



Australian Government  
Department of Industry,  
Science and Resources

**Anti-Dumping  
Commission**

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*CUSTOMS ACT 1901 - PART XV B*

## **REPORT NO 594**

**INQUIRY CONCERNING THE CONTINUATION OF THE  
ANTI-DUMPING MEASURES APPLYING TO CERTAIN  
HOT ROLLED COIL STEEL  
EXPORTED TO AUSTRALIA FROM TAIWAN**

**9 November 2022**

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### ABBREVIATIONS

ABF	Australian Border Force
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
the Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
ASA	the Australian Steel Association
BlueScope	BlueScope Steel Limited
BMT	base metal thickness
China	the People's Republic of China
Chung Hung	Chung Hung Steel Corporation
the commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CSC	China Steel Corporation
CSGT	China Steel Global Trading Corporation
CTMS	cost to make and sell
the Customs Direction	<i>Customs (Extensions of Time and Non-cooperation) Direction 2015</i>
DSC	Dragon Steel Corporation
Dumping Duty Act	<i>Customs Tariff (Anti-Dumping) Act 1975</i>
EPR	electronic public record
FOB	free on board
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
GUC	goods under consideration
the Guidelines	<i>Guidelines on the Application of Forms of Dumping Duty November 2013</i>
HRC	hot rolled coil steel
IDD	interim dumping duty
India	the Republic of India
inquiry period	1 January 2021 to 31 December 2021
the Manual	<i>Anti-Dumping Commission Dumping and Subsidy Manual</i>
the measures	the anti-dumping measures applying to HRC exported from Taiwan
MCC	model control code
the Minister	the Minister for Industry and Science
mm	millimetres
NIP	non-injurious price
OCOT	ordinary course of trade
PO	pickled and oiled
REP 188	<i>International Trade Remedies Branch Report No 188</i>
REP 400	<i>Anti-Dumping Commission Report No 400</i>
REP 454	<i>Anti-Dumping Commission Report No 454</i>

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REP 528	<i>Anti-Dumping Commission Report No 528</i>
REQ	response to the exporter questionnaire
SCM	World Trade Organization Agreement on Subsidies and Countervailing Measures
SEF	Statement of Essential Facts
SEF 594	Statement of Essential Facts No 594
SG&A	selling, general and administrative expenses
Shang Chen	Shang Chen Steel Co., Ltd
USP	unsuppressed selling price

# 1 SUMMARY AND RECOMMENDATIONS

## 1.1 Introduction

This report sets out the findings on which the Commissioner of the Anti-Dumping Commission (the Commissioner) bases his recommendations to the Minister for Industry and Science (the Minister) in respect to an inquiry into whether to continue the anti-dumping measures applying to certain hot rolled coil steel (HRC, or the goods) exported to Australia from Taiwan.

The anti-dumping measures are in the form of a dumping duty notice<sup>1</sup> (the measures). The measures are due to expire on 20 December 2022.<sup>2</sup>

The Commissioner initiated this inquiry on 4 January 2022 after BlueScope Steel Limited (BlueScope) applied for a continuation of the measures.<sup>3</sup>

## 1.2 Findings

The Commissioner is satisfied that the expiration of the measures applying to the goods exported to Australia from Taiwan would be likely to lead to a continuation of, or a recurrence of, dumping and the material injury that the measures are intended to prevent.

Chapters 3 to 8 of this report provide the detail on the Commissioner's findings. The following sections provide a summary of these findings.

### 1.2.1 Australian industry producing like goods (Chapters 3 and 4)

The Commissioner finds that there is an Australian industry, consisting solely of BlueScope, producing like goods.

### 1.2.2 Australian market (Chapter 5)

The Commissioner finds that from 1 January 2021 to 31 December 2021 (the inquiry period), the Australian market for HRC was supplied by BlueScope and imports from multiple countries.

The Commissioner found that demand for HRC increased during the inquiry period, however, this increased demand is unlikely to continue in the following years and would likely return to the long-term average.

### 1.2.3 Variable factors and dumping during the inquiry period (Chapter 6)

The Commissioner finds that the variable factors relevant to the determination of duty payable have changed since they were last ascertained.

The Commissioner determines the following dumping margins for each exporter, based on the newly ascertained variable factors determined for the inquiry period.

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<sup>1</sup> Anti-Dumping Notice (ADN) No 2012/66.

<sup>2</sup> Under section 269TM of the *Customs Act 1901* (the Act), dumping and countervailing duty notices expire 5 years after the date of publication of those notices, unless revoked earlier. If not continued, the existing measures would no longer apply on and from 21 December 2022.

<sup>3</sup> ADN No 2022/002.

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Exporter	Dumping margin
Chung Hung Steel Corporation (Chung Hung)	5.1%
China Steel Corporation (CSC)	3.2%
Shang Chen Steel Co., Ltd (Shang Chen)	2.0%
All other exporters	5.5%

**Table 1: Dumping margins**

### **1.2.4 Economic condition of the Australian industry (Chapter 7)**

After measures were last continued in 2017, and before the inquiry period, the Australian industry's economic condition continued to show signs of vulnerability, particularly in terms of its low profits and profitability. However, by the end of the inquiry period, the Australian industry's sales volume and market share had grown, and profit and profitability improved.

The Anti-Dumping Commission (commission) has assessed the Australian industry's economic condition within the context of changes in supply and demand resulting from supply chain disruptions due to the COVID-19 pandemic, and an increase in construction activity driven by government incentives during the pandemic. In this context, the commission considers that the Australian industry remains susceptible to injury caused by dumped goods in the Australian market.

### **1.2.5 Continuation or recurrence of exports from Taiwan (Section 8.4)**

The Commissioner is satisfied that, should the measures expire, exports from Taiwan are likely to continue on the basis that:

- exports of the goods to Australia from Taiwan continued after measures were imposed and continued in 2012 and 2017 respectively, and consistently comprised a significant proportion of the total HRC imported into Australia, including more than 5% of the total Australian HRC market
- Taiwanese exporters have maintained distribution links to the Australian market
- exporters have total spare production capacity greater than the total size of the Australian HRC market
- the expiration of the measures may make Australia a comparatively attractive and accessible market compared to other global markets that have trade measures against Taiwan.

### **1.2.6 Continuation or recurrence of dumping (Section 8.5)**

The Commissioner is satisfied that the expiration of the measures would be likely to lead to a continuation of dumping by all exporters from Taiwan, on the basis that:

- dumping occurred during the inquiry period
- Taiwanese exporters have exported goods at dumped prices at various points throughout the life of the measures
- although HRC export prices increased significantly during the inquiry period, this increase is unlikely to continue as the pandemic's effect on supply and demand recedes and the Australian HRC market normalises.

### **1.2.7 Continuation or recurrence of material injury (Section 8.6)**

The Commissioner is satisfied that that the expiration of the measures would be likely to lead to a recurrence of the material injury that the measures are intended to prevent.

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This is based on the following key findings:

- price is a major factor in customers' purchasing decisions, and there is close price competition in the Australian HRC market, in particular between the Australian industry and exports from Taiwan
- imports from Taiwan during the inquiry period have generally been the lowest priced in the Australian market and, during the inquiry period, have sometimes undercut the Australian industry's selling prices
- since measures were imposed, Taiwan has been the most consistent and materially significant source of HRC imported into the Australian market.

### 1.2.8 Non-injurious price (Chapter 9)

The Commissioner finds that the non-injurious price (NIP) relevant to the determination of interim duty payable has changed since it was last ascertained. The commission found that for all Taiwanese exporters the NIP is not less than the normal value of the goods. Accordingly, the Minister is not required to have regard to the desirability of specifying a lesser amount of duty in respect of the goods.

### 1.3 Form measures and effective rates of duty (Chapter 10)

The Commissioner recommends that the *ad valorem* duty method is used to work out the interim dumping duty (IDD) payable on the goods exported from Taiwan.

The fixed rate of IDD payable will be equal to the full margin of dumping found for each exporter, and will be applied as a proportion of the actual export price of the goods.

Table 2 shows the effective rates of IDD.

Exporter	Fixed rate of IDD
Chung Hung	5.1%
CSC	3.2%
Shang Chen	2.0%
All other exporters	5.5%

Table 2: Effective rates of IDD

### 1.4 Recommendations (Chapter 11)

Based on the findings contained in this report, the Commissioner recommends that:

- the Minister take steps to secure the continuation of the measures
- the dumping duty notice have effect in relation to all exporters from Taiwan as if different variable factors had been ascertained, and
- the *ad valorem* duty method is used to work out the amount of IDD payable on the goods exported from Taiwan.

## 2 BACKGROUND

### 2.1 Legislative framework

Division 6A of Part XVB of the Act sets out, among other things, the procedures the Commissioner is required to follow when considering an application for the continuation of anti-dumping measures.

Section 269ZHE(1) requires the Commissioner to publish a statement of the facts on which they propose to base their recommendations to the Minister concerning the continuation of the measures. Section 269ZHE(2) requires the Commissioner, in formulating the statement of essential facts (SEF), to have regard to the application and any submissions received within 37 days of the initiation of the inquiry. The Commissioner may also have regard to any other matters considered to be relevant.

Section 269ZHF(1) requires the Commissioner, after conducting an inquiry, to give the Minister a report recommending that the relevant notice:

- remain unaltered
- cease to apply to a particular exporter or to a particular kind of goods
- have effect in relation to a particular exporter or to exporters generally, as if different variable factors had been ascertained
- expire on the specified expiry day.

Pursuant to section 269ZHF(2), the Commissioner must not recommend that the Minister take steps to secure the continuation of the anti-dumping measures unless the Commissioner is satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping or subsidisation and the material injury that the anti-dumping measure is intended to prevent.

### 2.2 Application and initiation

On 5 October 2021, and in accordance with section 269ZHB(1), the Commissioner published a notice<sup>4</sup> on the commission's website inviting the following persons to apply for the continuation of the measures:

- the person whose application under section 269TB resulted in the measures (section 269ZHB(1)(b)(i))
- persons representing the whole or a portion of the Australian industry producing like goods to the goods covered by the measures (section 269ZHB(1)(b)(ii)).

On 27 November 2021, BlueScope lodged an application under section 269ZHC seeking the continuation of the measures in respect of certain HRC exported to Australia from Taiwan.<sup>5</sup>

As set out in ADN No 2022/002,<sup>6</sup> the Commissioner was satisfied that the application complied with section 269ZHC and, in accordance with section 269ZHD(2)(b), there appeared to be reasonable grounds for asserting that the expiration of the measures might lead, or might be likely to lead, to a continuation of, or a recurrence of, the material injury that the measures are intended to prevent. The Commissioner therefore decided not to reject the application and initiated the present inquiry on 4 January 2022.

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<sup>4</sup> ADN No 2021/129.

<sup>5</sup> Electronic public record (EPR) 594, document no 1.

<sup>6</sup> EPR 594, document no 2.

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### 2.3 Current measures

Table 3 shows the rates of IDD, including the form of measures, applying to exports of HRC from Taiwan.

Country	Exporter	Effective rate of duty	Duty method
Taiwan	Chung Hung	0%	Floor price duty method
	CSC	0%	Floor price duty method
	Shang Chen	0%	Floor price duty method
	All other exporters	0%	Floor price duty method

**Table 3: Current measures applying to the goods**

Further details on the measures is available on the Dumping Commodity Register for galvanised steel at [www.adcommission.gov.au](http://www.adcommission.gov.au).

### 2.4 Previous cases

The measures, in the form of a dumping duty notice, were first imposed on 20 December 2012 following the investigation reported in *International Trade Remedies Branch Report No 188* (REP 188).

REP 188 and other previous cases which are relevant to the present application are summarised in Table 4.

Case type and report	ADN No	Date ADN published	Country of export	Findings
<b>Investigation</b> REP 188	<a href="#">2012/66</a>	20 December 2012	Japan, Korea, Malaysia and Taiwan	Dumping duties imposed. Combination duty method applicable to exports from Japan, Korea, Malaysia and Taiwan
<b>Reinvestigation</b> <i>Anti-Dumping Commission Report No 209</i>	<a href="#">2013/49</a>	17 July 2013	Japan, Korea, Malaysia and Taiwan	Lesser duty applicable to Japanese exports of pickled and oiled (PO) HRC only. Variable dumping margin for PO HRC from Japan set to 0%
<b>Continuation</b> <i>Anti-Dumping Commission Report No 400</i> (REP 400)	<a href="#">2017/166</a>	18 December 2017	Japan, Korea, Malaysia and Taiwan	Dumping measures ceased in relation to the goods exported from Japan, Korea and Malaysia. Floor price duty method applicable to exports from Taiwan
<b>Review</b> <i>Anti-Dumping Commission Report No 454</i> (REP 454)	<a href="#">2018/126</a>	24 September 2018	Taiwan	The variable factors were altered for all exporters from Taiwan. Floor price duty method applicable to exports from Taiwan
<b>Review</b> <i>Anti-Dumping Commission Report No 528</i> (REP 528)	<a href="#">2020/92</a>	17 September 2020	Taiwan	The variable factors were altered for all exporters from Taiwan. Floor price duty method applicable to exports from Taiwan

**Table 4: Summary of key cases relating to HRC**

## **2.5 Conduct of the inquiry**

### **2.5.1 Inquiry period**

In ADN No 2022/002,<sup>7</sup> the Commissioner notified interested parties that the period from 1 January 2021 to 31 December 2021 (the inquiry period) would be examined in order to determine whether dumping has occurred and whether the variable factors relevant to the determination of duty payable have changed. Exporters and importers of HRC from Taiwan were invited to provide information relevant to this period.

### **2.5.2 Questionnaires and verification**

#### **2.5.2.1 Australian industry**

In its application seeking the continuation of the measures, BlueScope provided its sales and cost data. The commission verified BlueScope's sales and cost data, and prepared a verification report outlining the findings of this verification, which is available on the public record.<sup>8</sup>

Further, following the initiation of this inquiry, the commission requested that BlueScope complete a questionnaire and provide information relevant to the Australian market and the likelihood of material injury continuing or recurring if the measures were to expire. BlueScope's response to this questionnaire is available on the public record,<sup>9</sup> and the Commissioner had regard to the information provided by BlueScope in preparing this report.

#### **2.5.2.2 Exporters**

Following the initiation of this inquiry, the commission contacted and forwarded questionnaires to multiple interested parties from the subject countries, including entities or persons that have exported the goods to Australia from Taiwan during the inquiry period. The commission also placed the exporter questionnaire, including associated spreadsheets, on the commission's website for exporters to complete.

The commission received responses to the exporter questionnaire from the following entities:

- Chung Hung
- CSC
- Shang Chen.

Public versions of the questionnaire response are available on the public record.<sup>10</sup>

The commission did not receive a response to the exporter questionnaire from any other interested parties or exporters.

Given that CSC was the largest exporter of the goods (by volume) during the inquiry period, the commission conducted a full verification of the information and data provided by CSC in its response to the exporter questionnaire. A report outlining the findings of this verification is available on the public record.<sup>11</sup>

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<sup>7</sup> EPR 594, document no 2.

<sup>8</sup> EPR 594, document no 6.

<sup>9</sup> EPR 594, document no 3.

<sup>10</sup> EPR 594, document nos 9, 10 and 11 respectively.

<sup>11</sup> EPR 594, document no 14.

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### 2.5.2.3 Importers

The commission identified several entities in the Australian Border Force (ABF) import database that imported goods classified to the relevant tariff subheadings (as listed at section 3.4 of this report) from the subject countries in calendar years 2020 and 2021. The commission forwarded a copy of the importer questionnaire to these interested parties and placed a copy of the importer questionnaire on its website for voluntary completion.

The commission received responses to the importer questionnaire from the following entities:

- CA Steel Products Pty Ltd (CA Steel)
- Macsteel International Australia Pty Ltd (Macsteel).

The commission verified the information and data provided by CA Steel and Macsteel in their responses to the importer questionnaire. Reports outlining the commission's findings from the verifications are available on the public record.<sup>12</sup>

### 2.5.3 Statement of Essential Facts

On 22 August 2022, the Commissioner placed on the public record a statement of the facts<sup>13</sup> (SEF, or SEF 594) on which the Commissioner proposed to base their recommendations to the Minister.

Following the publication of the SEF, interested parties had 20 days to respond to the SEF (by 11 September 2022). The Commissioner had regard to submissions received in response to the SEF in preparing this report and recommendations to the Minister.

### 2.5.4 Submissions received from interested parties

The commission received the following submissions during the course of the inquiry. Non-confidential versions of these submissions are available on EPR 594.

Public record document no	Interested party	Date published on EPR
4	BlueScope	15 March 2022
8	BlueScope	12 May 2022
15	CSC	12 August 2022
16	BlueScope	19 August 2022
18	Australian Steel Association (ASA)	13 September 2022
19	CSC	13 September 2022
20	Shang Chen	13 September 2022
21	Chung Hung	13 September 2022
22	BlueScope	13 September 2022

**Table 5: Submissions received from interested parties**

The Commissioner, in preparing his findings and recommendations outlined in this report, has considered all submissions listed in table 5.<sup>14</sup>

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<sup>12</sup> EPR 594, document nos 13 and 12 respectively.

<sup>13</sup> EPR 594, document no 17.

<sup>14</sup> In SEF 594, the Commissioner did not have regard to CSC's submission published on 12 August 2022, and BlueScope's submission published on 19 August 2022, as to do so would have, in the Commissioner's opinion, prevented the timely placement of the SEF on the public record. The Commissioner has considered these submissions in the preparation of this report.

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### **2.5.5 Public record**

The public record contains non-confidential submissions received from interested parties, non-confidential versions of the commission's verification reports and other publicly available documents. It is available online via the EPR at [www.adcommission.gov.au](http://www.adcommission.gov.au).

Interested parties should read this report in conjunction with documents on the public record.

### 3 THE GOODS AND LIKE GOODS

#### 3.1 Finding

The commission considers that locally manufactured HRC is like to the goods subject to the measures. The commission considers there is an Australian industry, of which BlueScope is the sole member, wholly producing like goods.

#### 3.2 Legislative framework

In order to be satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation or recurrence of dumping and the material injury that the measure is intended to prevent, the Commissioner firstly determines whether the goods produced by the Australian industry are “like” to the imported goods. Section 269T(1) defines like goods 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.*

Where the locally produced goods and the imported goods are not alike in all respects, the Commissioner assesses whether they have characteristics closely resembling each other against the following considerations:

- physical likeness
- commercial likeness
- functional likeness
- production likeness.

#### 3.3 The goods

The goods subject to the measures are:

*Hot rolled coil (including in sheet form), a flat rolled product of iron or non-alloy steel, not clad, plated or coated (other than oil coated).*

*Goods excluded from this application are hot rolled products that have patterns in relief (known as checker plate) and plate products.*

The goods subject to the measures do not include hot rolled sheet that is 4.75 millimetres (mm) thick or more, as it is considered to be plate steel. HRC in coil form with a thickness of 4.75mm or more is still subject to the measures.

#### 3.4 Tariff classification

The goods are classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

Tariff subheading	Statistical code	Description
7208		FLAT-ROLLED PRODUCTS OF IRON OR NON-ALLOY STEEL, OF A WIDTH OF 600mm 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

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Tariff subheading	Statistical code	Description
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 600mm, 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 6: Tariff classification details**

These tariff classifications and statistical codes may include goods that are both subject and not subject to the measures. The listing of these tariff classifications and statistical codes is for reference only and do not form part of the goods description. Please refer to the goods description for authoritative detail regarding the goods subject to the measures.

### 3.5 Model control codes

The commission proposed a model control code (MCC) structure in ADN No 2022/002 for the purpose of comparing the exported goods and like goods. The commission encouraged interested parties to make submissions concerning the appropriateness of the proposed MCC structure.

In response to the proposed MCC structure, BlueScope made a submission requesting an additional sub-category within the Base Metal Thickness (BMT) category.<sup>15</sup> The commission considered and accepted the revision proposed by BlueScope on the basis of the need to capture such goods in the MCC structure. Subsequent to BlueScope's submission, the commission advised interested parties via a file note of the revised MCC structure, which includes a fourth identifier for category BMT, being HRC with a thickness equal to or greater than 4.75mm (identifier 'T4' in table 7 below).<sup>16</sup>

Apart from BlueScope's submission concerning the additional sub-category, the commission did not receive any other submissions concerning the proposed MCC structure. The commission therefore applied the following MCC structure for the purposes of this inquiry.

Item	Category	Sub-category	Identifier	Sales data	Cost data
1	Quality	Prime	P	Mandatory	Not applicable
		Non-Prime	N		
2	Form	Coil	C	Mandatory	Mandatory
		Sheet	S		

<sup>15</sup> EPR 594, document no 4.

<sup>16</sup> EPR 594, document no 5.

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Item	Category	Sub-category	Identifier	Sales data	Cost data
3	Surface condition	As rolled	A	Mandatory	Mandatory
		Pickled (with or without oil)	PI		
4	Standard/Grade	HA1(S) / G250 / HA250 / SPHC / SS400 (AS1594 / JIS G3131 / JIS G3101)	1	Mandatory	Mandatory
		G300 / HA300 (AS1594)	2		
		G350 / HA350 / SS490 (AS1594 / JIS G3106)	3		
		HW350 / SMA490 / 'Corton' (AS1594 / JIS G3114)	4		
		Other	5		
5	Thickness (BMT)	<1.6mm	T1	Mandatory	Mandatory
		=>1.6mm to <2.0mm	T2		
		=>2.0mm to <4.75mm	T3		
		>4.75mm (coil only)	T4		
6	Width	<=1000mm	W1	Mandatory	Mandatory
		>1000mm	W2		

**Table 7: MCC structure**

### 3.6 Like goods

This section sets out the commission's assessment of whether the locally produced goods are identical to, or closely resemble, the goods under consideration (GUC) and are therefore 'like goods' to the goods subject to the measures.

Based on the information currently available including findings from the original investigation and information obtained from the verification of BlueScope's sales and cost data, the commission considers that:

- the primary physical characteristics of the goods and locally produced goods are similar, notwithstanding variations in technical specifications such as 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.

### 3.7 Commission's assessment – Like goods

Based on the above, the commission considers that HRC produced by BlueScope closely resembles the goods subject to the measures.

## 4 THE AUSTRALIAN INDUSTRY

### 4.1 Finding

The Commissioner is satisfied that there is an Australian industry producing like goods, consisting solely of BlueScope.

### 4.2 Legislative framework

The Commissioner must be satisfied that like goods are produced in Australia. Section 269T(2) specifies that for goods to be regarded as being produced in Australia, they must be either wholly or partly manufactured in Australia. In order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.<sup>17</sup>

### 4.3 Australian industry

BlueScope is a crude steel manufacturer and an integrated manufacturer of various steel products, including HRC. No additional Australian manufacturers of HRC identified themselves to the commission following the initiation of the inquiry, nor were any additional Australian manufacturers identified by the commission.

The commission conducted a verification of BlueScope's sales and production cost data, and has previously visited BlueScope's manufacturing facilities in Port Kembla, New South Wales and observed the production process for HRC. The following production process occurs entirely at BlueScope's manufacturing facilities located in Australia:

- Iron is extracted from iron ore in a blast furnace by a process known as reduction. This process creates molten iron.
- The basic oxygen steelmaking process creates liquid steel from molten iron, steel scrap and alloying materials.
- The liquid steel must be cast into shapes so that it can be rolled. The input feed slab runs continuously through 5 key processes (within a hot strip mill) to convert the slab to HRC.
- HRC can go through a process called pickling. Pickled strip is generally supplied oiled to preserve this surface finish. This is referred to as pickled and oiled, or abbreviated as PO.
- BlueScope's service centres are capable of undertaking further processing, such as sheeting and slitting.

### 4.4 Commission's assessment – Australian industry producing like goods

The commission is satisfied that HRC is wholly manufactured in Australia by BlueScope. Therefore, the commission is satisfied that there is an Australian industry, consisting of BlueScope, producing like goods to the goods the subject of the measures.<sup>18</sup>

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<sup>17</sup> Section 269T(3).

<sup>18</sup> Section 269(T)(2) and (4).

## 5 AUSTRALIAN MARKET

### 5.1 Finding

The commission finds that during the inquiry period, BlueScope and imports from multiple countries supplied the Australian market for HRC.

### 5.2 Market structure

#### 5.2.1 End use and market segmentation

HRC is a key raw material used in the production of certain steel products. The 2 key Australian industries for HRC are the:

- building and construction industry, consisting of residential construction and industrial/commercial segments
- general manufacturing industry.

BlueScope's largest consumer of like goods is the structural pipe and tube sector of the building and construction industry with the remainder of BlueScope's volume sold to distributors and the general manufacturing industry.<sup>19</sup> The commission understands that customers seeking small volume orders are supplied through distributors or from imports.

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 industry, the end users cover various market segments including:

- agriculture
- engineering and construction
- mining
- oil and gas
- non-residential construction
- residential construction
- transport.

Within these segments end uses 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
- road and rail equipment.

Locally produced and imported HRC is used interchangeably across the 2 key Australian industries.

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<sup>19</sup> EPR 594, document no 6.

### 5.2.2 Marketing

HRC is marketed and sold directly to customers within the 2 key Australian industries.

### 5.2.3 Supply and distribution

All customers can purchase HRC from BlueScope or import equivalent material either:

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

Figure 1 shows the distribution channels relevant to the sale of HRC in Australia. HRC produced by BlueScope mostly competes with the imported HRC at the wholesale or distribution levels of trade. These customers then on-sell the HRC to downstream end users in the building and construction, and manufacturing industries or to other resellers (for example, for further working such as slitting before sale to downstream end users).

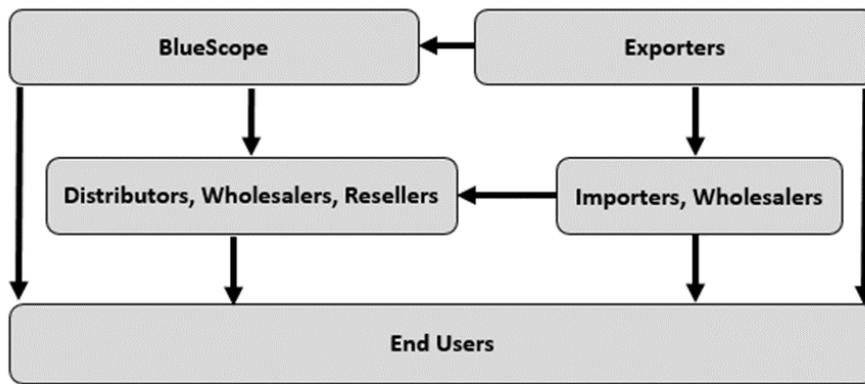


Figure 1: Distribution channels for HRC in Australia

During the inquiry period, the 5 largest sources of imports of HRC were Taiwan, the Republic of India, New Zealand, the People’s Republic of China (China) and the Republic of Korea (Korea), representing 97% of the volume imported.

Based on information from BlueScope and importation patterns observed in the ABF import data, the commission understands that customers are able to readily change suppliers.<sup>20</sup>

### 5.2.4 Supply effects of the COVID-19 pandemic

The commission notes that the COVID-19 pandemic impacted international supply into the Australian market during the inquiry period. The Australian Competition and Consumer Commission (ACCC) released its *Container Stevedoring Monitoring Report*<sup>21</sup> in October 2021 which included the following assessment of the impact of the pandemic on supply chains:

*‘Over the past 12 months, the COVID-19 pandemic has derailed the global container freight supply chain (the supply chain). The pandemic-induced lockdowns, border closures and travel restrictions have shifted consumer demand from*

<sup>20</sup> EPR 594, document no 6 and Confidential Attachment 2 – Australian HRC market.

<sup>21</sup> ACCC, [Container stevedoring monitoring report 2020-21](#), October 2021, Australian Government, 2021, accessed 14 June 2022.

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*hospitality services towards manufactured household goods that are typically transported in containers.*

*At the same time, the pandemic set off a cascade effect, with intermittent and ongoing shocks across the supply chain draining spare shipping and port capacity. The supply chain has been kept in a continuous state of disarray, unable to cope with increased container demand.*

*This represents a logistical nightmare for the industry. The once efficient major overseas ports have become a cause of severe congestion and delays. The shipping line schedules that worked like clockwork are out of sync. Shipping lines have deployed all their fleet but are unable to fully utilise their capacity as vessels are either trapped for long periods of time in port waiting queues or choose to skip ports altogether.*

*There is an abundance of empty containers, but they are stuck in the wrong places.'*

*'Shipment delays have been mounting as shipping lines are increasingly omitting ports, rolling over cargo and cancelling bookings. Cargo owners around the world are scrambling to book scarce capacity on vessels, bidding up freight rates to unprecedented levels. Freight rates on key global trade routes are around 7 times higher than they were a little over a year ago.*

*Australian importers and exporters are finding this situation particularly challenging. Many are struggling to get all their cargo on ships and are facing rapidly escalating freight rates. Some are paying significant premiums and surcharges to shipping lines to obtain priority loading, but even this does not guarantee on-time delivery.'*<sup>22</sup>

The ACCC also noted that, across the broader economy, 'recent disruptions in international supply chains have led to a shift in favour of local manufacturing'.<sup>23</sup>

The commission considers it reasonable that the Australian HRC market would not have been immune to the supply disruptions caused by the COVID-19 pandemic. The commission is aware that HRC producers experienced supply disruptions during the inquiry period.

The commission compared the unit ocean freight charges paid in Review 528 with the average charges paid during the inquiry period using verified data submitted in response to importer questionnaires. This analysis shows that, on average, unit ocean freight charges for exports from Taiwan to Australia increased by 74%.

### 5.2.5 Demand

Demand for HRC is closely aligned to domestic economic performance and is therefore susceptible to changes in both government and private investment. The primary users of HRC are the residential and commercial construction industries. Residential construction encompasses new dwelling construction and residential alterations or additions. Factors that affect residential and commercial construction that drive the demand for HRC in Australia include:

- economic factors that influence investment decisions such as prevailing interest rates
- availability of capital, and global and domestic business and consumer confidence

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<sup>22</sup> Ibid, p ix.

<sup>23</sup> Ibid, p 19.

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- government regulation, such as policy and incentives encouraging investments in new dwellings
- seasonal fluctuations including holiday shutdown periods that directly impact building and construction activity.

Additionally, 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 that influence demand.<sup>24</sup>

The commission observes that demand for HRC increased during the inquiry period, and BlueScope predominantly met this demand (see section 5.4 of this report).

### 5.2.6 Demand effects of the COVID-19 pandemic and government stimulus

The commission notes that the COVID-19 pandemic impacted the Australian market during the inquiry period. As the pandemic emerged in 2020 there was considerable concern that the global, and consequently the Australian, economies would be adversely impacted.

The minutes of the monetary policy meeting of the Reserve Bank of Australia Board held on 3 March 2020 noted that 'it had become increasingly clear that the spread of...COVID-19...beyond China would cause a major disruption to economic activity around the world...[and]...was having a significant effect on the Australian economy'.<sup>25</sup>

Despite these initial concerns, based on the commission's estimate in section 5.4 of this report, the Australian market for HRC expanded by almost 25% during the inquiry period. The commission considers this growth was fuelled by:

- significant direct and indirect government stimulus initiatives intended to support confidence in the residential construction industry during the uncertainty caused by the COVID-19 pandemic, such as the HomeBuilder Grant<sup>26</sup>
- a change in consumption patterns away from 'experience' services such as travel, hospitality and entertainment services toward spending on consumer goods, including home improvement materials.<sup>27</sup>

The commission analysed Australian Bureau of Statistics (ABS) building and construction industry data. In terms of residential construction, the ABS data for the year ended 30 June 2021<sup>28</sup> shows:

- residential houses beginning construction increased 58.9%
- residential units beginning construction increased 52.8%
- spending on alterations and additions to residential buildings increased 21.5%.

Figure 1 shows the trend in residential construction by dwelling type since 2017 along with the 5-year medians. This clearly demonstrates residential construction commencements

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<sup>24</sup> EPR 594, document no 6.

<sup>25</sup> Reserve Bank of Australia, [Minutes of the Monetary Policy Meeting of the Reserve Bank Board](#), 3 March 2020, Australian Government, 2020, accessed 6 July 2022.

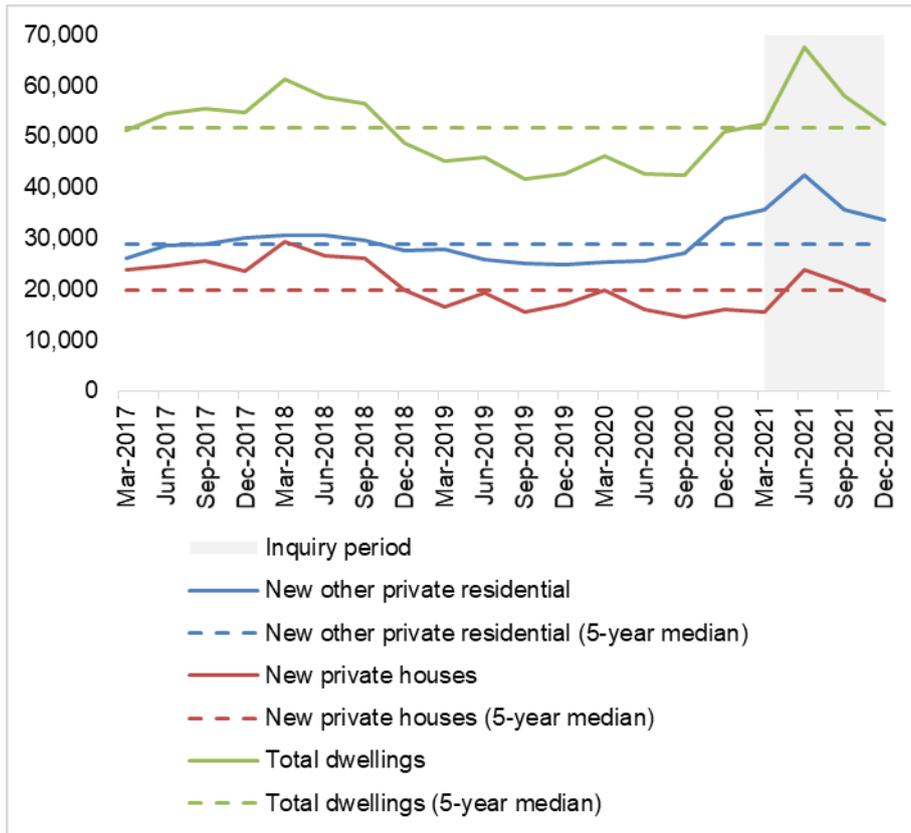
<sup>26</sup> The Treasury, Economic Response to COVID-19, [Homebuilder](#), Australian Government, 2021, accessed 6 July 2022.

<sup>27</sup> Reserve Bank of Australia, [Tracking Consumption during the COVID-19 Pandemic](#), 17 March 2022, Australian Government, 2022, accessed 27 July 2022.

<sup>28</sup> ABS (June 2021), [Building Activity, Australia, June 2021](#), ABS Website, accessed 6 July 2022.

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was above the 5-year median in 2021 and sharply peaked in June 2021 before declining to around the 5-year median levels.



**Figure 2: Number of dwellings commenced, seasonally adjusted<sup>29</sup>**

The commission considers that demand for HRC primarily increased because of an overall increase in activity in the building and construction industry in the inquiry period. The Australian government’s HomeBuilder program, which provided eligible owner-occupiers with a grant to build a new home or renovate an existing home, drove the increase in residential building activity.

While activity in the building and construction industry increased in 2021, the commission considers it is unlikely it will remain at this level given that the number of dwellings approved (which gives an indication of future building activity) has decreased substantially since the March 2021 quarter<sup>30</sup>, most likely because the HomeBuilder program ceased in April 2021. Further, interest rates have risen since the inquiry period, and it is anticipated that they will rise further on the back of increasing inflation in Australia. This would likely lead to a decrease in activity in the building and construction industry.

The decrease in dwelling approvals and increase in interest rates indicate that the demand for HRC observed in the inquiry period is unlikely to be sustained in the following years and will likely return to the long-term average.

The commission’s analysis of Australia’s building and construction trends is contained in **Confidential Attachment 1**.

<sup>29</sup> ABS (March 2022) 'Table 33. Number of Dwelling Unit Commencements by Sector, Australia' [time series spreadsheet 87520033], [Building Activity, Australia, March 2022](#), accessed 27 July 2022.

<sup>30</sup> ABS (May 2022), [Building Approvals, Australia, May 2022](#), ABS Website, accessed 28 July 2022.

### 5.3 Pricing

Given HRC is a commodity product, the commission understands that price is generally the main factor which influences a customer’s purchase decision. The commission has observed close price competition between domestic and imported HRC. The commission is aware that price is also a primary factor taken into consideration in supply decisions.

BlueScope operates an import benchmark pricing strategy, or import parity pricing (IPP). 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.

The commission has observed that BlueScope uses rebates and discounts. BlueScope can command a premium in recognition of its ability to supply to shorter lead times or provide extra services (such as slitting). BlueScope incurs additional costs for providing these services and 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.

### 5.4 Market size

The commission estimated the size of the Australian market for HRC using verified sales data from BlueScope, information from the ABF import database and verified information from importers and exporters.

The commission has cleansed the ABF import data to ensure that only the GUC, and goods that are like to the GUC, have been included. The data has been cleansed with reference to the goods description listed against each shipment as well an appropriate range of free on board (FOB) unit prices.

Figure 3 shows the commission’s estimates of the annual volume of HRC sold in the Australian market since 1 January 2017.

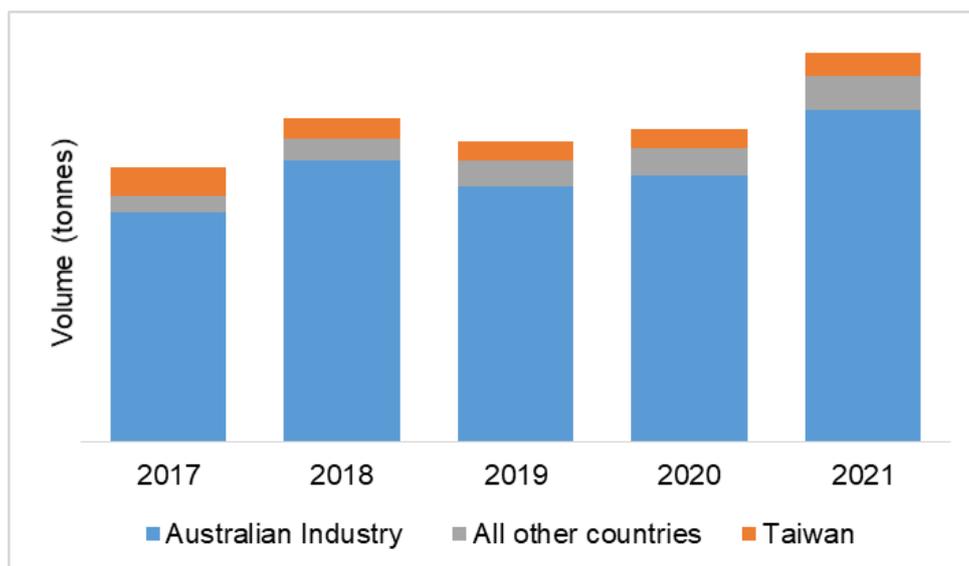


Figure 3: Australian market size

Figure 3 shows that between 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 Taiwanese import volumes. Since then, however, volumes have remained largely consistent, with an increase observed in 2021.

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The commission's assessment of the size of the Australian market is contained in **Confidential Attachment 2**.

## **6 VARIABLE FACTORS AND DUMPING DURING THE INQUIRY PERIOD**

### **6.1 Findings**

For the purpose of assessing whether dumping is likely to continue or recur, the Commissioner has examined whether the goods exported to Australia from Taiwan during the inquiry period were dumped. The Commissioner also used this information to determine whether the variable factors relevant to the determination of duty payable have changed.

The commission has determined dumping margins for each exporter as shown in Table 8.

<b>Exporter</b>	<b>Dumping margin</b>
Chung Hung	5.1%
CSC	3.2%
Shang Chen	2.0%
All other exporters	5.5%

**Table 8: Dumping margins**

### **6.2 Legislative framework**

In accordance with section 269ZHF(2), the Commissioner must not recommend that the Minister take steps to secure the continuation of anti-dumping measures unless the Commissioner is satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of dumping. The existence of dumping during the inquiry period may be an indicator of whether dumping may occur in the future.

Dumping occurs when a product from one country is exported to another country at a price less than its normal value. The export price and normal value of the goods are determined under sections 269TAB and 269TAC respectively. Whether dumping has occurred and the level of dumping is worked out in accordance with section 269TACB.

Further details of the export price and normal value calculations for each exporter are set out in the following sections.

#### **6.2.1 Export price**

Export price is determined in accordance with section 269TAB, taking into account whether the purchase or sale of goods are arms length transactions under section 269TAA.

Section 269TAB(1)(a) provides that the export price of any goods exported to Australia is the price paid (or payable) for the goods by the importer where the goods have been exported to Australia otherwise than by the importer, and have been purchased by the importer from the exporter in arms length transactions.

Section 269TAB(1)(b) provides that the export price of goods is the price that the importer sold the goods, less the prescribed deductions, where:

- goods have been exported to Australia otherwise than by the importer, and
- were purchased by the importer from the exporter, but not at arms length, and
- the importer subsequently sells the goods in the condition they were imported to a party not associated with the importer.

Section 269TAB(1)(c) provides that in all other cases, the export price is a price determined by the Minister having regard to all the circumstances of the exportation.

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Section 269TAB(3) provides that, where the export price cannot be established under the preceding sections, the export price is determined having regard to all relevant information.

### 6.2.2 Normal value

Normal value is determined in accordance with section 269TAC.

Section 269TAC(1) provides that 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 (OCOT) 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. However, section 269TAC(1) cannot be used to calculate the normal value of the goods if one of the circumstances in sections 269TAC(2)(a) or (b) is present. Where one or more of these circumstances are present, the normal value of the goods is to be calculated under either section 269TAC(2)(c) or (d).

Section 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export that would be relevant for the purpose of determining a price under section 269TAC(1). Relevant sales are sales of like goods sold for home consumption that are arms length transactions and sold in the OCOT.

Domestic sales of like goods are taken to be in a low volume where the total volume of like goods is less than 5% of the total volume of the GUC that are exported to Australia by the exporter (unless the Minister is satisfied that the volume is still large enough to permit a proper comparison). As per the *Anti-Dumping Commission Dumping and Subsidy Manual* (the Manual)<sup>31</sup>, where the total volume of relevant sales is 5% or greater than the total volume of the GUC, and where comparable models exist, the commission also considers the volume of relevant domestic sales of like goods for each model (or MCC).

Section 269TAC(2)(c) provides for the normal value to be a constructed amount, being the sum of the cost of production or manufacture of the goods in the country of export, and, on the assumption that the goods had been sold for home consumption in the OCOT in the country of export instead of being exported, the selling, general and administrative (SG&A) costs and the profit on that sale.

If the Minister directs that it applies, section 269TAC(2)(d) provides that the normal value is the price of like goods sold in the OCOT in arms length transactions from the country of export to an appropriate third country.

Section 269TAC(6) provides that, where the normal value cannot be established under sections 269TAC(1), 269TAC(2)(c) or 269TAC(2)(d), the normal value is determined having regard to all relevant information.

### 6.2.3 Dumping margin

Dumping margins are determined in accordance with section 269TACB.

In this inquiry, for each exporter, the commission compared the weighted average of export prices over the whole of the inquiry period with the weighted average of corresponding normal values over the whole of that period in accordance with section 269TACB(2)(a).

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<sup>31</sup> Anti-Dumping Commission, [Dumping and Subsidy Manual](#), December 2021, Australian Government, 2021.

## **6.3 Exporter cooperation**

### **6.3.1 Cooperative exporters**

Section 269T(1) provides that, in relation to the continuation of a dumping duty notice, an exporter which is not an 'uncooperative exporter' and whose exports are selected to be examined as part of the inquiry is a 'cooperative exporter'.

The following exporters are cooperative exporters from Taiwan:

- Chung Hung
- CSC
- Shang Chen.

### **6.3.2 Uncooperative exporters**

Section 269T(1) provides that an exporter is an 'uncooperative exporter' in relation to an inquiry where the Commissioner is satisfied that the exporter:

- did not give the Commissioner information that the Commissioner considered to be relevant to the inquiry within a period the Commissioner considered to be reasonable, or
- significantly impeded the inquiry.

The *Customs (Extensions of Time and Non-cooperation) Direction 2015* (the Customs Direction) states at section 8 that the Commissioner must determine an exporter to be an uncooperative exporter on the basis that the exporter provided no relevant information in a reasonable period, if that exporter:

- fails, within the legislated period, to:
  - provide a response,<sup>32</sup> or
  - request a longer period to provide a response, or
- provides a response within the legislated period that the Commissioner considers did not provide information relevant to the case.

The Commissioner considered the Customs Direction and section 269T and determined that any exporter, which did any of the following, is an uncooperative exporter for the purposes of this inquiry:

- failed to provide a response or request a longer period to provide a response within the time specified in ADN No 2022/002, being 10 February 2022<sup>33</sup>
- provided a response to the exporter questionnaire (REQ) within the legislated period that did not provide information relevant to the case.<sup>34</sup>

## **6.4 Variable factors and dumping assessment**

The commission assessed the variable factors and dumping margins for Chung Hung, CSC, Shang Chen and all other exporters from Taiwan. The following sections outline the assessment in respect of each exporter.

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<sup>32</sup> Defined in the Customs Direction as any document or thing provided to the Commissioner in relation to any case, including submissions, information or answers to the questions in questionnaires.

<sup>33</sup> This is the relevant legislated period.

<sup>34</sup> Requests for further information are contained in deficiency letters.

## 6.4.1 Chung Hung

### 6.4.1.1 *Export price*

Chung Hung did not export the goods to Australia during the inquiry period. In the absence of exports to Australia, the commission ascertained Chung Hung's export price in accordance with section 269TAB(3) by having regard to all relevant information.

In calculating an export price for Chung Hung, the commission had regard to export prices of the goods exported to Australia from Taiwan by other cooperating exporters for which an export price was determined in this inquiry. In the commission's view, the export prices achieved by other exporters during the inquiry period provides the most reliable indication of Chung Hung's export price had it exported the goods to Australia during the inquiry period.<sup>35</sup> The export prices of other Taiwanese exporters are relevant as these prices reflect the prices of HRC exported to Australia from Taiwan during the inquiry period, and reflect prevailing market conditions for HRC sold in the Australian market. This method is also consistent with the method utilised to ascertain Chung Hung's export price in Review 454<sup>36</sup> and Review 528.<sup>37</sup>

Accordingly, the commission calculated the export price for Chung Hung having regard to the export prices established under section 269TAB(1)(a) for CSC (section 6.4.2.1 of this report) and Shang Chen (section 6.4.3.1 of this report). To establish an export price relevant to Chung Hung, where models exported to Australia by CSC and Shang Chen were not sold by Chung Hung in the domestic market (and therefore a corresponding normal value is not available), these models were removed from the calculation of the export price (**Confidential Attachment 3**).<sup>38</sup>

The commission's export price calculations are at **Confidential Attachment 4**.

### 6.4.1.2 *Normal value*

The commission is satisfied that there are sufficient volumes of domestic sales of like goods sold in the OCOT in arms length transactions by Chung Hung. Accordingly, the commission has determined the normal value under section 269TAC(1).

The commission's normal value calculations are at **Confidential Attachment 5**. The following sections outline the commission's assessment of Chung Hung's normal value.

#### Arms length assessment

In respect of Chung Hung's domestic sales of like goods during the inquiry period, the commission did not identify any sales of like goods to related customers. Further, the commission found no evidence that:

- there was any consideration payable for or in respect of the goods other than its price
- the price appeared to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller

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<sup>35</sup> The commission considers it reasonable to assume that if Chung Hung had exported the goods to Australia, Chung Hung would have had to at least match prices of other Taiwanese exporters supplying the Australian market in order to remain competitive.

<sup>36</sup> REP 454.

<sup>37</sup> REP 528.

<sup>38</sup> The commission was able to match 84% of the exported volume to Chung Hung's domestic sales.

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- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.<sup>39</sup>

Accordingly, the commission considers that Chung Hung's domestic sales of like goods during the inquiry period were made in arms length transactions.

### Ordinary course of trade and sufficiency of domestic sales

Section 269TAA states that domestic sales of like goods are not in the OCOT if arms length transactions are both of the following:

- unprofitable in substantial quantities over an extended period
- unlikely to be recoverable within a reasonable period.

The commission tested profitability by comparing the net invoice price against the relevant cost for each domestic sales transaction. The commission tested whether the unprofitable sales were in substantial quantities (not less than 20%) by comparing the volume of unprofitable sales to the total sales volume, for each MCC over the period. The commission then tested recoverability by comparing the net invoice price against the relevant weighted average cost over the period for each domestic sales transaction. Based on the above analysis, the commission has found that Chung Hung's domestic sales were arms length transactions in the OCOT.

Accordingly, the commission is satisfied that the normal value of the goods for Chung Hung is able to be determined in accordance with section 269TAC(1). The commission has determined normal value by making comparisons at the MCC level.

### Adjustments to normal value

The commission is satisfied there is sufficient information to justify the following adjustments in accordance with section 269TAC(8). The commission considers the adjustments in Table 9 necessary to ensure a fair comparison of normal value and export prices.

<b>Adjustment type</b>	<b>Deduction/addition</b>
Domestic credit terms	Deduct an amount for domestic credit terms
Domestic inland transport	Deduct an amount for domestic inland transport
Domestic packaging <sup>40</sup>	Deduct an amount for domestic packaging
Export packaging	Add an amount for export packaging
Export inland transport	Add an amount for export inland transport
Export handling and related charges including port charges	Add an amount for export handling and related charges
Export bank charges	Add an amount for bank charges
Export commission	Add an amount for export commission
Trader service fee and processing fee	Add an amount for export service fee and processing fee

<sup>39</sup> Section 269TAA(1).

<sup>40</sup> In its response to the exporter questionnaire, Chung Hung claimed that there are practically no differences in packing cost between export and domestic sales and therefore did not report packing costs in its domestic sales listing. The commission assessed the packing expenses as reported by CSC and Shang Chen and found that there was a difference in packing costs in relation to export and domestic sales. Given this, the commission applied an adjustment for packaging costs in order to adjust for the difference between export and domestic packaging. The commission calculated a weighted average unit domestic packaging cost using CSC's and Shang Chen's domestic packaging costs.

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Adjustment type	Deduction/addition
Timing adjustment	Add or deduct an amount in relation to sales occurring at different times

**Table 9: Summary of adjustments – Chung Hung**

### **6.4.1.3 Dumping margin**

The dumping margin for Chung Hung is **5.1%**.

The commission's dumping margin calculations are at **Confidential Attachment 6**.

### **6.4.2 CSC**

The commission verified CSC's REQ. The commission is satisfied that CSC's information is complete, relevant and accurate for the purpose of ascertaining the variable factors applicable to CSC's exports of the goods during the inquiry period. A report outlining the verification findings is available on the public record.<sup>41</sup>

#### **6.4.2.1 Export price**

The commission is satisfied that the goods have been exported to Australia otherwise than by the importer and were purchased in arms length transactions by the importer from the exporter (CSC). Accordingly, the commission has determined the export price in accordance with section 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

The commission's export price calculations are at **Confidential Attachment 7**. The following sections outline the commission's assessment of CSC's export price.

#### Identity of importer and exporter

In respect of CSC's exports to Australia during the inquiry period, the commission considers that the customer listed for each shipment was the beneficial owner of the goods at the time of importation, and therefore was the importer of the goods.

The commission considers CSC to be the exporter<sup>42</sup> of the goods as CSC:

- is named as the issuer on the commercial invoice and packing list
- is named as the shipper on the bill of lading
- arranges and pays for the inland transport to the port of export
- arranges and pays for the port handling charges at the port of export.

While both CSC and Dragon Steel Corporation (DSC) manufacture the goods, the commission considers CSC to be the exporter of those goods for the above reasons. Further, while China Steel Global Trading Corporation (CSGT) manages export sales on behalf of both CSC and DSC, the commission does not consider CSGT to be the exporter of the goods.

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<sup>41</sup> EPR 594, document no 14.

<sup>42</sup> The commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

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### Arms length assessment

In respect of CSC's Australian sales of the goods during the inquiry period, the commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than their price
- the price appeared to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.<sup>43</sup>

The commission therefore considers that all export sales made by CSC during the inquiry period were made in arms length transactions.

#### **6.4.2.2 Normal value**

The commission is satisfied that there are sufficient volumes of domestic sales of like goods sold in the OCOT in arms length transactions by CSC. Accordingly, the commission has determined the normal value under section 269TAC(1).

The commission's normal value calculations are at **Confidential Attachment 8**. The following sections outline the commission's assessment of CSC's normal value.

### Arms length assessment

The commission found that CSC sold like goods to related and unrelated domestic customers during the inquiry period.

The commission found that CSC's sales to one particular customer appeared to be influenced by a commercial or other relationship between CSC and this customer.<sup>44</sup> The commission found that the customer is related to CSC, and that the price between CSC and this related customer appeared to be relatively lower than the price to other unrelated customers. Given this, the commission considers that sales by CSC to this particular customer were not made at arms length. Accordingly, CSC's sales to this particular customer were excluded in calculating the normal value.

In respect of CSC's domestic sales of like goods to other related customers during the inquiry period, the commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than their price
- the price appeared to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.<sup>45</sup>

Accordingly, other than the sales to one particular related customer, the commission considers that the domestic sales made by CSC to its related customers during the inquiry period were made in arms length transactions.

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<sup>43</sup> Section 269TAA.

<sup>44</sup> Section 269TAA(1)(b).

<sup>45</sup> Section 269TAA(1).

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In respect of CSC's domestic sales of like goods to its unrelated customers during the inquiry period, the commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than their price
- the price appeared to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller
- the buyer, or an associate of the buyer, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.<sup>46</sup>

The commission therefore considers that all domestic sales made by CSC to its unrelated customers during the inquiry period were made in arms length transactions.

### Ordinary course of trade and sufficiency of domestic sales

Section 269TAAD states that domestic sales of like goods are not in the OCOT if arms length transactions are both of the following:

- unprofitable in substantial quantities over an extended period
- unlikely to be recoverable within a reasonable period.

The commission tested profitability by comparing the net invoice price against the relevant cost for each domestic sales transaction. The commission tested whether the unprofitable sales were in substantial quantities (not less than 20%) by comparing the volume of unprofitable sales to the total sales volume, for each MCC over the period. The commission then tested recoverability by comparing the net invoice price against the relevant weighted average cost over the period for each domestic sales transaction. Based on the above analysis, the commission has found that CSC's domestic sales were arms length transactions (except for transactions to one related customer, as noted above) in the OCOT.

The commission assessed the total volume of domestic sales of like goods<sup>47</sup> as a percentage of the total volume of goods exported to Australia and found that the volume of relevant domestic sales was not less than 5%. Accordingly, the commission is satisfied that it is able to determine the normal value of the goods for CSC in accordance with section 269TAC(1).

When calculating a normal value under section 269TAC(1), in order to ensure a proper comparison between the goods exported to Australia and the goods sold on the domestic market, the commission considers the volume of sales of each exported MCC on the domestic market. Where the volume of domestic sales of an exported model is less than 5% of the volume exported, the commission will consider whether it can make a proper comparison at the MCC level. In these situations, the commission may consider whether it should use a surrogate domestic model to calculate normal value for the exported model.

The commission has considered whether each exported MCC was sold on the domestic market and the volume of domestic sales, as shown in Table 10.

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<sup>46</sup> Ibid.

<sup>47</sup> Domestic sales of like goods made in arms length transactions and in the OCOT.

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Export model or MCC	Is volume of domestic sales of same MCC 5% or greater as a proportion of export volume?	Treatment of normal value
P-C-A-01-T1-W1	Y	
P-C-A-01-T1-W2	Y	
P-C-A-01-T2-W2	Y	
P-C-A-01-T3-W1	Y	
P-C-A-01-T3-W2	Y	
P-C-A-01-T4-W1	Y	
P-C-A-01-T4-W2	Y	
P-C-A-02-T3-W1	Y	
P-C-A-02-T3-W2	Y	
P-C-A-02-T4-W2	Y	
P-C-A-03-T3-W2	Y	
P-C-A-03-T4-W2	Y	
P-C-A-04-T1-W2	N	Used surrogate model P-C-A-04-T3-W2 with specification adjustment under section 269TAC(8) for the price difference in thickness.
P-C-A-04-T2-W2	Y	
P-C-A-04-T3-W2	Y	
P-C-A-04-T4-W2	Y	
P-C-PI-01-T1-W1	Y	
P-C-PI-01-T1-W2	Y	
P-C-PI-01-T2-W1	Y	
P-C-PI-01-T2-W2	Y	
P-C-PI-01-T3-W1	Y	
P-C-PI-01-T3-W2	Y	
P-C-PI-01-T4-W2	Y	
P-C-PI-02-T1-W2	Y	
P-C-PI-02-T2-W2	Y	
P-C-PI-02-T3-W1	Y	
P-C-PI-02-T3-W2	Y	
P-C-PI-02-T4-W1	Y	
P-C-PI-03-T3-W1	Y	
P-C-PI-03-T3-W2	Y	
P-C-PI-03-T4-W2	Y	
P-S-A-01-T1-W2	Y	
P-S-A-01-T2-W2	Y	
P-S-A-01-T3-W2	Y	
P-S-A-03-T3-W2	Y	

**Table 10: Surrogate models assessment – CSC**

The commission found that there were no domestic sales of model or MCC P-C-A-04-T1-W2. However, for this particular MCC, the commission was satisfied that there were sufficient domestic sales volumes of a surrogate MCC based on the MCC with the closest physical characteristics under the MCC hierarchy structure. Accordingly, the commission

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has applied a specification adjustment to this MCC when calculating the normal value, as detailed in Table 11.

As the volume of domestic sales of the remainder of CSC's exported MCCs are 5% or more of the volume exported, the commission considers it can make a proper comparison at the MCC level.

### Adjustments to normal value

The commission is satisfied there is sufficient information to justify the following adjustments in accordance with section 269TAC(8). The commission considers the adjustments in Table 11 necessary to ensure a fair comparison of normal value and export prices.

Adjustment type	Deduction/addition
Domestic credit terms	Deduct an amount for domestic credit
Domestic packaging	Deduct an amount for domestic packaging
Domestic inland transport	Deduct an amount for domestic inland transport
Domestic commission paid by DSC to CSC	Deduct an amount for domestic commission paid by DSC to CSC
Domestic warranty	Deduct an amount for domestic warranty
Export packaging	Add an amount for export packaging
Export inland transport	Add an amount for export inland transport
Export port charges	Add an amount for port charges
Export bank charges	Add an amount for bank charges
Export commission paid by DSC to CSC	Add an amount for export commission paid by DSC to CSC
Export service fee paid by CSC to CSGT	Add an amount for export service fee paid by CSC to CSGT
CSGT processing fee	Add an amount for CSGT processing fee
Specification	Applied to a surrogate MCC to account for the price difference in thickness
Timing	Add or deduct an amount in relation to sales occurring at different times

**Table 11: Summary of adjustments – CSC**

### **6.4.2.3 Dumping margin**

The dumping margin in respect of the goods exported to Australia by CSC for the inquiry period is **3.2%**.

The commission's dumping margin calculations are at **Confidential Attachment 9**.

### CSC's submission concerning date of sale

In its submission of 11 August 2022, CSC submits that the commission should reconsider the relevant date of sale when comparing export and domestic sales.

CSC claims that in order to ensure that its export price and normal value are properly compared, it is appropriate to compare domestic and export selling prices agreed under the same monthly price guidance. CSC contends that the most relevant and appropriate date of sale for this purpose is to rely on CSC's 'price month' rather than the invoice date.

CSC explained that it refers to the price guidance when negotiating prices with customers, and this price guidance is released in advance of the sales contract and sales order. The commission observes that the 'price month' is identified in the price guideline, sales contract and internal sales order.

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The commission notes that in its submission of 11 August 2022, CSC refers to the 'price month' as the price in the 'estimated shipment month'. Further, in its REQ, CSC states that underlying 'price month' of each sale would best reflect the *expected* market price in the Australian market and domestic market. Therefore, the 'price month' appears to reflect the expected price in the month the shipment is planned rather than an actual date tied to dispatch or shipment of the goods and like goods, or tied to when the material terms of the sale are agreed and finalised.

The commission normally considers the invoice date to be the appropriate date of sale because it generally represents the date at which the material terms of sale are established.<sup>48</sup>

The commission considers that CSC's proposed date of sale ('price month') does not reflect the actual date when the material terms of the sale (such as price, quantity, product specifications, delivery and payment terms) are agreed and established. The 'price month' is not even an actual date. It relates to future or prospective price guidance which is set by CSC according to its expectations of prices in the Australian and domestic markets.

The commission considers that a price list or guidance is only that – guidance. Prices and other material terms of the sale such as the volume or quantity can be subject to further negotiation following the distribution or publication of a price guidance.

Further, noting that the 'price month' is identified in CSC's internal sales order, the commission does not consider that the sales order date establishes the material terms of the sale because the quantity ordered does not reconcile to the quantity that is shipped and invoiced. In addition, there were various on-invoice discounts that were applied by CSC to its domestic sales, which resulted in a difference or variance between the unit prices as shown on the sales order and sales contract (and hence the 'price month'), and the net price which was invoiced and paid.

Given the above, the commission maintains that the invoice date, rather than the 'price month', is the relevant date of sale as it best establishes the date at which the material terms of the sale, including the net price and quantity among other terms of the sale, are finalised. The commission notes that this is consistent with CSC's claimed date of sale in Reviews 528 and 454, and in Continuation Inquiry 400.

### 6.4.3 Shang Chen

#### 6.4.3.1 *Export price*

The commission is satisfied that the goods have been exported to Australia otherwise than by the importer and were purchased in arms length transactions by the importer from the exporter (Shang Chen). Accordingly, the commission has determined the export price in accordance with section 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

The commission's export price calculations are at **Confidential Attachment 10**. The following sections outline the commission's assessment of Shang Chen's export price.

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<sup>48</sup> The Manual, p 51.

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### Identity of importer and exporter

In relation to Shang Chen's Australian sales of the goods during the inquiry period, the commission considers that the customer listed for each shipment was the beneficial owner of the goods at the time of importation, and therefore was the importer of the goods.

The commission considers Shang Chen to be the exporter of the goods as Shang Chen:

- is the manufacturer of the goods
- is identified on the sales contract and commercial invoice as the seller
- is identified on the bill of lading as the shipper/exporter
- arranges and pays for the inland transport to the port of export
- arranges and pays for the port handling charges at the port of export.

### Arms length assessment

In respect of Shang Chen's Australian sales of the goods during the inquiry period, the commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than their price
- the price appeared to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.<sup>49</sup>

The commission therefore considers that all export sales made by Shang Chen during the inquiry period were made in arms length transactions.

#### **6.4.3.2 Normal value**

The commission is satisfied that there are sufficient volumes of domestic sales of like goods sold in the OCOT in arms length transactions by Shang Chen. Accordingly, the commission has determined the normal value under section 269TAC(1).

The commission's normal value calculations are at **Confidential Attachment 11**. The following sections outline the commission's assessment of Shang Chen's normal value.

### Shang Chen's revised cost to make and sell (CTMS) data

At the time of submitting its REQ, Shang Chen's financial statements for 2021 were not yet audited. Shang Chen indicated in its REQ that it would provide its audited financial statements when they became available.

On 12 August 2022, Shang Chen provided its audited financial statements for 2021, along with revised cost to make (CTM) and SG&A data (together, CTMS data). Shang Chen also provided revised reconciliations of its costs and sales.<sup>50</sup>

Shang Chen indicated that during the audit of its financial statements, Shang Chen's auditors made adjustments to its preliminary accounts, including re-classification of certain entries, correction of minor errors and re-evaluated certain inventories. For this reason, Shang Chen revised its CTMS data relevant to both its Australian (export) and domestic sales. The commission assessed the revised data and noted that the revisions to Shang

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<sup>49</sup> Section 269TAA(1).

<sup>50</sup> As Shang Chen provided its revised CTM and SG&A data before the SEF was published on 22 August 2022, Shang Chen's updated data was not considered in preparing the SEF.

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Chen's CTMS amounted to an increase of less than 0.1% to its CTMS for both its export and domestic sales.

The commission also reviewed the auditor revisions made to operating revenue in order to ensure that all auditor adjustments are appropriately reflected in these listings. The commission did not find that auditor adjustments were made to sales revenue (adjustments were only made to revenue obtained from rent and processing) and therefore the commission is satisfied that the sales data recorded in the Australian and domestic sales listings does not require revision.

The commission amended Shang Chen's normal value by retesting whether Shang Chen's domestic sales of like goods were in the OCOT using the revised CTMS data. The commission's amendment to the normal value did not change Shang Chen's dumping margin from the dumping margin determined in the SEF.

### Arms length assessment

In respect of Shang Chen's domestic sales of like goods during the inquiry period, the commission did not identify any sales of like goods to related customers. Further, the commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than their price
- the price appeared to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.<sup>51</sup>

The commission therefore considers that all domestic sales made by Shang Chen during the inquiry period were made in arms length transactions.

### Ordinary course of trade and sufficiency of domestic sales

Section 269TAA(1) states that domestic sales of like goods are not in the OCOT if arms length transactions are both of the following:

- unprofitable in substantial quantities over an extended period
- unlikely to be recoverable within a reasonable period.

The commission tested profitability by comparing the net invoice price against the relevant cost for each domestic sales transaction. The commission tested whether the unprofitable sales were in substantial quantities (not less than 20%) by comparing the volume of unprofitable sales to the total sales volume, for each MCC over the period. The commission then tested recoverability by comparing the net invoice price against the relevant weighted average cost over the period for each domestic sales transaction. Based on the above analysis, the commission has found that all of Shang Chen's domestic sales were made in arms length transactions in the OCOT.

The commission assessed the total volume of relevant domestic sales of like goods as a percentage of the total volume of goods exported to Australia and found that the volume of relevant domestic sales was not less than 5%. Accordingly, the commission is satisfied that it is able to determine the normal value of the goods for Shang Chen in accordance with section 269TAC(1).

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<sup>51</sup> Section 269TAA(1).

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When calculating a normal value under section 269TAC(1), in order to ensure a proper comparison between the goods exported to Australia and the goods sold on the domestic market, the commission considers the volume of sales of each exported MCC on the domestic market. Where the volume of domestic sales of an exported model is less than 5% of the volume exported, the commission will consider whether it can make a proper comparison at the MCC level. In these situations, the commission may consider whether it should use a surrogate domestic model to calculate normal value for the exported model.

The commission has considered whether each exported MCC was sold on the domestic market and the volume of domestic sales, as shown in Table 12.

Export model or MCC	Is volume of domestic sales of same MCC 5% or greater as a proportion of export volume?	Treatment of normal value
P-C-A-1-T1-W1	N	Normal value of P-C-A-1-T1-W2 used as a surrogate
P-C-A-1-T1-W2	Y	-
P-C-A-1-T2-W2	Y	-
P-C-A-1-T3-W2	Y	-
P-C-PI-1-T1-W2	Y	-
P-C-PI-1-T2-W2	Y	-
P-C-PI-1-T3-W2	Y	-
P-C-PI-1-T4-W1	N	Normal value of P-C-PI-1-T4-W2 used as a surrogate
P-C-PI-1-T4-W2	Y	-
P-S-A-1-T1-W2	N	Surrogate model P-C-A-1-T1-W2 with a specification adjustment under TAC(8)
P-S-A-1-T2-W2	N	Surrogate model P-C-A-1-T2-W2 with a specification adjustment under TAC(8)
P-S-A-1-T3-W2	Y	-
P-S-PI-1-T3-W2	N	Surrogate model P-S-A-1-T3-W2 with a specification adjustment under TAC(8)

**Table 12: Surrogate models assessment – Shang Chen**

The commission found that there were no domestic sales of the following models or MCCs:

- P-C-A-1-T1-W1
- P-C-PI-1-T4-W1
- P-S-A-1-T1-W2
- P-S-A-1-T2-W2
- P-S-PI-1-T3-W2.

For these MCCs, the commission was satisfied that there were sufficient domestic sales volumes of a surrogate MCC based on the MCC with the closest physical characteristics under the MCC hierarchy structure.

The commission calculated a specification adjustment under section 269TAC(8) for export models P-S-A-1-T1-W2, P-S-A-1-T2-W2 and P-S-PI-1-T3-W2 by having regard to material cost differences between domestic and export models. The specification adjustment for these export models is based on the difference in the CTMS plus a net margin.

For export models P-C-A-1-T1-W1 and P-C-PI-1-T4-W1, the commission has insufficient information to conduct a specification adjustment using CTMS data. The commission was also unable to precisely isolate the price difference between the different categories of

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widths (W1 and W2). Due to these factors, the commission is satisfied that the normal value of the closest model sold in sufficient quantities best represents the normal value for these models.

For all other export models, as the volume of domestic sales for these models are 5% or more of the volume exported, the commission considers it can make a proper comparison at the MCC level.

### **6.4.3.3 Adjustments to normal value**

The commission is satisfied there is sufficient information to justify the following adjustments in accordance with section 269TAC(8). The commission considers the adjustments in Table 13 necessary to ensure a fair comparison of normal value and export prices.

<b>Adjustment type</b>	<b>Deduction/addition</b>
Domestic credit terms	Deduct an amount for domestic credit terms
Domestic inland freight	Deduct an amount for domestic inland transport
Domestic packaging	Deduct an amount for domestic packaging
Export packaging	Add an amount for export packaging
Export inland freight	Add an amount for export inland transport
Export handling & other related costs	Add an amount for export handling & other related costs
Export commission	Add an amount for commissions
Export bank charges	Add an amount for bank charges
Specification adjustment	Add or deduct an amount for the difference in the cost to make plus an amount for profit
Timing adjustment	Add or deduct an amount in relation to sales occurring at different times

**Table 13: Summary of adjustments – Shang Chen**

#### Submission concerning adjustments to Shang Chen's normal value

In its submission of 11 September 2022, BlueScope queries whether the commission made the following adjustments to Shang Chen's normal value:

- export terminal handling expenses
- export container freight station expenses
- export documentation fees
- export handling, wharf passage fees
- export trade promotion fees
- export harbour service fees.

In this inquiry, the commission made adjustments to Shang Chen's normal value for the following expenses, which are grouped in the 'export handling & other related costs' identified in table 13:

- export documentation fees
- export handling and wharf passage charges
- customs brokerage fees
- export trade promotion fees.

The commission notes that the adjustments made for export terminal handling, export container freight and export harbour service expenses in Review 528 related to expenses incurred on Shang Chen's exports at certain delivery or shipping terms. The commission did not find that Shang Chen exported any goods at those terms during the inquiry period.

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Accordingly, the commission did not adjust Shang Chen's normal value for export terminal handling, container freight station and harbour service expenses in this inquiry.

### **6.4.3.4 Dumping margin**

The dumping margin in respect of the goods exported to Australia by Shang Chen for the inquiry period is **2.0%**.

The commission's dumping margin calculations are at **Confidential Attachment 12**.

### **6.4.4 Uncooperative and all other exporters from Taiwan**

As detailed in section 6.3.2 of this report, the commission has determined that all exporters of the goods from Taiwan, other than Chung Hung, CSC and Shang Chen, are uncooperative exporters.

Section 269TACAB(1) sets out the provisions for calculating export price and normal value for uncooperative exporters.

#### **6.4.4.1 Export price**

Pursuant to section 269TACAB(1)(d), the commission has determined the export price for uncooperative exporters under section 269TAB(3), having regard to all relevant information.

The commission has used the lowest weighted average export price for the inquiry period of the cooperating Taiwanese exporters which exported to Australia during the inquiry period.

The commission has chosen the lowest weighted average export price on the basis that this export price demonstrates a price at which an uncooperative exporter may export the goods to Australia, based on the information before the commission.

#### **6.4.4.2 Normal value**

Pursuant to section 269TACAB(1)(e), the commission has determined the normal value for uncooperative exporters under section 269TAC(6) after having regard to all relevant information.

The commission has used the highest normal value of the cooperating Taiwanese exporters which exported to Australia during the inquiry period. The commission chose this approach on the basis that:

- the commission does not have specific information relating to the uncooperative exporters relevant to the calculation of the normal value
- the highest normal value of cooperating exporters demonstrates a price at which an uncooperative exporter may sell the goods in the domestic Taiwanese market, based on the information before the commission.

#### **6.4.4.3 Dumping margin**

The dumping margin in respect of the goods exported to Australia from Taiwan by uncooperative exporters during the inquiry period is **5.5%**.

The commission's calculations are at **Confidential Attachment 13**.

## 7 ECONOMIC CONDITION OF THE AUSTRALIAN INDUSTRY

### 7.1 Findings

The commission finds that the economic condition of the Australian industry varied from 1 January 2017 to 31 December 2021. Following the continuation of measures in 2017, and prior to the inquiry period, the Australian industry's economic condition continued to show signs of vulnerability, particularly in terms of its low profits and profitability. However, by the conclusion of the inquiry period, the Australian industry had achieved growth in sales volume and market share, along with an improvement in profit and profitability.

The commission has assessed these recent results within the context of changes in supply and demand resulting from supply chain disruptions due to the COVID-19 pandemic, and an increase in construction activity driven by government incentives during the pandemic. In this context, the commission considers that the Australian industry continues to be susceptible to competition from dumped goods in the Australian market.

### 7.2 Approach to economic condition analysis

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 measures are intended to prevent involves a consideration of future outcomes based on an evaluation of the present position.

This chapter considers the present condition of the Australian industry. The analysis is based on verified financial information submitted by BlueScope<sup>52</sup> and, where relevant, import data from the ABF import database as well as verified importer and exporter information.

The commission has assessed the economic condition of the Australian industry from 1 January 2017. 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.

Data and analysis on which the commission has relied on to assess the economic condition of the Australian industry is at **Confidential Attachment 2** and **Confidential Attachment 14**.

### 7.3 Volume effects

#### 7.3.1 Sales volume

Figure 4 shows BlueScope's sales volumes of HRC from 1 January 2017 to 31 December 2021.

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<sup>52</sup> The commission was provided with data related to 2 business units relevant to the production of HRC. In order to analyse the volume, price and profit effects in this chapter of the report, the commission amalgamated this data.

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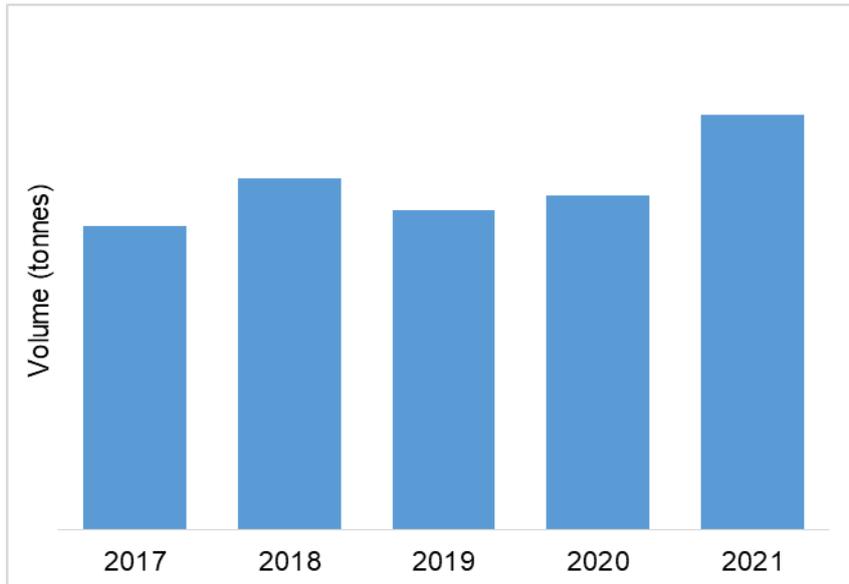


Figure 4: BlueScope's sales volumes

BlueScope's sales of like goods fluctuated from 2017 to 2020, and increased significantly in the inquiry period.

As outlined in section 5.4 of this report, the Australian market for HRC (depicted in Figure 3) increased significantly in the inquiry period. BlueScope secured increased sales volumes in the inquiry period. Section 5.2.6 of this report identifies the factors that led to this observed increase in the HRC market.

### 7.3.2 Market share

The commission's analysis of market share in Figure 5 indicates that BlueScope's market share improved from 2017 to 2021. Over that period, BlueScope's market share peaked in 2018 but has fluctuated marginally year-on-year between 2018 and 2021, and decreased slightly between 2020 and 2021. Imports from Taiwan saw a marked contraction in market share from 2017 to 2018, and reduced marginally between 2018 and 2020. Imports from Taiwan increased their market share slightly between 2020 and 2021. Imports from Taiwan consistently comprised more than 5% of the Australian market from 2017 to 2021.

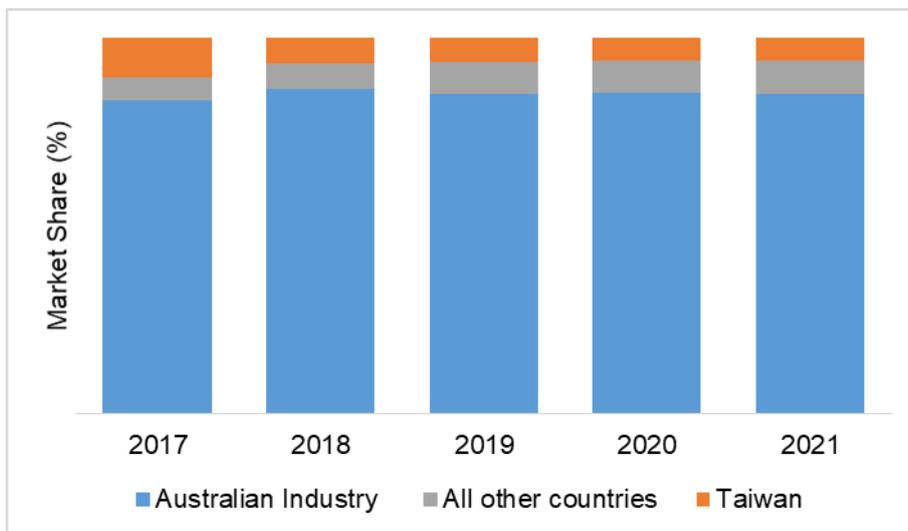


Figure 5: Australian market share

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### 7.3.3 Conclusion – Volume effects

The Australian industry experienced fluctuating sales volumes from 2017 to 2020 and an increase in market share over the same period. In the inquiry period, the Australian industry's sales volumes increased significantly but there was a marginal fall in market share.

## 7.4 Price effects

### 7.4.1 Price suppression and depression

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.

Figure 6 shows BlueScope's unit selling price and unit CTMS from 2017 to 2021.

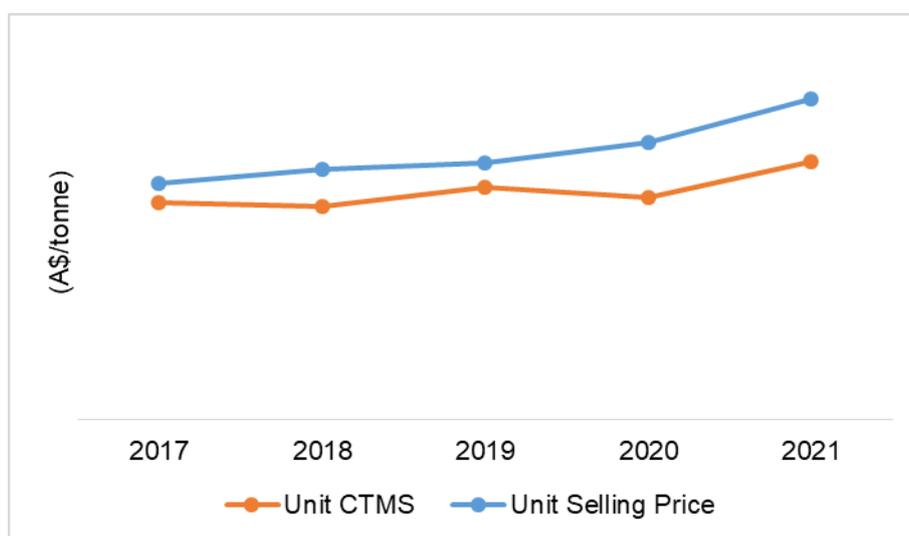


Figure 6: Unit CTMS and unit selling price

Figure 6 indicates that:

- unit selling prices have trended upward from 2017 with the greatest rate of increase during the inquiry period
- unit CTMS has fluctuated from 2017 to 2021, and increased significantly during the inquiry period
- BlueScope's margin between unit selling prices and unit CTMS has increased since 2019. The commission considers that these effects will be temporary and with normalisation of global freight costs and demand, there will also be a normalisation of BlueScope's selling price and profit. This is discussed further in section 8.5.3. The commission observes that the improvements in price and the margin between unit CTMS and unit selling price appear to support BlueScope's claims concerning the impact of the COVID-19 pandemic on its unit profit position.

### 7.4.2 Conclusion – Price effects

The commission observes that BlueScope's unit selling prices have increased since the continuation of the measures. The commission also observes that BlueScope's margin between unit selling prices and unit CTMS has increased since 2019.

## 7.5 Profit effects

### 7.5.1 Profit and profitability

Figure 7 shows BlueScope’s total profit as well as unit profitability calculated as a percentage of revenue across the period of analysis.

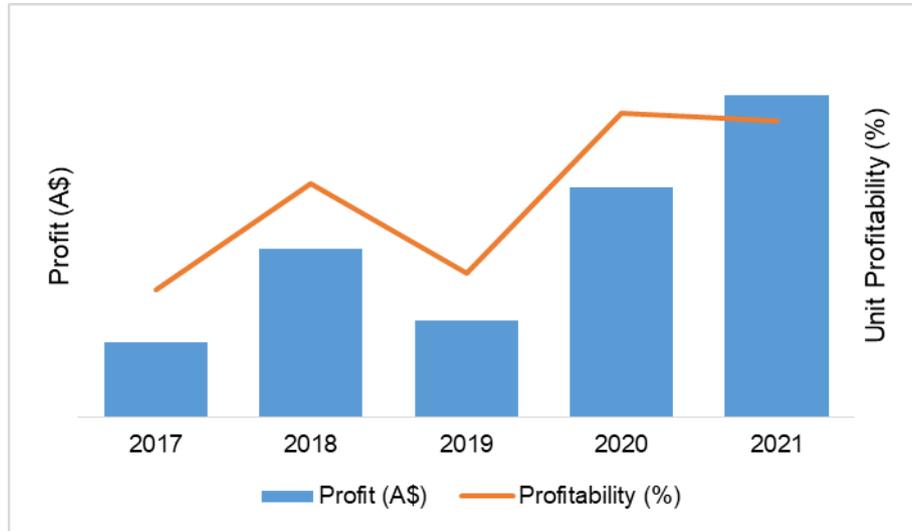


Figure 7: Profit and profitability

Figure 7 indicates that, with the exception of 2019, BlueScope experienced an upward trend in profit from 2017 to 2021. BlueScope’s improved profit is consistent with its increased sales volume (Figure 4) and increased margin between selling prices and CTMS (Figure 6).

BlueScope’s profitability followed a similar trend to profit, however while profit increased in 2021, profitability declined slightly. The decrease in profitability during 2021 is consistent with unit selling prices increasing at a greater rate than the margin between selling prices and CTMS.

The commission notes that BlueScope has advised that it has experienced an improved profit position due to the effects of COVID-19 during 2020 and 2021.

### 7.5.2 Conclusion – Profit

The commission considers that BlueScope experienced an improvement in profit in 2020 and 2021. BlueScope experienced a slight deterioration in profitability in 2021, but it remained well above 2017 levels.

## 7.6 Other economic factors

As part of its application, BlueScope provided data in relation to a range of other economic factors that may also be indicative of injury to the Australian industry. This data covers the period 1 January 2017 to 31 December 2021:

- the value of assets employed in the production of like goods
- capital investment relevant to the production of like goods
- revenue relating to the sales of like goods
- return on investment
- production capacity utilisation
- employment relevant to the production of like goods
- wages relevant to the production of like goods
- productivity.

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BlueScope did not make any specific claims in relation to the above factors. However the commission observes the following:

- the value of assets employed in the production of like goods increased from 2017 to 2020, but decreased in the inquiry period
- capital investment remained relatively constant from 2017 to 2020, and decreased in the inquiry period
- revenue fluctuated from 2017 to 2020, and increased significantly in the inquiry period
- return on investment remained positive in all calendar years examined, and increased in the inquiry period
- capacity utilisation remained relatively constant from 2017 to 2020, and increased in the inquiry period
- employment increased from 2017 to 2021
- wages decreased in 2020 and 2021
- productivity decreased from 2017 to 2021.

The commission's analysis of the above other economic factors is at **Confidential Attachment 15**.

## 8 LIKELIHOOD THAT DUMPING AND MATERIAL INJURY WILL CONTINUE OR RECUR

### 8.1 Finding

The Commissioner considers that the evidence before the commission supports a finding that:

- exports of HRC from Taiwan are likely to continue
- dumping was evident during the inquiry period and is likely to continue
- if the measures expired, material injury to the Australian industry would likely recur as a result of future exports of the goods at dumped prices.

On the basis of the available evidence, the Commissioner is satisfied that the expiration of the measures applying to HRC exported to Australia from Taiwan would be likely to lead to a continuation of, or a recurrence of, dumping and the material injury that the measures are intended to prevent.

### 8.2 Legislative framework

Section 269ZHF(2) provides that the Commissioner must not recommend that the Minister take steps to secure the continuation of measures unless the Commissioner is satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measure is intended to prevent. As noted in the Manual, the commission considers ‘likely’ to mean more probable than not.<sup>53</sup>

The commission notes that the assessment of the likelihood of certain events occurring and their anticipated effect, as is required in a continuation inquiry, necessarily requires a forward-looking assessment, including an assessment of a hypothetical situation. The Anti-Dumping Review Panel, which supports this view, noted that the commission must consider what would happen (or would be likely to happen) in the future should a certain event, being the expiration of the measures, occur. The Commissioner must nevertheless base his conclusions and recommendations on facts.<sup>54</sup>

### 8.3 Australian industry’s claims

In its application for the continuation of measures,<sup>55</sup> BlueScope made the following claims:

- Exports of HRC from Taiwan have continued since the imposition of measures, and account for the largest volume of imports in the Australian market and at the lowest prices.
- For each of the 12 months ending August 2021, Taiwanese export prices to Australia were below equivalent home market normal values, indicating above *de minimis* levels of dumping.
- The Australian market for HRC steel remains highly price sensitive as a result of the substitutable nature of the domestically produced and imported HRC.

<sup>53</sup> Anti-Dumping Commission, [Dumping and Subsidy Manual](#), December 2021, Australian Government, 2021, p 136.

<sup>54</sup> Anti-Dumping Review Panel (2016), [Anti-Dumping Review Panel Report No 44](#), Australian Government, 2016.

<sup>55</sup> EPR 594, document no 1.

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- The entire Australian market for HRC represents a fraction of the HRC production capacity of the main Taiwanese producers.
- There is a global oversupply in the steel market generally which has created excess capacity and lowered prices.
- Taiwanese producers maintain extensive production capacity and well-established distribution links to the Australian market which would allow them to quickly increase sales volume of dumped HRC if the measures were to expire.
- Given the substitutability of the domestic like product and subject imports and price-based competition for HRC in the Australian market, if the measures expired, a significant volume of dumped HRC from Taiwan would again substantially undersell the domestic like product to gain market share. This would in turn suppress and depress Australian industry's selling prices, leading to adverse impacts on the profitability and stability of Australian industry.

### 8.4 Are exports likely to continue or recur?

The commission considers that if the measures were to expire, exports from Taiwan would likely continue. The commission also considers that exports from Chung Hung would likely recur if the measures were to expire.

The commission had regard to the following factors when determining whether exports of the goods from Taiwan would likely continue:

- import volumes of the goods from Taiwan following the imposition and continuation of the measures in 2012 and 2017 respectively
- maintenance of distribution channels or links to the Australian market
- steel production capacities and capacity utilisation of the subject exporters
- trade measures in other jurisdictions.

The following sections of the report outline the commission's assessment in respect of each of the above considerations. The commission's assessment is contained in **Confidential Attachment 16**.

#### 8.4.1 Import volumes

The commission analysed HRC imports from Taiwan using ABF import data. Figure 8 shows that Taiwanese HRC has continued to be exported to Australia after the measures were originally imposed in 2012 as well as following the continuation of the measures in 2017.

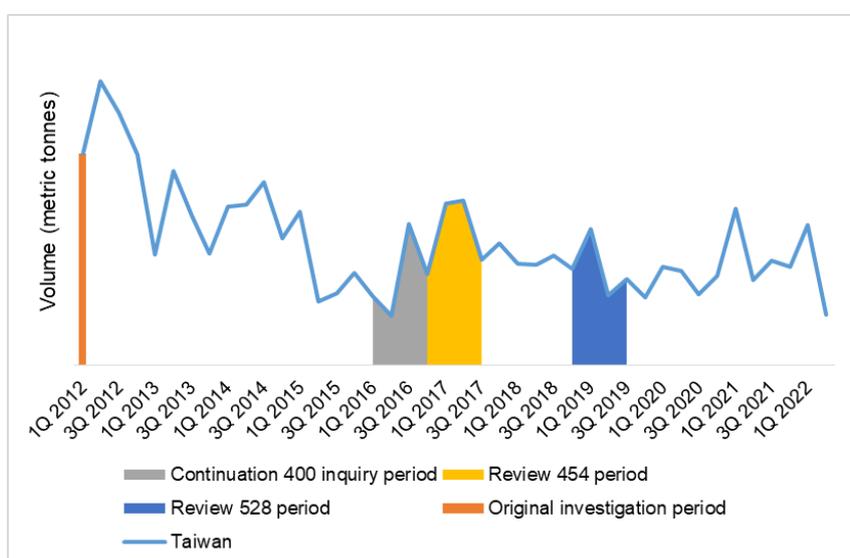


Figure 8: Volume of Taiwanese HRC imported into Australia

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Figure 9 shows the proportion of the total volume of HRC imported into Australia from Taiwan and all other countries since 2012. On average, Taiwanese HRC imports between 2018 and 2021 represented around 44% of total HRC imports by volume. The commission considers that imports from Taiwan represent a significant proportion of the total HRC import volume.

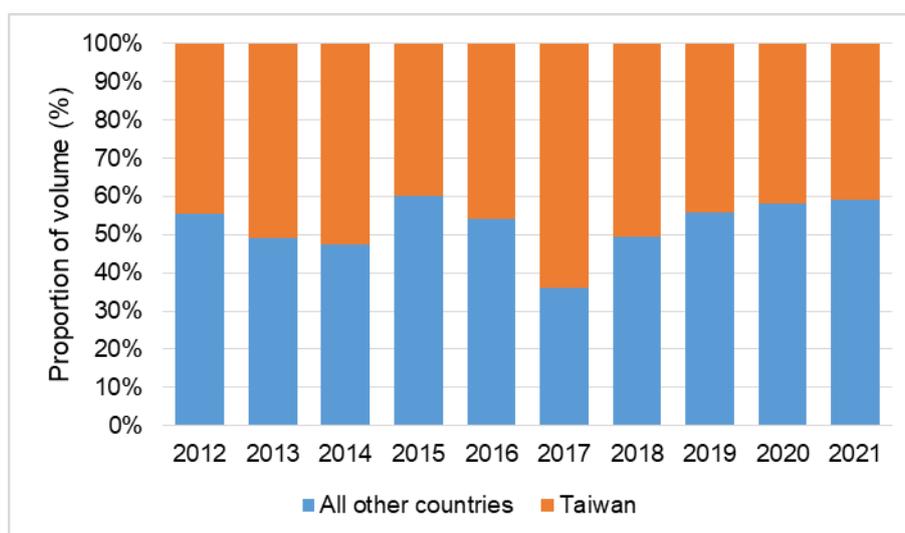


Figure 9: Proportion of total HRC import volume

The commission considers that while imports from Taiwan have declined in volume since the measures were first imposed, Taiwan remains the largest source of imported HRC in the Australian market.

### 8.4.2 Maintenance of distribution links to the Australian market

To assess whether Taiwanese exporters have maintained distribution links to the Australian market, the commission had regard to the ABF import data for the period 1 January 2017 to 31 December 2021.<sup>56</sup>

The commission found that the majority of transactions involving imports of HRC from Taiwan in 2017 and 2021 involved trades between the same buyer (Australian importer) and seller (Taiwanese exporter), indicating well maintained supply relationships. Of the 6 HRC importers in the inquiry period, 4 also imported from Taiwan during 2017, indicating these importers had maintained supply relationships with the same exporters over that time. Where the same Australian importer and Taiwanese exporter brought Taiwanese HRC to Australia in both 2017 and 2021, these trades represented 73% and 90% of the total Taiwanese HRC volumes respectively.

Based on the analysis of ABF import data, the commission considers that Taiwanese exporters have maintained distribution links to the Australian market and that Australian importers have well-established supply relationships with these exporters.

### 8.4.3 Excess production capacity of the subject exporters

The commission analysed the production capacity available for each of the exporters that submitted capacity utilisation data for the inquiry period. The commission determined that all cooperating exporters have spare production capacity ranging from 8% to 26%.<sup>57</sup>

<sup>56</sup> Confidential Attachment 16 – Will exports continue.

<sup>57</sup> Confidential Attachment 16 – Will exports continue.

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In relation to Chung Hung, the commission observes that its production capacity has increased since 2016, but that capacity utilisation has not kept pace, resulting in excess capacity even greater than in the period examined in Continuation Inquiry 400.

The commission estimates that the total spare capacity of the cooperating exporters during the inquiry period was in excess of the size of the entire Australian HRC market.

The commission's finding in respect of excess production capacity is supported at a macro level by an Organisation for Economic Co-operation and Development (OECD) report on the latest developments in steelmaking capacity.<sup>58</sup> Key findings contained in that report include:

- Global crude steelmaking capacity increased by 37.6 million tonnes, or 1.6%, in 2020 despite extremely weak market conditions, with Asia accounting for the vast majority of that growth.
- Due to falling production and demand for steel, the global capacity increase led to a worsening excess capacity situation for the world steel industry in 2020 (capacity utilisation fell from an estimated 76.5% to 74.5%).
- Capacity is expected to continue expanding over the next few years, with investment projects totalling 45 million tonnes of additional capacity currently underway and a further 68.7 million tonnes in the planning stages, which in total could add 5% to global steelmaking capacity.
- Excess capacity pressures have emerged, and are getting worse, in regions that previously had strong steel demand and positive prospects for market growth, including Southeast Asia where foreign investment, particularly from China, supports capacity growth.

In addition to the assessment of available production capacity, the commission also assessed and compared the export volumes in 2016 and 2021 for each cooperating exporter using data submitted in response to the exporter questionnaires. This analysis shows that, on average, HRC sold to export markets, including Australia and third country sales, fell from 48% to 43% of total sales volume from 2016 to 2021.<sup>59</sup> Given that a significant proportion of production is exported, the commission considers this indicates the importance of export sales for Taiwanese HRC producers. The commission also notes that Chung Hung's and CSC's REQs state that the Taiwanese steel industry is highly reliant on international markets and is export-oriented.<sup>60</sup>

Based on the analysis outlined in this section, the commission considers that excess production capacity exists in the domestic market of Taiwan and will likely persist in the foreseeable future.

### **8.4.3.1 Submission concerning CSC's capacity to supply the Australian market**

In its submission of 11 August 2022,<sup>61</sup> CSC submits that it has limited excess capacity. CSC also submits that it has limited scope to supply and meet order quantities for the Australian market due to competing demand from other domestic and export customers.

CSC referred to evidence which related to negotiations with an Australian customer as evidence of competing demand from other customers impacting its ability to deliver the quantities sought by the Australian customer. The commission observes that the evidence

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<sup>58</sup> OECD, [Latest Developments In Steelmaking Capacity 2021](#), September 2021, accessed 13 July 2022.

<sup>59</sup> Confidential Attachment 16 – Will exports continue.

<sup>60</sup> EPR 594, document nos 9 and 10.

<sup>61</sup> EPR 594, document no 15.

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comprised email correspondence between CSC and an Australian customer in relation to HRC supply in a particular month during the inquiry period. While CSC agreed to supply the Australian customer with some volumes of HRC in the particular month, CSC did not agree to supply the total volume sought by the customer.

The evidence alluded to in CSC's submission indicates that there appeared to be a temporary issue in CSC meeting demand in particular months during the inquiry period. The commission considers that this was likely due to an imbalance in supply and demand during the inquiry period where CSC could not ramp up production quickly enough to meet the increase in demand.

While the commission recognises that CSC might have experienced some issues in meeting demand during the inquiry period, the commission considers that other available evidence, including CSC's export volumes to Australia and CSC's production capacity utilisation, does not support CSC's contention that it has limited scope to supply the Australian market.

The commission observes that CSC's export volumes to Australia increased during the inquiry period relative to its export volumes in the periods examined in Review 528 and Review 454. The commission also observes that CSC has continued exporting the goods to Australia following the inquiry period.

Further, the commission assessed CSC's production capacity utilisation during the inquiry period, including in 2016 and 2018 which predate the COVID pandemic.<sup>62</sup> The commission found that despite an increase in CSC's capacity utilisation in 2021 relative to its capacity utilisation in 2016 and 2018, CSC's absolute excess or spare capacity in 2021 was still sufficient to supply approximately a third of the Australian market in 2021. CSC's excess capacity was even greater in 2016 and 2018, which predated the COVID pandemic and government stimulus which affected demand and supply. Further, once CSC's excess or spare capacity is combined with DSC's<sup>63</sup> excess or spare capacity, the combined excess capacity was 1.4 times the size of the Australian market in 2021.

Based on these findings, the commission considers that CSC has the capacity to supply the Australian market, and CSC will likely continue to supply the Australian market should the measures expire.

#### **8.4.4 Availability of other markets – impact of trade measures in other jurisdictions**

In its application seeking the continuation of the measures, BlueScope detailed the extent of trade remedies or anti-dumping measures applying to the goods in other jurisdictions (or comparable goods where the definition of the goods varies from jurisdiction to jurisdiction). The commission also considered trade remedies in other jurisdictions in previous inquiries, and notes that many of those measures continue to apply.

In addition to trade remedies in other jurisdictions, there have been 2 significant developments in respect of global trade measures relating to the goods since measures were last continued. In 2018, the USA imposed tariffs and quotas under section 232 of the

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<sup>62</sup> Confidential Attachment 17 – CSC's production capacity utilisation.

<sup>63</sup> As noted in section 6.4.2.1 of this report, DSC also manufactures the goods exported by CSC.

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*Trade Expansion Act of 1962 (USA)*.<sup>64</sup> In 2021, the European Union extended safeguards measures on certain steel products for a further 3 years until 2024.<sup>65</sup>

The commission considers that the application of trade remedies and measures in other jurisdictions is a factor that influences global trade by altering comparative access to markets. The commission considers that the expiration of the measures may make Australia a comparatively more attractive and accessible market for exports from Taiwan given the prevalence of trade measures against Taiwan in other jurisdictions.

### 8.4.5 Submission concerning whether exports are likely to continue or recur

In its submission of 12 September 2022, Chung Hung submits that it has not exported the goods to Australia since 2017 and is unlikely to resume exporting to Australia in the foreseeable future.<sup>66</sup>

While Chung Hung has not exported the goods to Australia since 2018,<sup>67</sup> the commission considers that if the measures were to expire in respect of goods exported from Chung Hung only, then there would be an incentive for Australian importers or customers to source the goods from Chung Hung in order to avoid the measures applying to all other Taiwanese exporters.

The commission observes that the same importers that have imported from Chung Hung in the past continue to import the goods from Taiwan, including from CSC.<sup>68</sup> Given this, the commission considers that Chung Hung would not necessarily need to find new customers should it wish to re-commence exporting the goods to Australia, and would be able to quickly establish distribution links to the Australian market. Chung Hung would also have the capacity to re-commence exporting the goods to Australia, noting that Chung Hung has the greatest available capacity out of the cooperating exporters. Therefore, the commission considers that if the measures were to expire in respect of the goods exported by Chung Hung only, it would be likely that Chung Hung would resume exporting the goods to Australia in order to supplant exports from other Taiwanese exporters that would be subject to the measures.

### 8.4.6 Conclusion

The commission considers that should the measures expire, exports from Taiwan are likely to continue, on the basis that:

- Exports of the goods to Australia from Taiwan continued following the imposition and continuation of the measures in 2012 and 2017 respectively, and consistently comprised a significant proportion of the total HRC imported into Australia.
- Taiwanese exporters have maintained distribution links to the Australian market.

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<sup>64</sup> USA Federal Register, [Adjusting Imports of Steel Into the United States](#), 15 March 2018, accessed 13 July 2022.

<sup>65</sup> European Commission Implementing Regulation (EU) [2021/1029](#) of 24 June 2021, amending Commission Implementing Regulation (EU) 2019/159, to prolong the safeguard measure on imports of certain steel products, accessed 13 July 2022.

<sup>66</sup> EPR 594, document no 21.

<sup>67</sup> Based on import declarations in the ABF import database, Chung Hung last exported the goods to Australia in January 2018.

<sup>68</sup> Chung Hung is a subsidiary of CSC.

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- Taiwanese exporters have spare production capacity between 8 and 26% and are export oriented and highly reliant on international markets.

### 8.5 Is dumping likely to continue or recur?

Based on the analysis outlined in the following sections of the report, the commission considers the evidence before it supports a finding that the expiration of the measures would likely lead to a continuation of dumping from Taiwan.

In assessing the likelihood of whether dumping will continue or recur, the Manual outlines a number of relevant factors and considerations. Such factors may include exporters' dumping margins, the volume of exports before and after the measures were imposed, the effect of the measures, the level of dumping compared with the level of measures, and any change in those measures (for example, as a result of a review).<sup>69</sup>

The commission's view is that the relevance of each factor will vary depending on the nature of the goods and the market into which the goods are sold.<sup>70</sup> No one factor can necessarily provide decisive guidance. The following analysis therefore examines a range of factors that the commission considers are relevant to this inquiry.

The commission's analysis is contained in **Confidential Attachment 19**.

#### 8.5.1 Analysis of dumping during the inquiry period

The commission found that dumped goods were exported to Australia from Taiwan during the inquiry period by all exporters, except Chung Hung which did not export the goods to Australia during the inquiry period. As outlined in chapter 6 of this report, the commission determined the following dumping margins relevant to the inquiry period.

Exporter	Dumping margin
Chung Hung <sup>71</sup>	5.1%
CSC	3.2%
Shang Chen	2.0%
All other exporters	5.5%

**Table 14: Dumping margins during inquiry period**

#### 8.5.2 Previous dumping margin assessments

Table 15 details the dumping margins assessed for exporters from Taiwan in all previous matters where variable factors have been ascertained.

Exporter	Original investigation (REP 188)	Continuation inquiry (REP 400)	Review (REP 454)	Review (REP 528)
Chung Hung	6.5%	-2.6%	2.6%	-8.9%
CSC	2.6%	-1.8%	5.2%	-5.0%
Shang Chen	4.1%	-9.2%	2.5%	-3.2%

<sup>69</sup> Anti-Dumping Commission, [Dumping and Subsidy Manual](#), December 2021, Australian Government, 2021, p 176.

<sup>70</sup> Ibid.

<sup>71</sup> As Chung Hung did not export the goods to Australia during the inquiry period, its dumping margin is based on a comparison between its normal value based on its domestic sales, and export price determined using all relevant information, namely the export prices of CSC and Shang Chen.

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Exporter	Original investigation (REP 188)	Continuation inquiry (REP 400)	Review (REP 454)	Review (REP 528)
All other exporters	8.2%	3.9%	7.1%	-0.2%

**Table 15: Previous dumping margin assessments**

Table 15 indicates that all exporters from Taiwan have dumped during the original investigation period. Exporters that have continued to export the goods to Australia since the measures were imposed have dumped at various stages since their exports were first examined during the original investigation.

The commission considers that based on an examination of historical dumping margins and dumping during the inquiry period, exporters from Taiwan will likely export at dumped prices in the future.

### **8.5.3 Likely future supply and demand conditions in the Australian market**

As a general principle, the commission considers that, whilst the presence (or absence) of dumping during the inquiry period may be indicative of future behaviour, this factor alone is not determinative.

As detailed in chapter 5, the Australian market during the inquiry period was characterised by strong growth in demand against a backdrop of significant disruption to the global supply chain. This led to significant increases in the prices of HRC within the Australian market, to the benefit of the Australian industry as well as exporters of the goods.

Based on the available evidence, the commission considers that the increase in prices of HRC sold in the Australian market is unlikely to be sustained following the inquiry period.

As outlined in section 5.2.6 of this report, the commission considers that domestic demand for HRC is likely to moderate to a more sustainable level given that the fiscal stimulus applied during the pandemic, which has led to an increase in activity within the building and construction industry, has dissipated. Further, monetary policy settings have recently been tightened in an attempt to curb the burgeoning inflationary pressures caused by the unusual combination of supply and demand factors that emerged during 2020 and 2021, and will likely lead to a decrease in building and construction activity.

In terms of supply, the commission expects that in the medium to long-term, freight costs would likely return to lower levels than those seen during the inquiry period, as the rebalancing in demand will address issues of port congestion and container movements. In time, export supply will likely be as cost effective and timely as had been the case prior to the pandemic.

The commission considers that decreasing demand and increasing supply are likely to see a stabilisation of HRC prices toward the long-term average, as shown in Figure 10.

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Figure 10: HRC CFR Southeast Asia prices (US\$/tonne)<sup>72</sup>

Figure 10 indicates that from 2010 to 2020, HRC prices fluctuated within a range between US\$250 to US\$750 per tonne, before spiking toward US\$1000 per tonne during 2021. While still above the long-term average, prices have decreased in the first half of 2022.

As detailed in section 8.6.1 of this report, the commission notes that there was a shift in relative price competitiveness within the Australian market during the inquiry period that resulted from the supply and demand challenges experienced. With the significant increase in the landed price of goods exported to Australia from all sources, the Australian industry became more competitive on price. The commission considers that this shift may incentivise exporters to reduce prices in the future in order to maintain or increase market share in a cooling market.

Noting the well-established links Taiwanese exporters have to the Australian market, their surplus production capacity and previous exports at dumped prices, the commission considers that in the absence of the measures, dumping would likely continue.

### 8.5.4 Conclusion

The commission considers it is likely that future exports of the goods from Taiwan will continue to be dumped, on the basis that:

- dumping occurred during the inquiry period
- Taiwanese exporters have exported goods at dumped prices at various points throughout the life of the measures
- the significant increase in export prices during the inquiry period is unlikely to be sustained as the effects of the pandemic on supply and demand recede and the Australian HRC market normalises.

### 8.6 Is material injury likely to continue or recur?

The commission considers that material injury to the Australian industry is likely to recur should the measures expire.

To inform its consideration, the commission has assessed the likely effect on price and volume in the event that the measures expire, as outlined in the following sections.

<sup>72</sup> Prices for HRC sourced from S&P Global Platt's under subscription. Price series was HRC CFR Southeast Asia (SB01142) obtained under subscription.

**8.6.1 Likely effect on prices**

The commission considers that the Australian-produced goods and the imported goods have similar end uses, meet similar quality specifications and standards, are sold to the same types of customers and compete directly with each other in the same market segments. Previous inquiries and reviews of measures by the commission indicate that the HRC market is a commodity market and that price is a major factor in customers’ purchasing decisions.<sup>73</sup>

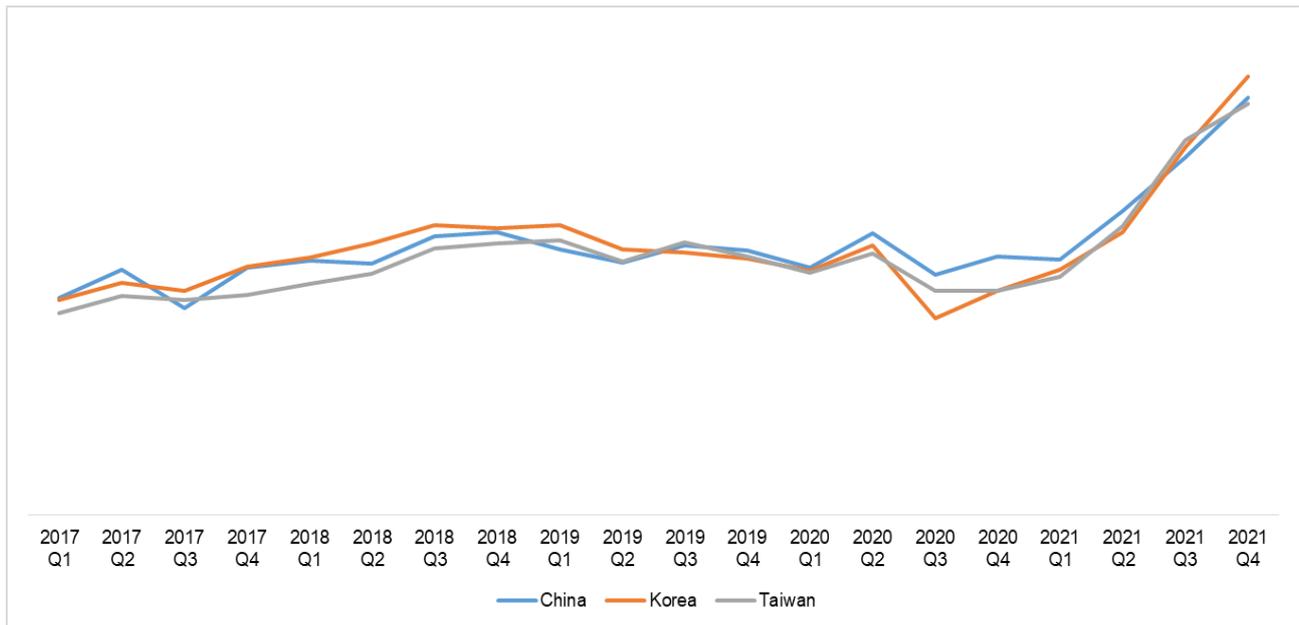
To inform its consideration of the likely effect on prices, the commission analysed:

- landed duty paid prices of imports from Taiwan as well as from the 2 most significant sources not subject to measures, as measured by volume
- price undercutting within the Australian market during the inquiry period.

**8.6.1.1 Comparison of landed duty paid import prices**

The commission has used ABF import data to compare quarterly landed duty paid import prices since 2017 for the 3 largest sources of imports over that time – China, Korea and Taiwan. Together, these imports accounted for 61% of the goods imported into Australia during the inquiry period, with imports from Taiwan making up the vast majority of these imports.

Figure 11 demonstrates the comparative landed duty paid import prices.



**Figure 11: Landed duty paid import pricing (A\$/tonne)<sup>74</sup>**

Figure 11 indicates that:

- the landed duty paid import prices of the goods imported from China, Korea and Taiwan have followed the same overall trend since the first quarter of 2017
- Taiwan had the lowest landed price out of the 3 countries in 11 of the 20 quarters reviewed, and was almost 5% more expensive than the cheapest competitor in the majority of the remaining quarters
- the range of price variances between the highest and lowest priced imports was from 2% to 22%, with the largest variances evident during 2020

<sup>73</sup> Investigation 188, Continuation Inquiry 400, Reviews 454 and 528.

<sup>74</sup> Confidential Attachment 19 – Will dumping continue.

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- during 2020 and 2021, which coincided with the COVID-19 pandemic, comparative pricing became more volatile, likely due to the supply constraints associated with the pandemic affecting suppliers differently
- landed duty paid import prices increased significantly for all exporters during the inquiry period, with import prices of the goods imported from Korea increasing to the greatest extent
- during the inquiry period, the landed duty paid import prices from Taiwan initially increased at a greater rate than imports from China and Korea, however in the fourth quarter, imports from Taiwan had returned to being the cheapest.

The commission considers that this analysis indicates that, historically, there has been a high degree of price competition in the Australian market for imports from these key sources. The commission considers that the HRC market remains price sensitive such that the pricing of dumped goods will likely influence the pricing of other market participants. The commission considers that the historically low prices of exports from Taiwan will likely remain a relevant factor to the economic condition of the Australian industry in terms of its ability to increase prices or compete on price in such a price-sensitive market.

### Submissions concerning comparison of landed duty paid import prices

In their respective submissions of 12 September 2022, Chung Hung, CSC and Shang Chen submit that the observed price differences or variances outlined in section 8.6.1.1 of this report could be explained by the improper comparison of imported models. Given this, the exporters contend that little weight should be given to price comparisons of landed import prices without specific product or model information relevant to the goods imported from China, Korea and Taiwan.

Whilst the commission cannot identify the specific models or product characteristic of the goods referred to in the analysis in section 8.6.1.1 above, other information available to the commission also supports the observation that prices of goods imported from Taiwan are generally lower than prices of goods imported from China and Korea.

The commission is privy to the information and market intelligence relating to monthly import price offers amassed by BlueScope, which BlueScope uses to inform its IPP benchmark (**Confidential Attachment 20**). BlueScope's information is more detailed in terms of the characteristics or specifications of products the subject of each import offer. Based on this information, the commission observes that from January 2017 to June 2022 inclusive, import offers referenced in BlueScope's IPP benchmark were predominantly from Taiwan, which is consistent with the commission's finding that imports from Taiwan remain the largest source of imports into Australia relative to all other countries including China and Korea. In almost all months examined from January 2017 to June 2022 inclusive, there was at least one import offer from Taiwan, which is not consistently observed for all other countries.

In 42 of the 66 months examined from January 2017 to June 2022 inclusive, import price offers from Taiwan were either the lowest import offer, or were the only import offer in that particular month and therefore was the only offer used in the IPP benchmark in that month. Of the 47 months where there were import offers from Taiwan *and* other countries, Taiwan was the lowest offer in 24 of those months.<sup>75</sup> This is consistent with the commission's finding outlined above that generally, the lowest landed price was of goods imported from

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<sup>75</sup> Whilst these observations relate to HRC in an as-rolled condition, similar observations are also made for PO HRC. For PO HRC, import offers used in BlueScope's IPP benchmark are predominantly from Taiwan, which are generally the lowest priced offers in the months examined from January 2017 to June 2022 inclusive (Confidential Attachment 20 refers).

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Taiwan. Given this, and irrespective of whether or not the price comparison is undertaken at the model level, the generally lower-priced Taiwanese offers are used by BlueScope to benchmark its own prices and ultimately these Taiwanese prices influence BlueScope's selling prices.

### 8.6.1.2 Price undercutting

Price undercutting occurs when imported goods are sold in the Australian market at a price below that of the Australian-produced like goods. The commission's analysis of price undercutting assesses the effect of dumped imports on the Australian industry's prices and whether this has caused, or is likely to cause, injury in the form of price depression and price suppression, amongst other potential injury factors.

In undertaking this analysis, the commission compared the prices at which the Australian industry sold like goods<sup>76</sup> to the actual prices achieved by importers which sourced the goods from exporters subject to the current measures during the inquiry period.<sup>77</sup>

The commission conducted a macro-level analysis by comparing the Australian industry's weighted average quarterly selling prices with the prices achieved by importers at an MCC level. The commission identified 20 MCCs sold during the inquiry period by the Australian industry and exporters from Taiwan. These 20 MCCs represented approximately 67% of the total volume of Australian industry sales, and approximately 81% of the total volume of HRC (of Taiwanese origin) sales of verified importers during the inquiry period.

The instances and margins of undercutting by MCC<sup>78</sup> are presented in Table 16. BlueScope's selling prices that were undercut are expressed as positive figures.

Models (MCC)	2021 Q1	2021 Q2	2021 Q3	2021 Q4	Average undercutting margin
MCC 1	-1%	<b>7%</b>	-15%	-6%	-4%
MCC 2	<b>1%</b>	<b>17%</b>	-17%	-0.5%	-0.02%
MCC 3	<b>1%</b>	-18%	-24%	-12%	-13%
MCC 4	<b>7%</b>	<b>16%</b>	-18%	<b>3%</b>	<b>2%</b>
MCC 5	<b>1%</b>	-13%	-19%	-4%	-9%
MCC 6 <sup>79</sup>					
MCC 7			-21%		-21%
MCC 8	-20%	-20%	-28%	-24%	-23%
MCC 9	-10%	-24%	-29%	-21%	-21%
MCC 10	<b>15%</b>	<b>21%</b>	<b>10%</b>	<b>10%</b>	<b>14%</b>
MCC 11	-14%			-13%	-13%
MCC 12				-46%	-46%
MCC 13				<b>5%</b>	<b>5%</b>
MCC 14				-2%	-2%

<sup>76</sup> Excluding sales to related parties.

<sup>77</sup> Confidential Attachment 21 – Price undercutting analysis.

<sup>78</sup> Excludes goods with widths greater than 1,550mm; HRC HA250 with thickness less than 1.5mm; HRS HA250 with thickness less than 3.0mm and HRS HA350 with thickness less than 3.0mm.

<sup>79</sup> All exported goods within this MCC have widths greater than 1,550mm, which is outside of the range of widths produced by BlueScope. Given this, no price comparisons were undertaken for this MCC.

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Models (MCC)	2021 Q1	2021 Q2	2021 Q3	2021 Q4	Average undercutting margin
MCC 15	5%	1%			3%
MCC 16		-6%	-3%		-5%
MCC 17				-0.3%	-0.3%
MCC 18					
MCC 19					
MCC 20	-19%				-19%

**Table 16: Price undercutting by MCC<sup>80</sup>**

Table 16 indicates that undercutting was evident in relation to some models or MCCs.

To further inform its consideration, the commission conducted a micro-level analysis of relative pricing. The commission compared quarterly weighted average free into store selling prices for the 5 most significant MCCs (by volume) to 6 customers of BlueScope which were also identified as having purchased these MCCs from Taiwanese exporters.<sup>81</sup> The commission notes that sales to common customers between importers and the Australian industry account for 13% of the Australian industry's total sales volume during the inquiry period. Conversely, sales to common customers account for approximately 78% of the importers' total HRC (of Taiwanese origin) sales volumes.

The commission found that BlueScope's selling prices of like goods were undercut by dumped goods imported from Taiwan in some instances during the inquiry period, with the margin of undercutting ranging from 1% up to 21% when prices are compared at the MCC level, and ranging from 0.3% up to 26% when compared at the MCC and customer level.

The prevalence and extent of undercutting was less evident during the final 2 quarters of the inquiry period, which is consistent with the significant increase in landed duty paid import prices as noted in section 8.6.1.1 of this report. The commission found that the prices of the goods imported from Taiwan increased at a greater rate than BlueScope's prices during the final 2 quarters of the inquiry period, most likely due to the increase in shipping costs, among other factors, observed during the course of the inquiry period. The commission considers that this, in part, allowed BlueScope to move to a position of comparative price advantage relative to exports from Taiwan during the inquiry period.

The commission's undercutting analysis is contained in **Confidential Attachment 21**.

### Submissions concerning price undercutting analysis

In their respective submissions of 12 September 2022,<sup>82</sup> Chung Hung, CSC and Shang Chen submit that the observed price undercutting in table 16 is likely misleading as it does not appear to account for differences in lead times between imports and BlueScope's sales. The exporters point to the undercutting observed for MCC 1 and MCC 2 in table 16 showing varying undercutting margins (for example, for MCC 2, there is an undercutting margin of 17% in quarter 2 and a negative undercutting margin of 17% in quarter 3) as being clear examples of selling prices not being properly compared at similar time periods.

<sup>80</sup> A negative percentage indicates that the Australian industry's prices are lower than the delivered prices of imported goods. Where the cell is blank for a MCC and quarter, this indicates that there was only one seller of the relevant MCC in this quarter, be it an importer or the Australian industry.

<sup>81</sup> Confidential Attachment 21 – Price undercutting analysis.

<sup>82</sup> EPR 594, document nos 19, 20 and 21.

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It should be noted that the analysis of price undercutting presented in table 16 includes an amalgamation of two importers' sales prices of goods sourced from Taiwan. The undercutting margins were calculated for each MCC by comparing BlueScope's prices to whichever of the two importers' prices was the lowest in the particular quarter. There are instances where importers have sold a particular MCC in one quarter but have not sold the same MCC in the following quarter. For example, for MCC 2, the undercutting margins observed in quarter 1 and quarter 2 relate to sales by one particular importer, but this importer has not sold the goods in quarter 3, which explains the significant change in the undercutting margin from 17% to negative 17%. Further, there are instances for some MCCs where one importer has the lowest price but in the next quarter the other importer has the lowest price, which explains the varied range of undercutting margins observed in table 16.

Nevertheless, even if the observed price differences in each quarter are averaged across the inquiry period for each MCC, or even if the weighted average export prices during the inquiry period are compared, undercutting is still evident in relation to some MCCs.

The commission also undertook an analysis of the materiality of the sales volumes where undercutting is observed, noting the exporters' concerns that unfair weight might be given to sales of models that have negligible volumes. The commission undertook a separate analysis for each of the two importers that sourced the goods from Taiwan using verified information obtained from the importers (**Confidential Attachment 21**). Based on this analysis, the commission found that:

- For goods exported by CSC, undercutting was evident in relation to 6 out of 16 models or MCCs that were sold by both the relevant importer and BlueScope. The total volume of dumped goods that undercut BlueScope's prices comprised approximately 6% of the total volume of goods exported to Australia from Taiwan by CSC during the inquiry period.<sup>83</sup>
- For goods exported by Shang Chen, undercutting was evident in relation to 4 out of 5 models or MCCs that were sold by both the relevant importer and BlueScope. The total volume of dumped goods that undercut BlueScope's prices comprised approximately 21% of the total volume of goods exported to Australia from Taiwan by Shang Chen during the inquiry period.<sup>84</sup>
- The total volume of BlueScope's sales that was undercut by dumped goods during the inquiry period comprised approximately 4% of BlueScope's total sales volume during the period.

Given the findings above, while undercutting was evident only in relation some models or MCCs, the volume of goods exported from Taiwan by CSC and Shang Chen that undercut BlueScope's like goods was not insignificant. The commission considers that should the measures expire, dumped goods exported from Taiwan are likely to continue to undercut BlueScope's like goods and are likely to lead to a recurrence of material injury.

### **8.6.1.3 Conclusion – Likely effect on prices**

Based on the analysis of landed duty paid prices over the period since 2017 (section 8.6.1.1 of this report), and the analysis of price undercutting during the inquiry period (section 8.6.1.2 of this report), the commission is satisfied that:

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<sup>83</sup> Excludes goods with widths greater than 1,550mm; HRS HA250 with thickness less than 3.0mm; HRS HA350 with thickness less than 3.0mm.

<sup>84</sup> Excludes HRC HA250 with thickness less than 1.5mm and HRS HA250 with thickness less than 3.0mm.

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- there is close price competition between imports from the 3 most significant sources (being China, Korea and Taiwan) of HRC supply to the Australian market, however imports from Taiwan have generally been the lowest priced since 2017
- landed duty paid prices from all sources have been increasing since the third quarter of 2020, with the most significant increases observed during the inquiry period
- despite these increasing import prices, the Australian industry's selling prices, when compared by MCC and by customer, have been undercut by dumped goods from Taiwan in some instances during the inquiry period
- the volume of dumped goods exported from CSC and Shang Chen that undercut BlueScope's prices was not insignificant during the inquiry period
- the prevalence and magnitude of undercutting was more pronounced at a direct customer level, indicating that the Australian industry is more vulnerable to price competition from dumped exports from Taiwan sold to common customers, noting that common customers only account for 13% of BlueScope sales
- the vast majority of sales of goods exported from Taiwan were to common Australian customers that purchased HRC from both the Australian industry and importers.

### 8.6.2 Likely effects on volumes

To inform its consideration of the likely effect on the Australian industry's volumes if the measures were to expire, the commission assessed the market share of the key market participants since 2009.

Figure 12 shows the change in market share for Australian industry, Taiwanese exports currently subject to measures, exports from Japan, Korea and Malaysia,<sup>85</sup> and exports from all other sources combined.

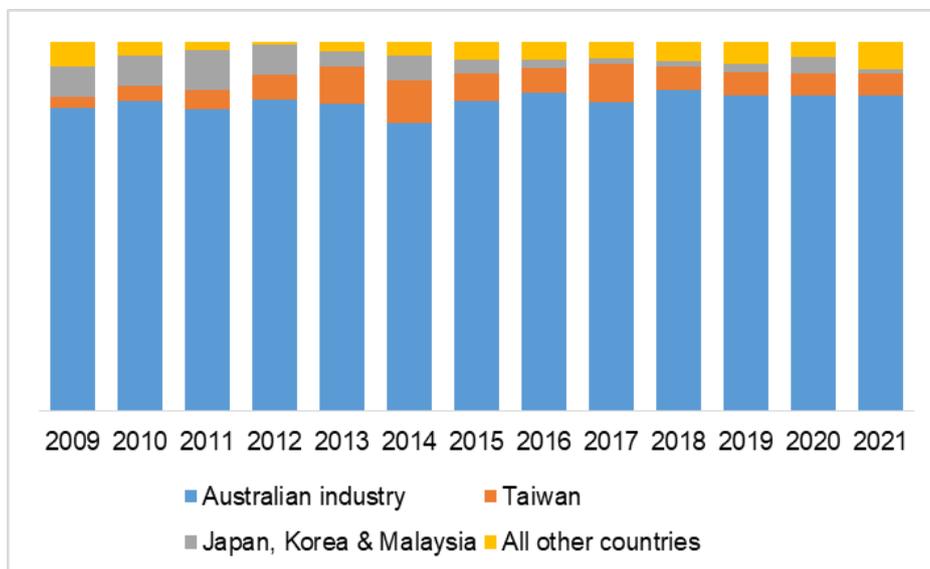


Figure 12: Change in Australian market share since 2009<sup>86</sup>

<sup>85</sup> Measures were imposed on HRC exported from Japan, Korea and Malaysia in 2012, at the same time measures were imposed on Taiwan. Unlike for Taiwan, measures were not continued in respect of Japan, Korea and Malaysia in 2017.

<sup>86</sup> Confidential Attachment 2 – Australian HRC market.

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Figure 12, and the underlying data supporting it, indicates that:

- at the time of the imposition of measures in 2012, the Australian market was almost entirely composed of the Australian industry's sales, imports from Taiwan and imports from Japan, Korea and Malaysia
- following the imposition of measures in 2012, Taiwan captured additional market share from Japan, Korea and Malaysia
- the Australian industry lost market share in 2013 and 2014, with imports from other sources gaining a small but growing share of the market
- Taiwan's market share peaked in 2014, coinciding with the Australian industry's market share reaching the lowest point in the period assessed
- the Australian industry's market share fell again in 2017, coinciding with a surge in exports from Taiwan
- following the continuation of measures in late 2017, the market share of Taiwanese exports reduced and has since remained stable
- following the continuation of the measures relating to exports from Taiwan in late 2017 (and expiration of measures relating to exports from Japan, Korea and Malaysia), with the exception of 2020, exports from Japan, Korea and Malaysia have maintained a very small share of the Australian market
- exports from all other countries have maintained a steady presence in the Australian market since the imposition of measures, with the most significant increase in market share observed during the inquiry period
- since measures were imposed, Taiwan has been the most consistent and materially significant source of supply to the Australian market.

As detailed in chapter 5, the Australian market grew strongly during the inquiry period. The commission considers that had supply chains not been disrupted during the inquiry period, export volumes from Taiwan and other countries would likely have been higher. As supply chains stabilise, the gains in sales volume achieved by the Australian industry during the inquiry period will be vulnerable to competition from a likely increase in imports.

Given that:

- Taiwanese exporters have maintained a consistent and material presence in the Australian market since the imposition of measures in 2012
- surges in the market share of Taiwanese exporters since measures were imposed coincided with falls in the market share of Australian industry,

the commission considers that in the absence of measures, it is likely that exporters from Taiwan would increase market share at the expense of other exporters and the Australian industry. In the event that the Australian industry does not reduce or suppress its prices in order to compete with prices of dumped exports from Taiwan, the commission also considers it likely that the Australian industry would cede sales volumes and market share.

The commission therefore considers that the expiration of the measures would be likely to lead to a recurrence of material injury to the Australian industry in the form of reduced sales volume and market share, as well as other factors related to volume injury, such as profit, profitability and capacity utilisation.

### **8.6.3 Is injury from dumping likely to be material?**

The commission's analysis of the economic condition of the Australian industry in the inquiry period and in the period since measures were last continued found that the Australian industry has generally experienced improved performance, with increasing sales volumes, selling prices and profit.

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The Australian market for HRC expanded by more than 25% during the inquiry period. Significant direct and indirect government stimulus aimed at the construction industry as well as increased consumer spending on home improvements fuelled this growth. This boost in demand coincided with longer shipping times and significantly increased costs of shipping, which impacted international supply into the Australian market.

These anomalous supply and demand conditions proved advantageous to the Australian industry which was able to harness surplus capacity to meet growing domestic demand at a time when competitors' international supply channels were disrupted. The commission considers that the future condition of the Australian market and Australian industry must be considered within the context of the impacts of the pandemic during the inquiry period.

While the economic uncertainty driven by the COVID-19 pandemic is likely to continue in the short term, the evidence presently before the commission suggests that the growth in the Australian market experienced during the inquiry period is not likely to be sustained. The commission has analysed the growth in the Australian market since 2009, as demonstrated in Figure 13, to inform its findings.

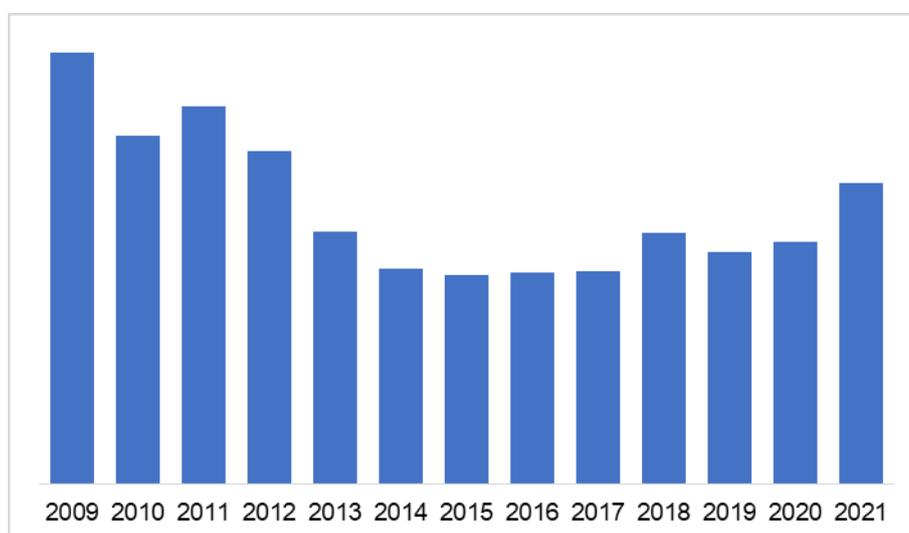


Figure 13: Australian HRC market 2009 to 2021 (tonnes)<sup>87</sup>

Figure 13, and the underlying data supporting it, indicates that:

- the Australian market was in a period of decline until 2015, after which the market has trended upward
- the average compounding rate of growth during the period 2015 to 2020 was 3%
- the rate of growth during the inquiry period was 25%.

The commission considers that the growth in the Australian market during the inquiry period was anomalous when assessed against the long-term trend. The commission expects that as the impacts associated with the pandemic recede, the Australian market will return to more normalised conditions, characterised by gradual growth over the long term, within the context of the shorter time variability inherent to the business cycle (that is, variance within shorter time periods).

In addition to the opportunities afforded by a growing market, the Australian industry benefitted during the inquiry period due to disruptions to global supply chains. The contraction in shipping availability combined with increasing costs of international shipping adversely impacted overseas exporters, opening up opportunities for domestic suppliers to

<sup>87</sup> Confidential Attachment 2 – Australian HRC market.

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capture additional sales volumes. However, as supply chains stabilise, the gains in volume achieved by the Australian industry during the inquiry period will be vulnerable to competition from dumped imports.

BlueScope submitted that freight rates have peaked, supply chain bottlenecks will likely resolve and freight costs will normalise. BlueScope provided its own analysis of seaborne freight in support of its submission.

Figure 14 shows the Baltic dry index for global shipping costs from August 2017 to August 2022.



Figure 14: Baltic dry index<sup>88</sup>

Figure 14 shows a surge in shipping costs in the second-half of the inquiry period, before tapering off in late 2021 and decreasing in 2022. A similar trend is also observed in container shipping costs, with container costs increasing significantly from July 2021 before decreasing in late 2021 and decreasing further in 2022.<sup>89</sup>

The evidence before the commission indicates that in the medium to long-term, freight costs will normalise and return to lower levels than those seen during the inquiry period such that in time, export supply will be as cost effective and timely as had been the case prior to the pandemic.

As detailed in chapter 7, the commission considers that the improvements in the economic condition of the Australian industry during the inquiry period need to be considered within the context of the favourable trading conditions resulting from the COVID-19 pandemic. The commission considers the Australian industry remains susceptible to injury from imports, as the evidence presently before the commission indicates that those favourable conditions evident during the inquiry period will likely dissipate over coming years.

To evaluate the materiality of price injury if measures were to expire, the commission has had regard to the landed duty paid export prices and price undercutting detailed in section 8.6.1 of this report. The commission identified an overlap in common customers between the Australian industry and the imported goods during the inquiry period, and found

<sup>88</sup> Trading Economics, [Baltic Exchange Dry Index](#), accessed 10 August 2022.

<sup>89</sup> Confidential Attachment 22 – Trends in shipping costs.

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undercutting in the first half of the inquiry period. The price undercutting observed in the first half of the inquiry period coincided with significant dumping by both CSC and Shang Chen during this period.

The commission observes that the significant increase in landed duty paid prices into the Australian market in the second half of the inquiry period coincided with a reduction in the prevalence and magnitude of price undercutting experienced by the Australian industry among that common customer base. Indeed, the commission considers that the Australian industry was able to take advantage of the anomalous supply and demand conditions during the inquiry period to move to a position of comparative price advantage relative to exports from Taiwan in the second half of the inquiry period. The commission considers it is reasonable to conclude that, were those anomalous supply and demand conditions to dissipate, exporters from Taiwan would likely seek to recover the price advantage they had previously enjoyed, which in turn would place pressure on the Australian industry to respond to maintain its sales volumes and market share against those exporters.

The commission considers that given the existing market share of imports from Taiwan in the Australian market, and the penetration of those imports across the Australian industry's customer base, the price reductions required of the Australian industry to remain competitive in the absence of measures would likely extrapolate into material reductions in revenue, profit and profitability. A deterioration in these factors is likely to worsen the Australian industry's economic condition in relation to the other economic factors that are, in part, a function of price and profit.

The commission has also considered the alternative scenario where the Australian industry elects not to effect a price reduction in order to compete with the landed duty paid prices of Taiwanese exporters. As detailed in section 8.6.2 of this report, the commission considers that in the absence of measures, it is likely that the Australian industry would cede market share to exporters from Taiwan if it elected not to reduce prices in order to compete with these exporters.

Should exporters from Taiwan recapture some of the market share previously held, the Australian industry would likely experience a material level of injury by way of lost revenue, and the subsequent impact on profit and profitability.

Based on market size and average selling prices, the commission estimates that during the inquiry period, the Australian market for HRC was worth over A\$800 million.<sup>90</sup> As such, each 1% of market share represents approximately A\$8 million in revenue. At this scale, small movements in market share can be materially injurious.

Based on the preceding analysis of the likely effect on price and volume, in the absence of measures, the commission considers that the continuation of dumped exports from Taiwan would likely put downward pressure on prices in the Australian market. As a consequence, the Australian industry would likely experience price depression, price suppression and/or a material erosion in the improvements made since the measures were continued in relation to sales volumes, sales revenue and profit.

Accordingly, the commission considers that the expiration of the measures would be likely to lead to a recurrence of the material injury that the current measures are intended to prevent.

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<sup>90</sup> Confidential Attachment 2 – Australian HRC market.

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### 8.6.4 Submissions concerning the likelihood of material injury recurring

In their respective submissions responding to the SEF,<sup>91</sup> the ASA, Chung Hung, CSC and Shang Chen claim the following.

- BlueScope has not experienced material injury in the form of price depression, price suppression, reduced sales volumes, reduced market share, or reduced profits and profitability. CSC further submits in its submission of 11 August 2022 that given the record growth experienced by BlueScope in the 2020-21 financial year and in the first half of financial year 2021-22, the commission cannot conclude that a recurrence of material injury is likely in the absence of the measures.
- In all reviews of measures since 2016, including before the COVID-19 pandemic, CSC's and Shang Chen's weighted average export prices were consistently above the corresponding NIP, which is the price point the commission has determined would result in material injury being caused by dumping.
- The degree by which CSC's and Shang Chen's export prices were above the prevailing floor price refutes any suggestion that the floor prices were relevant or effective at ensuring higher export prices. CSC and Shang Chen argue that they could have reduced their export prices significantly and continued to remain above the prevailing floor price. CSC and Shang Chen could also have reduced their export prices in the most recent years and continued to be above the NIP or non-injurious levels. Therefore, the commission's conclusion in the SEF that exporters would likely reduce prices in the absence of measures is baseless and is not supported by the available evidence.
- A consistent portion of the Australian market must be supplied by imports because, among other reasons, BlueScope does not supply certain hot rolled steel, whether in sheet or coil form. Both CSC and Shang Chen identified in their respective submissions the relative proportion of their total volume of goods exported to Australia during the inquiry period that were purportedly outside of BlueScope's production capability.
- There is no relationship between dumping and injury to the Australian industry. The causal link between dumping, material injury and the measures has been severed over numerous years and therefore material injury caused by dumping is unlikely to recur.

As noted by Chung Hung, CSC and Shang Chen in their respective submissions, since the continuation of the measures in 2017, the commission found that the ascertained weighted average export price for each exporter was higher than the ascertained NIP<sup>92</sup> in the periods examined in the following cases:

- Review 454<sup>93</sup>
- Review 528.<sup>94</sup>

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<sup>91</sup> EPR 594, document nos 15, 18, 19, 20 and 21.

<sup>92</sup> Under section 269TACA, the NIP of the goods exported to Australia is defined as the minimum price necessary to prevent the injury, or a recurrence of the injury, or to remove the hindrance to the Australian industry caused by the dumped goods subject to the anti-dumping measures.

<sup>93</sup> The period examined in Review 454 was from 1 October 2016 to 30 September 2017.

<sup>94</sup> The period examined in Review 528 was from 1 October 2018 to 30 September 2019.

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The commission also found that the ascertained export price for each exporter was higher than the NIP in the period examined in Continuation Inquiry 400.<sup>95</sup>

As stated in the SEF, the commission would expect that the ascertained export prices would be at or above the NIP in most instances where the goods are not dumped. In Continuation Inquiry 400 and Review 528, the commission found that the goods exported to Australia from Taiwan were not dumped in the periods examined in these two cases. Therefore, the export prices at which these goods were exported at (being an undumped price) could not have caused material injury to the Australian industry due to dumping, and this is consistent with these prices being higher than the NIP in the periods examined.

The only instance where the ascertained export price of dumped goods was found to be higher than the NIP for each exporter was in Review 454, which may indicate that any material injury experienced by the Australian industry was not caused by dumping in the period examined. However, the commission considers that this one instance is not determinative of what is likely to occur should the measures expire. As outlined in this chapter, the commission considers that should the measures expire, material injury caused by dumping is likely to recur for the following reasons:

- Hot rolled steel, whether in sheet or coil form, is a commodity product and price is generally the main factor that influences customers' purchasing decisions. In a competitive commodity market where price is the primary factor taken into consideration by customers, dumping can confer an advantage to exporters in terms of the attractiveness of their price offer to importers, and consequently the importers' price offers to Australian customers. This has not been disputed by any interested party in this inquiry.
- As noted in section 8.6.1.2 of this report, HRC imported from Taiwan and HRC produced by the Australian industry are sold to common customers in the Australian HRC market. Sales to common customers between importers and the Australian industry account for 13% of the Australian industry's total sales volume during the inquiry period. Conversely, sales to common customers account for approximately 78% of the importers' total HRC (of Taiwanese origin) sales volumes. Given that common customers can purchase HRC from the Australian industry and importers, dumped price offers from Taiwan can be used by customers as leverage in negotiations with the Australian industry, thereby depressing and/or suppressing the Australian industry's prices. Should the measures expire, the price offers of dumped goods would likely lead to a recurrence of material injury.
- Consistent with the findings in the original investigation which led to the imposition of measures,<sup>96</sup> and as noted in section 5.3 of this report, BlueScope benchmarks its prices to import prices. BlueScope tracks or gathers market intelligence on imports and import price offers, and uses this information to determine at what level to set its own prices.

Based on the information provided by BlueScope in this inquiry, the commission found that import offers referred to in BlueScope's IPP benchmark were predominantly from Taiwan. In almost all months examined since the continuation of the measures, there was at least one import offer from Taiwan referenced in the IPP benchmark. While this is consistently observed in relation to import offers from Taiwan, it is not consistently observed for import offers from other countries. This is

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<sup>95</sup> The period examined in Continuation Inquiry 400 was from 1 January 2016 to 31 December 2016.

<sup>96</sup> REP 188.

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also consistent with the commission's finding that imports from Taiwan continue to maintain a persistent and material presence in the Australian market, and Taiwan remains the largest source of imports into Australia.

Given the prevalence of Taiwanese import offers in BlueScope's IPP benchmark, and given that Taiwan remains the largest source of imports, the commission considers that prices of dumped goods imported from Taiwan will likely continue influencing BlueScope's prices should the measures expire.

- Contrary to CSC's and Shang Chen's claims that they have consistently exported the goods above the floor price, the commission found that:
  - the price of some goods exported by CSC was lower than the floor price in the December quarter in 2020 and the March quarter in 2021 (the first quarter of the inquiry period), resulting in the payment of IDD on those goods, and
  - the price of some goods exported by Shang Chen was lower than the floor price in effect during the first quarter of the inquiry period, resulting in the payment of IDD.

The commission further found that the lower export prices in the first quarter of the inquiry period coincided with significant dumping margins for both CSC and Shang Chen in this particular quarter, and also coincided with increased volumes of the goods exported to Australia by each exporter.

As noted in section 8.6.1.2 of this report, there were more instances of price undercutting in the first two quarters of the inquiry period than in the latter quarters of the inquiry period. Further, based on the import offers used in BlueScope's IPP benchmark, import price offers from Taiwan were the lowest relative to all other countries in the first quarter of the inquiry period, which coincided with significant dumping margins for both exporters. This suggests that CSC and Shang Chen can reduce their prices by dumping in order to increase their export volumes to Australia. Given the commission's finding that dumping is likely to continue should the measures expire, the commission considers that both CSC and Shang Chen are likely to reduce prices when it is advantageous for them to do so, thereby leading to a recurrence of material injury to the Australian industry.

- The commission observes that while both CSC and Shang Chen exported some goods that appear to be outside of BlueScope's production capability,<sup>97</sup> the majority (over 70%) of goods exported from Taiwan by these two exporters were either identical to or within the range of goods that can be produced by BlueScope. These goods directly competed with goods manufactured by the Australian industry. The commission has no information to indicate that this would likely change should the measures expire.

Further, whilst the commission recognises that a portion of the Australian market is (and will continue to be) supplied by imports for a number of reasons, the fact remains that a significant proportion of the goods imported from Taiwan compete directly with BlueScope's like goods and are sold to the same customers. Therefore, should the measures expire, material injury to the Australian industry producing like goods would be likely to recur as a result of dumping.

- While the commission recognises that the Australian industry has experienced an improvement in its prices and profit since the continuation of the measures in 2017,

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<sup>97</sup> As identified in CSC and Shang Chen's respective submissions – EPR 594, document nos 19 and 20.

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this does not necessarily indicate that dumping has not caused any injury to the Australian industry producing like goods, or that dumping is unlikely to cause material injury should the measures expire.

The commission considers that injury caused by dumping is not as apparent or obvious in a rising market as opposed to in a falling market. The commission's view is that dumping can still cause injury even when the Australian industry's prices and profit are increasing in a buoyant market. The prevalence of and competition with low priced dumped goods in the Australian market can suppress or prevent market prices from increasing even further, which results in market prices (including the Australian industry's prices) that are lower than they otherwise would have been in the absence of dumping. These suppressed prices would consequently lead to revenue and profit forgone for the Australian industry as a result of dumping.

Further, the fact that the Australian industry has experienced an improvement in its economic condition in recent years is not necessarily indicative or determinative of what would likely occur should the measures expire.

As noted in section 5.2.2 of this report, the increase in demand in the Australian market for HRC during the inquiry period partly led to an improvement in the Australian industry's performance in this period. However, the commission does not consider that this demand will be sustained in the following years, noting that the HomeBuilder incentive ceased in April 2021, and building approvals have decreased since. In addition to the opportunities afforded by increasing demand in the Australian market, the Australian industry benefitted during the inquiry period due to disruptions to global supply chains. The contraction in shipping availability combined with increasing costs of international shipping adversely impacted overseas exporters, opening up opportunities for domestic suppliers to capture additional sales volumes. However, as supply chains stabilise, the gains in volume achieved by the Australian industry during the inquiry period will be vulnerable to competition from dumped imports. Therefore, the commission considers that the Australian industry remains vulnerable to material injury given the finding that dumping would likely continue should the measures expire.

### **8.7 Conclusion**

Based on the analysis and findings outlined in this chapter of the report, the Commissioner is satisfied that exports of HRC from Taiwan are likely to continue. The Commissioner is also satisfied that:

- such exports from Taiwan are likely to be at dumped prices, and
- material injury to the Australian industry is likely to be caused by future exports at dumped prices in the absence of the measures.

Accordingly, the Commissioner is satisfied that the expiration of the measures would be likely to lead to a continuation or recurrence of dumping and the material injury that the measures are intended to prevent.

## 9 NON-INJURIOUS PRICE

### 9.1 Finding

The commission found that the NIP relevant to the determination of duty payable under the *Customs Tariff (Anti-Dumping) Act 1975* (Dumping Duty Act) in respect of the goods exported to Australia from Taiwan during the inquiry period has changed.

In respect of exports by all exporters from Taiwan, including Chung Hung, CSC and Shang Chen, the commission found that the NIP is not less than the normal value of those exports. Consequently, the Minister is not required to have regard to the desirability of specifying a lesser amount of duty in respect of the goods exported by each exporter.

### 9.2 Lesser duty

The NIP is a variable factor relevant to the determination of the duty payable under the Dumping Duty Act.

Under section 269TACA, the NIP of the goods exported to Australia is defined as the minimum price necessary to prevent the injury, or a recurrence of the injury, or to remove the hindrance to the Australian industry caused by the dumped goods the subject of a dumping duty notice.

Where the Minister is required to determine the IDD, section 8(5B) of the Dumping Duty Act applies.

Section 8(5B) of the Dumping Duty Act requires the Minister to consider the desirability of specifying a lesser amount of duty such that the sum of the ascertained export price and the IDD does not exceed the NIP.

However, pursuant to section 8(5BAA) of the Dumping Duty Act, the Minister is not required to have regard to specifying a lesser amount of duty where one or more of the following circumstances apply:<sup>98</sup>

- the normal value of the goods was not ascertained under section 269TAC(1) because of the operation of section 269TAC(2)(a)(ii)
- there is an Australian industry in respect of like goods that consists of at least 2 small-medium enterprises, whether or not that industry consists of other enterprises.<sup>99</sup>

Where any of the above circumstances apply, the Minister is not required to have mandatory consideration of the lesser duty rule, but may still wish to exercise a discretion to do so.

For all Taiwanese exporters subject to the measures, the commission does not consider that any of the circumstances in the Dumping Duty Act apply because:

- the normal value was ascertained under section 269TAC(1)
- the Australian industry does not consist of at least 2 small-medium enterprises.

On the basis that none of the circumstances listed above apply, the Minister must consider the desirability of applying a lesser amount of duty for all exporters subject to the

<sup>98</sup> Sections 8(5BAAA)(a) to (c) of the Dumping Duty Act concern the calculation of dumping duty and sections 10(3DA)(a) to (c) of the Dumping Duty Act concern the calculation of countervailing duty.

<sup>99</sup> As defined in the Customs (Definition of 'small-medium enterprise') Determination 2013.

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measures where the NIP is less than the normal value of the goods exported by each exporter.

### 9.3 Determination of NIP

The legislation does not prescribe a method of calculating a NIP, but there are several methods outlined in the Manual.<sup>100</sup>

The commission generally derives the NIP by first establishing a price at which the Australian industry might reasonably sell its product in a market unaffected by dumping. This price is referred to as the USP.

The commission's preferred approach to establishing the USP is outlined in chapter 24 of the Manual and observes the following hierarchy:

- industry selling prices at a time unaffected by dumping or subsidisation (market price method)
- constructed industry prices – industry CTMS plus a rate for profit (constructed price method), or
- selling prices of un-dumped imports.

Having calculated the USP, the commission then calculates a NIP by deducting the costs incurred in getting the goods from the export FOB point (or another point if appropriate) to a comparable level of trade in Australia. The deductions normally include overseas freight, insurance, into-store costs and amounts for importer selling expenses and profit.

The commission's assessment of the NIP is outlined in the following sections.

#### 9.3.1 Submissions concerning determination of NIP

In its submission of 11 September 2022,<sup>101</sup> BlueScope submits that the NIP preliminarily determined in the SEF is unreasonable given that it is based on information and data that does not adequately reflect the market conditions observed during the inquiry period. Specifically, BlueScope submits that the profit (i.e. the percentage mark-up) used in constructing the USP is unreasonable because it significantly pre-dates the current inquiry period and does not reflect the profitability changes experienced by the Australian industry during the inquiry period.

BlueScope submits that the commission should use BlueScope's return on investment achieved during the inquiry period in determining a USP and therefore NIP relevant to the inquiry period.

### 9.4 Commission's assessment of NIP

The commission has reassessed the NIP following consideration of BlueScope's submission of 11 September 2022.

In this inquiry, the commission found that all goods exported to Australia from Taiwan during the inquiry period were dumped. As noted in section 8.6.5 of this report, despite a significant improvement in the Australian industry's price and profit due to the extraordinary market conditions observed during the inquiry period, dumping can have a suppressing or restraining effect on the Australian industry's prices and profit. It is

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<sup>100</sup> Anti-Dumping Commission, [Dumping and Subsidy Manual](#), December 2021, Australian Government, 2021.

<sup>101</sup> EPR 594, document no 22.

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reasonable to assume that in the absence of dumping, prices (and consequently, revenue and profit) would likely have been higher.

Given this, the commission does not consider it preferable to determine the USP, and therefore NIP, using the Australian industry's domestic prices for like goods sold during the inquiry period. Likewise, the commission does not consider it preferable to determine a constructed USP using BlueScope's weighted average CTMS and return on investment<sup>102</sup> achieved in the inquiry period because this period is affected by dumping.

The commission considers that a USP, and therefore NIP, derived using the Australian industry's actual selling prices or return on investment during the inquiry period would not be effective in preventing the injury, or a recurrence of the injury, caused by dumping.

The commission considered establishing a USP by having regard to prices of like goods sold by the Australian industry during the period 1 October 2018 to 30 September 2019, being a period unaffected by dumping.<sup>103</sup> However, the commission considers that these prices do not reflect the conditions prevailing in the Australian HRC market during the inquiry period. The commission found that prices (including the Australian industry's prices and exporter prices) have increased significantly since Review 528. Accordingly, the commission does not consider it preferable to determine a USP, and therefore NIP, based on the prices prevailing in Review 528.

Noting BlueScope's concerns outlined in its submission of 11 September 2022, the commission also does not consider it preferable to determine a constructed USP (as preliminarily determined in SEF 594) using BlueScope's weighted average CTMS in the inquiry period and profit (percentage mark-up) achieved by the Australian industry in the period 1 October 2018 to 30 September 2019. The commission observes that in addition to the Australian industry's prices, the Australian industry's profit increased significantly following the period 1 October 2018 to 30 September 2019. The commission notes that the USP determined using this method results in a USP that is less than the weighted average price achieved by the Australian industry during the inquiry period and is unreasonable when compared with actual prices (including the Australian industry's and importers' prices) achieved in the Australian HRC market during this period, which is affected by dumping. The commission considers that a NIP based on this USP would not be effective in preventing the injury, or a recurrence of the injury, caused by dumping.

Given the limitations outlined above, the commission does not consider it preferable to determine a USP, and therefore NIP, using either the market or constructed price method.

The commission also considered determining the NIP using prices of undumped imports (as per the third method as specified in the Dumping and Subsidy Manual), but considers this method not preferable for the following reasons:

- dumping can occur regardless of whether the goods are subject to anti-dumping measures, and the commission considers it unreasonable to presume that imports are not dumped from countries not subject to such measures
- noting that goods imported from Taiwan comprise a significant proportion of the total volume of imports into Australia, prices of HRC imported from countries other than Taiwan were likely influenced by the dumped prices of HRC imported from Taiwan. This is consistent with the observation that prices of HRC imported into Australia from all countries are generally similar and follow a similar trend.

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<sup>102</sup> As suggested by BlueScope in its submission of 11 September 2022 – EPR 594, document no 22.

<sup>103</sup> This period is the period examined in Review 528. The commission found that goods exported to Australia from Taiwan during this period were not dumped.

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In the absence of any other reasonable method, the commission considers that the NIP of the goods exported by each exporter should reflect the respective undumped price for each exporter, which is effectively equivalent to the respective normal value ascertained for each exporter. The commission considers that a NIP equivalent to the normal value for each exporter is the minimum price necessary to prevent a recurrence of material injury to the Australian industry caused by dumping. The commission notes that this method is consistent with the method adopted in the original investigation which led to the imposition of the measures.<sup>104</sup>

As the NIP is not less than the normal value of the goods in respect of each exporter, the Minister is not required to have regard to the desirability of specifying a lesser amount of duty in respect of the goods in accordance with section 8(5B) of the Dumping Duty Act.

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<sup>104</sup> REP 188.

## 10 FORM OF MEASURES AND EFFECTIVE RATES OF DUTY

### 10.1 Available methods for working out interim duty

The methods for working out the amount of IDD payable on the goods the subject of the notice under section 269TG(1) or (2) are prescribed in the *Customs Tariff (Anti-Dumping) Regulation 2013* and include:

- combination of fixed and variable duty method
- floor price duty method
- fixed duty method, or
- *ad valorem* duty method.

The various duty methods all have the purpose of removing the injurious effects of dumping and/or subsidisation. However, in achieving this purpose, certain duty methods will better suit particular circumstances. When considering which duty method to recommend to the Minister, the Commissioner will have regard to the *Guidelines on the Application of Forms of Dumping Duty November 2013* (the Guidelines) and relevant factors in the market for the goods.<sup>105</sup>

The current method for working out the IDD duty payable on the goods exported from Taiwan is the floor price duty method.

### 10.2 Submissions concerning the form of measures

In its submission of 9 September 2022, the ASA submits that HRC prices are expected to decrease and therefore a floor price (as proposed by the commission in SEF 594) is inappropriate because it will 'lock Australian consumers into historically high HRC prices'.<sup>106</sup>

In their respective submissions of 12 September 2022,<sup>107</sup> Chung Hung, CSC and Shang Chen submit that the commission should have regard to its own assessment of the market conditions prevailing during the inquiry period in considering whether the floor price method is the most appropriate form of measures. Chung Hung, CSC and Shang Chen argue that it is inappropriate and unreasonable for their future exports to be subject to an elevated floor price reflecting the atypical market conditions in 2021.

### 10.3 Recommended form of measures and effective rates of duty

In Continuation Inquiry 400, and in Reviews 454 and 528, the floor price duty method was the recommended form of measure. In SEF 594, the commission also proposed that interim duty payable should be worked out in accordance with the floor price duty method.

As the Minister is no longer required to specify a lesser amount of duty (because the NIP is not lower than the normal value – section 9.4 of this report refers), the commission has reconsidered the appropriate form of measures.

The commission concurs with the ASA, Chung Hung, CSC and Shang Chen's views on the appropriate form of measures, and considers that the interim duty payable in respect of the goods should not be worked out in accordance with the floor price duty method.

<sup>105</sup> The Guidelines are available on the commission's website.

<sup>106</sup> EPR 594, document no 18, p 6.

<sup>107</sup> EPR 594, document nos 19, 20 and 21.

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The commission observes that prices in the Australian HRC market fluctuate significantly from month to month, which makes a floor price particularly unsuitable because it quickly becomes obsolete in these circumstances. Because of this, a floor price can become either ineffective in a rising market or punitive in a declining market.

The commission observes that the export prices and normal values ascertained for each exporter during the inquiry period are significantly higher than the export prices and normal values ascertained in previous reviews or inquiries. As noted in chapters 5 and 8 of this report, this is due to the atypical market conditions observed during the inquiry period. Given this, the commission considers that a floor price based on the normal value ascertained in the inquiry period would be punitive. A floor price based on prices observed during the inquiry period would over-remedy the dumping found in the inquiry period, noting that export prices have decreased following the inquiry period<sup>108</sup> and are predicted to decrease even further.<sup>109</sup>

The commission also considers that a combination duty method (based on a combination of fixed and variable duty) is not appropriate for the same reasons that a floor price is not appropriate.

Noting the above, the Commissioner proposes that the interim duty payable on the goods the subject of the dumping duty notice should be an amount worked out in accordance with the *ad valorem* duty method.<sup>110</sup> The commission considers that the *ad valorem* duty method would remedy only the dumping found.

Based on the *ad valorem* duty method, the fixed rate of IDD payable will be equal to the full margin of dumping found for each exporter, and will be applied as a proportion of the actual export price of the goods. Table 17 shows the effective rates of IDD payable in respect of the goods exported by each exporter.

Exporter	Fixed rate of IDD
Chung Hung	5.1%
CSC	3.2%
Shang Chen	2.0%
All other exporters	5.5%

**Table 17: Effective rates of IDD**

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<sup>108</sup> Confidential Attachment 23 – Export prices post inquiry period.

<sup>109</sup> In its submission of 11 September 2022 (EPR 594, document no 22), BlueScope submits that global, regional and domestic HRC prices are forecast to decrease significantly over the next 12 to 18 months.

<sup>110</sup> Section 5(7) of the *Customs Tariff (Anti-Dumping) Regulation 2013*.

## 11 RECOMMENDATIONS

### 11.1 Findings

On the basis of the findings contained in this report, and in accordance with section 269ZHF(2), the Commissioner is satisfied that the expiration of the measures applying to HRC exported to Australia from Taiwan would be likely to lead to a continuation of, or a recurrence of, the dumping and the material injury that the measures are intended to prevent.

### 11.2 Recommendations

The Commissioner recommends the Minister **declare**:

- pursuant to section 269ZHG(1)(b), that they have decided to secure the continuation of the measures applying to HRC exported to Australia from Taiwan.

The Commissioner recommends the Minister **determine** that:

- pursuant to section 269ZHG(4)(a)(iii), the dumping duty notice continues in force after 20 December 2022 (the specified expiry day) but that, after that day, the notice has effect as if the Minister had fixed different specified variable factors in relation to the following exporters:
  - Chung Hung
  - CSC
  - Shang Chen
  - all other exporters from Taiwan
- in accordance with section 269TAB(3) and having regard to all relevant information, the export price of the goods exported to Australia from Taiwan by Chung Hung is the price set out in Confidential Attachment 4 and chapter 6 of this report
- in accordance with section 269TAB(1)(a), the export price of the goods exported to Australia from Taiwan by CSC is the price paid by the importer to the exporter less transport and other costs arising after exportation, as set out in Confidential Attachment 7 and chapter 6 of this report
- in accordance with section 269TAB(1)(a), the export price of the goods exported to Australia from Taiwan by Shang Chen is the price paid by the importer to the exporter less transport and other costs arising after exportation, as set out in Confidential Attachment 10 and chapter 6 of this report
- in accordance with section 269TAB(3), having regard to all relevant information, the export price of the goods exported to Australia from Taiwan by uncooperative and all other exporters is the price set out in Confidential Attachment 13 and chapter 6 of this report
- in accordance with section 269TAAD(4), and for the purpose of working out the cost of goods and determining whether the price paid for like goods sold in the country of export in sales that are arms length transactions are taken to have been in the ordinary course of trade, that the amounts for the cost of production or manufacture of the goods produced by Chung Hung in Taiwan and the administrative, selling and general costs associated with the sale of those goods are as set out in Confidential Attachment 5 of this report
- in accordance with section 269TAAD(4), and for the purpose of working out the cost of goods and determining whether the price paid for like goods sold in the country of

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export in sales that are arms length transactions are taken to have been in the ordinary course of trade, that the amounts for the cost of production or manufacture of the goods produced by CSC in Taiwan and the administrative, selling and general costs associated with the sale of those goods are as set out in Confidential Attachment 8 of this report

- in accordance with section 269TAAD(4), and for the purpose of working out the cost of goods and determining whether the price paid for like goods sold in the country of export in sales that are arms length transactions are taken to have been in the ordinary course of trade, that the amounts for the cost of production or manufacture of the goods produced by Shang Chen in Taiwan and the administrative, selling and general costs associated with the sale of those goods are as set out in Confidential Attachment 11 of this report
- in accordance with section 269TAC(1), being satisfied that like goods are sold in the ordinary course of trade for home consumption in Taiwan in sales that are arms length transactions by Chung Hung, the normal value of the goods exported by Chung Hung is the price paid or payable for like goods, as set out in Confidential Attachment 5 and chapter 6 of this report
- in accordance with section 269TAC(1), being satisfied that like goods are sold in the ordinary course of trade for home consumption in Taiwan in sales that are arms length transactions by CSC, the normal value of the goods exported by CSC is the price paid or payable for like goods, as set out in Confidential Attachment 8 and chapter 6 of this report
- in accordance with section 269TAC(1), being satisfied that like goods are sold in the ordinary course of trade for home consumption in Taiwan in sales that are arms length transactions by Shang Chen, the normal value of the goods exported by Shang Chen is the price paid or payable for like goods, as set out in Confidential Attachment 11 and chapter 6 of this report
- in accordance with section 269TAC(6) and having regard to all relevant information, the normal value of the goods exported to Australia from Taiwan by uncooperative and all other exporters is as set out in Confidential Attachment 13 and chapter 6 of this report
- having applied section 269TACB(2)(a), and in accordance with sections 269TACB(1) and 269TACB(4), the goods exported to Australia from Taiwan are taken to have been dumped, and the dumping margins for all exporters in respect of those goods is the difference between the weighted average of export prices over the whole of the inquiry period and the weighted average of corresponding normal values over that period, as set out in chapter 6 of this report
- in accordance with sections 8(5) and 8(5BB) of the Dumping Duty Act, that the interim dumping duty payable in respect of the goods exported to Australia from Taiwan by all exporters is an amount which will be worked out in accordance with the *ad valorem* duty method pursuant to section 5(7) of the *Customs Tariff (Anti-Dumping) Regulation 2013*.

The Commissioner recommends the Minister be **satisfied** that:

- sufficient information is not available to enable the export price of the goods exported to Australia from Taiwan by Chung Hung to be ascertained under section 269TAB(1)
- sufficient information has not been furnished or is not available to enable the export price of the goods exported to Australia from Taiwan by uncooperative exporters

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(categorised as 'all other exporters') to be ascertained under the sections preceding section 269TAB(3)

- sufficient information has not been furnished or is not available to enable the normal value of the goods exported to Australia from Taiwan by uncooperative exporters (categorised as 'all other exporters') to be ascertained under the sections preceding section 269TAC(6).

The Commissioner recommends the Minister **direct** that:

- in accordance with section 269TAC(8), as the normal value of the goods exported to Australia from Taiwan by Chung Hung is the price paid or payable for like goods sold in Taiwan, the normal value be adjusted for specified differences between like goods sold in Taiwan and exported goods so that those difference would not affect price comparability of those goods, as set out in table 9 of this report
- in accordance with section 269TAC(8), as the normal value of the goods exported to Australia from Taiwan by CSC is the price paid or payable for like goods sold in Taiwan, the normal value be adjusted for specified differences between like goods sold in Taiwan and exported goods so that those difference would not affect price comparability of those goods, as set out in table 11 of this report
- in accordance with section 269TAC(8), as the normal value of the goods exported to Australia from Taiwan by Shang Chen is the price paid or payable for like goods sold in Taiwan, the normal value be adjusted for specified differences between like goods sold in Taiwan and exported goods so that those difference would not affect price comparability of those goods, as set out in table 13 of this report.

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**12 ATTACHMENTS**

Confidential Attachment 1	ABS building and construction trends
Confidential Attachment 2	Australian HRC market
Confidential Attachment 3	Chung Hung – Model matching
Confidential Attachment 4	Chung Hung – Export price
Confidential Attachment 5	Chung Hung – Normal value
Confidential Attachment 6	Chung Hung – Dumping margin
Confidential Attachment 7	CSC – Export price
Confidential Attachment 8	CSC – Normal value
Confidential Attachment 9	CSC – Dumping margin
Confidential Attachment 10	Shang Chen – Export price
Confidential Attachment 11	Shang Chen – Normal value
Confidential Attachment 12	Shang Chen – Dumping margin
Confidential Attachment 13	Uncooperative exporters – Variable factors and dumping margin
Confidential Attachment 14	Economic condition of the Australian industry
Confidential Attachment 15	Other injury factors
Confidential Attachment 16	Will exports continue
Confidential Attachment 17	CSC's production capacity utilisation
Confidential Attachment 18	Goods exported to Australia
Confidential Attachment 19	Will dumping continue
Confidential Attachment 20	BlueScope's IPP and market intelligence
Confidential Attachment 21	Price undercutting analysis
Confidential Attachment 22	Trends in shipping costs
Confidential Attachment 23	Export prices post inquiry period