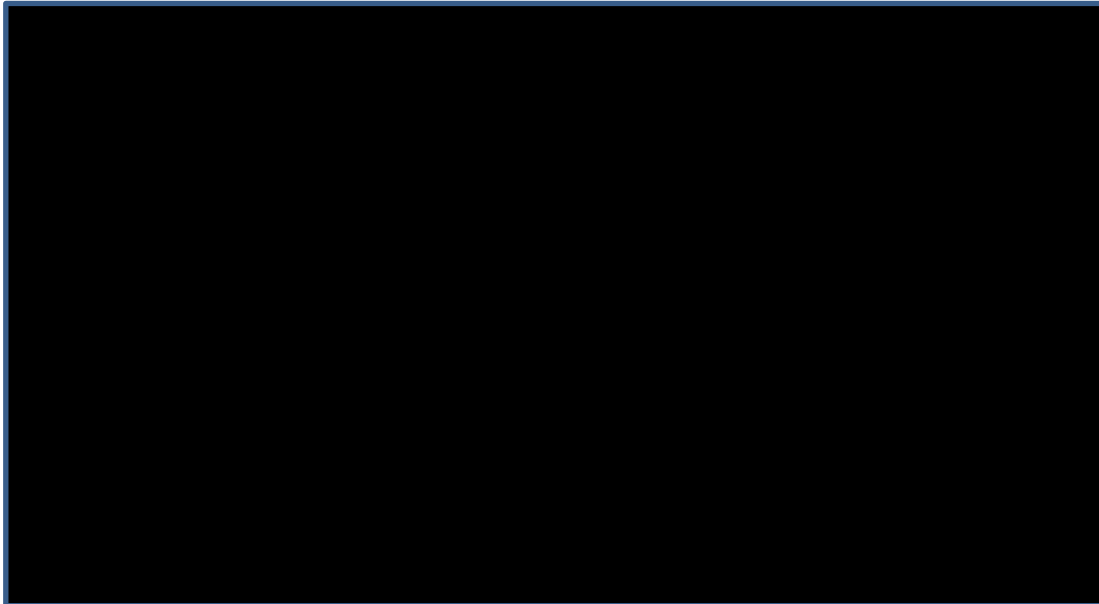
More information can be found at <http://www.steel.com.au/products/coated-steel>.

2. Describe the end uses of the goods in the Australian market from all sources.

Anti-Dumping Commission Report No. 450 ("Report No. 450") noted that aluminium zinc coated steel is sold either directly or indirectly into the building and construction industry, or for general manufacturing.

BlueScope agrees with this assessment of the Anti-Dumping Commission concerning end-use applications for the subject goods. The locally produced and imported goods are used interchangeably across these applications in the Australian market.

3. Describe the key product attributes that influence purchasing decisions or purchaser preferences in the Australian market. Rank these preferences or purchasing influencers in order of importance.



4. Identify if there are any commercially significant market substitutes in the Australian market for the goods.

There exist certain market substitutes for both the Australian produced and imported like-goods that fall into one of two categories, being "other coated steel substitutes" and "inter-material substitutes".

Other coated steel substitutes include:

- Zinc coated (galvanised) steel products (in some product applications); and
- Painted metallic coated steel substitutes. This could include either painted aluminium zinc coated steel (e.g. COLORBOND® steel) or painted galvanised steel.

Inter-material substitutes depend on end use, and include:

- In domestic roofing applications, clay and cement roof tile products;
- In industrial building walling, concrete panel and masonry brick products;
- In rain-water goods, such as plastic and aluminium gutters and downpipes; and
- In residential or industrial/commercial structural framing applications (e.g. roof or wall framing), the substitute product is timber.

Despite the identified substitutes, aluminium zinc coated steel is considered by end-users as a fit-for-purpose product that is better suited in the identified key applications to alternate substitutes due to its superior value proposition.

5. Identify if there are any commercially significant market complements in the Australian market for the goods.

Not applicable.

6. Have there been any changes in market or consumer preferences in the Australian market for the goods in the last five years? If yes, provide details including any relevant research or commentary on the industry/sector that supports your response.

Not applicable.

### **B-3 Relationship between price and cost in Australia**

1. Is your organisation/business entity the price leader of the goods in the Australian market? If no, please explain the reasons behind your response and specify the name(s) of the price leaders.

BlueScope does not consider itself a price leader for the subject goods.

*[Confidential price and price setting details].*

2. Describe the nature of your product pricing (e.g., market penetration, inventory clearance, product positioning, price taker, price maker, etc.) and your price strategies (e.g., competition-based pricing, cost-plus pricing, dynamic pricing, price skimming, value pricing, penetration pricing, bundle pricing, etc.) in Australia. If there are multiple strategies applied, please rank these by importance. If there are different strategies for different products, please specify these. Provide copies of internal documents which support the nature of your product pricing.

As above.

3. Explain the process for how the selling prices of the goods for the Australian market by your business are determined. Provide copies of internal documents which support how pricing is determined.

As above.

4. How frequently are your Australian selling prices reviewed? Describe the process of price review and the factors that initiate and contribute to a review. Provide the names and positions of all persons involved.

As above.

5. Rank the following factors in terms of their influence on your pricing decisions in the Australian market, with the most important factor ranked first and the least important factor ranked last:

- Competitors' prices
- Purchase price of raw materials
- Cost to make and sell the goods
- Level of inventory

- Value of the order
- Volume of the order
- Value of forward orders
- Volume of forward orders
- Customer relationship management
- Supplier relationship management
- Desired profit
- Brand attributes
- Other [please define what this factor is in your response]



6. Describe the relationship between selling price and costs to make and sell in the Australian market. Does your company maintain a desired profit margin for the goods? If not, does your company seek to maintain a desired profit margin for the goods? Provide copies of internal documents which support your response to this question.

*[Confidential price and cost considerations].*

7. Do you offer price reductions (e.g., commissions, discounts, rebates, allowances or credit notes) in the Australian market? If yes, provide a description and explain the terms and conditions that must be met by the customer to qualify. Explain how the cost to make and sell are considered in establishing these price reductions. Provide copies of internal documents which support your claims in response to this question.

*[Confidential price and cost considerations].*

8. Do you offer bundled pricing in the Australian market? If yes, explain how the pricing for bundled sales is determined. Explain how the costs to make and sell are considered in establishing these bundled prices. Provide copies of internal documents which support your claims in response to this question.

Not applicable.

9. Does the volume of sales to a customer or the size of an order influence the selling price? If yes, advise how volume is used to determine selling prices. Explain how the costs to make and sell are considered in establishing volume based prices for the goods. Provide copies of internal documents which support your claims in response to this question.

*[Confidential price and cost considerations].*

10. Does your organisation/business entity use sales contracts in the Australian market? If yes:
- (a) What proportion of your sales revenue would come from contracted sales versus uncontracted sales?
  - (b) Do you offer exclusivity contracts? If yes, what proportion of your sales revenue would come from exclusivity contracts?
  - (c) How frequently are sales contracts renegotiated?
  - (d) How frequently are price reviews conducted between contracts?
  - (e) Do you provide opportunities for price reviews for customers within contracts? If yes, provide a description of the process and an explanation of the circumstances that might lead to a price review.
  - (f) Do changes in your costs to make and sell enable you to review prices for customers within contracts?
  - (g) Provide a list of the customers under contract during the review period and copies of the two largest contracts in terms of sales revenue.

*[Confidential sales and supply considerations].*

11. Provide copies of any price lists for the goods used in the Australian market during the investigation period. If you do not use price lists, describe the transparency of your prices in the Australian market.

Refer Confidential Attachment 8 – BlueScope Sheet and Coil Distributor Price Schedule; June 2019.

12. How do you differentiate pricing for different products/models of the goods in the Australian market? Describe how your products are grouped for price differentiation and the methodology used. Describe any cost to make or selling cost differences between differentiated products. Describe how these cost differences (if any) influence pricing decisions. Provide copies of internal documents which support your claims in response to this question.

*[Confidential price and cost considerations].*

13. Do you tier or segment your customers for the goods in terms of pricing? If yes, provide:
- (a) a general description of how this is done;
  - (b) list the factors that influence pricing differentiation in different tiers or segments; and
  - (c) explain how cost to make and selling costs are considered in making pricing decisions for different tiers or segments.

*Provide copies of internal documents which support your claims in response to this question.*

Not applicable.

14. Do you sell the goods to related entities in Australia? If yes, describe how prices are set for related party transactions and specify what proportion of your sales in terms of sales revenue are to related party entities. If available, provide copies of any internal documents relevant to establishing pricing to related parties.

BlueScope sells the subject merchandise to related parties. These sales (and their proportions) are readily identifiable in the previously provided Confidential Appendix A4. The approach to price setting for these owned or related companies is the same as that for the broader customer base; net prices are set to meet import competition.

## B-4 Marketing and sales support in the Australian market

1. How does your company market the goods in the Australian market? Include in your response the value proposition used (e.g., competitive price, superior quality, reliability, availability, etc.).

BlueScope's approach to marketing the goods in the Australian market is best understood by critiquing the following URL:

<http://www.steel.com.au/products/coated-steel/zincalume-steel>

2. Does your company conduct brand segmentation in the Australian market for the goods? If yes, describe the brand segmentation used and provide the proportion of sales revenue derived from each brand segment.

As per the above-noted URL.

3. Provide examples of your Australian advertising of the goods over the past five years. If you have not used advertising in Australia, provide examples of any other promotion campaigns for the goods you have conducted over the investigation period.

Refer the following URL for recent examples of promotional campaigns for the subject goods:

<http://www.steel.com.au/showcase?SubBrand=4D437A78D4C2423B865E0032616DAA41>

4. How many people are in your Australian sales team and where are they located? In general terms, how are they remunerated? If they are offered performance pay based on sales, describe the performance indicators used to establish the performance pay. Provide copies of internal documents which support your claims in response to this question.

Refer Confidential Attachment 9 for a listing of BlueScope locations. The earlier provided Confidential Appendix A7 detailed the number of people involved in the manufacture and sale of the subject goods.

5. Describe what parameters are provided to sales staff to assist in establishing pricing for the goods when negotiating sales with customers. Provide copies of internal documents which support your claims in response to this question.

[Confidential price setting parameters].

## SECTION C

### PRODUCTION AND PRODUCTION COSTS

In responding to the questions in section C, please respond to these questions only in relation to the investigation period.

#### C-1 Production of the goods

1. Describe how your company determines its volume of production for the goods, product mix of production and the factors that contribute to these decisions. How frequently are production volumes determined? How frequently is the product mix determined? Provide copies of internal documents which support your claims in response to this question.

*[Confidential production volume determination details].*

2. What lead times are typically needed to adjust volumes of production for the goods? Provide copies of internal documents which support your claims in response to this question.

*[Confidential lead time details].*

*Refer Confidential Attachment 11 – Production Volume Lead Times.*

3. Do you have warehousing facilities for the goods? If no, what do you do with excess inventory? If yes:
  - (a) What is the volume capacity of these facilities?
  - (b) What was the monthly amount of inventory maintained during the review period?
  - (c) What is the average period of time that inventory is retained (describe how this is calculated)?

*Provide copies of internal documents which support your claims in response to this question.*

*[Confidential subject goods warehousing details].*

4. Have there been any changes to the type of capital or technology utilised by your company in the manufacturing of the goods in the last five years? If yes, provide details.

Whilst there has been no fundamental change in the type of assets or technology used to manufacture the subject goods, BlueScope has sought to update and maintain its production facilities in seeking to ensure worker safety, and improve reliability, efficiency, and cost.

5. For each plant capable of producing inputs that could be utilised to make the goods, provide the date that production facility came into operation and the production capacity of the plant over the past five years. The production capacity should be based on an actual production capacity, not a budgeted production capacity. Provide copies of internal documents which support your claims in response to this question.

The subject goods are manufactured at the BlueScope Port Kembla (Wollongong, New South Wales) and Westernport facilities, supported by the above-noted warehousing and Service Centre facilities. Refer Non-Confidential Attachment 13 for a timeline of BlueScope's history, with these facilities referenced.



**FOR OFFICIAL USE ONLY / PUBLIC FILE**

6. Confirm whether management reports are prepared on production costs. If yes:
  - (a) specify how often these cost reports are prepared;
  - (b) describe the level of detail in those reports and whether they enable the establishment of costs of producing the goods; and
  - (c) specify to whom within the company these reports are provided; and
  - (d) provide copies of these reports for each month of the review period.

*[Confidential production cost report details].*