



Australian Industry Questionnaire

Case number: 610

Product: Aluminium zinc coated steel

From: The People's Republic of China

Inquiry period: 1 July 2021 to 30 June 2022

Response due by: 5 September 2022

Return completed questionnaire to: investigations4@adcommission.gov.au

Why you have been asked to complete this questionnaire?

The Anti-Dumping Commission (the commission) is currently undertaking an inquiry into whether anti-dumping measures applying to exports of Aluminium zinc coated steel (the goods) from the People's Republic of China should be continued.

Australian Dumping Notice No. 2022/085 provides details of the goods under consideration, the application and the inquiry procedures.

The commission is seeking further information from Australian industry for the goods to inform its:

- understanding of the dynamics of the Australian market, including factors that may be impacting the economic condition of the Australian industry producing the goods; and
- assessment of whether the expiration of the anti-dumping measures applying to the goods would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and subsidisation, and the material injury that the anti-dumping measures are intended to prevent.

The commission will collect and use information in accordance with the commission's Collection and Use of Information Policy.

The timeliness of your response is important. If you are unable to meet the due date specified above, please contact the commission.

Confidential and non-confidential versions

If you elect to respond to this questionnaire, you are required to lodge a confidential and a non-confidential version of your submission by the due date.

In submitting these versions, please ensure that each page of the information you provide is clearly marked either "**IN-CONFIDENCE**" or "**NON-CONFIDENTIAL**" in the header and footer.

All information provided to the commission in confidence will be treated accordingly. The non-

confidential version of your submission will be placed on the Public Record, which all interested parties can access.

Your non-confidential submission must contain sufficient detail to allow a reasonable understanding of the substance of the confidential version. If, for some reason, you cannot produce a non-confidential summary, contact the investigation case officer (see contact details on Page 1 of this questionnaire).

Declaration

You are required to make a declaration that the information contained in your response is complete and correct. You must return the signed declaration of an authorised person at end of this questionnaire with your response.

Australian Market

Please return your responses no later than 5 September 2022.

A The Australian Market

1. In respect of the Australian market for Aluminium Zinc Coated Steel (the goods) and the prevailing conditions of competition within the market:

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

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

a) Product characteristics:

- Aluminium-zinc-magnesium metallic coated steel products manufactured by BlueScope and offered into the Australian domestic market.
- For use in a range of structural and commercial applications such as external roofing and walling, gutters, facias and downpipes, and structural framing.
- Import product equivalents from China and non-subject countries competing with BlueScope AlZn within the same channels and across the same customer base.

b) Market characteristics:

A highly competitive environment, with pricing determined via import parity (see further below). Excess capacity (including that of the subject goods) has plagued the steel industry in recent years and prompted an unprecedented trade policy response in the U.S. In 2018, the U.S. imposed a 25% tariff on a wide range of steel imports, including the subject goods, on national security grounds. China is not excluded from the measure.

On January 4, 2019, the European Union notified the World Trade Organisation that it would be implementing steel-related safeguard measures. These combined actions by the world's two largest steel consuming markets has constituted (and will likely continue to constitute) significant trade restrictions for the subject goods.

The 12-month period nominated for this investigation covers a time impacted by the effects of COVID-19. Whilst the initial impact was expected to be a decline in demand across all market sectors, this did not eventuate. Demand increased due to several factors directly related to the impact and consequences of COVID-19. Significant direct and indirect government stimulus aimed at the construction industry, coupled with low interest rates and increased consumer demand, supported by consumer spending increases on home improvements whilst in lockdown, resulted in an increase and 'pull forward' demand for steel products – including AlZn steel.

International steel supply chain's lack of predictability, especially around shipping availability and reliability, adversely impacted import steel supply, where BlueScope experienced domestic purchasers of zinc coated steel products replacing their traditional import supply volumes with domestic supply – to improve their ability to obtain product.

Timber shortages (bushfires, and both domestic and international supply chain issues) has also seen demand for this product shift to steel in the construction market. Post COVID-19, it is

expected demand for AlZn will revert to pre COVID levels, with some demand softness this financial year already forecast due to the 'pull forward' effect of financial stimulus in the construction sector. International supply chain uncertainty will also diminish in line with COVID-19 being effectively managed within and across Southeast Asia, North Asia, the U.S., and Europe. International supply chain availability and certainty will see Australian domestic market participants reverting to their traditional import supply channels.

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

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

- Residential construction. Specifically, residential new dwelling construction, and investment in residential alterations and additions construction.
- Commercial and industrial construction; and
- Substitution into markets / end uses previously dominated by other materials including replacing timber for residential framing.

- (c) Provide your estimate of the proportion (%) of the market that each of those sources of demand listed in (b) represents;

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

[Commercial-in-confidence demand sources table]

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

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

Seasonal fluctuations

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

Factors contributing to overall market growth or decline

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

Government regulation

- Standards – international manufacturers do not always manufacture to the same standards as Australian manufacturers; an issue not commonly understood until installation;

- Policy – major government spending on infrastructure such as the Urban Congestion Fund, Roads of Strategic Importance etc.;
- New home rebates which can pull forward demand; and
- COVID-19 stimulus packages for the construction sector (Federal and State), along with income and business support.

Developments in technology affecting either demand or production

- Not significant.

Short Term Pricing Volatility

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

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

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

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

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

(f) Provide your estimate of the proportion (%) of the market that each of the market segments listed in (e) represents;

For the period concerned, the split for BlueScope sales of AlZn was approximately [XX] per cent direct to building market customers, and [XX] per cent sold into the distribution channel. This proportional percentage mix has [*commercial-in-confidence trend comments*].

(g) Describe the way in which Australian manufactured and other imported goods compete in the Australian market;

All customers can purchase imported subject goods material either:

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

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

Marketing & Distribution Arrangements

A major proportion of AlZn sales are made directly to the domestic building product manufacturing industry. It is this domestic building product manufacturing industry that roll-forms aluminium zinc coated steel into building products such as building cladding etc. The building product manufacturers then distribute the manufactured products to builders, homeowners etc.

The balance of sales of the subject goods is made to either the local distribution market (via distributor/resellers) or direct to the general manufacturing industry.

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

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

Typical Customers

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

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

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

Refer all above commentary.

- (j) Describe any changes in the structure and operation of the market since the measures were imposed.

In Continuation No. 450 (**CON 450**), the Commission established that the volume of AlZn exports from the subject countries to Australia and their respective shares of the market had changed since the measures were imposed.¹ The Commission's analysis demonstrated that exports of AlZn which were subject to the measures:

- from China to Australia dropped significantly after the imposition of the original measures, however had increased steadily over the CON 450 inquiry period; and
- from Korea decreased sharply after the imposition of measures with only a small volume of exports since 2014.²

During the CON 450 inquiry period, exporters from China regained market share lost following the initial imposition of the measures, and of the Korean exporters subject to the measures, only Dongbu exported AlZn during the inquiry period (which constituted less than 1 per cent of the Australian market at that time).³

Over the period between CON 450 and now, the structure of the Australian market has comprised the participants as depicted in Confidential Appendix A2; namely, Australian industry alongside China (whose Australian export volume trend is accelerating), and non-subject producers.

¹ CON 450, p. 42.

² Ibid, p. 43.

³ Ibid, p. 50-51.

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

[Commercial-in-confidence market structure diagram]

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

[Commercial-in-confidence significant market participants table]

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

[Commercial-in-confidence significant importers table]

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

In responding to this question ensure that relevant regulations are referenced.

As a commodity product that has little in the way of any intellectual property protection or oversight from regulatory authorities, there are no restrictions for new participants to enter the market for AlZn steel goods in Australia.

BlueScope considers that there are no entry restrictions for new participants to export the goods into the Australian market.

B Products in the Australian market

1. Generally describe the range of the goods offered for sale in the Australian market. Your description could include information about:
 - quality differences;
 - price differences;
 - supply/availability differences;
 - technical support differences; and
 - product segmentation.

The AlZn manufactured by BlueScope is coiled for supply to customers and may later be cut into sheets or slit into narrower widths for sale to roll-formers and distributors.

The steel chemistry, percent cold reduction, annealing oven temperature, and line speeds are used to produce the required mechanical properties as designated by Australian and International Standards.

More information can be found at:

[ZINCALUME® steel | BlueScope Steel Products for Australia](#)

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

CON 450 noted that aluminium zinc coated steel is sold either directly or indirectly into the building and construction industry, or for general manufacturing.

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

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

[Commercial-in-confidence key product attributes table]

4. If you purchase the goods, describe the process by which you selected your suppliers of the goods and the key factors that informed that decision.

[Commercial-in-confidence purchase details].

5. If you sell the goods, describe the key factors, inform your customers decisions to purchase the goods.

For AlZn steel products of the same type (grade, coating mass, thick and width) either on their own or within a package of coated steel products, the key factor upon which customers decide to purchase is price.

6. What are the key differences between locally made goods and imported goods?

- a. If you purchase the goods, how do these factors impact your purchasing decision?

Refer B-4 above.

- b. If you sell the goods, how do these factors impact your customer's purchasing decision?

When imported and domestic AlZn are of the same or similar product type (i.e. grade, coating, thick and width) the key and most important differentiator is price.

7. If you purchase the goods, how easily can you change suppliers? Provide a description of factors that may cause a re-evaluation of your supply arrangements and how you would implement such a change.

Refer B-4 above.

8. If you sell the goods, how easily can your customers change suppliers? Provide a description of factors that may cause a re-evaluation of their supply arrangements and how they would implement such a change.

Imported AlZn steel products are understood by all users within the Australian market to be completely substitutable with domestically produced AlZn. Customers therefore regularly source both the imported and domestic product and use them interchangeably in their manufacturing process, or if a distribution business, uses either product to resell into the Australian marketplace.

9. Please identify if there are any commercially significant market substitutes in the market for the goods in Australia.

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

Other coated steel substitutes include:

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

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

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

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

10. Have there been any changes in market or consumer preferences for the goods in Australia in the last five years? Do you anticipate any change in preference in the coming five years? If yes, provide details including any relevant research or commentary on the industry/sector that supports your response.

Not applicable.

11. Describe the ways that the goods are marketed and distributed in the Australian market (e.g. price lists, tenders).

BlueScope’s approach to marketing the goods in the Australian market is best understood with reference to the following: <http://www.steel.com.au/products/coated-steel/>

C Pricing decisions in Australia

1. Describe the importance of the Australian market to your company’s operations. In your response describe:

- (a) The proportion of your company’s sales revenue derived from sales of the goods in Australia; and
- (b) The proportion of your company’s profit derived from sales of the goods in Australia.

In responding to question 1 please provide evidence supporting calculations.

Refer Confidential Attachment 1.

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

[Commercial-in-confidence pricing and price setting details].

3. Describe the supply arrangements with your customers, including whether supply is made via long term contracts or spot sales. If any supply is made via long term contracts, describe:
 - a. the length of the supply contracts;
 - b. The key terms of those contracts;
 - c. The price review mechanisms under those contracts (if any).

As above.

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

As Above. Refer Confidential Attachment 2 *[commercial-in-confidence Confidential Attachment 2 details]*. It will be discussed in greater detail at D-2 below.

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

As above.

6. Explain the process for how the selling prices of the goods for the Australian market by your business are determined. Provide copies of internal documents which support how pricing is determined. This could include internal policy documents, minutes of meetings or evidence of actual price negotiations and pricing decisions with your customers.

As above.

7. How frequently are your Australian selling prices reviewed? Describe the process of price review and the factors that initiate and contribute to a review.

As above.

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

- Competitors' prices;
- Maintaining production levels;

- Purchase price of raw materials;
- Cost to make and sell the goods;
- Level of inventory;
- Value of the order;
- Volume of the order;
- Value of forward orders;
- Volume of forward orders;
- Customer relationship management;
- Supplier relationship management;
- Desired profit;
- Brand attributes;
- Other [please define what this factor is in your response].

[Commercial-in-confidence price influence factors table]

D Direct evidence of current import competition in Australia and its impact on Australian industry

1. Describe current status of import competition in the Australian market, including:
 - a. The major Australian importers, traders or end users seeking to supply the goods into the Australian market
 - b. End users your company does not supply but who solely import the goods from overseas.
 - c. End users who both source the goods from your company and from overseas sources.

[Commercial-in-confidence import competition table]

2. Provide examples during the inquiry period which demonstrate how import competition has influenced your pricing in the Australian market. Please provide evidence to support these examples.

As noted above, BlueScope's prices are set to meet import competition via a monthly IPP price setting process. Import price offers are therefore the key determinant in all pricing decisions relating to the goods.

BlueScope collects and interrogates monthly import offers and other relevant data to determine its AlZn price in advance based on the prices it expects to be competing with in the market. This timeframe allows BlueScope the opportunity to make offers, counteroffers and to negotiate the final price with its customers, before an order is placed, for delivery to customers at an expected date. This process is aligned to coincide with the competing import offer arrival date. Australian users of zinc coated steel therefore make purchasing decisions a number of weeks in advance and determine sourcing decisions at that time.

Confidential Attachment 2 *[commercial-in-confidence import competition details]*.

3. Provide examples during the inquiry period that demonstrate the loss of or threatened the loss of sales volume to an import source. Please provide evidence to support these examples.

All import offers (as explained and evidenced above) represent the loss, or threatened loss, of sales volume to an import source. BlueScope articulated in its application that it was clear that subject imports had been lower as a direct result of the trade relief granted in the original investigation, and that the measures did have a restraining effect on unfairly traded AlZn from China. That said, Confidential Appendix A2 now clearly depicts *[commercial-in-confidence Appendix A2 volume trends]*.

4. Describe any other circumstances in which imported goods have affected your company that you consider to be relevant to this inquiry.

The competitive dynamic for AlZn, as a commodity product, has not altered. BlueScope has detailed in this questionnaire how the imported goods affect the company as relevant to this continuation inquiry.

5. Detail how COVID and any resulting supply-chain issues have impacted the market for the goods in Australia over the last 18 months, particularly in relation to the construction industry.

As per A-1(a) above.

E Future demand, supply and other anticipated changes in the market

1. If relevant, describe how the examples and current status of import competition detailed in Section D of the questionnaire would be relevant to the expiration of the Chinese anti-dumping measures and the likelihood of the continuation of, or a recurrence of the dumping, subsidisation and material injury that the anti-dumping measures are intended to prevent.

Confidential Appendix A2 highlights [*commercial-in-confidence Appendix A2 volume and price trends*].

Should measures be allowed to expire, China will revert to compete on price (the impact of which will be borne out in rapidly declining IPP benchmarks) and strengthen current market positions, ensuring that the Australian industry would again have to compete with unfairly traded and dumped AlZn steel products.

2. Do you anticipate any changes in patterns of supply and demand in the Australian market over the next 1 to 5 years? What are your expectations for your own production of the goods over that period? Provide any relevant commentary to support your answers.

Refer response at D-5 above.

3. What do you consider to be primary economic indicators that correlate with the demand for the goods and may provide some indication of likely future demand?

The primary demand driver for AlZn is the demand for residential and commercial construction.

Several factors impact on the market for AlZn, and hence likely future demand. This includes factors that impact residential and commercial construction such as seasonal fluctuations (wet/dry seasons, holiday season shutdown), economic factors (availability for capital, domestic conditions, consumer confidence), and government regulation (standards, policies).

4. If any of your supply arrangements with your customers are subject to contracts, specify whether of those contracts are likely to be renegotiated or revised in the next 1 to 5 years.

Not applicable.

5. Do you have any direct evidence that demonstrates that your current customers would be willing to switch to or to increase supply from an import source?

All of BlueScope's customers [*commercial-in-confidence customer sourcing details*].

6. Are there any anticipated technological or product developments within the next five years that are likely to affect demand, your supply, your costs or pricing of the goods?

Not relevant now in the commodity AlZn coated steel product market.

7. Do you anticipate any change in consumer preferences in the coming five years? If yes, provide details including any relevant research or commentary on the industry/sector that supports your response?

BlueScope does not anticipate any change in consumer/customer preferences nor their purchasing decision criteria in the coming five years.

F Materiality of any potential injury

In the event of the anti-dumping measures were to expire in August 2023, describe how any future injury or continued injury caused by dumping and/or subsidisation would be 'material'.

Please refer to Non-Confidential Attachment A of BlueScope's application for the continuation of measures wherein it detailed that the volume and price effect would be materially (and detrimentally) significant if the measures are allowed to expire on 5 August 2023.

G Declaration

I hereby declare that BlueScope has completed the attached questionnaire and, having made due inquiry, certify that the information contained in this submission is complete and correct to the best of my knowledge and belief.

Name : [REDACTED]

Signature :

Position in

Company : [REDACTED]

Date : 30 August 2022