



Australian Government
Department of Industry,
Science and Resources

**Anti-Dumping
Commission**

Australian Industry Verification Report

Verification & Case Details

Initiation Date	22 August 2022	ADN:	2022/085
Case Number	610		
The goods under consideration	Aluminium zinc coated steel ($\geq 600\text{mm}$)		
Case type	Continuation Inquiry		
Australian Industry	BlueScope Steel Limited		
Verification method	Onsite verification		
Inquiry Period	1 July 2021	to	30 June 2022

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

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PREFACE

The Anti-Dumping Commission has verified data provided by BlueScope Steel Limited (BlueScope), relevant to the inquiry into the continuation of the anti-dumping measures applying to aluminium zinc coated steel ($\geq 600\text{mm}$) (the goods) exported to Australia from the People's Republic of China (China) (Inquiry 610). This report details the evidence gathered and the key findings from the verification of the data.

This report has been prepared for publication on the electronic public record for Inquiry 610.

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

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

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

1 COMPANY BACKGROUND

1.1 Corporate structure and ownership

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

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

1.2 Related parties

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

In its application, BlueScope stated that it did sell like goods to related party customers during the inquiry period. The verification team's assessment of whether those sales are arms length is found in section 5.2 of this report.

2 LIKE GOODS MANUFACTURED IN AUSTRALIA

2.1 Manufacturing in Australia

BlueScope is the sole manufacturer of aluminium zinc coated steel ($\geq 600\text{mm}$) in Australia.

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

Based on information gathered at the verification visit and information obtained from previous investigations and reviews in relation to the goods, the verification team is satisfied that BlueScope is the sole Australian producer of the like goods.

2.2 The goods

The goods subject to anti-dumping measures are:

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

Further information regarding the goods is available in Anti-Dumping Notice (ADN) No 2022/085.²

2.3 Like goods

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

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

The verification team assessed whether the aluminium zinc coated steel BlueScope manufactures is like to the goods imported from China. This assessment is against the 4 factors outlined below.

2.3.1 Physical likeness

Based on the information BlueScope presented and the commission's understanding from previous inquiries into this product, the primary physical characteristics of the goods exported to Australia and locally produced goods are similar. Notwithstanding that there are variations in technical specifications (i.e. grade or thickness).

2.3.2 Commercial likeness

Based on the information BlueScope presented and the commission's understanding from previous inquiries into this product, the goods exported to Australia and locally

² The commission notes that the goods do not include painted galvanised steel, pre-painted galvanised steel, electro-galvanised steel, corrugated galvanised steel or zinc alloy coated or plated steel.

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produced goods are commercially alike. They are sold to common users and directly compete in the same market.

2.3.3 Functional likeness

Based on the information BlueScope presented and the commission's understanding from previous inquiries into this product, the goods exported to Australia and locally produced goods are functionally alike. They have a similar range of end-uses and the goods exported to Australia and locally produced goods are manufactured in a similar manner.

2.3.4 Production likeness

Based on the information the commission has previously verified from visits to exporters of the product, the goods exported to Australia and locally produced goods are manufactured in a similar manner.

2.4 Description and verification of model control codes

2.4.1 Model Control Code

Details of the model control code (MCC) structure for the goods are outlined in the table below. Exporters and the Australian industry must submit their data consistent with the MCC structure. At a minimum, the data must report sales and cost data separately for each of the mandatory MCC categories identified below.

Item	Category	Sub-Category	Identifier	Sales Data	Cost Data
1	Prime	Prime	P	Mandatory	Not applicable
		Non – Prime	N		
2	Coating Mass	<= 100 g/m2	1	Mandatory	Mandatory
		>100 g/m2 to <= 165 g/m2	2		
		>165 g/m2	3		
3	Steel Grade	G2 / SGLCC	A	Mandatory	Mandatory
		G3 / SGLCD	B		
		G250 / SGLC 340	C		
		G300 / G350 / SGLC 400 / SGLC 440 / SGLC 490	D		
		G450 / G500	E		
		G550 / SGLC 570	F		
		Other	G		
4	Base Metal Thickness	< 0.40 mm	1	Mandatory	Mandatory
		=> 0.40 mm to < 0.50 mm	2		
		=> 0.50 mm to < 0.75 mm	3		
		=> 0.75 mm to < 1.00 mm	4		
		=> 1.00 mm to < 2.00 mm	5		
5	Width	< 600 mm	1	Mandatory	Optional
		=> 600 mm	2		
6	Form	Coil	C	Mandatory	Optional
		Sheet	S		

Table 1: MCC structure

Table 2 below provides detail on the MCC sub-categories that were determined and verified to source documents.

Category	Determination of the sub-category
Alloy content	Based on the product description stated on commercial invoices, financial data, test certificates, and despatch notices verified during the verification.
Prime	
Coating mass	
Steel grade	
Base metal thickness (BMT)	
Width	
Form	

Table 2: MCC sub-category determination

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BlueScope sold like goods with the following MCCs during the inquiry period.

MCC			
P-1-F-2-2-C	P-2-A-3-2-C	P-2-D-1-2-C	P-2-D-2-2-C
P-2-D-2-2-S	P-2-D-3-2-C	P-2-D-4-2-C	P-2-E-4-2-C
P-2-F-1-2-C	P-2-F-2-2-C	P-2-F-3-2-C	P-2-F-4-2-C

Table 3: MCCs of like goods sold during the inquiry period

2.5 Preliminary like goods assessment

The verification team is satisfied that:

- the aluminium zinc coated steel BlueScope manufactured is like to the goods³
- like goods are wholly manufactured in Australia by BlueScope⁴ and
- there is an Australian industry, consisting of BlueScope, which produces like goods in Australia.⁵

³ Section 269T(1).

⁴ Section 269T(2).

⁵ Section 269T(4).

3 AUSTRALIAN MARKET

3.1 Background

The Australian market for aluminium zinc coated steel is supplied by a single domestic producer (BlueScope) and producers from other countries who supply Australian distributors or end-users via multiple channels (direct from overseas mills, via international traders, or via stockists and resellers who may or may not be affiliated with the relevant mill).

The verification team understands that as aluminium zinc coated steel is considered a commodity product, customers in the Australian market are able to readily change supplier.

3.2 Market structure and end use

The two key industries that consume aluminium zinc coated steel in Australia are:

- the building and construction industry, consisting of residential construction, and industrial/commercial construction and
- the general manufacturing industry, mainly consisting of supplies to appliance manufacturers.

The building and construction industry is BlueScope's largest consumer of its like goods by volume, with the remainder of BlueScope's volume sold to the general manufacturing industry.

In the building and construction industry, examples of end-use applications for aluminium zinc coated steel include structural and commercial applications such as external roofing and walling, gutters, fascias and downpipes, and structural framing.

Locally produced and imported aluminium zinc coated steel are used interchangeably across the two key market segments in Australia.

3.2.1 Marketing and distribution

BlueScope sells aluminium zinc coated steel under several brand names, including ZINCALUME® and TRUECORE®.

The different brands are sold into different market sectors which enables BlueScope to develop marketing strategies that target particular market sectors.

BlueScope has two major distribution channels selling directly to large customers and to distributors across Australia, that then on-sell to customers.

BlueScope's like goods are sold mostly to distributor/resellers, which on-sell BlueScope's like goods into the building and construction market, or are sold to the general manufacturing industry. BlueScope also sells like goods directly to the building product manufacturing industry in Australia. This industry roll-forms the goods into building products (such as roof cladding) and then distributes the manufactured products downstream (to builders, home owners etc).

3.2.2 Demand

The primary demand drivers for aluminium zinc coated steel include residential and commercial construction.

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

3.3 Australian market pricing

BlueScope claims that prices for the like goods are set through an import parity price (IPP) setting process. The IPP process takes into consideration the market price of the goods using contemporary price information for equivalent imported products. This process occurs monthly. BlueScope manufactures the majority of its goods to order.

Following verification, BlueScope provided additional supporting materials including correspondence with customers to support its claim that it is forced to lower its prices in response to import offers (**Confidential Attachment 3**). The verification team observes that customers negotiating with BlueScope cite import offers in an effort to lower the price offer they receive.

3.4 Australian market size

The verification team has estimated the size of the Australian market for aluminium zinc coated steel using the domestic sales data from BlueScope and data sourced from the Australian Border Force (ABF) import database. The information sourced from the ABF import database was determined using the relevant tariff subheadings and statistical codes for aluminium zinc coated steel and additional filtering to remove imports that were not considered to be the goods.

The verification team considers that its approach to estimating the size of the Australian market for aluminium zinc coated steel is relevant and reasonable as:

- the ABF import database is an independent and reliable source of data in relation to imported aluminium zinc coated steel and
- the completeness, relevance and accuracy of the sales data compiled by BlueScope was verified by the verification team (chapters 4 and 5 of this report refers).

Figure 1 below depicts the verification team's estimate of the size of the Australian market for aluminium zinc coated steel from FY 2019 to FY 2022.

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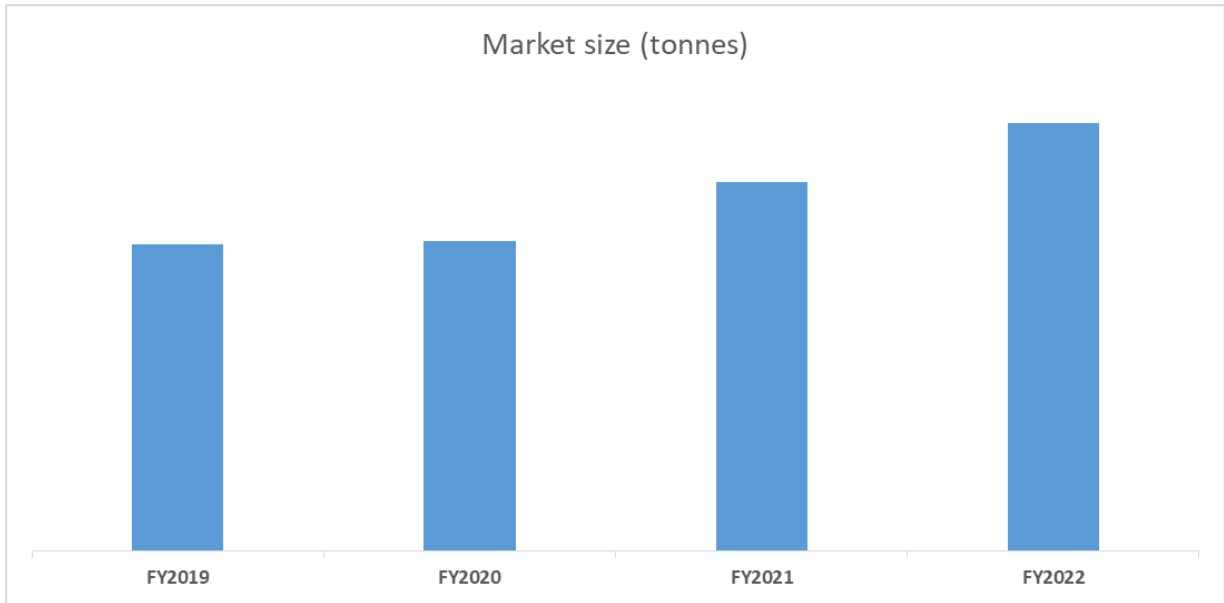


Figure 1 – Australian market size (tonnes)

The verification team’s analysis of the Australian market is in **Confidential Attachment 2**.

4 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

4.1 Background

The verification team conducts verification of completeness and relevance by reconciling selected data submitted ‘upwards’ through management accounts to audited financial accounts. The verification team reconciles total sales value and quantity to management reports, with particular attention given to including all relevant transactions and excluding all irrelevant transactions. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team verified the completeness and relevance of the Australian sales listings submitted by reconciling these to audited financial statements, management accounts and various accounting systems in accordance with ADN No 2016/30.

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

4.2 Exceptions during verification of sales completeness and relevance

Table 4 outlines the exception found during the verification of sales completeness and relevance.

Description	Resolution
Sales of zinc coated (galvanised) steel included in sales listing	Revised sales listing excluding sales of zinc coated (galvanised) steel.

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

4.3 Sales completeness and relevance finding

The verification team is satisfied that the sales data BlueScope provided in the application, including the amendments listed above, is complete and relevant. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5 VERIFICATION OF SALES ACCURACY

5.1 Background

The verification team verified the accuracy of BlueScope's sales listing submitted in the application by reconciling these to source documents in accordance with ADN No 2022/085.

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

5.2 Related party customers

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

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

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

5.3 Sales accuracy finding

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

6 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE

6.1 Background

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

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

Due to BlueScope adopting a standard costing accounting system, the verification team note that adjustments between the trial balance and COGNOS database exist. The verification team is satisfied that these variances have been recorded in the cost data presented with the application.

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

6.2 CTMS completeness and relevance finding

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

7 VERIFICATION OF CTMS ACCURACY

7.1 Cost allocation method

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

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

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

Cost item	Method applied
Raw Materials – hot rolled coil	Costs of hot rolled coil sourced from a related supplier within the BlueScope group are based on the actual production costs adjusted for transfer pricing.
Raw Materials – zinc	Costs of zinc purchased from an unrelated supplier based on actual purchase price of zinc.
Scrap Allocation	Standard costs, using bill of materials and production cost worksheets.
Manufacturing Overheads	Standard costs, using bill of materials and production cost worksheets.
Labour	Standard costs, using bill of materials and production cost worksheets.

Table 5: Cost allocation method

7.2 Verification of accuracy of CTMS data

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

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

7.3 Related party suppliers

BlueScope sources raw materials from a related entity within the BlueScope group. Hot rolled coil is purchased from a related party at cost which is then adjusted using a transfer price from the related party. The transfer price is based on external market prices of hot rolled coil.

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

7.4 CTMS verification finding

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

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

8 ECONOMIC CONDITION OF THE AUSTRALIAN INDUSTRY

8.1 Background

On 5 August 2013, following consideration of *International Trade Remedies Reports Nos 190 and 193* (REP 190 and 193), the then Attorney-General imposed the original anti-dumping measures. The original investigation followed an application from BlueScope representing the Australian industry producing like goods.

The anti-dumping measures were continued in 2018 following Anti-Dumping Commission Report No 450.

In its application, BlueScope claims that the expiration of the measures might lead, or might be likely to lead, to a recurrence of the material injury that the measures are intended to prevent.

This chapter considers the economic condition of the Australian industry since 1 July 2018.

8.2 Approach to injury analysis

The verification team has assessed the economic condition of the Australian industry from 1 July 2018 using the verified financial information BlueScope provided. The data was aggregated on an annual basis for years ending 30 June. This preliminary assessment is at **Confidential Attachment 2**.

8.3 Volume effects

8.3.1 Sales volume

Figure 2 below shows BlueScope's sales volume of aluminium zinc coated steel from FY 2019 to FY 2022.

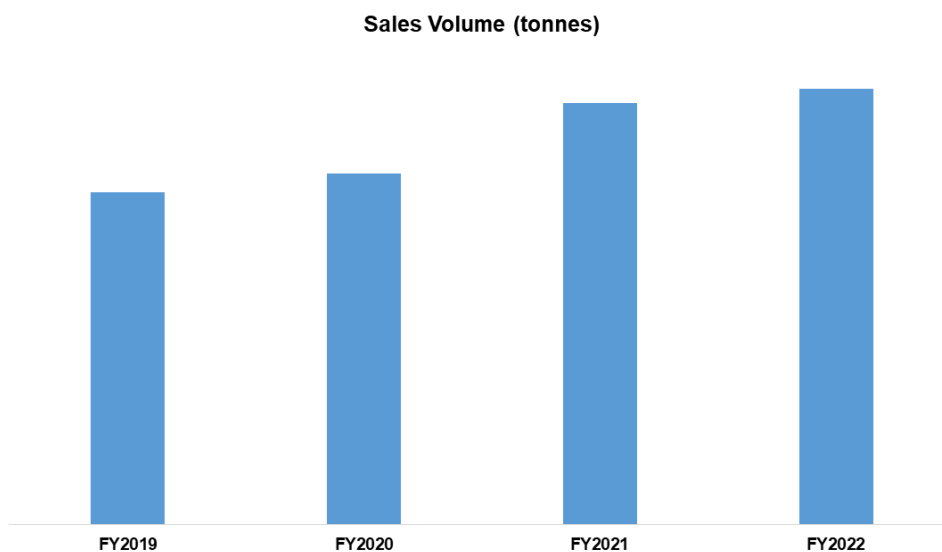


Figure 2: Sales volume

Figure 2 indicates that BlueScope's sales volume increased throughout all financial years (FY).

8.3.2 Market share

Error! Reference source not found.3 below details BlueScope's Australian market share for the goods and like goods.

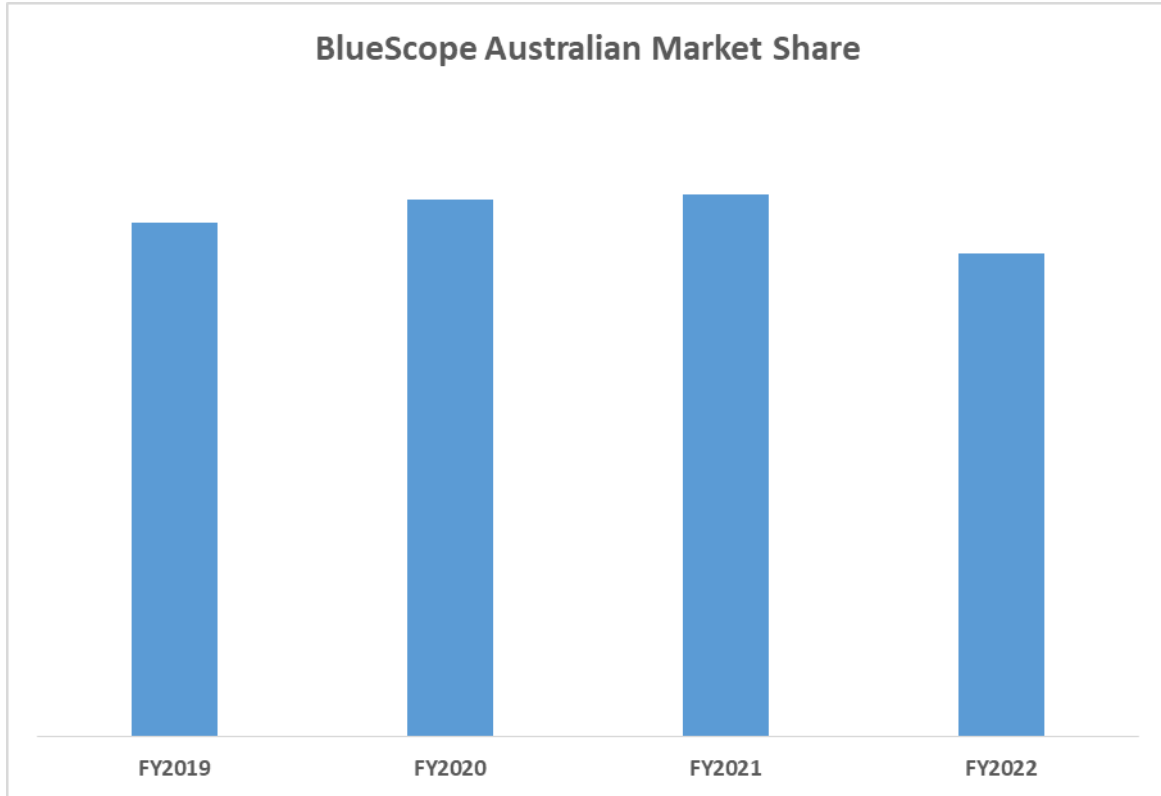


Figure 3 - Market Share

Figure 3 indicates that BlueScope maintained a steady market share between FY 2019 to FY 2021, however experienced a decrease in market share during FY 2022.

8.3.3 Conclusion – volume effects

Based on the available information, the verification team does not consider that BlueScope has experienced a deterioration in its economic performance in the form of reduced sales volumes, however has experienced a deterioration in the form of reduced market share.

8.4 Price effects

8.4.1 Price depression and price suppression

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 price and costs.

Figure 4 charts BlueScope's unit selling price and unit CTMS from FY 2019 to FY 2022.

Unit CTMS & Price

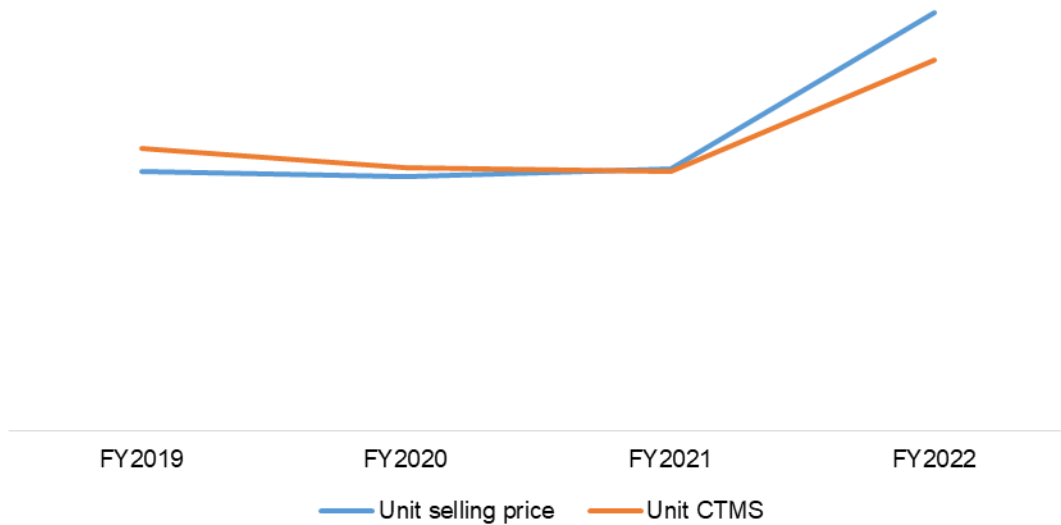


Figure 4: Unit CTMS and unit selling price (\$ per tonne)

Figure 4 indicates that:

- unit CTMS generally trended slightly downward from FY 2019, but increased in FY 2022
- unit selling prices have generally trended downward from FY 2019 with a strong increase in FY 2022.

8.4.2 Conclusion – price effects

Based on the available information, the verification team considers that BlueScope has not experienced a deterioration in its economic performance in the form of price suppression or price depression during the inquiry period.

8.5 Profit effects

8.5.1 Profit and profitability

Figure 5 charts BlueScope’s profit and profitability as a percentage of revenue from FY 2019 to FY 2022.

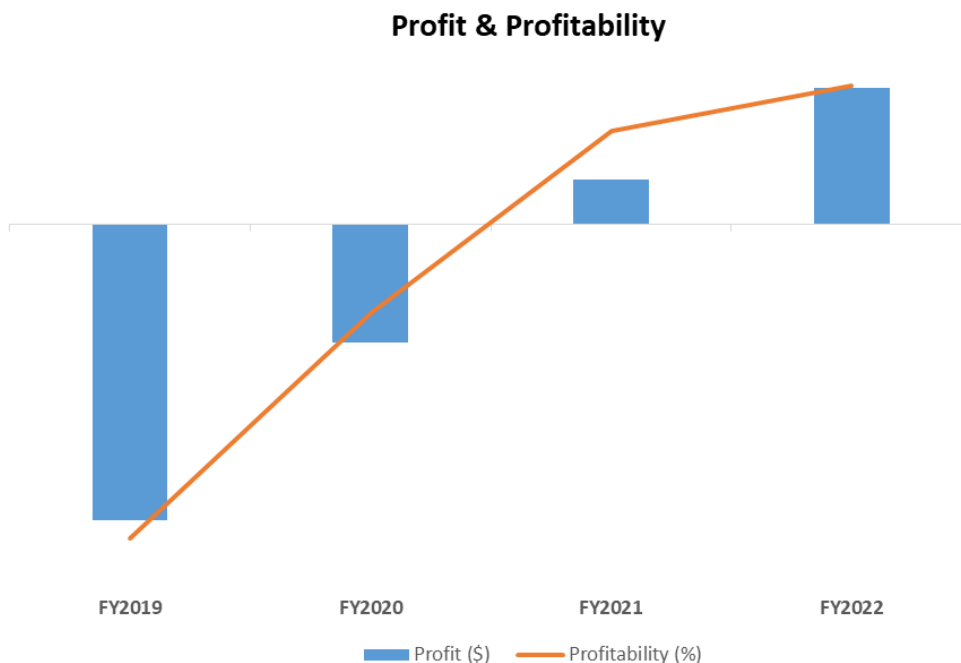


Figure 5: Profit (\$) and profitability (profit % of revenue)

Figure 5 indicates that BlueScope maintained a steady increase in profit and profitability during the FY 2019 to FY 2022 period of analysis. The negative profit and profitability improved with BlueScope returning profits in FY 2021 and further improved through to FY 2022.

8.5.1 Conclusion – profit effects

Based on the available information, the verification team considers that BlueScope has not experienced a deterioration in its economic performance in the form of loss of profits and reduced profitability during the inquiry period.

8.6 Other economic factors

As part of its application, BlueScope provided data in relation to a range of other economic factors.

8.6.1 Assets

Figure 6 depicts the value of BlueScope’s assets used in the production of like goods from FY 2019 to FY 2022.

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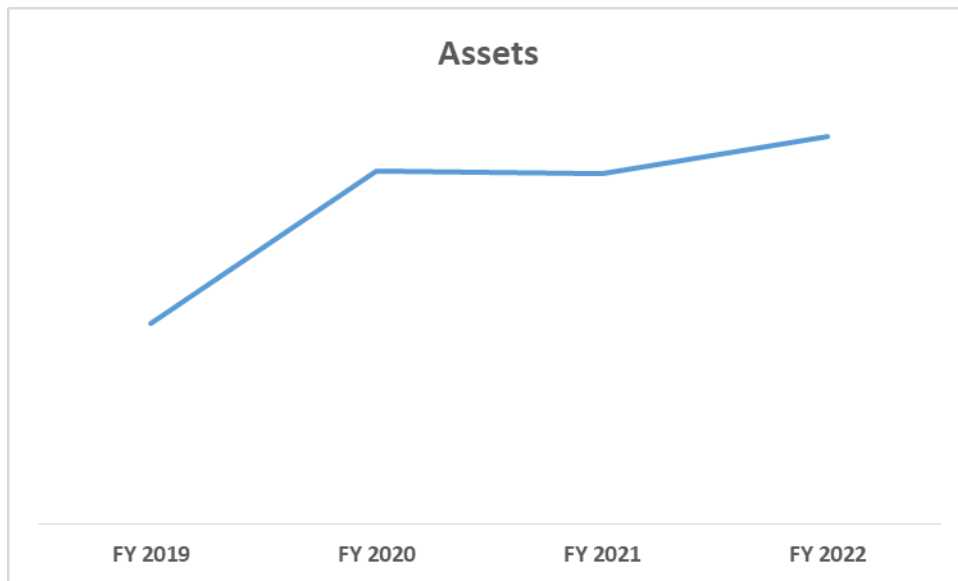


Figure 6: Assets

Figure 6 indicates that BlueScope's value of assets has increased reaching its highest value in FY 2022.

8.6.2 Capital Investment

Figure 7 depicts BlueScope's capital investment from FY 2019 to FY 2022.

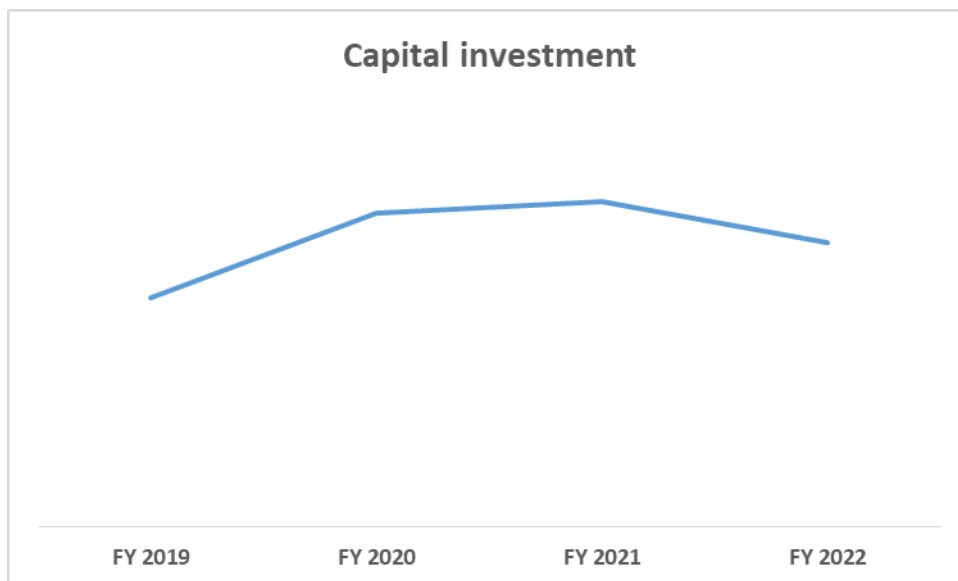


Figure 7: Capital Investment

Figure 7 indicates that BlueScope's capital investment experienced an increase from FY 2019 to FY 2021 before decreasing in FY 2022.

8.6.3 Revenue

Figure 8 depicts BlueScope's revenue from the sale of like goods from FY 2019 to FY 2022.

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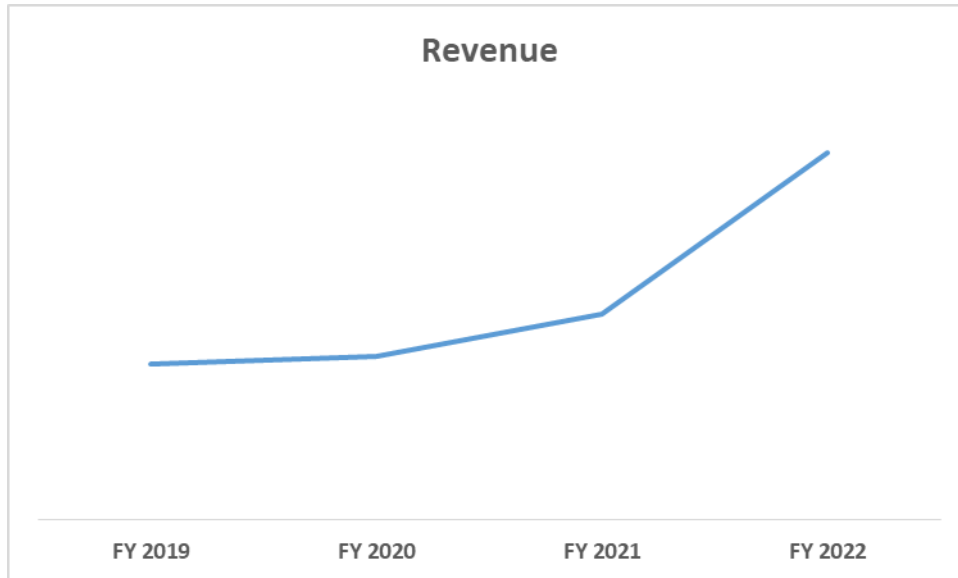


Figure 8: Revenue

Figure 8 indicates that BlueScope experienced a gradual increase in revenue on sales of like goods from FY 2019 to FY 2021, after which there was a period of strong growth in FY 2022.

8.6.4 Return on investment

Figure 9 depicts BlueScope's return on investment (ROI) from FY 2019 to FY 2022.

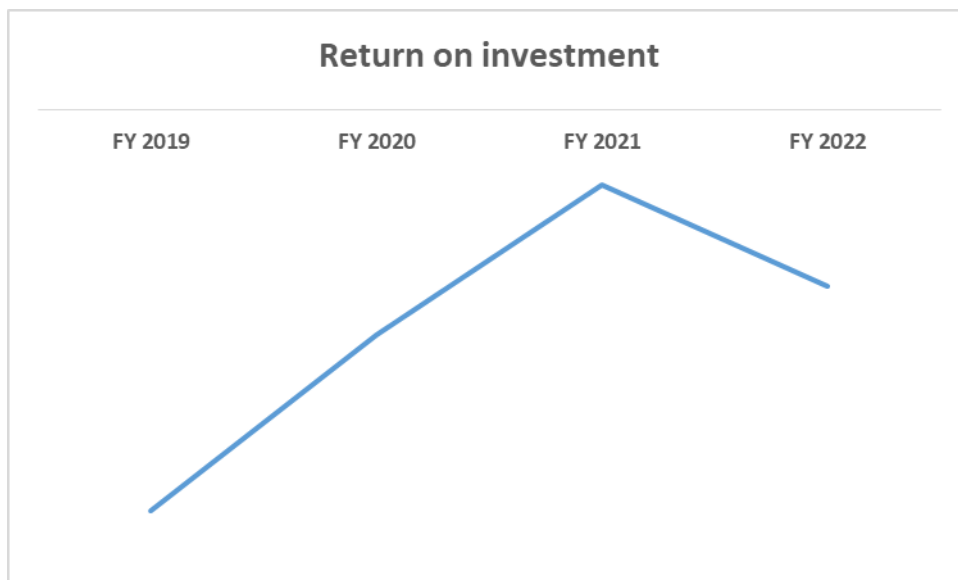


Figure 9: Return on investment

Figure 9 indicates that BlueScope experienced negative ROI in all financial years. BlueScope experienced its lowest ROI in FY 2019. Following this, there was an improvement with the highest ROI achieved in FY 2021 despite continuing to remain in the negative.

8.6.5 Capacity utilisation

Figure 10 depicts BlueScope's production capacity utilisation from FY 2019 to FY 2022.

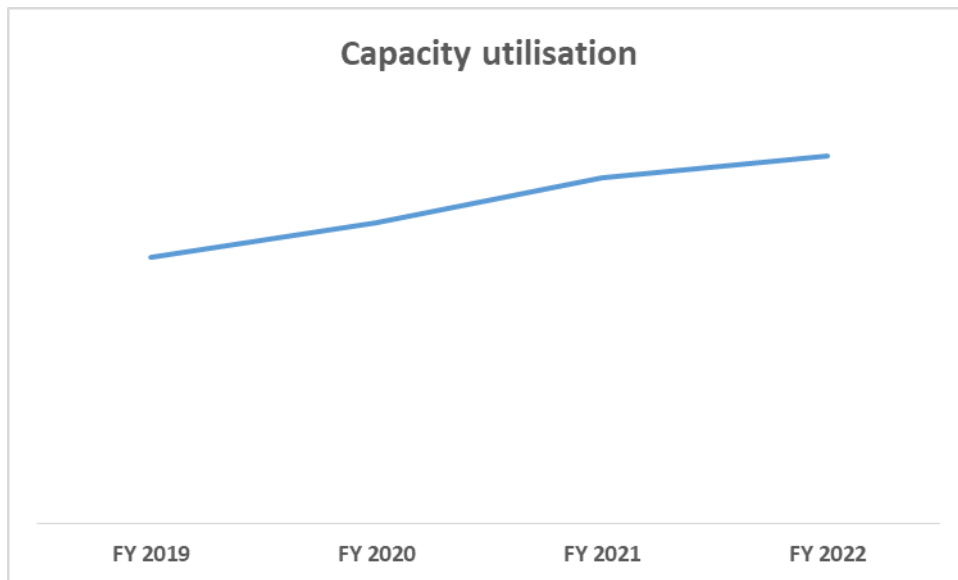


Figure 10: Capacity utilisation

Figure 10 indicates that BlueScope's capacity utilisation gradually increased from FY 2019 to FY 2022.

8.6.6 Employment

Figure 11 depicts BlueScope's employment numbers from FY 2019 to FY 2022.

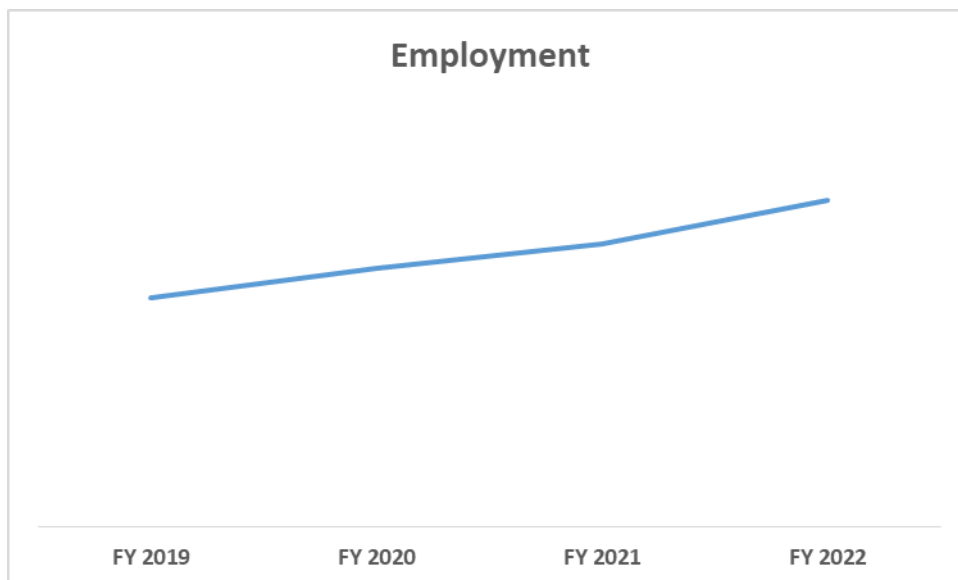


Figure 11: Employment

Figure 11 indicates that employment numbers increased from FY 2019 to FY 2022.

8.6.7 Wages

Figure 12 depicts BlueScope's wages bill from FY 2019 to FY 2022.

Aluminium zinc coated steel (≥600mm) - Australian Industry Verification Report - BlueScope Steel Limited

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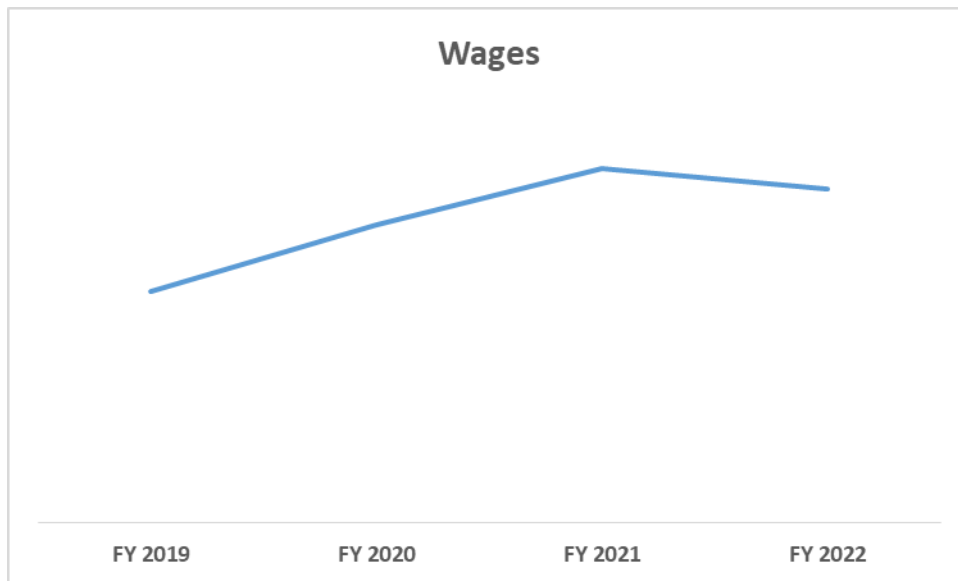


Figure 12: Wages

Figure 12 indicates that BlueScope's wage bill was steady from FY 2019 to FY 2021, before decreasing in FY 2022.

9 IMPACT OF EXPIRY OF MEASURES

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

- dumping and/or subsidisation and
- the material injury that the anti-dumping measure is intended to prevent.

The verification team sought BlueScope's views on these matters, and received a submission, including evidence, to support these views.⁶ Matters raised in this submission will be considered by the case team in preparing the statement of essential facts.

⁶ EPR 610, document no. 5.

10 ATTACHMENTS

Confidential Attachment 1	Verification work program
Confidential Attachment 2	Economic condition of the Australian industry
Confidential Attachment 3	Pricing offers