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Public File

Anti-Dumping Continuation 610 – Aluminium Zinc Coated Steel exported from China

1. Introduction

BlueScope Limited (**BlueScope**) is the manufacturer of aluminium zinc coated (**AlZn**) steel in Australia. BlueScope was the applicant company that requested the Anti-Dumping continuation inquiry applicable to exports of the goods from China, Korea, and Taiwan – refer ADN No. 2022/085.

In further support of its position that in the absence of continued trade measures, China will resume dumping AlZn on the Australian market and cause material injury to the domestic like-goods-producing industry, BlueScope's makes the following comments and representations.

2. *Further Evidence in support of Measures Continuation*

BlueScope reiterates that the expiration of the measures would be likely to lead to a recurrence of material injury that the measures are intended to prevent; Chinese export volumes to Australian will increase, and prices will fall, in the absence of measures. BlueScope supports this proposition further with an assessment of the following matters that will then permit the Anti-Dumping Commission (**the Commission**) to reach the informed conclusion that the measures must be retained:

- i. quantitative forward-looking price assessments;
- ii. qualitative steel industry economic considerations; and
- iii. a quantitative forward-looking seaborne freight cost assessment.

i. **AlZn Price Forecast Expectations**

Globally, regionally, and domestically, metallic coated steel prices (and associated hot-rolled (**HRC**) and cold rolled (**CRC**) steel prices) are forecast to fall significantly over the next 12-18 months. According to [commercial-in-confidence data source], actual average world Hot-Dipped Galvanised (**HDG**) selling prices (being the closest price proxy to AlZn) realised since the end of the FY2022 continuation inquiry period have already fallen by [XX]% (HRC and CRC prices have also fallen, by [XX]% and [XX]% respectively).¹ Monthly forecast data to August 2023 indicates a full price decline for world HDG prices, from the end of the continuation inquiry period, of [XX]% (HRC and CRC prices will decline by a full [XX]% and [XX]% respectively).²

The Far East Asian HDG price, as the most relevant proxy for China, has declined by [XX]% since full-year FY2022 (HRC and CRC have declined by [XX]% and [XX]% respectively).³ Monthly forecast data to August

¹ Confidential Attachment 1.

² Ibid.

³ Ibid.

2023 indicates a full price decline for East Asian HDG, from the end of the continuation inquiry period, of [XX]% (HRC and CRC prices will decline by a full [XX]% and [XX]% respectively).⁴

In summary:⁵

Steel Price	Actual % decrease ⁶ since June 2022	Forecast % decrease to August 2023
HRC – World Price	[XX]	[XX]
CRC – World Price	[XX]	[XX]
HDG – World Price	[XX]	[XX]
HRC – Far East Asia	[XX]	[XX]
HRC – China Domestic	[XX]	[XX]
HRC – U.S. Midwest	[XX]	[XX]
HRC – German Domestic ⁷	[XX]	[XX]
CRC – Far East Asia	[XX]	[XX]
CRC – China Domestic	[XX]	[XX]
CRC – U.S. Midwest	[XX]	[XX]
CRC – German Domestic	[XX]	[XX]
HDG – Far East Asia	[XX]	[XX]
HDG – China Domestic	[XX]	[XX]
HDG – U.S. Midwest	[XX]	[XX]
HDG – German Domestic	[XX]	[XX]

Confidential Table 1: August 2022 Steel Forecast Summary

These price declines are significant. These price declines will impact metallic coated steel prices on regional and domestic markets, including AlZn steel prices on the Chinese market.

Chinese producers have been found to have dumped the subject goods onto the Australian market throughout the duration of measures. Lower home market prices for the like goods (assessed under a Particular Market Situation) will therefore result in lower (by material margins) export prices for the subject goods, resulting in a recurrence of material injury to the domestic industry.

ii. Economic Considerations

Macroeconomic indicators support BlueScope’s proposition that prices for steel generally, and for AlZn specifically, will fall in the medium term. The price declines expected in the Asian region have been quantified in the above-referenced official price forecasts and indicate that Chinese export prices to Australia will fall below non-injurious levels in the absence of measures. Further macroeconomic support for the decline in steel prices is provided as follows:

- A 10 August 2022 article by [commercial-in-confidence source] highlights that global steel demand is seasonally weak and prices are coming under pressure. Steel production is being cut due to squeezed margins, amid surging costs and falling prices. Prices are expected to continue to trend lower for the remainder of 2022 as supply improves, global economic growth slows, and China’s real estate sector remains subdued.⁸

[Confidential Charts 1&2: Steel price and production forecasts]

⁴ Ibid.

⁵ Ibid.

⁶ All percentage declines are shown as positive numbers.

⁷ German steel prices are considered by BlueScope as an appropriate proxy for broader European Union steel prices.

⁸ Confidential Attachment 2, p. 1, 5.

[Commercial-in-confidence source] predicts average annual HRC price declines in China, the U.S. and Europe as follows:⁹

[Confidential Table 3: Short Term Price Growth forecast]

- [Commercial-in-confidence source] has assessed that prices are falling across the steelmaking value chain:¹⁰

[Commercial-in-confidence source quote]

[Confidential Chart 3: Steel and steel making price assessments]

- [Commercial-in-confidence source] also notes that:¹¹

[Commercial-in-confidence source quote]

[Confidential Chart 4: CRU modelled spot HRC EBIT margins]

- On the Chinese economy specifically:

*The Caixin China General Manufacturing PMI unexpectedly fell to 48.1 in September 2022 from 49.5 in the previous month, amid the impact of COVID controls. This was the lowest reading since May, as output fell for the first time in four months, new orders shrank the most since April, and export sales declined at the steepest rate in four months. Also, firms trimmed their buying activity and inventories, while employment fell the most since April 2020. On the cost side, input prices decreased at the steepest rate since January 2016 due to falls in commodity prices, and output prices declined the most since December 2015. Finally, sentiment hit its lowest since November 2019, on concerns over repeated outbreaks and prolonged containment measures. At present, **policy implementation should focus on promoting employment, granting subsidies**, boosting demand, and fostering market confidence by sending policy signals.¹² [emphasis added].*

Chinese producers are susceptible to the current and likely expected future contraction of the Chinese economy. The Commission has previously found that Chinese exporters have spare production capacity – capacity of which cannot be idled in an economic downturn, and which will hence be directed towards the Australian market in the absence of measures. Chinese exporters will also likely receive additional countervailable subsidies going forward, as the Government of China seeks to address the worsening economic situation. Permitting the expiration of the AlZn measures will therefore result in the exportation of the subject goods to Australia at less than non-injurious prices.

BlueScope submits that the above-referenced official steel industry price forecasts for HDG, quantitatively assessed to provide an informed estimate of likely future Chinese export prices vis-à-vis Australian industry non-injurious levels, coupled with a macroeconomic assessment of the highly likely future position of global, regional, and domestic steel producing industries, are the most contemporary and relevant considerations before the Commission.

iii. Seaborne Freight Costs

The COVID-19 pandemic impacted international steel supply into the Australian market during the inquiry period. BlueScope submits however that freight rates have now peaked, supply chain bottlenecks will likely resolve, and freight costs are now rapidly normalising. In support of this position, BlueScope provides the following evidence:

⁹ Ibid, p.11.

¹⁰ Confidential Attachment 3, p. 3.

¹¹ Ibid, p. 4.

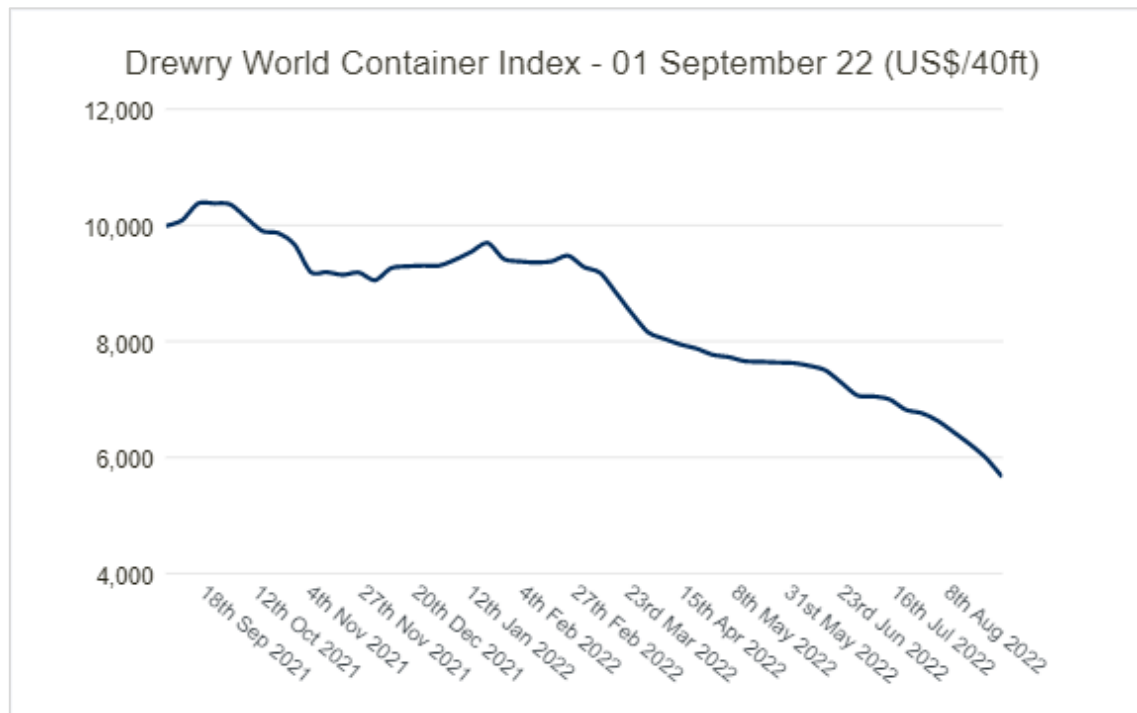
¹² Refer [China Caixin Manufacturing PMI - September 2022 Data - 2011-2021 Historical \(tradingeconomics.com\)](https://tradingeconomics.com/china-caixin-manufacturing-pmi-september-2022-data-2011-2021-historical)

- The Baltic Dry Index, which measures the cost of shipping goods worldwide, has normalised back to historical levels, down approximately [XX]% from its peak:¹³



Non-Confidential Chart 5: Baltic Dry Index; 2018-2022

- The world container index, whilst still higher than historic levels, is down approximately [XX]% from its peak:¹⁴

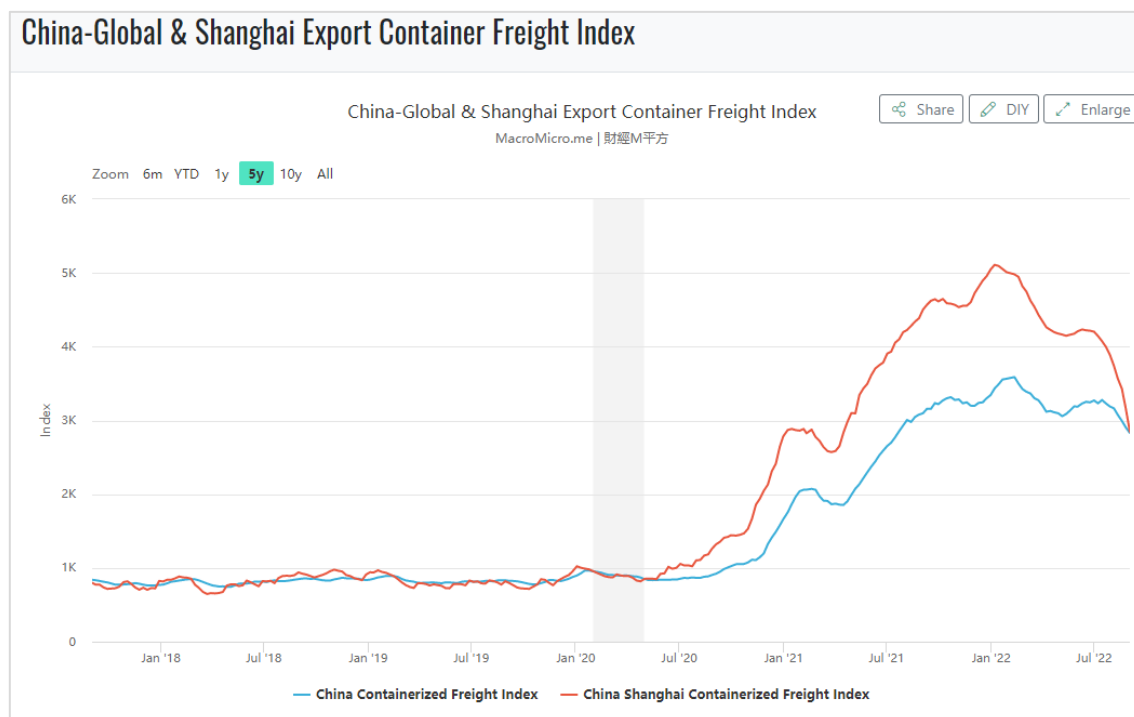


Non-Confidential Chart 6: Drewry World Container Index; Sept. 21 – Sept. 22

¹³ Confidential Attachment 4.

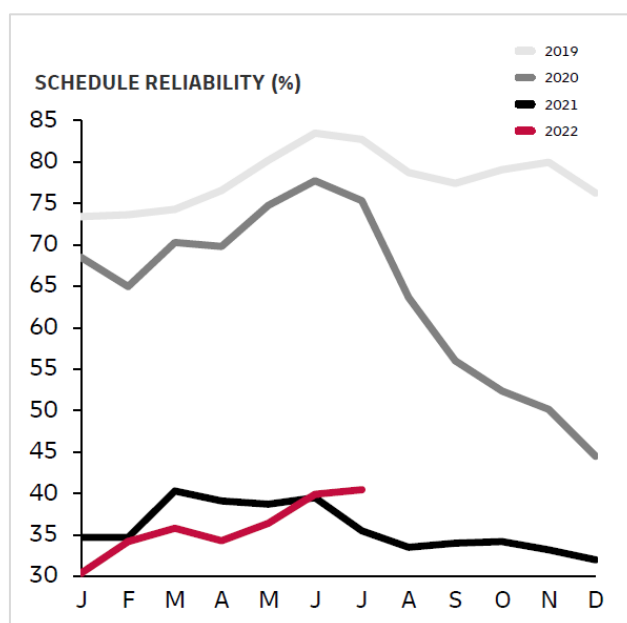
¹⁴ Ibid.

- China-specific seaborne freight indices are showing similar trends, with the Shanghai export container freight index down approximately [XX]%.¹⁵



Non-Confidential Chart 7: China-Global & Shanghai Export Container Freight Index

- Shipment schedule reliability measures are improving, as the demand side of the seaborne freight equation declines.¹⁶



Non-Confidential Chart 8: Shipping Schedule Reliability

- The forward curve for dry bulk charter rates for Handysize vessels (often used to ship commodity steel products, including AlZn steel) is declining,¹⁷ and the average time charter rate (i.e. the specified daily rate for the hire of a vessel) has nosedived, reverting back close to 2019 levels.¹⁸

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Confidential Attachment 5.

¹⁸ Confidential Attachment 6.

[Confidential Chart 9: Handysize and Supramax Time Charter Rates; 2019-2022]

- BlueScope’s assessment of Korea/Australia freight costs (Liner In – Liner Out)¹⁹ shows an AU\$[XX]/metric tonne decline in cost over the past three months, from a June 2022 peak, with a further AU\$[XX]/metric tonne decline expected over the coming months:²⁰

[Confidential Chart 10: Liner In – Liner Out Freight from Korea to Australia]

- Shipping rates between China and Australia are also now declining:²¹

[Confidential Chart 11: Historical freight costs between China and Australia]

The Commission has also recently assessed the seaborne freight implications for HRC in the Statement of Essential Facts to Continuation inquiry No. 594 (**CON 594**). CON 594’s investigation period was calendar year 2021, and therefore a six-month cross-over with the current inquiry. SEF 594 concluded that:²²

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.

BlueScope concurs with this assessment, and submits that the same applies for AlZn steel. The Commission’s conclusions in the current inquiry will be supported by this view, alongside the above independent analysis evidencing actual declines, and expected further declines, in seaborne freight costs.

For and on behalf of BlueScope.

¹⁹ Liner In / Liner Out refers to the rate/cost of freight. The rate includes both the costs of loading goods at the port of departure and the costs of unloading the goods at the destination port.

²⁰ Confidential Attachment 5.

²¹ Ibid.

²² SEF 594, section 8.5.3, p. 52.