



Australian Industry Verification Report

Verification & Case Details

Initiation Date	4/01/2022	ADN:	2022/002
Case Number	594		
The goods under consideration	Hot Rolled Coil Steel		
Case type	Continuation Inquiry		
Australian Industry	BlueScope Steel Limited		
Verification from	21/02/2021	to	03/03/2021
Inquiry Period	1/01/2021	to	31/12/2021

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

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1 PREFACE

The Anti-Dumping Commission (the commission) has undertaken verification of data provided by BlueScope Steel Limited (BlueScope) for Continuation Inquiry 594. This report details the evidence gathered and the key findings from the verification of the data.

This report has been prepared for publication on the electronic public record for Continuation Inquiry 594.

This report provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

Verification teams are authorised to conduct verifications under section 269SMG and 269SMR of the *Customs Act 1901* (Cth) (the Act).¹

¹ References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

2 COMPANY BACKGROUND

2.1 Corporate structure and ownership

BlueScope is a flat steel product manufacturer and is publicly-listed (limited by shares) on the Australian Securities Exchange.

BlueScope produces and markets a range of value-added coated and painted flat steel products for the Australian domestic market.

2.2 Related parties

The verification team examined the relationships between related parties involved in the manufacture and sale of the goods.

2.2.1 Related customers

The verification team examined the relationships between any related parties involved in the manufacture and sale of the goods.

In its application, BlueScope stated that it did make sales of its like goods to related party customers in the inquiry period. The verification team's assessment of whether those sales are arms length is found in chapter 6.1.

3 THE AUSTRALIAN INDUSTRY MANUFACTURING LIKE GOODS

3.1 Manufacturing in Australia

BlueScope is the sole manufacturer of hot rolled coil steel (HRC) in Australia.

Details of the production process are contained in the verification work program at **Confidential Attachment 1**.

3.2 Verification of model control codes

Table 1 below provides details of the model control code (MCC) sub-categories that were determined and verified to source documents.

Category	Determination of the sub-category
Quality	Based on the product description stated on commercial invoices, financial data, test certificates, and despatch notices verified during the verification
Form	
Surface condition	
Standard/Grade	
Thickness (BMT)	
Width	

Table 1: MCC sub-category determination

BlueScope sold goods with the following MCCs during the inquiry period:

MCC			
P-C-A-1-T1-2	P-C-A-1-T2-1	P-C-A-1-T2-2	P-C-A-1-T3-1
P-C-A-1-T3-2	P-C-A-1-T4-1	P-C-A-1-T4-2	P-C-A-2-T3-1
P-C-A-2-T3-2	P-C-A-2-T4-1	P-C-A-2-T4-2	P-C-A-3-T2-1
P-C-A-3-T2-2	P-C-A-3-T3-1	P-C-A-3-T3-2	P-C-A-3-T4-1
P-C-A-3-T4-2	P-C-A-5-T1-1	P-C-A-5-T1-2	P-C-A-5-T2-1
P-C-A-5-T2-2	P-C-A-5-T3-1	P-C-A-5-T3-2	P-C-A-5-T4-1
P-C-A-5-T4-2	P-C-PI-1-T2-1	P-C-PI-1-T3-1	P-C-PI-1-T3-2
P-C-PI-2-T3-1	P-C-PI-2-T3-2	P-C-PI-2-T4-1	P-C-PI-3-T2-1
P-C-PI-3-T2-2	P-C-PI-3-T3-1	P-C-PI-5-T1-1	P-C-PI-5-T1-2
P-C-PI-5-T2-1	P-C-PI-5-T2-2	P-C-PI-5-T3-1	P-C-PI-5-T3-2
P-C-PI-5-T4-1	P-C-PI-5-T4-2	P-S-A-1-T3-2	P-S-PI-5-T3-1
P-C-A-1-T1-2	P-C-A-1-T2-1	P-C-A-1-T2-2	P-C-A-1-T3-1
P-C-A-1-T3-2	P-C-A-1-T4-1	P-C-A-1-T4-2	P-C-A-2-T3-1
P-C-A-2-T3-2	P-C-A-2-T4-1	P-C-A-2-T4-2	P-C-A-3-T2-1
P-C-A-3-T2-2	P-C-A-3-T3-1	P-C-A-3-T3-2	P-C-A-3-T4-1
P-C-A-3-T4-2	P-C-A-5-T1-1	P-C-A-5-T1-2	P-C-A-5-T2-1
P-C-A-5-T2-2	P-C-A-5-T3-1	P-C-A-5-T3-2	P-C-A-5-T4-1
P-C-A-5-T4-2	P-C-PI-1-T2-1	P-C-PI-1-T3-1	P-C-PI-1-T3-2
P-C-PI-2-T3-1	P-C-PI-2-T3-2	P-C-PI-2-T4-1	P-C-PI-3-T2-1
P-C-PI-3-T2-2	P-C-PI-3-T3-1	P-C-PI-5-T1-1	P-C-PI-5-T1-2
P-C-PI-5-T2-1	P-C-PI-5-T2-2	P-C-PI-5-T3-1	P-C-PI-5-T3-2
P-C-PI-5-T4-1	P-C-PI-5-T4-2	P-S-A-1-T3-2	P-S-PI-5-T3-1
P-C-A-1-T1-2	P-C-A-1-T2-1	P-C-A-1-T2-2	P-C-A-1-T3-1
P-C-A-1-T3-2	P-C-A-1-T4-1	P-C-A-1-T4-2	P-C-A-2-T3-1
P-C-A-2-T3-2	P-C-A-2-T4-1	P-C-A-2-T4-2	P-C-A-3-T2-1
P-C-A-3-T2-2	P-C-A-3-T3-1	P-C-A-3-T3-2	P-C-A-3-T4-1
P-C-A-3-T4-2	P-C-A-5-T1-1	P-C-A-5-T1-2	P-C-A-5-T2-1
P-C-A-5-T2-2	P-C-A-5-T3-1	P-C-A-5-T3-2	P-C-A-5-T4-1
P-C-A-5-T4-2	P-C-PI-1-T2-1	P-C-PI-1-T3-1	P-C-PI-1-T3-2
P-C-PI-2-T3-1	P-C-PI-2-T3-2	P-C-PI-2-T4-1	P-C-PI-3-T2-1
P-C-PI-3-T2-2	P-C-PI-3-T3-1	P-C-PI-5-T1-1	P-C-PI-5-T1-2
P-C-PI-5-T2-1	P-C-PI-5-T2-2	P-C-PI-5-T3-1	P-C-PI-5-T3-2
P-C-PI-5-T4-1	P-C-PI-5-T4-2	P-S-A-1-T3-2	P-S-PI-5-T3-1
P-C-A-1-T1-2	P-C-A-1-T2-1	P-C-A-1-T2-2	P-C-A-1-T3-1
P-C-A-1-T3-2	P-C-A-1-T4-1	P-C-A-1-T4-2	P-C-A-2-T3-1
P-C-A-2-T3-2	P-C-A-2-T4-1	P-C-A-2-T4-2	P-C-A-3-T2-1
P-C-A-3-T2-2	P-C-A-3-T3-1	P-C-A-3-T3-2	P-C-A-3-T4-1
P-C-A-3-T4-2	P-C-A-5-T1-1	P-C-A-5-T1-2	P-C-A-5-T2-1

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P-C-A-5-T2-2	P-C-A-5-T3-1	P-C-A-5-T3-2	P-C-A-5-T4-1
P-C-A-5-T4-2	P-C-PI-1-T2-1	P-C-PI-1-T3-1	P-C-PI-1-T3-2
P-C-PI-2-T3-1	P-C-PI-2-T3-2	P-C-PI-2-T4-1	P-C-PI-3-T2-1
P-C-PI-3-T2-2	P-C-PI-3-T3-1	P-C-PI-5-T1-1	P-C-PI-5-T1-2
P-C-PI-5-T2-1	P-C-PI-5-T2-2	P-C-PI-5-T3-1	P-C-PI-5-T3-2
P-C-PI-5-T4-1	P-C-PI-5-T4-2	P-S-A-1-T3-2	P-S-PI-5-T3-1
P-C-A-1-T1-2	P-C-A-1-T2-1	P-C-A-1-T2-2	P-C-A-1-T3-1
P-C-A-1-T3-2	P-C-A-1-T4-1	P-C-A-1-T4-2	P-C-A-2-T3-1

Table 2: MCCs of like goods sold during the inquiry period

3.3 Like goods

Like goods are defined under section 269T(1) of the Act as:

goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

Based on the information currently available including findings from the original investigation and information gathered during the visit, the verification team considers that:

- the primary physical characteristics of the goods and locally produced goods are similar, notwithstanding variations in technical specifications (i.e. grade or thickness)
- the goods and locally produced goods are commercially alike as they are sold to common users, and directly compete in the same market
- the goods and locally produced goods are functionally alike as they have a similar range of end-uses
- the goods and locally produced goods are manufactured in a similar manner.

3.4 Preliminary like goods assessment

The verification team is satisfied that:

- HRC manufactured by BlueScope are like to the goods²
- at least one substantial process of manufacture of HRC is carried out in Australia³
- the like goods were, therefore, wholly or partly manufactured in Australia by BlueScope⁴
- there is an Australian industry, consisting of BlueScope, which produce like goods in Australia.⁵

² Section 269T(1).

³ Section 269T(3).

⁴ Section 269T(2).

⁵ Section 269T(4).

4 AUSTRALIAN MARKET

4.1 Background

The Australian market for HRC is supplied by:

- a single domestic producer (BlueScope – the Australian industry), and
- producers from other countries who supply Australian distributors or end-users via multiple channels (direct from overseas mills, via international traders, or via stockists and resellers who may or may not be affiliated with the mill).

The largest 4 exporters of HRC supplying the Australian market during the inquiry period originate from Taiwan, the Republic of India (India), New Zealand and the People's Republic of China (China).

Anti-dumping measures are currently applicable to imports of HRC from Taiwan only.

The verification team understands that customers are able to readily change suppliers.

4.2 Market structure

HRC is a key raw material used in the production of certain steel products. The two key markets in Australia for HRC are:

- the building and construction industry, consisting of residential construction, and industrial/commercial segments, and
- the manufacturing industry who produce non-construction related products.

The structural pipe and tube sector, within the construction market, is BlueScope's largest consumer of its like goods by volume, with the remainder of BlueScope's volume of its like goods being sold across the distribution sector and manufacturing industry.

Within the structural pipe and tube industry, the main uses for HRC are for structural tubing, precision tubing, square hollow sections, circular hollow sections, rectangular and other hollow sections, and water, oil and gas pipelines. In the manufacturing sector, the end users are made up across market segments such as agriculture, engineering and construction, mining, oil and gas, non-residential construction, residential construction and transport. End uses for HRC within these segments include agriculture plant, machinery and equipment, mining consumables, electrical generation and transmission equipment and plant, racking solutions, steel furniture, household appliances, hardware and tools, commercial and industrial construction and road and rail equipment.

Locally produced and imported HRC are used interchangeably across the key market segments in the Australian market.

4.2.1 Marketing, distribution and supply

The goods are marketed and sold directly to customers within the two key Australian market sectors; the Pipe and Tube market, and the General Manufacturing market.

All customers can purchase the goods from BlueScope, or imported equivalent material either:

- Direct from the overseas mill
- Via an international trader
- Via an aligned/non-aligned Australian based stockist/reseller.

HRC produced by BlueScope mostly competes with the imported goods at the wholesale or distribution levels of trade. These customers then on-sell the HRC to end users or to other resellers (for example, for further working - e.g. slitting, before sale to the end user). Figure 1, below, shows the distribution channels relevant to the sale of HRC in Australia.

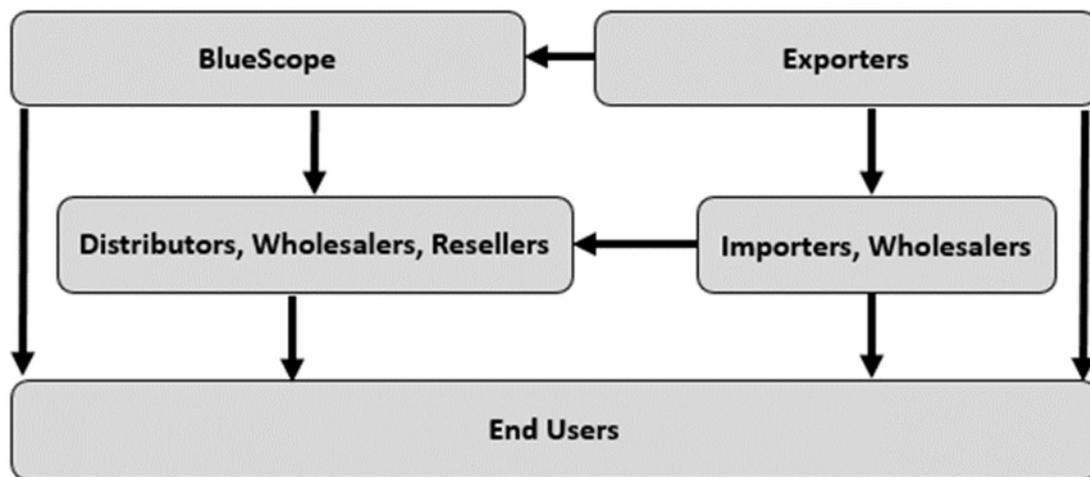


Figure 1: Distribution channels for HRC in Australia

4.2.2 Demand

The primary demand drivers for HRC are the demand for residential and commercial construction.

BlueScope's like goods are therefore impacted by factors that impact residential and commercial construction. BlueScope identified seasonal fluctuations (wet/dry seasons, holiday season shutdown), economic factors (import competition, availability of capital, domestic conditions, consumer confidence), and government regulation (standards, policies) as relevant factors.

The verification team reviewed the sales data provided by BlueScope with respect to the current investigation and data provided with respect to the most recent review of

measures for HRC.⁶ Some seasonal variation was observed. The verification team observed that the majority of sales were to the construction industry or to distributors.

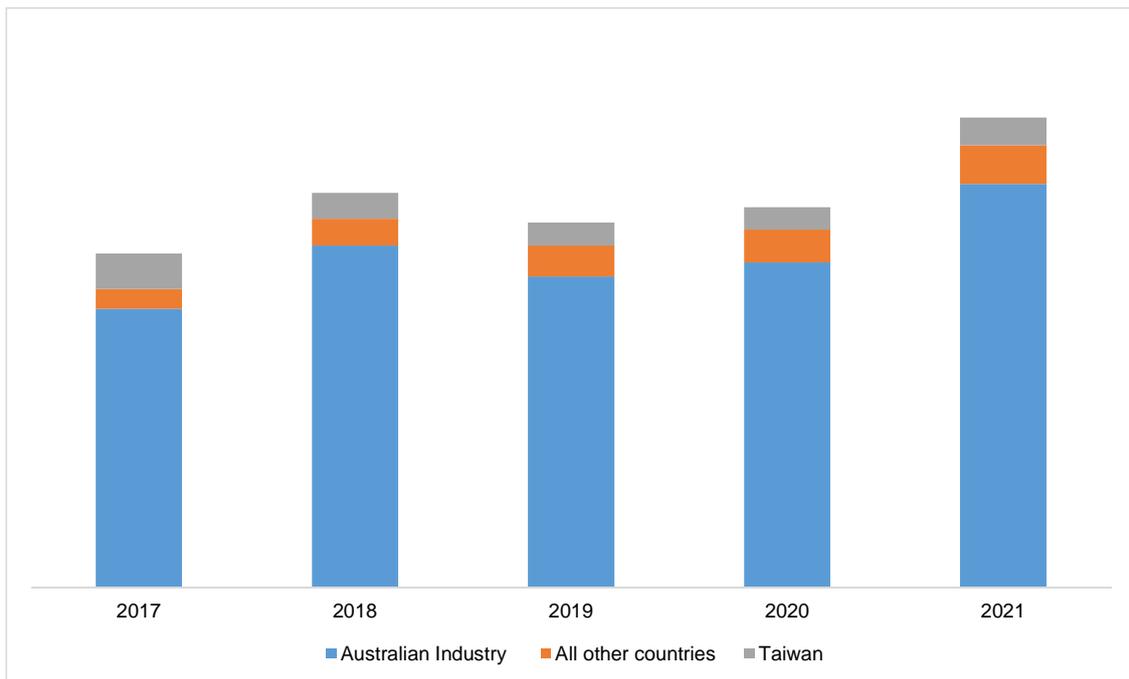


Figure 2: Australian Market Size 2017 to 2021 (tonnes)

Figure 2 shows that the size of the Australian market for HRC has increased between calendar year 2017 and 2021, with a marked increase between 2020 and 2021.

The inquiry period coincided with the ongoing COVID-19 pandemic. BlueScope made claims concerning the impact of the pandemic on demand and what it sees as the temporary nature of these impacts. These claims are listed in more detail in section 10.3. The verification team observes that there has been an increase in the overall size of the market. Further, the marked increase in BlueScope’s sales volumes appear to support its claims concerning the effects of the COVID-19 pandemic. These claims, and their impact on HRC market demand, will be assessed in more detail over the course of the inquiry.

4.3 Pricing

BlueScope operates an import benchmark pricing strategy. Known import offers in the market are used to determine at what level to set its selling price, but also as a tool by customers to negotiate lower prices.

Given HRC is a standardised commodity product, the commission understands that price is generally the main factor which influences a customer’s purchase decision. The commission has observed that BlueScope uses rebates and discounts. BlueScope is able to command a premium in recognition of its ability to supply to

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shorter lead times or provide extra services (such as slitting). BlueScope incurs additional costs for providing these services, the premiums charged fluctuate depending on prevailing market conditions.

BlueScope manufactures the majority of its goods to order. It releases price lists monthly and negotiates directly with the customer. In price negotiations, BlueScope will consider the price offerings of import competition where this information is available.

4.4 Market size

The commission has estimated the size of the Australian market for HRC using the domestic sales data from BlueScope and data sourced from the Australian Border Force (ABF) import database. The information sourced from the ABF import database was determined using the following tariff codes for HRC:

Tariff Subheading	Statistical Code	Description
7208		FLAT-ROLLED PRODUCTS OF IRON OR NON-ALLOY STEEL, OF A WIDTH OF 600 mm OR MORE, HOT-ROLLED, NOT CLAD, PLATED OR COATED:
7208.2		Other, in coils, not further worked than hot-rolled, pickled:
7208.25.00	32	Of a thickness of 4.75mm or more
7208.26.00	33	Of a thickness of 3mm or more but less than 4.75mm
7208.27.00	34	Of a thickness of less than 3mm
7208.3		Other, in coils, not further worked than hot-rolled:
7208.36.00	35	Of a thickness exceeding 10mm
7208.37.00	36	Of a thickness of 4.75mm or more but not exceeding 10mm
7208.38.00	37	Of a thickness of 3mm or more but less than 4.75mm
7208.39.00	38	Of a thickness of less than 3mm
7208.5		Other, not in coils, not further worked than hot-rolled:
7208.53.00	42	Of a thickness of 3mm or more but less than 4.75mm
7208.54.00	43	Of a thickness of less than 3mm
7208.9		Other
7208.90.00	30	Other
7211		FLAT-ROLLED PRODUCTS OF IRON OR NON-ALLOY STEEL, OF A WIDTH OF LESS THAN 600 mm, NOT CLAD, PLATED OR COATED:
7211.1		Not further worked than hot-rolled:
7211.14.00	40	Other, of a thickness of 4.75mm or more
7211.19.00	41	Other

Table 3: Tariff classification details

5 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

The verification team verified the completeness and relevance of BlueScope’s sales listing by reconciling these sales to audited financial statements in accordance with ADN No. 2016/030.

The verification team notes that BlueScope carries out management accounting through various operational systems such as:

- an invoicing and settlement discounts system;
- debtor management;
- rebate model;
- manufacturing costs; and
- freight model systems.

The datasets from these operational systems are aggregated into the COGNOS database, which lists the line-by-line sales revenue and all associated costs for all products.

The verification team noticed that variances exist between the COGNOS databases and the trial balance in SAP. BlueScope was able to clarify the differences between SAP and COGNOS as being related to accounting adjustments.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5.1 Exceptions during verification of sales completeness and relevance

No.	Exception	Resolution
#1	In its sales listing, BlueScope included goods that were not like to the goods subject to the measures.	The verification team revised BlueScope’s sales listing to only include goods within the goods description.

Table 4: Exceptions during verification of completeness and relevance of sales data

5.2 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided in the application by BlueScope, including any required amendments as outlined in the exception table above, is complete and relevant. Details of this verification process are contained in the verification work program and its relevant attachment, at **Confidential Attachment 1**.

6 VERIFICATION OF SALES ACCURACY

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data down to source documents. This verifies the accuracy of the data.

The verification team verified accuracy of the Australian sales listings submitted in the application by reconciling these to source documents in accordance with ADN No. 2016/030. Certain adjustments listed within BlueScope's data were based on standard costings and therefore did not reconcile with source documents provided. BlueScope demonstrated to the verification team the basis of these adjustments and the verification team was satisfied that the methodology applied by BlueScope was reasonable.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

6.1 Related party customers

The verification team observed that BlueScope sold its like goods to related customers. Sales to related customers were treated by BlueScope the same as sales to unrelated customers.

The verification team analysed the prices for unrelated and related customers and did not find evidence of price discrimination between related and unrelated customers. The verification team considers the sales to related customers to be at arms length.

The verification team is satisfied that BlueScope's selling prices for its like goods to related customers can be relied upon in the assessment of the economic condition of the Australian industry.

6.2 Sales accuracy finding

The verification team is satisfied that the sales data provided in the application by BlueScope is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at Confidential Attachment 1.

Accordingly, the verification team considers BlueScope's sales data suitable for analysing the economic performance of its HRC operations for the inquiry period.

7 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total cost to make data is reconciled to the cost of production in the management reports with particular attention given to ensuring that all relevant costs are included and irrelevant costs are excluded. The cost of production data is then reconciled, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that were excluded or should be excluded.

The verification team verified the completeness and relevance of the cost to make and sell (CTMS) information provided in the application by reconciling it to audited financial statements in accordance with ADN No. 2016/030.

As stated at chapter 5, the verification team notes that BlueScope carries out management accounting through various operational systems. The datasets from these operational systems are aggregated into the COGNOS database, which lists the line-by-line costs for each sale of BlueScope's like goods.

The verification team noticed that variances exist between the COGNOS databases and the trial balance in SAP. BlueScope were able to clarify the differences between SAP and COGNOS as being related to accounting adjustments.

Details of this verification process are contained in the verification work program and its relevant attachments at **Confidential Attachment 1**.

The verification team verified the relevance and completeness of the cost data as follows:

- The COGS for the relevant cost centres was reconciled upwards to the financial statements
- The cost of production of the goods under consideration was reconciled to the cost of production for all products.

The verification team verified the relevance and completeness of the SG&A data by tracing the SG&A amounts to relevant accounts in the detailed trial balance.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

7.1 CTMS completeness and relevance finding

The verification team is satisfied that the CTMS data provided in the application by BlueScope is complete and relevant.

8 VERIFICATION OF CTMS ACCURACY

8.1 Cost allocation method

The verification team verified the reasonableness of the method used to allocate the cost information, in accordance with ADN No. 2016/030.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments at **Confidential Attachment 1**.

Table 5 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Raw material costs for hot rolled coil are based on the actual production costs. For goods transferred to a separate business unit for further processing, the cost is adjusted for transfer pricing. The unit cost allocated is based on a weighted average value for each month.
Scrap Allocation	Standard costs, using production cost worksheets.
Manufacturing Overheads	Standard costs, using bill of materials and production cost worksheets.
Labour	Actual costs, using HR payroll postings from the accounting system.

Table 5: Cost calculation method

8.2 Exceptions during verification of CTMS allocation method

No exceptions were identified during verification of the CTMS allocation methodology.

8.3 Verification of accuracy of CTMS data

This part of the verification involves the process of agreeing the volume, value and other key information fields within the cost data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTMS information by reconciling it to source documents in accordance with ADN No. 2016/030.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

8.4 Exceptions during verification of other injurious factors

No exceptions were identified during the verification of other injurious factors.

8.5 Related party suppliers

For a portion of BlueScope's production, raw materials are sourced from a related entity within the BlueScope group. Dry HRC (for the further manufacture of pickled and oiled HRC) is purchased from a related party at cost, this is then adjusted to reflect a transfer price. The transfer price is based on BlueScope's estimate of external prices of HRC. BlueScope does not have any other related raw material suppliers.

The verification team considers that the costs paid to its related supplier is made at arms length, taking into account BlueScope's regular payment of a transfer price based on an external benchmark price for hot rolled coil.

8.6 CTMS verification finding

The verification team is satisfied that the methodology applied by BlueScope in providing the CTMS data results in relevant and accurate data.

Accordingly, the verification team considers BlueScope's CTMS data is suitable for analysing the economic performance of its like goods' operations.

9 ECONOMIC CONDITION

9.1 Background

Dumping measures were initially imposed by public notice on 20 December 2012 by the then Minister for Home Affairs following consideration of International Trade Remedies Report No. 188 (REP 188).⁷ The initial notice imposed anti-dumping duties on Japan, the Republic of Korea (ROK), Malaysia and Taiwan. A subsequent re-investigation, continuation inquiry and two reviews amended the variable factors.⁸ The previous continuation inquiry 400 recommended that measures relating to Japan, the ROK and Malaysia be allowed to expire and measures relating to Taiwan continue with different variable factors.⁹ In review 528, all exporters from Taiwan were found not to be dumping. Following the finalisation of the review, all exporters were subject to a floor price.

An assessment as to whether the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of the material injury that the anti-dumping measure is intended to prevent, involves a consideration of future outcomes based on an evaluation of the present position. To assist with that assessment, this chapter considers the economic condition of the Australian industry from 1 January 2017.

9.2 Approach to injury analysis

The analysis detailed in this chapter is based on verified financial information submitted by BlueScope, the applicant and the sole member of the Australian industry, and data from the ABF import database.

The verification team has assessed the economic condition of the Australian industry from 1 January 2017, using the information provided by the applicant. Volume, price and profit figures as well as other injury factors presented have been compiled on a calendar year basis from 1 January 2017 to 31 December 2021. This preliminary assessment is at **Confidential Appendix 1**.

9.3 Volume effects

9.3.1 Sales volume

Between the period 2017 and 2021, the market for HRC expanded. Between 2019 and 2021, Australian industry increased its sales volumes, after an initial reduction between 2018 and 2019. Between 2017 and 2018, there was a contraction in

⁷ Refer to ACDN 2012/166.

⁸ Refer reinvestigation 209, continuation inquiry 400, review 454 and review 528 in the Anti- Dumping Commission EPR.

⁹ Refer [ADN 2017/166](#) on Case 400 EPR.

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Taiwanese volumes. Since then, however, volumes have stayed largely consistent, with an increase in 2021.

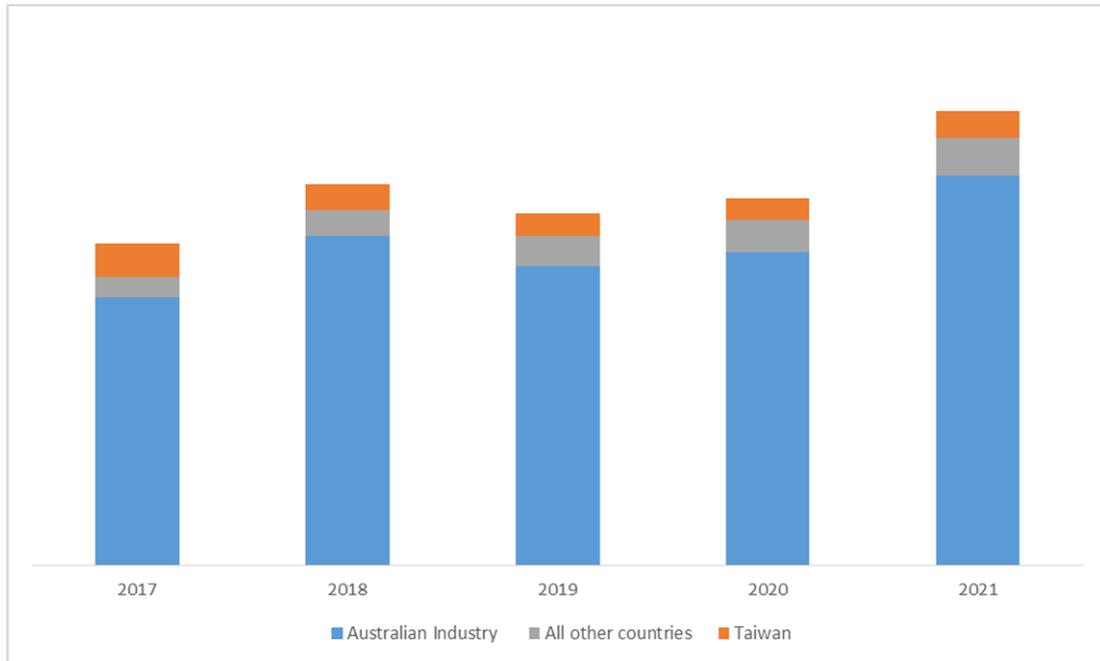


Figure 3: Australian market volumes (tonnes)

9.3.2 Market share

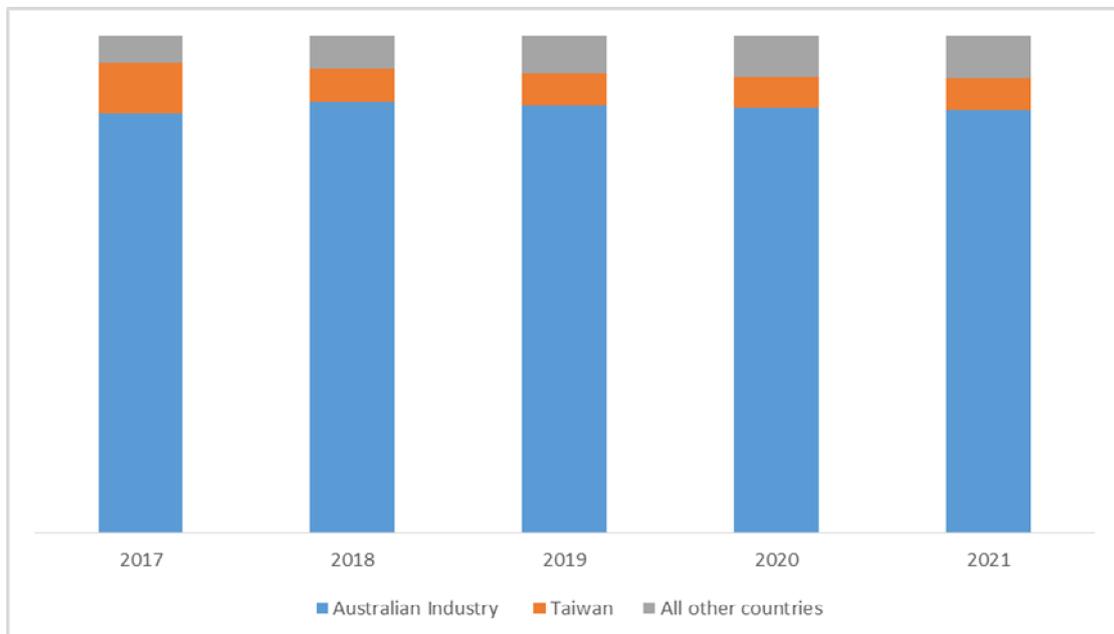


Figure 4: Australian market share

Australian industry's market share saw an expansion between 2017 and 2018 and has reduced marginally year on year between 2018 and 2021. Taiwanese market share saw a marked contraction between 2017 and 2018 and reduced marginally between 2018 and 2020 with an increase between 2020 and 2021.

Volume and market share assessments are in **Confidential Appendix 1**.

9.3.3 Conclusion

The verification team considers that there is reasonable grounds to support a claim of injury in the form of reduced market share. The verification team does not consider that there is reasonable grounds to support a claim of injury in the form of reduced sales volumes.

9.4 Price effects

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between prices and costs.

The verification team was provided with data related to two business units relevant to the production of HRC at BlueScope. In order to analyse the price effects and profitability effects, the verification team amalgamated this data.

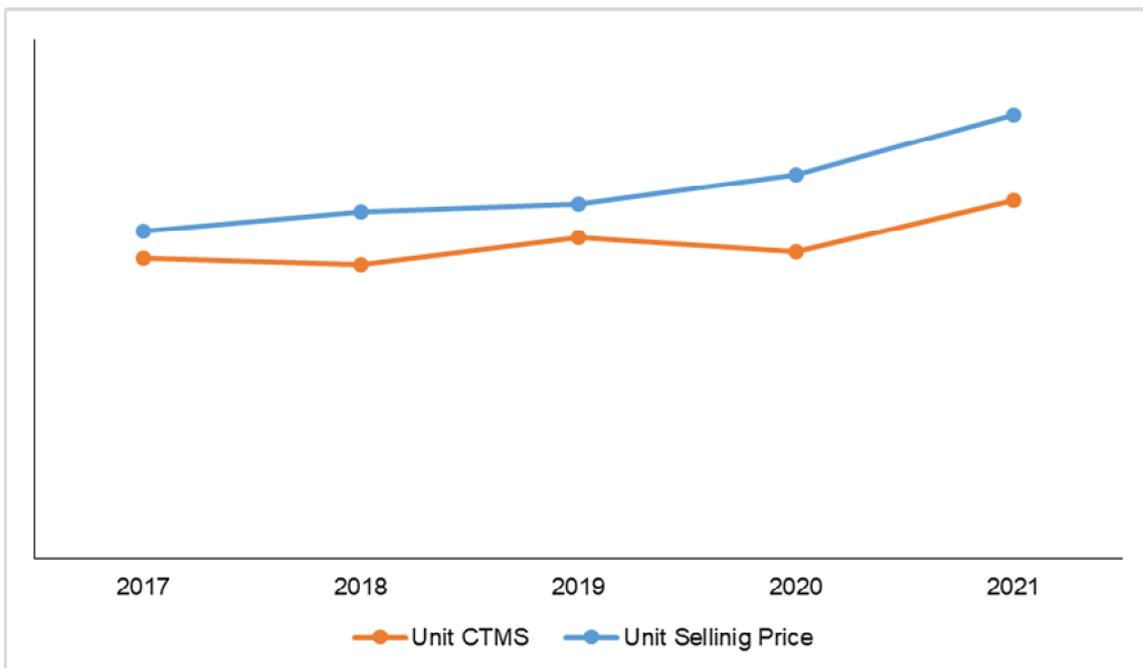


Figure 5: Unit CTMS and unit selling price

BlueScope has seen an improvement over the last two years in its unit selling price and unit CTMS. While unit CTMS has increased between 2020 and 2021, the margin between unit CTMS and unit selling price has improved. The verification team observes, however, that prior to this period, between 2017 and 2019, BlueScope experienced a worsening margin between selling price and CTMS. The verification team notes that BlueScope has advised, in its application and during the verification visit, that it has experienced an improved profit position due to the effects of COVID-19 over the last two years (refer section 10.3). It also observed that these effects will

be temporary and with normalisation of global freight costs and demand, there will also be a normalisation of its price and profit metrics. The verification team observed that the improvements in price and the margin between unit CTMS and selling price, appears to support BlueScope's claims concerning the impact of the COVID-19 pandemic on its unit profit position. The commission will review the impacts of the past two years and Australian industry's outlook over the course of this inquiry.

Price effects analysis is at **Confidential Appendix 1**.

9.4.1 Conclusion

The verification team does not consider that there is sufficient grounds to support a claim that BlueScope has experienced injury in the form of price depression or price suppression.

9.5 Profit and profitability

BlueScope experienced declining profits and profitability between 2018 and 2019, followed by an improved profit position between 2019 and 2021. Profitability has improved between 2019 and 2020, with a decrease between 2020 and 2021. The improved profit position may be a consequence of the increased volumes (refer Figure 3) and increase in unit selling prices (refer Figure 5).

The decrease in profitability appears to be a result of the rate of increase in unit CTMS between 2020 and 2021. While unit selling prices have also increased, unit CTMS has increased at a higher rate between 2020 and 2021 resulting in this reduction in unit profitability.

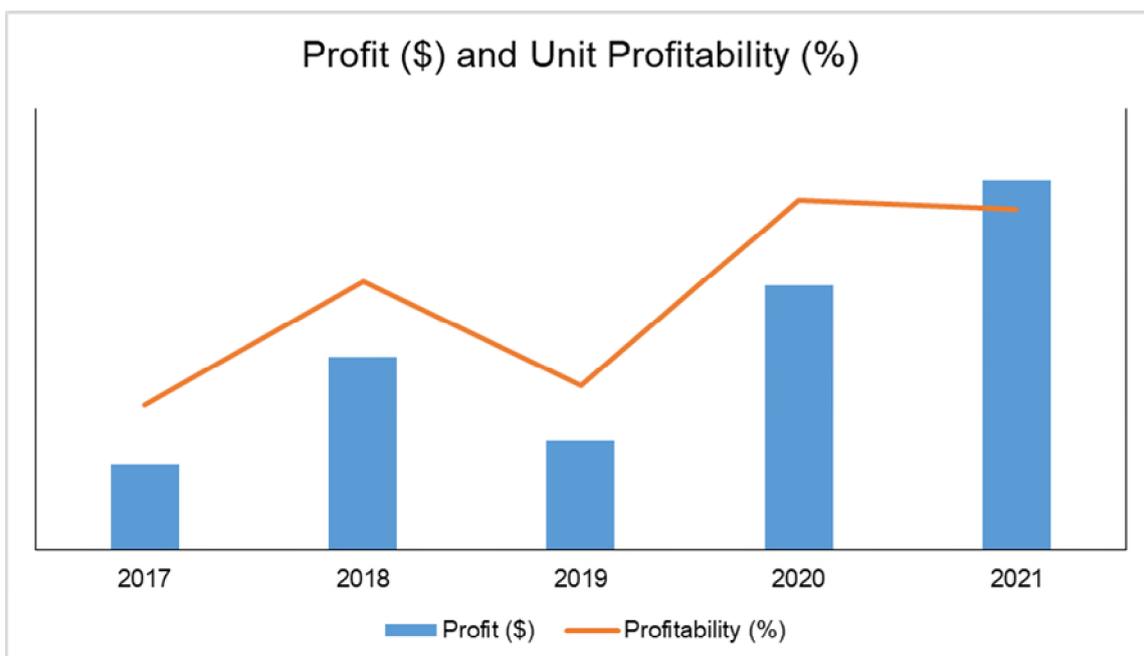


Figure 6: Profit (\$) and profitability (%)

Profit and profitability analysis is at **Confidential Appendix 1**.

9.5.1 Conclusion

The verification team considers that there is sufficient grounds to support a claim that BlueScope has experienced injury in the form of reduced profitability. The verification team does not consider that there is sufficient grounds to support a claim that BlueScope has experienced injury in the form of reduced profits.

9.6 Other economic factors

BlueScope provided the verification team with data related to several economic factors for the two divisions related to the production of HRC.

For one of the divisions, BlueScope has experienced reductions in assets, capital investment, revenue, capacity, employment, productivity and wages. It has experienced improvements in return on investment and capacity utilisation. For the other division, BlueScope has experienced reductions in capital investment, capacity, revenue, employment, productivity and wages. It has experienced an improvement in return on investment and no change in assets and capacity utilisation.

Analysis of other economic factors is at **Confidential Appendix 1**.

10 IMPACT OF EXPIRY OF MEASURES

10.1 Background and approach to analysis

Under the terms of section 269ZHF(2) of the Act, in order to recommend that the Minister take steps to secure the continuation of the anti-dumping measures, the Commissioner must be satisfied that the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of:

- dumping and/or subsidisation
- the material injury

that the anti-dumping measure is intended to prevent.

Accordingly, the verification team sought BlueScope's views on these matters, and collected evidence to support those claims.

10.2 Claims by Australian industry concerning Taiwanese HRC exports

BlueScope made several claims concerning dumping and injury in the absence of dumping duties, in its application, the Australian industry questionnaire and during the verification. These claims include that:

- Exporters have maintained distribution links in Australia.
- Taiwanese producers of HRC maintain extensive production capacity, and have the means and motive to export substantial volumes of HRC to Australia.
- Taiwanese exports have been dumped since review 528.
- In the absence of measures, the volumes from Taiwan would be significant. It claims that Taiwan is the world's 13th largest steel exporter and that Australia is one of the top 10 importers of steel from Taiwan.
- In the absence of measures, the effects on pricing would be significant. It claims that Taiwan HRC exporters were the lowest priced during the inquiry period, and sell very close to their ascertained export prices.
- There are reduced markets for Taiwanese exports of HRC due to trade defence actions and the findings of investigations into Taiwanese HRC by other jurisdictions.

10.3 Claims by Australian industry concerning the effects of the COVID-19 pandemic

The inquiry period for this inquiry is over a timeframe impacted by the COVID-19 pandemic. BlueScope made several claims in Australian industry questionnaire concerning how the pandemic has impacted the HRC market;

- Demand has increased due to significant government stimulus aimed at the construction industry coupled with low interest rates and increased consumer demand. This has been further supported by consumer spending increases

on home improvements whilst in lockdown. These have all driven increased 'pull forward' demand for steel products – including HRC.

- International steel supply chain's lack of predictability around shipping availability and reliability has adversely impacted import steel supply. BlueScope has seen domestic purchasers of the goods replacing their traditional import supply volumes with domestic supply – to improve their ability to obtain product.
- Timber shortages (bushfires, and both domestic and international supply chain issues) has also seen demand for timber shift to steel in the construction market.
- Post COVID-19, it is expected demand for the goods will revert to pre-COVID levels, with some demand softness this financial year already forecast due to the 'pull forward' effect of financial stimulus in the construction sector.
- International supply chain uncertainty will also diminish in line with COVID-19 being effectively managed within and across South East Asia, North Asia, the U.S., and Europe. International supply chain availability and certainty will see Australian domestic market participants reverting to their traditional import supply channels.

The verification team observed that the improvements in BlueScope's economic indicators, as discussed in chapter 9, appear to support the above claims. The impacts of the COVID-19 pandemic on the HRC market will be assessed in more detail during the course of the inquiry.

10.4 Continuation or recurrence of dumping and/or subsidisation

10.4.1 Current pricing of Taiwanese HRC

BlueScope advised that its own analysis found that Taiwanese export prices are very close to estimated ascertained export prices. BlueScope's view is that this price is due to the measures, and that in the absence of measures, Taiwanese prices can be expected to reduce below this level, and dumping will recur. The commission has sent exporter questionnaires to three Taiwanese exporters of HRC to Australia. The commission will assess the likelihood of the recurrence of dumping as well as calculate variable factors during the course of this inquiry.

10.5 Continuation or recurrence of material injury

10.5.1 Maintenance of distribution links

In its application and during the verification visit, BlueScope alleged that Taiwanese exporters have maintained distribution links within Australia. BlueScope's view is that in the absence of measures, these distribution links may be used to increase export volumes resulting in volume related injury to the Australian industry.

From ABF data, the verification team observed that the major importers and exporters in the HRC market have continued to be active over the last 5 years.

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During the verification of exporters and importers, the commission will assess ongoing distribution links and long term relationships within the Australian market.

10.5.2 Pricing

As explained in section 4.3 above, BlueScope's pricing is informed by import prices. While BlueScope has experienced high demand over the last two years, it is of the view that this is temporary due to the effects of COVID-19 and associated increases in marine freight. It expects that with a normalisation of global trade, these prices will reduce resulting in price related injury.

BlueScope provided the verification team with evidence to support its claims that it expects global HRC prices and marine freight costs to decrease going forward. It also provided the verification team with evidence of the impact of import prices on its own prices. The effects of COVID-19 on the HRC market over the last two years, and forecasts of HRC pricing and marine freight and ongoing demand, will be assessed during the course of this inquiry.

10.5.3 Historical volumes of HRC from Taiwan

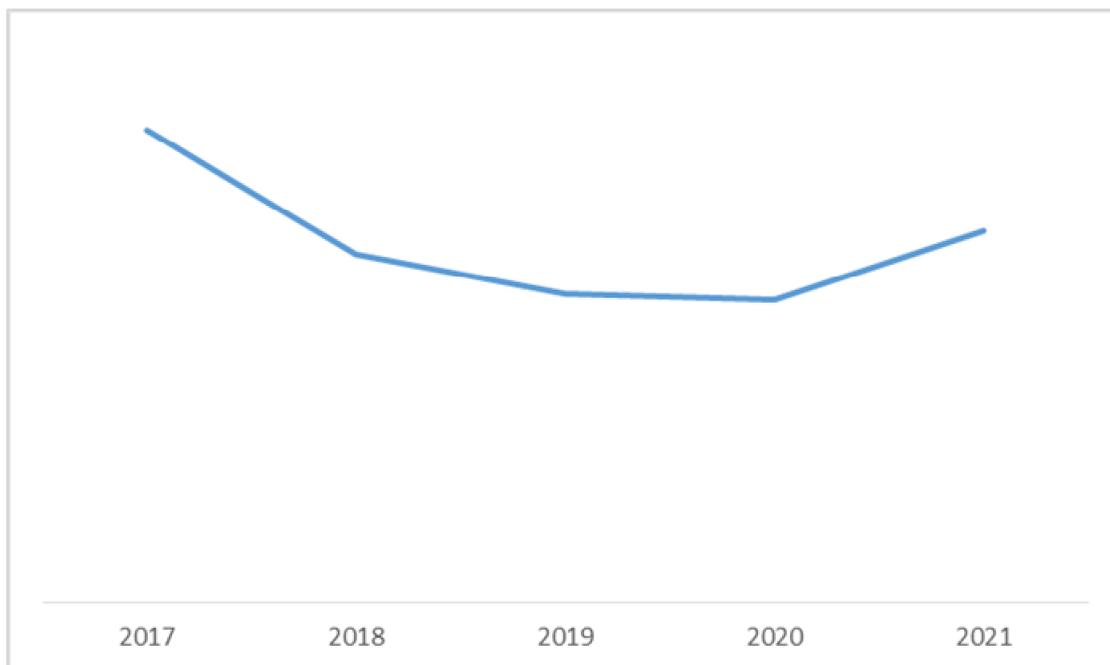


Figure 7: Taiwanese HRC export volumes (tonnes)

During the verification visit, BlueScope observed that Taiwanese HRC has continued in similar volumes despite the measures.

Continuation inquiry 400 was initiated on 4 April 2017 and the findings of the inquiry were published on 18 December 2017. The findings of this inquiry as it relates to Taiwan was that the measures will continue to have effect with revised variable factors. These dates coincide with reduced volumes from Taiwan, as well as changes in market share discussed in section 9.3.2 above. Between 2017 and 2018,

Taiwanese volumes and market share contracted. Following this, volumes and market share have remained consistent or increased.

10.6 Injury caused by factors other than dumping

10.6.1 Exports of HRC from other countries

The verification team analysed exports of HRC from Taiwan and other countries during the 5 year period to 2021. As is apparent from Figure 3 above, non-subject countries have increased exports of HRC to Australia. The verification team found that some of the imports from another country in quarter 4 of the inquiry period were imported by BlueScope. During the verification, BlueScope explained that this was due to a short term requirement to meet demand as there was reduced production in that quarter. BlueScope advised that this is unlikely to be repeated.

10.6.2 Construction industry

As detailed in section 4.2.2 above, residential and commercial construction are the main drivers for demand in the HRC market. During the verification, BlueScope advised that it has benefitted from an increase in construction activity driven by government incentives during the pandemic. Again, with a normalisation in construction activity over the next few years, it expects that demand will normalise. The commission will review the impacts of construction on demand over the course of the inquiry.

11 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Verification work program
Confidential Appendix 1	Injury analysis