Australian Government
Anti-Dumping Commission

CUSTOMS ACT 1901 - PART XVB

ANTI-DUMPING COMMISSION
REPORT TO THE ADRP No. 230

REINVESTIGATION OF CERTAIN FINDINGS IN REPORT No. 190

ZINC COATED (GALVANISED) STEEL

EXPORTED TO AUSTRALIA FROM
THE REPUBLIC OF KOREA AND TAIWAN

28 November 2013

CONTENTS

1 SUMMARY AND RECOMMENDATIONS

This report provides the results of the reinvestigation by the Commissioner of the Anti-Dumping Commission (the Commissioner) of certain findings in International Trade Remedies Report No. 190 (REP190)[1], which resulted in the imposition of anti-dumping measures on galvanised steel exported to Australia from the People's Republic of China, the Republic of Korea (Korea) and Taiwan.

1.1 Findings

The delegate of the Commissioner (the delegate), in accordance with s.269ZZL(3) of the *Customs Act 1901* (the Act), affirms the findings subject to the reinvestigation. The reasons are set out in this report.

1.2 The reinvestigation

Division 9 of Part XVB of the Act sets out procedures for review by the Anti-Dumping Review Panel (Review Panel) of certain decisions by the Minister or the Commissioner.

1.2.1 The role of the Review Panel and the Anti-Dumping Commissioner

The Review Panel

Interested parties can apply to the Review Panel for review of certain decisions in relation to anti-dumping and countervailing matters. If an application for review is not rejected, the Review Panel must make a report to the Minister on the application by[2]:

- recommending that the Minister affirm the reviewable decision; or
- recommending that the Minister revoke the reviewable decision and substitute a specified new decision.

The Commissioner

In making its report to the Minister the Review Panel may, by written notice, require the Commissioner to[3]:

- reinvestigate a specific finding or findings that formed the basis of the reviewable decision; and
- report the result of the reinvestigation to the Review Panel within the specified period.

[1] REP190 related to two dumping investigations, zinc coated (galvanised) steel and aluminium zinc coated steel, which were run concurrently. The Anti-Dumping Review Panel has only referred issues back for reinvestigation in relation to galvanised steel from Korea and Taiwan and therefore this report will only focus on matters relating to the galvanised steel investigation (referred to as Investigation 190a).

[2] Under s.269ZZK(1) of the Act

[3] Under s.269ZZL(1) of the Act

1.2.2 What must be reinvestigated

On 31 October 2013, the Review Panel required the Commissioner to reinvestigate certain findings made in REP190 and to report the results of the reinvestigation by 28 November 2013. The findings to be reinvestigated are:

1. That the cold rolled coil substrate galvanised steel (CGI) produced by the Australian industry is a like good to the hot rolled coil substrate galvanised steel (HGI) imported during the investigation period, addressing the considerations of physical likeness, commercial likeness, functional likeness and production likeness having regard to the submission made by interested parties, including the submissions made by POSCO in its submission dated 8 April 2013.
2. That the Australian industry produced like goods to the zero spangle galvanised steel imported during the investigation period, addressing the considerations of physical likeness, commercial likeness, functional likeness and production likeness having regard to the submissions made by interested parties.

1.2.3 Reinvestigation findings and conclusions

The Anti-Dumping Commission (the Commission) has conducted a reinvestigation in accordance with the requirements of s. 269ZZL(1) of the Act and found:

1. That the CGI produced by the Australian industry is a like good to the HGI imported during the investigation period; and
2. The Australian industry produced like goods to the zero spangle galvanised steel imported during the investigation period.

While the Commission has found in this reinvestigation that the Australian industry produces like goods to the imported goods, the Commission has considers that there are some circumstances in which imported HGI or zero spangle galvanised steel could not be substituted for locally produced galvanised steel. On this basis, during the original investigation exemptions from dumping duties were granted for some types of galvanised steel. Further exemptions could be granted if applicants can demonstrate that certain products meet the exemption requirement in section 7 of the Customs Tariff (Anti-Dumping) Act 1975 (the Dumping Duty Act). Section 7 outlines five provisions under which an exemption can be sought, including 'that like or directly competitive goods are not offered for sale in Australia to all purchasers on equal terms under like conditions having regard to the custom and usage of trade'[4] and 'that a Tariff Concession Order under Part XVA if the *Customs Act 1901* in respect of the goods is in force'[5].

[4] Section 7(a) of the Customs Tariff (Anti-Dumping) Act
[5] Section 7(b) of the Customs Tariff (Anti-Dumping) Act

2 BACKGROUND

2.1 Original Investigation – Investigation 190(a)

The Australian Customs and Border Protection Service (ACBPS) initiated an investigation into the alleged dumping of galvanised steel from China, Korea and Taiwan on 5 September 2012, following an application from BlueScope Steel Limited (BlueScope).

This investigation examined the period of 1 July 2011 to 30 June 2012 for the purpose of determining whether dumping had occurred. The Australian market and the economic condition of the industry were examined from 1 July 2007 for the purpose of injury analysis.

In the course of the investigation a number of importers and exporters were visited and interested parties were invited to provide submissions in relation to the matters under investigation, including like goods.

The statement of essential facts, which contained the preliminary findings and recommendations in the investigation, was published on 18 March 2013. ACBPS subsequently terminated part of the investigation in relation to three exporters it found not to be dumping: Union Steel Co., Ltd, Sheng Yu Co., Ltd and Ta Fong Co., Ltd.

On 30 April 2013, ACBPS provided its final report and recommendation to the Attorney-General[6]. On 5 August 2013, the Commission, which commenced on 1 July 2013, published the Attorney-General's acceptance of those findings and anti-dumping duties were imposed on all remaining exporters from China, Korea and Taiwan. Dumping margins from China were found to be between 6.8 and 62.9%, for Korea between 3.2 and 28.5% and for Taiwan between 2.6 and 8.6%.

At the same time the final report was published the Attorney-General's exempted from measures certain goods that were covered by tariff concession orders.

2.1.1 The goods subject to measures

The goods subject to measures (the goods) are:

> *"flat rolled products of iron and non-alloy steel of a width less than 600mm and equal to or greater than 600mm, plated or coated with zinc"*

The goods are generically called galvanised steel, also known as zinc coated steel.

[6] At that time the relevant Minister was the Minister for Home Affairs. The Minister identified a potential for a conflict of interest in relation to this decision and this resulted in the Attorney-General becoming the decision maker for this investigation.

On 21 December 2012, Australian Customs Dumping Notice (ACDN) 2012/62 was issued clarifying, but not altering, the goods description. This ACDN noted that the application covered galvanised steel whether or not including any combination of surface treatment. Examples of surface treatment were given, for example whether the surface treatment was 'passivated' (also referred to as chromated or unchromated); oiled; skin passed; or phosphated (for zinc iron alloy coated steel only).

The following goods were not covered by the investigation:

- painted galvanised steel;
- pre-painted galvanised steel; and
- electro-galvanised plate steel.

Galvanised steel is classified to tariff subheadings 7210.49.00 (statistical codes 55, 56, 57 and 58) and 7212.30.00 (statistical code 61) of Schedule 3 to the *Customs Tariff Act 1995*.

2.2 The Review and Reinvestigation Framework

In conducting a review, the Review Panel may only have regard to 'relevant information' and any conclusions based on relevant information that are contained in the application for review or in submission received by the Review Panel within 30 days of notification of a review[7]. Relevant information for this reinvestigation report comprises the original application, submissions to the original investigation, statement of essential facts 190 (SEF190), submissions to SEF190, REP190 and any other matters considered relevant by the Commissioner in the course of the investigation. The Commission examined the documents from the original investigation and applications and submissions to the Review Panel received within the specified timeframes for the purposes of conducting the reinvestigation.

[7] s. 269ZZK(4) of the Act

3 LIKE GOODS – COLD ROLLED AND HOT ROLLED SUBSTRATE GALVANISED STEEL

3.1 Summary of the reinvestigation findings

The delegate affirms the finding of the original investigation that CGI produced by BlueScope is a like good to imported HGI. The delegate has found that locally produced CGI has characteristics closely resembling the imported product.

Notwithstanding this finding, the delegate considers that there are some circumstances and end uses where CGI and HGI cannot be substituted. Exemptions from dumping duties have been granted for some imported HGI, and further exemptions may be possible if certain goods meet the requirements of section 8(7) of the Dumping Duty Act.

3.2 Finding to be reinvestigated

The finding to be reinvestigated is whether the CGI produced by the Australian industry is a like good to the HGI imported during the investigation period, addressing the considerations of physical likeness, commercial likeness, functional likeness and production likeness having regard to submissions made by interested parties, including the submissions made by POSCO in its submission dated 8 April 2013.

3.3 The original finding

In REP 190, after considering arguments and evidence provided by interested parties, ACBPS found that the CGI produced by the Australian industry was like to imported HGI. Particularly, ACBPS found that:

…the imported and locally produced coated steel are broadly like goods regardless of the hot rolled or cold rolled nature[8]*.*

ACBPS recommended that exemptions be granted for certain HGI that were subject to tariff concession orders. OneSteel Australian Tube Mills Pty Ltd (OneSteel), a pipe and tube manufacturer, had applied for and was granted tariff concession orders for certain HGI, after it closed its strip galvanising plant in July 2012. OneSteel had used its strip plant to galvanise hot rolled coil for use in the manufacture of structural pipe and tube. After the closure OneSteel sought to import replacement material from [redacted].

The tariff concession orders for these products reflected a finding that BlueScope could not produce substitutable goods. The tariff concession orders were TC 1242989 and TC 1243148, which was subsequently reissued as TC 1317796. An exemption was granted by the Attorney-General in relation to goods covered by these tariff concession orders.

[8] REP 190, pg 36.

3.4 Scope of the investigation and like goods determination

An application must describe the imported goods that the applicant alleges are being dumped and/or subsidised and causing material injury. This goods description sets the scope of the investigation from its outset and determines what goods are examined in the investigation. Once an investigation is initiated it is generally not possible to alter the scope of the inquiry or change what goods are included. A goods description that is too narrow may not provide an effective remedy if measures are imposed. Conversely, a description that is too wide or ambiguous might expand the scope of the investigation to include other unaffected Australian producers, or to encompass other products that are not being dumped and/or causing injury.

For example, if an applicant produces red, blue and yellow pencils and lodges an application against red pencils, and it is determined that red pencils are being dumped and causing injury, future anti-dumping duties will only apply to red pencils. In this case, the risk in applying against too narrow a category of good is that all other coloured pencils will not be subject to anti-dumping duties.

If, however, the applicant was to describe the goods as 'writing implements', the investigation would be much broader and include all pencils, pens, quills etc. In this case, the risk in applying against such a broad category is that the Australian industry would be taken to comprise all producers of writing implements, not just the producers of coloured pencils. Another risk is that the determination of dumping would be based on exports of all writing implements. In this case even though the Commission may find that certain coloured pencils are exported at dumped prices, if the weighted average product dumping margin was determined to be deminimis (because of the weighting of undumped pens and quills), dumping duties would not be imposed on any imported goods.

The determination of the Australian industry comprising producers of like goods stems from the goods subject of the application and under investigation. Using the example above, all manufacturers of like goods to writing implements would form part of the Australian industry, irrespective of whether they only produce red pencils, blue pens or only quills. In determining whether the Australian industry produces like goods to the goods under consideration in the investigation, the goods description as a whole is considered. The assessment is not performed on a model by model basis.

In circumstances where the range of products made by the Australian industry is narrower than the goods covered by the description shown in the application (for example, Australian production involves only red pencils, whilst the goods described in the application involves all writing implements), the Minister has the discretion to exempt certain goods from any dumping duty.

In the galvanised steel investigation the Commission found that the Australian industry produced like goods to the broad category of imported galvanised steel, based on physical likeness, commercial likeness, functional likeness and production likeness. Accordingly, measures were imposed on imported galvanised steel. Some circumstances were identified where the Australian industry did not produce a comparable product to a particular type of imported galvanised steel, and several exemptions from dumping duty were granted.

3.5 The reinvestigation

In the reinvestigation, the Commission has examined the information that was before the CEO of ACBPS in the original investigation. Submissions made by interested parties in the original investigation (as summarised below) largely focussed on the pipe and tube market segment. In carrying out this reinvestigation the Commission has examined CGI and HGI as used across all market sectors.

Some submissions regarding like goods related to HGI that had a zero spangle finish. The Commission has sought to separately address the issues relevant to the HGI or zero spangle qualities of these goods in their respective chapters.

The Commission identified two exporters of HGI to Australia during the investigation period, POSCO and Chung Hung Steel (Chung Hung) and much of the analysis below focuses on a comparison of BlueScope's products with those supplied by POSCO and Chung Hung.

The Commission has also focused specifically on the following submissions by interested parties during the original investigation:

- OneSteel submissions dated 27 November 2012, 8 April 2013, 12 April 2013 and 19 April 2013;
- POSCO submissions dated 8 April 2013;
- Chung Hung submissions dated 28 February 2013 and 7 March 2013; and
- BlueScope submission dated 16 April 2013 and 18 April 2013.

3.5.1 Submissions by interested parties

POSCO

POSCO, a Korean exporter of HGI to Australia, argues that its HGI is not a like good to BlueScope's CGI. POSCO considers that the different substrates in these goods impart different qualities to the finished product. It considers that galvanised steel made from hot rolled substrates has higher strength and has better anti-corrosion qualities due to its ability to hold a greater coating mass. The coating mass is the amount of zinc or zinc/iron alloy applied during the galvanising process and is generally measured in grams per square metre. POSCO argues that CGI can only support a coating mass of up to 300gr/m^2, while HGI can support a coating mass of up to 725gr/m^2. POSCO argues that due to the greater coating mass, HGI is used in certain applications where increased anti-corrosion qualities are required[9]. As a result, it considers that consumers of HGI would not substitute CGI for the same purposes.

POSCO also submits that it can produce HGI in a thickness of range of 1.4 and 4.5mm and that BlueScope's thickness range of CGI is considerably less.

[9] POSCO notes that these applications include water tank manufacture and certain construction applications. POSCO submission, 8 April 2013.

Finally, POSCO argues that CGI is more expensive to produce than HGI and costs up to [redacted] more to produce.

OneSteel

OneSteel, [redacted], argues that HGI and CGI are not like goods as they do not meet any of the criteria of physical likeness, commercial likeness, function likeness and production likeness.

OneSteel argues that the different temperatures involved in the hot rolling and cold rolling production process produce steel with different grain structures, strain hardening and residual stress[10] and result in end products that are not physically alike. Specifically, OneSteel argues that cold rolling results in a loss of ductility[11] in the steel which makes CGI unsuitable for the majority of structural tube applications.

OneSteel asserts that these physical differences are reflected in the fact that the Australian Structural Tube Standard AS/NZ 1163:2009 requires that structural product be made from HGI. OneSteel argues that tube manufactured from CGI and tube manufactured from HGI meeting the requirements of AS/NZ 1163:2009 have materially different properties.

OneSteel also put forward the following differences between CGI and HGI which reflect important characteristics in the production of pipe and tube:

- the coil radius of HGI is generally larger than CGI;
- the inner coil diameter of HGI is larger than CGI; and
- CGI thicknesses are generally thinner than HGI.

OneSteel argues that hot rolled coil and cold rolled coil are not commercially alike, in that they are used for different applications and attract different prices. OneSteel states that international steel benchmark price reports such as the Steel Business Briefing and CRU list separate prices for the two products, with a difference between them of approximately USD80-100/MT.

OneSteel also asserts that CGI and HGI have different functional uses. It argues that BlueScope's CGI is better suited for roofing and wall cladding, guttering, signs, the manufacture of home appliances, car parts, storage materials, and packing implements, due to the specific physical characteristics of this product. HGI, on the other hand, is used in applications where strength and ductility is required, such as OneSteel's structural tube products. It notes that some CGI can be used in some non-structural tubing applications but argues that this is small segment of the market.

OneSteel argues that these products have different production processes. OneSteel asserts that while hot rolled coil is the base material for the production of CGI, the additional process of cold rolling creates fundamental differences between the two products, as noted above. OneSteel further explained that for CGI used in [redacted] applications, a further annealing process (which softens the coil) must be

[10] The grain structure, strain hardening and residual stress of steel give it certain properties around strength and flexibility.

[11] Ductility refers to the ability to shape steel without it breaking.

undertaken but while this increases the ductility of the steel, it decreases its strength. As a result, CGI is unsuitable for most of the structural pipe and tube market.

[redacted]

[arguments relating to use of CGI in structural pipe applications] It also noted that cold rolled coil was not treated as a like good in the recent hot rolled coil dumping investigation.

Chung Hung

Chung Hung, a Taiwanese exporter of HGI to Australia, [redacted] Similarly to OneSteel, Chung Hung argues that there are significant physical and mechanical differences between HGI and CGI and as a result, CGI does not meet certain Australian standards for the production of structural pipes and tube. Therefore, CGI cannot be used for the manufacture of these products.

Chung Hung also argues that BlueScope can only produce galvanised steel with a thickness of up to 2mm. As a result, any applications that require a greater thickness need to use HGI.

Finally, Chung Hung argues that there are cost differences between HGI and CGI due to the additional production process of cold rolling. Chung Hung also quantifies the cost variance to be around USD80-100/MT, which it argues makes galvanised steel from a cold rolled substrate commercially prohibitively priced.

BlueScope

BlueScope argues that its CGI is a like good to HGI as the two products have characteristics that closely resemble each other.

BlueScope responded to claims made by OneSteel and Chung Hung about its CGI in relation to the pipe and tube sector and argued that during the investigation period it did sell CGI for use in this industry. BlueScope claims that it offered CGI that met the requirements of the structural pipe and tube steel standard AS/NZ 1163:2009, in a thickness range of 1.5 to 3.0mm. In addition, BlueScope argues that there is a significant market in Australia for steel that is non-compliant with AS/NZ 1163:2009, which its coil is adequately fit for purpose.

BlueScope further stated that for end uses other than products covered by AS/NZ 1163:2009 either CGI or HGI could be used as a feedstock.

BlueScope also argues that its CGI and imported HGI compete in the market on the basis of price, supporting its argument that the two products are like goods. BlueScope referred to several price offers provided in its application, which it claims were for imported HGI that was competing against its CGI. BlueScope also referred to price undercutting evidence provided in its application in which it was required to lower its sales price to a long term customer in response to the price of imported HGI. Therefore, BlueScope considers that imported HGI is sold in direct competition to its CGI.

3.5.1 The Commission's assessment

The Act refers to "the goods" and "like goods". "The goods" are those exported to Australia and alleged to be the cause of material injury to Australian industry. "Like goods" are "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".[12]

An Australian industry can apply for relief from injury caused by dumped or subsidised imports even if the goods it produces are not identical to those imported. The industry must however, produce goods that are "like" to the imported goods.

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

i. physical likeness;
ii. commercial likeness;
iii. functional likeness; and
iv. production likeness.

In response to the Review Panel's request, the Commission has examined whether the CGI produced by the Australian industry were like goods to the HGI imported during the investigation period, taking into consideration the characteristics mentioned above. The Commission's analysis is as follows:

i. Physical likeness:
The Commission considers that there are three key physical characteristics to examine in relation to imported HGI and CGI produced by BlueScope. These are mechanical/chemical properties, coating properties and dimensions.

Mechanical/chemical properties

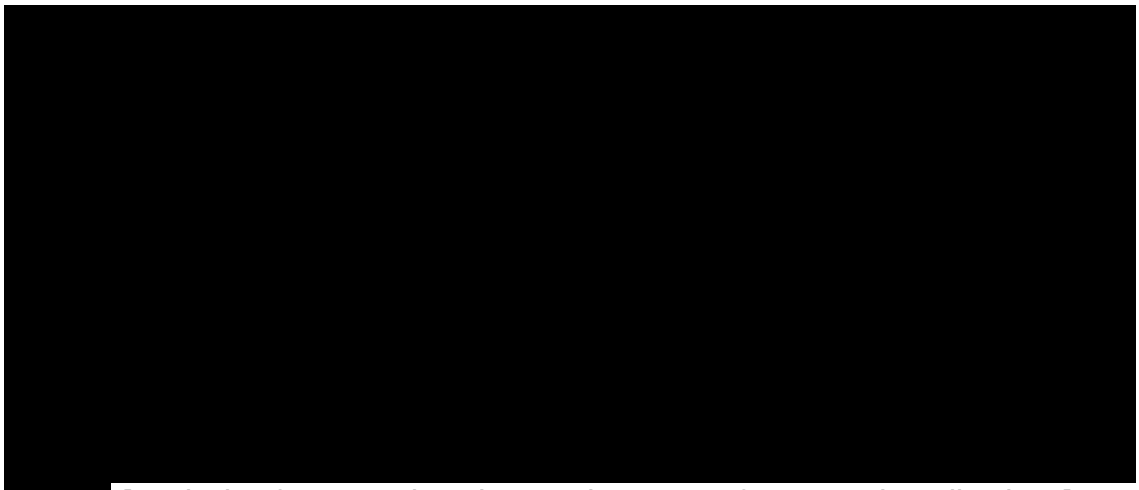
The Commission has examined the mechanical and chemical properties of CGI produced by BlueScope and imported HGI. In doing so, the Commission notes that yield strength, tensile strength and elongation[13] are key features in determining the suitability of steel for use in different applications. The chemical composition of the steel will also affect its suitability.

OneSteel argues that CGI produced by BlueScope does not meet the requirements for tensile strength, yield strength, elongation and chemical composition necessary for the production of certain grades of structural steel pipe and tube as required by the Australian standard AS/NZ 1163:2009.

The Commission's assessment of the properties of CGI that BlueScope can produce against the Australian standard for structural pipe and tube manufacture

[12] s. 269T(1) of the Act
[13] Elongation is a measure of the flexibility or ductility of steel products.

shows that there are certain grades of structural tube for which CGI cannot be used as feedstock, as it does not have the required characteristics.



[analysis of CGI against the requirements of structural applications]

The Commission considers that CGI or HGI of the same grade will have the same characteristics as defined by the standards for that grade, for example in minimum yield strength, tensile strength and elongation. However, there are limitations on what grades can be produced as CGI as there are certain chemical and mechanical differences between the CGI and HGI. While CGI may possess either the same strength or the same elongation ability as HGI, the Commission considers that CGI with greater yield and tensile strengths generally have lower elongation abilities compared with some grades of HGI.

Taking this into account, the Commission concludes that CGI and HGI can share similar chemical and mechanical properties but that some types of HGI have certain qualities that CGI does not possess. The importance of these qualities is dependent on the intended end use of the galvanised steel and this is discussed below.

Coating properties

The Commission has also examined whether there are differences in the coating properties of HGI and CGI, taking into account the argument put forward by POSCO that HGI can support a higher coating mass than CGI.

During the investigation, BlueScope explained that the common zinc coatings are: Z350, Z275, Z200, Z100, and zinc/iron alloy coatings are: ZF100, ZF80 and ZF30 or equivalents based on international standards and naming conventions. These coating mass codes reflect the grams per square metre of the coating material for the different products. For example, Z350 means 350gr/m^2 of zinc or zinc/iron alloy.

[redacted]

[redacted] *[assessment of coatings sold by the Australian industry and exporters]*

Therefore, the Commission has found that the coating properties of HGI and CGI are similar.

Dimensions

The Commission has also examined whether CGI and HGI have different dimensions, specifically in relation to thickness, taking into account arguments raised by interested parties.

During the investigation, BlueScope stated that it could produce CGI with a thickness of up to 3.5mm. The thickness of its product varies grade by grade. The Commission notes that the [redacted] *[assessment of dimensions sold to the pipe and tube sector]*

POSCO, on the other hand, exported HGI to Australia with a thickness of up to [redacted]. Chung Hung's product brochure notes that it can produce HGI in a thickness range of 1.2 to 4.0mm thick and the Commission has evidence it sold galvanised steel to Australia with a thickness of up to [redacted].

The Commission concludes that while CGI produced by the Australian industry and imported HGI can share the same dimensions, imported HGI is available in a wider range of thickness. The importance of thickness in relation to galvanised steel is dependent on the intended end use, as discussed below.

ii. Commercial likeness:

The Commission has also examined the commercial likeness of CGI and HGI, considering attributes identifiable from market behaviour. Galvanised steel is sold into a number of market sectors, which each have different dynamics. A key market for imported HGI is the pipe and tube sector. Due to the specific properties of HGI and the current standards for structural pipe and tube which require structural tube to be made from hot rolled coil, HGI and CGI did not compete for structural applications. There is some competition between HGI and

CGI in relation to non-structural pipe and tube applications, as either product could be used for this purpose.

An assessment of POSCO and Chung Hung's exports of HGI shows that these products are also sold into the [redacted] sector, along with BlueScope's CGI. The Commission has limited information available about the subsequent purchasers of imported HGI and the willingness of these purchasers to switch supply or substitute BlueScope's product for imports. While certain customers purchased product sourced from CGI from BlueScope and imported HGI, the Commission cannot confirm whether galvanised steel from the two sources are used interchangeably or are for the manufacture of different products.

However, BlueScope claims that imported HGI competes on price with its CGI and that it has been required to lower its price in response to HGI price offers in [redacted]. The Commission has examined the quotes provided by BlueScope to support these claims and found no evidence to demonstrate that these price offers were in fact for HGI, as opposed to CGI. The Commission was unable to gather any further information in the course of this reinvestigation.

The Commission also examined claims around different pricing levels for CGI and HGI. The Commission has examined POSCO's sales of HGI and CGI and notes that [redacted] *[assessment of price difference]*. An assessment of Chung Hung's sales of HGI and CGI to Australia show that both these products are priced at similar levels[14]. The Commission also assessed the import and sales data gathered in the course of the investigation, and while information on the selling price of HGI specifically into the Australian market is limited, it does indicated that imported HGI competed at similar pricing levels to locally produced CGI.

The Commission has limited information available to it to conclude that imported HGI and locally produced CGI share the same commercial characteristics.

iii. Functional likeness:

Imported HGI and CGI produced by BlueScope share many of the same potential end uses. BlueScope produces galvanised steel in a range of grades which can be used for a number of applications.

POSCO's product brochure notes that the main uses of its HGI galvanised steel is: [redacted]

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14 [redacted] *[discussion on pricing]*

[redacted]. Chung Hung's product brochure does not differentiate end uses for HGI and CGI but notes that its galvanised coil can be used for home appliances, architectural applications, furniture, and transportation equipment. BlueScope's sheet and coil product guide lists a range of uses for its CGI consistent with those listed in POSCO and Chung Hung's brochures.

The Commission considers that for structural pipe and tube applications where the standards require the use of HGI, HGI cannot be substituted for CGI. Similarly, in applications where higher strength and ductility or thickness greater than that offered by BlueScope, HGI cannot be substituted for CGI. On the other hand, for many end uses where the combination of high strength and elongation is not important and/or where a thickness of less than 3.5mm is required, such as for the applications listed in BlueScope's product brochure, either product could be used.

The Commission concludes that there is functional likeness between locally produced CGI and imported HGI in many situations, but this functional likeness is limited for some end uses.

iv. Production likeness:

To produce galvanised steel, BlueScope firstly produces molten steel from iron ore, coal and fluxes (limestone and dolomite) and casts it into steel slab. The slab is then made into hot rolled coil by reheated it to around 1200°C and rolling it through several rolling mill stands.

The coil is then further rolled into cold rolled coil. The cold rolling process is conducted at room temperature and involves passing the hot rolled coil through a number of rolling mill stands to progressively reduce the thickness without changing the width. During this process, the grain structure is elongated, making the steel hard and springy.

The cold rolled coil is then annealed in a furnace. Annealing is a heat treatment that affects the properties of the steel, making it more formable but decreasing its strength. Where formability is the prime requirement, the coil is then fully annealed. Where high strength and limited formability is required, the coil is partially annealed.

The coil is then passes through a molten metal bath of the required composition where the molten metal chemically bonds to the steel surface and the coil is galvanised.

The production of HGI involves much of the same process. Steel slab is produced and rolled into hot rolled coil. However, HGI does not go through the same process of cold rolling and annealing. Instead, the hot rolled coil is directly feed into the molten metal bath to be coated.

The Commission considers that while the production process for HGI and CGI is largely the same, there are some differences, which creates different characteristics in the two products.

3.5.2 Conclusion

After taking into consideration physical likeness, commercial likeness, functional likeness and production likeness, the Commission considers that the CGI produced by Australian industry has similar characteristics to imported HGI. The differences between CGI and HGI in relation to the substitutability or 'likeness' of the goods varies in different circumstances, for example;

- for the manufacture of structural pipe and tube products, HGI cannot be substituted for CGI, as the relevant standard requires that HGI be used, and in certain cases, CGI does not possess the relevant strength and elongation requirements;
- for the manufacture of certain application where a combination of strength and ductility is required, HGI cannot be substituted for CGI, due to the specific mechanical qualities of the two products;
- for use in certain applications that require a thickness greater than that which is available for CGI, HGI can again not be substituted for CGI; and
- for the manufacture of a wide range of products where there are comparable grades and dimensions available either CGI or HGI could be used.

The Commission concludes that locally produced CGI and imported HGI are like goods and affirms the finding of the original investigation. In making this finding, the Commission has placed greater emphasis on the physical likeness and functional likeness of HGI and CGI, as it is these features which will primarily effect whether consumers will purchase one product or the other. The Commission notes that while there are instances in which HGI and CGI are non-substitutable, CGI and HGI can be produced in a range of common dimensions and grades and used interchangeably in a number of applications. Accordingly, the Commission considers that locally produced CGI has characteristics closely resembling imported HGI.

The Commission notes that, in recognition that there are certain specification requirements which CGI cannot meet, the Attorney-General granted an exemption from dumping duties for certain HGI products for use in the pipe and tube sector. These goods are covered by TC 1242989 and TC 1317796. Further exemptions could be granted if applicants can demonstrate that certain products meet the exemption requirements as outlined in section 1.2.3 of this report.

4 LIKE GOODS – ZERO SPANGLE GALVANISED STEEL

4.1 Summary of the reinvestigation findings

The delegate affirms the finding of the original investigation that galvanised steel produced by BlueScope is a like good to imported galvanised steel with a zero spangle finish. The delegate has found that locally produced galvanised steel has characteristics closely resembling the imported product.

The delegate also considers that there are some circumstances and end uses in which BlueScope's product and zero spangle steel could not be substituted. Interested parties may wish to apply for exemptions from dumping duties under section 8(7) of the Dumping Duty Act where this is the case.

4.2 Finding to be reinvestigated

The finding to be reinvestigated is whether the Australian industry produced like goods to the zero spangle galvanised steel imported during the investigation period, addressing the considerations of physical likeness, commercial likeness, functional likeness and production likeness having regard to the submission made by interested parties.

Spangle refers to the pattern that the zinc coating leaves on galvanised steel products.

4.3 The original finding

In REP 190, Customs and Border Protection found that galvanised steel with a zero spangle finish fell within the goods description for the investigation, provided it meets the other specifications stated in the goods description (for example, galvanised coating)[15].

4.4 The reinvestigation

In the reinvestigation, the Commission has examined the information that was before the CEO in reaching a decision in the original investigation. Submissions made by interested parties in the original investigation (as summarised below) largely focus on the pipe and tube market segment and the automotive sector. In carrying out this reinvestigation the Commission has also examined the different spangle finishes as used across all market sectors.

The Commission sought to identify which goods exported to Australia during the investigation had a zero spangle finish. The Commission has found that all of POSCO's exports were zero spangle and that some other companies exported some zero spangle product. As all of POSCO's exports can clearly be identified as having a zero

[15] REP 190, pg 35.

spangle finish, much of the analysis conducted by the Commission as detailed below, focuses on a comparison of BlueScope and POSCO's products.

The Commission has also focused specifically on the following submissions by interested parties in the original investigation:

- POSCO submissions dated 16 November 2012 and 8 April 2013;
- [redacted]; and
- BlueScope submissions of 7 April 2013 and 16 April 2013.

4.4.1 Submissions by interested parties

POSCO

POSCO, a Korean exporter, argues that all the galvanised steel it exported to Australia during the investigation period had a zero spangle finish and therefore its product was not like to the galvanised steel produced by the Australian industry. POSCO asserts that all BlueScope's galvanised steel is spangled and while BlueScope can offer a minimum spangle finish, it can only do so in relation to three steel grades and in limited sizes.

POSCO considers that when customers require a product that has no visible spangle, a zero spangle finish must be used. In these circumstances POSCO does not consider that minimum spangle could be substituted. For example, POSCO argues that zero spangle steel must be used for exterior panels on automobiles, to allow for an even finish when painted. BlueScope's minimum spangle product would not be fit for this purpose.

POSCO further states that its zero spangle steel undergoes a different production process than regular or minimum spangle, and describes it as follows:

> *Unlike spangled GI [galvanised steel], the production of zero-spangle GI does not require that the GI be coated in lead or other heavy metals. While this may seem like a simple enough distinction, it is actually quite difficult to consistently achieve in practice. Even a small amount of lead or other slight impurity in the zinc pot can lead to a "spangle" in the finished product. Despite this, spangled material is more expensive to make, because of the materials consumed in the production process for that material.*[16]

While POSCO produces zero spangle steel by manipulating the coating materials in the galvanising process, BlueScope includes an additional step in its production process to reduce the spangle finish, which POSCO argues adds to the cost.

Finally, POSCO argues that there are size limitations on the steel that BlueScope produces and that it can provide zero spangle steel in a wider range of dimensions.

[redacted]

[16] POSCO Submission, 8 April 2013, pg 3

[redacted]

[redacted] *[summary of submission on zero spangle steel]*

BlueScope

BlueScope stated that while it does not manufacture zero spangle steel, its minimal spangle finish is substitutable for use in many applications where zero spangle product may be preferred.

BlueScope also states that while it does not produce zero spangle steel that can be used for automobile exteriors, it may seek to do so some time in the future.

[redacted] *[argument around the substitutability of minimal spangle steel]*

4.4.2 The Commission's assessment

As outlined in section 3.5.1, the Commission assesses whether the Australian industry produces like goods to the goods under consideration using the following considerations:

i. physical likeness;
ii. commercial likeness;
iii. functional likeness; and
iv. production likeness.

In response to the Review Panel's request, the Commission has examined whether the Australian industry produced goods that were like to the zero spangle galvanised steel imported during the investigation period, taking into account the considerations listed above.

i. Physical likeness:

The Commission considers that there are four key physical characteristics to examine in relation to imported zero spangle steel and steel produced by the Australian industry, which are mechanical/chemical properties, coating properties, dimensions and finish.

Mechanical/chemical properties

The Commission considers that BlueScope manufactures spangled galvanised steel in a number of different grades with a wide range of mechanical and chemical properties that are like to the mechanical and chemical properties of zero spangle galvanised steel, notwithstanding differences that arise as a result of hot rolled feedstock, as opposed to cold rolled feedstock as discussed in the previous chapter. However, according to BlueScope's coil and sheet product guide, minimal spangle steel is only available in relation to its Galvabond (G2 and G3 grades), Zinc Hi-ten (G450 and G500 grades) and Zincform (G250, G300 and G350) grades) ranges. The Commission notes that these products accounted for approximately [redacted]% of BlueScope's sales during the investigation period.

POSCO, on the other hand, produces its entire product range as zero spangle and can offer a much larger range of grades than BlueScope's options for minimal spangle product.

Therefore, the Commission concludes that while BlueScope's galvanised steel and imported zero spangle steel can share many of the same mechanical and chemical properties, there may be instances in which the properties of these products differ. The importance of these differences is dependent on the intended end use of the galvanised steel, as discussed below.

Coating properties

As outlined in the previous chapter, the Commission has found that BlueScope and POSCO offer similar coatings on their products.

Dimensions

During the original investigation, it was established that BlueScope can manufacture galvanised steel with a width of up to 1525mm. During the investigation period, it sold galvanised steel with a thickness of between 0.3 and 3.5mm.

The dimensions offered by BlueScope for minimal spangle product varies on a grade by grade basis. Overall the size range includes product with a width of up to 1525mm and a base metal thickness of up to 3.2mm, although BlueScope's sheet and coil product guide notes that a minimal spangle finish for these grades may be subject to dimensional restrictions.

POSCO, on the other hand, sold zero spangle galvanised steel to Australia with a thickness of up to [redacted] and a base metal thickness of up to [redacted].

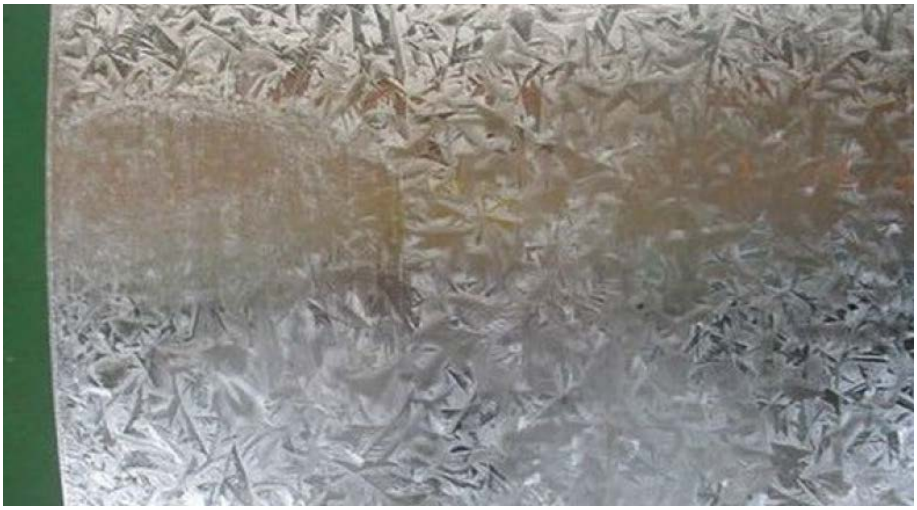
The Commission concludes that while galvanised steel produced by BlueScope and imported zero spangle steel can share the same dimensions, zero spangle steel is available in a wider range of widths and thicknesses. The importance of

these dimension differences available for the two products is dependent on the intended end use of the galvanised steel, as discussed below.

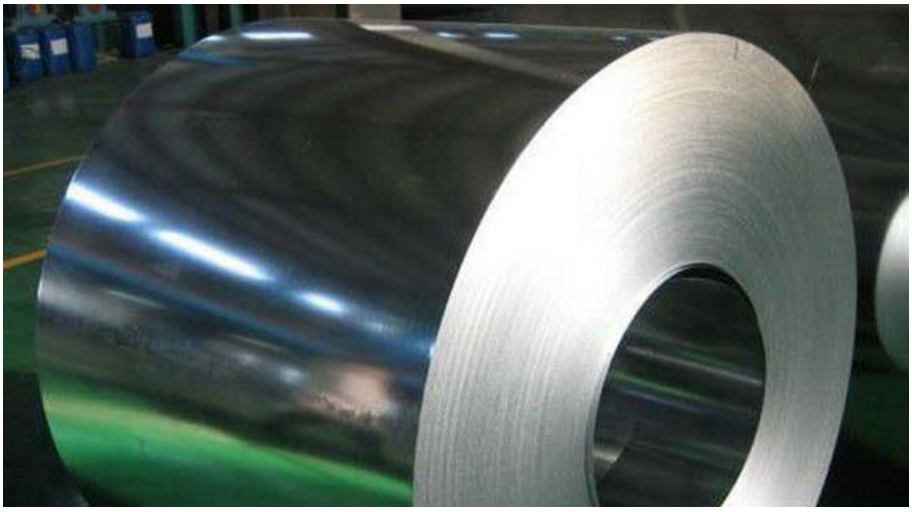
Finish

The Commission has examined the differences in the finish between BlueScope's steel and imported zero spangle steel. BlueScope manufactures galvanised steel that has either regular spangle or minimal spangle. While there is no information from BlueScope as to what constitutes regular or minimal spangle, POSCO has advised that regular spangle has a spangle size of 10-30mm and reduced spangle has a spangle size of 2-5mm. Zero spangle, on the other hand, has a spangle size of less than 1.5mm.

During the investigation POSCO provided the following pictures to demonstrate the difference between the finishes:



Spangle finish



Zero spangle finish

The Commission concludes there are differences between the finishes offered by the Australian industry and the zero spangle finish. Again, the importance of these differences to consumers is dependent on the intended end use of the galvanised steel, as discussed below.

v. Commercial likeness:

The Commission has also examined the commercial likeness of BlueScope's galvanised steel and zero spangle steel, considering attributes identifiable from market behaviour. A key market for zero spangle finish is the automotive sector for use in interior and exterior panels and parts. Both BlueScope and POSCO agree that the specific characteristics offered of zero spangle product is required for exterior panels of automobiles. While there is therefore no competition between products for this purpose, either finish could be used for certain interior automobile parts.

[redacted] *[limitations on the use of minimal and regular spangle steel in certain market segments]*

The Commission also noted that zero spangle steel is sold to [redacted] before being on sold into the Australian market. The Commission has limited information available about the subsequent purchasers of this product and these purchasers willingness to switch supply or substitute BlueScope's product for imports. While one customer at least purchases product from both BlueScope and POSCO, the Commission cannot confirm whether galvanised steel from the two sources are used interchangeable or for the manufacture of different products.

The Commission has insufficient information to conduct an assessment of the price differences between zero spangle and minimal spangle galvanised steel.

On the information before it, the Commission is of the view that in most cases, galvanised steel produced by BlueScope and zero spangle steel are not commercially alike.

vi. Functional likeness:

Imported zero spangle product and galvanised steel produced by BlueScope share many of the same potential end uses. BlueScope produces galvanised steel in a range of grades which can be used for numerous uses. Specifically, for the grades for which it can offer minimal spangle steel, BlueScope's Sheet and Coil product guide lists the following end uses; tube, air-conditioning ducts, air-conditioning panels, meter box, trailers, partitioning systems, cable trays, scaffolding planks, rendering mesh, feeder troughs, automotive panels and

components, drawn appliance panels and components, purlins, structural decking, scaffolding, structural sections, house framing, agricultural posts and trellises, roll formed structural sections and nail plate.

POSCO's product brochure notes that the main uses of its galvanised steel is: [redacted]

The Commission considers that for end uses where a zero spangle finish is required, such as exterior panels on automobiles and [redacted], minimal spangle galvanised steel cannot be substituted for zero spangle steel. Similarly, where there is a preference for zero spangle steel for aesthetic purposes, consumers may not consider the two products to be substitutable. In addition, where customers require a zero or minimal spangle finish in sizes outside those offered by BlueScope, imported galvanised steel will be required. On the other hand, for many of the end uses listed in BlueScope's Sheet and Coil Product Guide, the finish of the coated steel is not a key factor in sourcing decisions and therefore either product would perform the necessary function.

Therefore the Commission is of the view that there is functional likeness between BlueScope's galvanised steel and imported zero spangle steel, although in certain situations, this likeness is limited for certain end uses.

vii. Production likeness:

BlueScope produces galvanised steel by firstly manufacturing the substrate steel feedstock and then passing the feedstock coil through a molten metal bath where the coating is applied and the product is galvanised. If a minimum spangle finish is required, the steel undergoes a further process to reduce the spangle size.

POSCO argues that to produce zero spangle steel, it employs a similar process but that the chemical composition of the molten metal bath is different and does not contain any lead. Its product is also not required to undergo an additional process.

The Commission considers that while the production process for zero spangle, regular spangle and minimal spangle product is largely the same, there are some differences being the different composition of the molten metal bath used to produce zero spangle product and the additional process used by BlueScope to produce minimal spangle product. Notwithstanding this, the most significant parts of production are the same. Therefore, the Commission concludes that the two products have production likeness.

4.4.3 Conclusion

After taking into consideration the physical likeness, commercial likeness, functional likeness and production likeness, the Commission considers that the spangle

galvanised steel produced by the Australian industry has similar characteristics to imported zero spangle steel. The differences in relation to substitutability or 'likeness' of the goods varies in different circumstances, for example;

- for the manufacture of certain goods such as [redacted] and automobile exterior panels, a zero spangle finish is required and the industry's regular or minimal spangle galvanised steel cannot be substituted;
- for the manufacture of certain goods where zero spangle or minimal spangle product is required in dimensions or grades outside that produced in minimal spangle by BlueScope, domestically produced product cannot be used; and
- for the manufacture of a wide range of products where finish is not a consideration, either zero spangle, minimal spangle or regular spangle galvanised steel could be used.

The Commission concludes that the Australian industry produces like goods to the zero spangle galvanised steel imported during the investigation period and affirms the findings of the original investigation. In making this finding, the Commission has placed greater emphasis on the physical likeness and functional likeness of BlueScope's galvanised steel and zero spangle steel, as it is these features which will primarily effect whether consumers will purchase one product or the other. The Commission notes that while there are instances in which regular or minimal spangle and zero spangle steel are non-substitutable, all finishes can be produced in a range of common dimensions and grades and used interchangeably in a number of applications. Accordingly, the Commission considers that locally produced galvanised steel has characteristics closely resembling imported zero spangle steel.

The Commission considers that there are some individual products within the category for which the industry does not produce an equivalent, for example, zero spangle steel for automobile exterior panels. While the Commission does not have sufficient information in the reinvestigation to identify the specifications of these goods[17], exemptions could be granted for zero spangle steel if applicants can demonstrate that certain products meet the exemption requirements as outlined in section 1.2.3 of this report.

[17] While POSCO in its submission dated 8 April 2013, provided a list of all galvanised steel it exports to Australia for use in the automotive sector, the Commission does not currently have before it sufficient information to determine which of these grades are for use in automobile exterior panels and for which of these grades a level of substitutability exists with regular or minimum spangle galvanised steel.