



Australian Government
**Australian Customs and
Border Protection Service**

R E P O R T

CUSTOMS ACT 1901 - PART XVB

INTERNATIONAL TRADE REMEDIES BRANCH

**CONSIDERATION OF APPLICATIONS FOR DUMPING DUTY
NOTICES**

**ZINC COATED (GALVANISED) STEEL AND
ALUMINIUM ZINC COATED STEEL**

**EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA,
THE REPUBLIC OF KOREA AND TAIWAN**

REPORT NO. 190

5 September 2012

PUBLIC RECORD

1 CONTENTS

1	CONTENTS	2
2	ABBREVIATIONS & SHORTENED FORMS.....	4
3	SUMMARY AND RECOMMENDATIONS	5
3.1	Background	5
3.2	Recommendations	5
3.3	Application of law to facts.....	6
4	BACKGROUND	7
4.1	Application.....	7
4.2	The goods the subject of the applications.....	8
4.3	Previous investigations	11
4.4	Current measures	12
4.5	Consideration of the application.....	12
5	COMPLIANCE WITH SUBSECTION 269TB(4)	14
5.1	Finding.....	14
5.2	Legislative framework	14
5.3	Customs and Border Protection's assessment.....	14
6	LIKE GOODS AND THE AUSTRALIAN MARKET	15
6.1	Finding.....	15
6.2	Legislative framework	15
6.3	Locally produced like goods.....	15
6.4	Manufacture in Australia	19
6.5	Australian market	21
6.6	Australian industry information.....	28
7	REASONABLE GROUNDS – DUMPING	30
7.1	Findings.....	30
7.2	Legislative framework	30
7.3	Export prices	30
7.4	Normal values	32
7.5	Import volumes – nominated countries	48
7.6	Dumping margins	48
8	REASONABLE GROUNDS – ECONOMIC CONDITION OF THE AUSTRALIAN INDUSTRY ...	51
8.1	Findings.....	51
8.2	Legislative framework	51
8.3	Injury claims	51
8.4	Commencement of injury	52
8.5	Injury approach	52
8.6	Cumulation of injury	52
8.7	Volume effects	53
8.8	Price effects	55
8.9	Profit effects	57
8.10	Summary of major injury indicators.....	59
8.11	Other injury factors.....	59
9	CAUSATION FACTORS.....	64
9.1	Findings.....	64
9.2	Causation factors	64
9.3	Materiality of injury	71
9.4	Injury caused by factors other than dumping.....	72
9.5	Comparison of export prices and estimated non-injurious prices	73
9.6	Conclusion on whether dumped imports caused material injury to the Australian industry ..	74

PUBLIC RECORD

10	CONCLUSION	76
11	ATTACHMENTS	77

PUBLIC RECORD

2 ABBREVIATIONS & SHORTENED FORMS

Abbreviation / short form	Full reference
ABS	Australian Bureau of Statistics
ACDN	Australian Customs Dumping Notice
the Act	Customs Act 1901
the applicant	BlueScope Steel Limited
AD Agreement	World Trade Organisation Agreement on Anti-Dumping
AS	Australian Standard
BlueScope	BlueScope Steel Limited
BMT	base metal thickness
China	People's Republic of China
CON 190	International Trade Remedies Branch Consideration Report 190
Customs and Border Protection	Australian Customs and Border Protection Service
the Division	Division 2 of Part XVB of the Customs Act 1901
FOB	free-on-board
GOC	Government of China
the goods	the goods subject to the applications (zinc coated (galvanised) steel and zinc aluminium coated steel)
HRC	hot rolled coil
NIP	non-injurious price
ITRB	International Trade Remedies Branch
Korea	The Republic of Korea
The Minister	the Minister for Home Affairs
REP 177	International Trade Remedies Branch Report 177 regarding hollow structural sections
SEF	statement of essential facts
SIE	state invested enterprises
SOE	state owned asset enterprise
TMRO	Trade Measures Review Officer
USP	unsuppressed selling price
WTO	World Trade Organisation

3 SUMMARY AND RECOMMENDATIONS

3.1 Background

This Consideration Report (CON 190) provides the results of the Australian Customs and Border Protection Service's (Customs and Border Protection's) consideration of **two** separate applications lodged by BlueScope Steel Limited (BlueScope) for the publication of dumping duty notices in respect of:

- zinc coated (hereafter referred to as galvanised) steel¹ exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan; and
- aluminium zinc coated steel² exported to Australia from China, Korea and Taiwan.

3.1.1 Consideration approach for applications

Customs and Border Protection established that for the respective applications, the goods description, production processes, industry and key market segments (excluding specific end use applications) and market participants (i.e. importers and exporters) are fundamentally similar.

Customs and Border Protection considers that it is therefore appropriate to examine the claims made in respect of the galvanised steel and aluminium zinc coated steel applications concurrently, in a combined consideration report. However, while a combined consideration report has been prepared, the data and information provided in each application has not been amalgamated. Customs and Border Protection's analysis and assessment of each application appear separately in this report (unless otherwise specified).

Based on the analysis of the applications Customs and Border Protection proposes to initiate separate investigations for each category of goods; however considers that this approach and treatment of the applications may vary during the course of the investigation process as further analysis is conducted of the goods and the markets in which they operate. Investigation No. 190A refers to galvanised steel and Investigation No. 190B refers to aluminium zinc coated steel.

3.2 Recommendations

Customs and Border Protection recommends that the Chief Executive Officer of Customs and Border Protection (CEO)³ decide not to reject the applications.

If the CEO accepts this recommendation, to give effect to that decision, the CEO must publish the notice at **Appendix A** indicating that Customs and Border Protection will inquire into whether the grounds exist to publish dumping duty notices in respect of galvanised steel and aluminium zinc coated steel.

¹ Refer to the full description of the goods in Section 4.2 of this report.

² Ibid.

³ References to the CEO in this report also refer to the Delegate of the CEO.

PUBLIC RECORD

3.3 Application of law to facts

Division 2 of Part XVB (the Division) of the *Customs Act 1901* (the Act)⁴ sets out procedures for considering an application for a dumping duty notice.

3.3.1 The role of the International Trade Remedies Branch

The International Trade Remedies Branch (ITRB) is responsible for preparing a report for the CEO examining an application for a dumping duty notice.

In this report, the following matters are to be considered in relation to the applications:

- whether the applications comply with subsection⁵ (s.) 269TB(4) of the Act;
- whether there is, or is likely to be established, an Australian industry in respect of like goods; and
- whether there appears to be reasonable grounds for the publication of dumping duty notices in respect of the goods the subject of the applications.

3.3.2 The role of the CEO of Customs and Border Protection

The Division empowers the CEO, after having regard to the ITRB report, to reject or not reject an application for the publication of a dumping duty notice.

If the CEO decides not to reject the applications, the CEO must give public notice of the decision providing details of the investigations.

3.3.3 Findings and conclusions

Customs and Border Protection has examined the applications and is satisfied that:

- the applications comply with the requirements of s.269TB(4) of the Act (as set out in Section 5 of this report);
- there is an Australian industry in respect of like goods (as set out in Section 6 of this report); and
- there appear to be reasonable grounds for the publication of dumping duty notices in respect of the goods the subject of the applications (as set out in Sections 7, 8 and 9 of this report).

⁴ All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

⁵ The terms “section”, “s.” and “subsection” are used interchangeably in this report.

4 BACKGROUND

4.1 Application

On 3 August 2012, applications⁶ were lodged on behalf of BlueScope requesting that the Minister for Home Affairs (the Minister) publish dumping duty notices in respect of:

- galvanised steel⁷ exported to Australia from China, Korea and Taiwan; and
- aluminium zinc coated steel⁸ exported to Australia from China, Korea and Taiwan.

BlueScope alleges that the Australian industry has suffered material injury caused by galvanised steel and aluminium zinc coated steel exported to Australia from Korea at dumped prices.

On 17 August 2012⁹ and 27 August 2012 additional information and data was received in respect of the applications. As a result, Customs and Border Protection restarted the 20 day period for considering the applications.

(i) Galvanised steel

BlueScope claimed that material injury in respect of galvanised steel commenced in 2010-11¹⁰. The application identified the injurious effects as:

- loss of sales volume;
- reduced market share;
- reduced revenues;
- price undercutting;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced return on investment;
- reduced ability to raise capital for re-investment; and
- reduced employment.

⁶ *Application for Dumping Duties for Galvanised Steel exported from China, Korea and Taiwan* (Galvanised Steel Application) received on 3 August 2012; and *Application for Dumping Duties for Aluminium Zinc Coated Steel exported from China, Korea and Taiwan* (Aluminium Zinc Coated Steel Application) received on 3 August 2012.

⁷ Refer to the full description of the goods in Section 4.2 of this report.

⁸ Ibid.

⁹ Additional information relating to minor issues was also provided on 20 and 21 August 2012.

¹⁰ The applicant claims that the dumping of galvanised steel commenced prior to this period (in 2008-09).

PUBLIC RECORD

(ii) Aluminium zinc coated steel

BlueScope claimed that material injury in respect of aluminium zinc coated steel commenced in 2010-11¹¹ and has been exacerbated in 2011-12. The application identified the injurious effects as:

- loss of sales volume;
- reduced market share;
- reduced revenues;
- price undercutting;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced return on investment;
- reduced ability to raise capital for re-investment; and
- reduced employment.

4.2 The goods the subject of the applications

4.2.1 Description

(i) Galvanised steel

The imported goods the subject of the Galvanised Steel Application 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”¹².

The goods the subject of this application (the goods) are generically called galvanised steel (referring to zinc coated steel). The application covers galvanised steel of any width. The application stated that trade and other names often used to describe galvanised steel, include:

- “GALVABOND®” steel;
- “ZINCFORM®” steel;
- “GALVSPAN®” steel;
- “ZINCHITEN®” steel;
- “ZINCANNEAL” steel;
- “ZINCSEAL” steel;
- Galv;
- GI;
- Hot Dip Zinc coated steel;
- Hot Dip Zinc/iron alloy coated steel; and

¹¹ The applicant claims that the dumping of aluminium zinc coated steel commenced prior to this period (in 2008-09).

¹² Galvanised Steel Application, page 10.

PUBLIC RECORD

- Galvanneal.

The application noted that the amount of zinc coating on the steel is described as its coating mass and is nominated in grams per meter squared (g/m²) with the prefix being Z (*Zinc*) or ZF (*Zinc converted to a Zinc/Iron alloy coating*). The applicant claims that the common coating masses used for zinc coating are: Z350, Z275, Z200, Z100, and for zinc/iron alloy coating are: ZF100, ZF80 and ZF30 or equivalents based on international standards and naming conventions.

(ii) Aluminium zinc coated steel

The imported goods the subject of the Aluminium Zinc Coated Steel Application 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”¹³.*

The goods the subject of this application are generically called aluminium zinc coated steel. The application stated that trade and other names often used to describe aluminium zinc coated steel, include:

- ZINCALUME® steel;
- GALVALUME® steel;
- Aluzinc, Supalume, Superlume, ZAM, GALFAN;
- Zinc aluminium coated steel;
- Aluminium zinc coated steel;
- Alu-Zinc Steel sheet in Coils;
- Al/Zn; and
- Hot Dipped 55% Aluminium-Zinc Alloy coated steel sheet in coil.

The application noted that the amount of aluminium zinc coating on the steel is described as its coating mass and is nominated in g/m² with the prefix being AZ (*Aluminium Zinc*). The applicant claims that the common coating masses used are: AZ200, AZ150, AZ100, and AZ70.

4.2.2 Product standards

The applications stated that:

“Typically each Australian and International Standard has a range of steel grades nominated as Commercial, Formable or Structural grades. The commercial/formable grades are those with mechanical properties suitable for general pressing and forming whereas the structural grades are those with guaranteed minimum properties that structural engineers utilize in the design of their final product designs”¹⁴.

¹³ Aluminium Zinc Coated Steel Application, page 10.

¹⁴ Galvanised Steel Application, page 12.

PUBLIC RECORD

(i) Australia

The applications state that the Australian and New Zealand Standard Industrial Classification Code applicable to galvanised steel and aluminium zinc coated steel is category 2711.

(ii) International

The applications state that there are a number of relevant International Standards for galvanised steel and aluminium zinc coated steel products (figure 1 refers) that cover a range of products through specific grade designations, including the recommended or guaranteed properties of each of these product grades.

International Standards	Product Grades
<i>General and Commercial Grades</i>	
AS/NZS 1397	G1, G2
ASTM A792	CS, type A, B and C
EN10346	DX51D, DX52D
JIS 3321	SGLCC
<i>Forming, Pressing & Drawing Grades</i>	
AS/NZS 1397	G3
ASTM A792	FS, DS
EN10346	DX53D, DX54D
JIS 3321	SGLCD, SGLCDD
<i>Structural Grades</i>	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A792	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3321	SGLC400, SGLC440, SGLC490, SGLC570

Figure 1: International Standards for galvanised steel and aluminium zinc steel¹⁵

4.2.3 Tariff classifications

(i) Galvanised steel

The application states that galvanised steel is classified to tariff subheadings 7210.49.00 (and statistical codes 55, 56, 57 and 58) and 7212.30.00 (and statistical code 61) of Schedule 3 to the *Customs Tariff Act 1995* (Tariff Act). Based on the information provided in the application, Customs and Border Protection's Trade Policy Branch confirmed that galvanised steel is correctly classified to these tariff subheadings.

The general rate of duty is currently 5% for goods imported under these tariff subheadings. Imports from China are subject to the DCS duty rate which is free. Imports from Korea and Taiwan are subject to the DCT duty rate which is 5%.

¹⁵ Galvanised Steel Application, page 11 and Aluminium Zinc Coated Steel Application, page 11.

PUBLIC RECORD

There are several Tariff Concession Orders (TCOs) applicable to the relevant tariff classification subheading 7210.49.00, which covers galvanised steel (figure 2 refers).

TC No.	Description
TC 0939596	STEEL, COIL, hot dip zinc coated, complying with Japanese Industrial Standard JIS G 3302:2007, having ALL of the following: (a) yield strength NOT less than 275 N/mm ² and NOT greater than 380 N/mm ² ; (b) tensile strength NOT less than 440 N/mm ² ; (c) elongation NOT less than 29% and NOT greater than 41%; (d) coating mass NOT less than 45 g/m ² and NOT greater than 65 g/m ² ; (e) thickness NOT less than 1.14 mm and NOT greater than 1.26 mm; (f) width NOT less than 1590 mm and NOT greater than 1605 mm
TC 9612218	STEEL, flat rolled non alloy, hot dipped galvanized, having ANY of the following: (a) differential coating mass on each side; (b) additional iron base alloy electroplated outer coatings; (c) width exceeding 1525 mm; (d) a minimum ultimate tensile strength of 340 MPa

Figure 2: TCOs applicable to tariff subheading 7210.49.00

Customs and Border Protection notes that the applications did not specify that TCOs in respect of the goods were applicable. Customs and Border Protection considers the relevance of the TCOs to the goods the subject of the application for galvanised steel requires further investigation.

(ii) Aluminium zinc coated steel

The application states that aluminium zinc coated steel is classified to tariff subheading 7210.61.00 (and statistical codes 60, 61, and 62) of Schedule 3 to the Tariff Act. Based on the information provided in the application, Customs and Border Protection's Trade Policy Branch confirmed that the goods are correctly classified to this tariff subheading.

The general rate of duty is currently 5% for goods imported under this tariff subheading. Imports from China are subject to the DCS duty rate which is free. Imports from Korea and Taiwan are subject to the DCT duty rate which is 5%.

There are no TCOs applicable to the relevant tariff classification subheading for aluminium zinc coated steel.

4.3 Previous investigations

4.3.1 Australia

(i) Contemporary activity

There have been no recent dumping or countervailing investigations in respect of galvanised steel or aluminium zinc coated steel products.

PUBLIC RECORD

(ii) Other related products

Hot rolled coil

Currently, there is an investigation regarding the alleged dumping of hot rolled coil (HRC) exported from Korea, Malaysia, Japan and Taiwan. HRC is the major raw feed material for galvanised steel and aluminium zinc coated steel. The due dates for the Statement of Essential Facts (SEF) and final report for this investigation are 3 October 2012 and 17 November 2012 respectively.

4.3.2 International¹⁶

(i) South America

Other anti-dumping actions have been instigated by Brazil against exports of galvanised, galvalume and pre-painted flat steel products from Australia, South Korea, India, Mexico and China (following an application made on 1 October 2010, by Brazilian flat steel producer CSN).

(ii) European Union

On 14 December 2007, the European Commission initiated anti-dumping proceedings concerning imports of certain hot-dipped metallic-coated iron or steel flat-rolled products originating in mainland China. On 7 February 2009, the European Commission terminated the anti-dumping proceedings following the withdrawal of the complaint by the applicant (on 11 December 2008) (Official Journal Decision 2009/106/EC refers)¹⁷.

4.4 Current measures and Issues

There are currently no anti-dumping or countervailing measures on galvanised steel or aluminium zinc coated steel exported to Australia.

4.5 Consideration of the application

Under subsection 269TC(1) of the Act, the CEO must examine the applications and within 20 days of lodgement decide whether or not to reject the applications. This decision must be made no later than 16 September 2012¹⁸.

Subsection 269TC(1) of the Act specifies that the CEO shall reject an application if the CEO is not satisfied that:

- the application complies with subsection 269TB(4); or

¹⁶ International anti-dumping / countervailing cases which are listed in this report are not exhaustive; a sample only has been included. Other related cases, including for other zinc coated steel products (i.e. zinc coated steel wires) have not been included. The anti-dumping jurisdictions for the cases listed may or may not be comparable to Australia.

¹⁷ According to the complainant, this withdrawal was prompted by market factors. The complainant did not want to pursue its case on volume-based threat of injury which was based on an analysis of historic data that no longer fully reflected current market conditions. According to the complainant, it was preferable to respond in these circumstances to unfair injurious trade practices, should they occur, through a new case.

¹⁸ This consideration due date reflects the last date of receipt of substantial new information provided in respect of the applications. New information that was not considered substantial was provided by the applicant on 21 and 22 August 2012.

PUBLIC RECORD

- there is, or is likely to be established, an Australian industry in respect of like goods; or
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

The above matters in respect of both applications are examined in the following sections of this report.

PUBLIC RECORD

5 COMPLIANCE WITH SUBSECTION 269TB(4)

5.1 Finding

Based on the information provided in the applications, Customs and Border Protection is satisfied that the applications both comply with s.269TB(4) of the Act.

5.2 Legislative framework

Subsection 269TB(4) requires that the application must be in writing, be in an approved form, contain such information as the form requires, be signed in the manner indicated by the form and be supported by a sufficient part of the Australian industry.

5.3 Customs and Border Protection's assessment

5.3.1 Approved form

The applications are in writing, in approved forms, contain such information as the forms require (as discussed in the following sections of this report) and are signed in the manner indicated in the forms.

BlueScope submitted confidential and public record versions of the applications along with numerous appendices and attachments. Customs and Border Protection considers that the public record versions of the applications contain sufficient detail to allow a reasonable understanding of the substance of the information.

5.3.2 Supported by Australian industry

An application is taken to be supported by a sufficient part of the Australian industry if the persons who produce or manufacture like goods in Australia and who support the application:

- account for more than 50% of the total production or manufacture of like goods by that proportion of the Australian industry that has expressed either support for or opposition to, the application; and
- account for not less than 25% of the total production or manufacture of like goods in Australia.

The applications state that BlueScope is the only Australian producer of galvanised steel and aluminium zinc coated steel. Based on the evidence provided, Customs and Border Protection considers the applications are supported by a sufficient part of the Australian industry.

6 LIKE GOODS AND THE AUSTRALIAN MARKET

6.1 Finding

Based on the information provided in the applications, Customs and Border Protection is satisfied that there is an Australian industry producing like goods to the goods the subject of the applications and that the data provided within the applications is sufficient for the purpose of analysing the economic condition of the Australian industry for galvanised steel and aluminium zinc coated steel (Section 9 refers).

6.2 Legislative framework

Subsection 269TC(1) of the Act requires that the CEO must reject an application for a dumping duty notice if, inter alia, the CEO is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

In making this assessment, the CEO must firstly determine that the goods produced by the Australian industry are “like” to the imported goods. Subsection 269T(1) defines like goods as:

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

This issue is examined in Section 6.3 below.

The CEO must also be satisfied that the “like” goods are in fact produced in Australia. Subsections 269T(2) and 269T(3) of the Act specify that for goods to be regarded as being produced in Australia, they must be wholly or partly manufactured in Australia. In order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

This issue is examined in Section 6.4 below.

6.3 Locally produced like goods

6.3.1 BlueScope’s claims

(i) Galvanised steel

BlueScope stated that they manufacture flat rolled products of iron and non-alloy steel, of widths less than 600mm and widths equal to or greater than 600mm, plated or coated with zinc. The application states that galvanised steel manufactured by BlueScope is marketed under the trade names “GALVABOND®”, “ZINCFORM®”, “GALVASPAN®”, “ZINCHITEN®” and “ZINCANNEAL” steel. These products are sold into the Australian market direct to manufacturing customers and via distributors.

BlueScope considers the locally produced goods are like products to the imported plated or coated flat rolled products of iron or steel, plated or coated with zinc. BlueScope submitted that:

PUBLIC RECORD

“(a) Physical likeness

- *Products made locally by BlueScope have a physical likeness to the goods exported from China, Korea and Taiwan (the countries under reference);*
- *BlueScope’s locally produced galvanised steel and the imported goods are manufactured to Australian and International Standards;*

(b) Commercial likeness

- *Australian industry galvanised steel competes directly with imported galvanised steel in the Australian market;*

(c) Functional likeness

- *Both the locally produced and imported galvanised steel have comparable or identical end-uses; and*

(d) Production likeness

- *Locally produced and imported galvanised steel are manufactured in a similar manner and via similar production processes.*

On this basis, BlueScope considers its locally-produced galvanised steel is “alike” to the imported goods, and possess the same essential characteristics as the imported galvanised steel”¹⁹.

(ii) Aluminium zinc coated steel

BlueScope stated that they manufacture 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 (whether or not including resin coating). BlueScope manufactures unpainted and painted aluminium zinc coated steel, however the application only relates to unpainted goods.

The application states that aluminium zinc coated steel manufactured by BlueScope is marketed under the trade names “ZINCALUME®” and “TRUECORE®” steel. These products are sold into the Australian market direct to manufacturing customers and via distributors.

BlueScope considers the locally produced goods are considered to be like products to the imported plated or coated flat rolled products of iron or steel, plated or coated with aluminium-zinc alloys (whether or not including resin coating). BlueScope submitted that:

¹⁹ Galvanised Steel Application, pages 12-13.

PUBLIC RECORD

(a) Physical likeness

- *Products made locally by BlueScope have a physical likeness to the goods exported from China, Korea and Taiwan (the countries under reference);*
- *BlueScope's locally produced aluminium zinc coated steel and the imported goods are manufactured to Australian and International Standards;*

(b) Commercial likeness

- *Australian industry aluminium zinc coated steel competes directly with imported aluminium zinc coated steel in the Australian market;*

(c) Functional likeness

- *Both the locally produced and imported aluminium zinc coated steel have comparable or identical end-uses; and*

(d) Production likeness

- *Locally produced and imported aluminium zinc coated steel are manufactured in a similar manner and via similar production processes.*

On this basis, BlueScope considers its locally-produced aluminium zinc coated steel is "alike" to the imported goods, and possess the same essential characteristics as the imported aluminium zinc coated steel"²⁰.

6.3.2 Other relevant information

In the normal course of events Customs and Border Protection keeps confidential the details of applications for anti-dumping and countervailing duties that it receives. This is because applications may be withdrawn before they are initiated or a decision may be made not to initiate an investigation. Confidentiality until such time as a positive decision to initiate is made, and the relevant notices are published, minimise any trade chilling effects.

However, in this case, on 14 August 2012 the CRU Daily News reported the existence of this case.

Following receipt of the application and the publication of the CRU Daily News article, an interested party brought to the attention of Customs and Border Protection, a potential issue relating to the assessment of the Australian industry producing like goods. The party claimed that the broad description of the goods subject of the application includes a subset of products that it imports and which BlueScope Steel does not produce. No specific details about the physical characteristics of the subset of goods was provided.

²⁰ Aluminium Zinc Coated Steel Application, pages 12-13.

PUBLIC RECORD

The interested party also claimed that that should an investigation into these products be initiated there is potential that the products of concern may be withdrawn or restricted by their exporter during the period of Customs and Border Protection's investigation. No evidence to support this concern was provided.

Customs and Border Protection notes that it is not uncommon for an applicant to define the goods subject of the application in sufficiently broad terms, that it covers a subset of goods beyond its own range of manufactured product. For example, it is reasonable for an applicant to lodge an application seeking anti-dumping measures on coloured pencils, even though it only produces blue, red and black pencils and does not produce other coloured pencils.

Therefore, ultimately the question to be considered is whether the goods produced by the applicant are like goods to the imported goods (i.e., either identical or have characteristics closely resembling those goods).

However it's important to note that where an applicant produces a narrower range of goods than that imported and covered by the application, it may be a relevant factor in assessing whether the imported goods competed with, and caused material injury to the Australian industry's like goods. Accordingly, during the course of its investigation, Customs and Border Protection will be seeking the views of all interested parties on this issue.

6.3.3 Customs and Border Protection's assessment

Customs and Border Protection has examined the evidence presented in the applications and considers the Australian industry produces like goods to the goods the subject of the applications as defined in section 269T(1) of the Act.

Based on the domestic sales data provided in Confidential Appendix A4 in respect of galvanised steel Customs and Border Protection was able to verify that BlueScope manufactured and supplied galvanised steel in a range of widths (including less than and exceeding 600mm) and thicknesses, which covered the thickness range identified for the tariff subheading and statistical code for the goods. Similarly, using data contained in Confidential Appendix A4 in respect of aluminium zinc coated steel Customs and Border Protection was able to verify that BlueScope manufactured and supplied aluminium zinc coated steel in a range of widths equal to or exceeding 600 mm and thickness, which covered the thickness range identified for each tariff subheading and statistical code for the goods.

Based on the information provided in the applications, Customs and Border Protection considers that the applicant has demonstrated in relation to galvanised steel and aluminium zinc coated steel that:

- the primary physical characteristics of imported and locally produced goods are similar;
- the imported and locally produced goods are manufactured in a similar manner;
- the imported and locally produced goods are commercially alike as they are sold to common end users; and

PUBLIC RECORD

- the imported and locally produced goods are functionally alike as they have the same end-uses.

Therefore, at the consideration stage, Customs and Border Protection is satisfied that the Australian industry produces like goods to the goods the subject of the applications.

6.4 Manufacture in Australia

Subsections 269T(2) and 269T(3) of the Act specify that for goods to be regarded as being produced in Australia, they must be wholly or partly manufactured in Australia. In order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

6.4.1 Manufacturing process

BlueScope is a fully-integrated flat steel product manufacturer with large capital intensive manufacturing operations at Springhill and Port Kembla in New South Wales (NSW) and Western Port in Victoria (VIC).

BlueScope manufactures HRC in Australia from liquid steel, via flat steel production. The steel production process is capital intensive and BlueScope does not use imported steel in the manufacture of the goods.

On 22 August 2011, BlueScope's board announced a restructure of their business and the closure of their export business. The restructure included the closure of No. 6 Blast Furnace at Port Kembla, the Western Port hot strip mill and the Western Port No. 5 Coating Line. In October 2011, the No. 5 Coating Line was closed; this was one of BlueScope's two aluminium zinc coating lines.

The applications stated that the restructure and closures impacted company performance across sales of all product categories in 2011-12.

(i) Both products

BlueScope gave the following brief description of its manufacturing process in both applications, which is utilised for galvanised steel and aluminium zinc coated steel.

"The input steel product starts as either slab or hot roll coil.

Slab is heated in a furnace to around 1200 deg Celsius then reduced in thickness from 230mm to below 5mm by passing through a series of rollers at great pressure, is then control cooled, and finally wound up as a coil of steel (now known as hot rolled coil ("HRC")).

The HRC is then further processed by passing through hydrochloric acid baths to remove surface scale. It is then edge trimmed to the customer-specified width.

The next process is cold rolling, which is a similar process to hot rolling but is done at ambient temperature. This is where the coil is reduced in thickness to

PUBLIC RECORD

the customer requirement, generally 0.30mm to 1.6mm (Base metal thickness (BMT)²¹.

The next steps in the production process for galvanised steel and aluminium zinc coated steel are detailed separately below:

(ii) Galvanised steel

The cold rolled steel coil is the input feed material to the continuous coating line and this cold rolled steel runs continuously through several key processes:

- *“The first step is cleaning.*
- *This is followed by an annealing process, before it passes through a molten bath mixture of zinc, antimony and other trace metals.*
- *Once coated, the product can then receive various surface treatments depending on the customer’s specific requirements.*

The range of options for zinc coated steel include a ‘Skin Passed or un-Skin Passed surface’, ‘chromated or un-chromated surface’ or an ‘oiled surface’ or ‘dry surface’. For zinc/iron alloy coated steel the option is for a ‘Skin Passed’ or ‘un-Skin Passed surface’²².

“The zinc/iron (ZF) coating process is the same as zinc coating process except that instead of the zinc coating solidifying onto the steel, it is passed through a furnace to fuse the zinc coating with iron from the steel, to make a matt finish that is designed as a surface ready to paint²³.

(iii) Aluminum zinc coated steel

The cold rolled steel coil is the input feed material to the continuous coating line and this cold rolled steel runs continuously through several key processes:

- *“The first step is cleaning.*
- *This is followed by an annealing process, before it passes through a molten bath mixture of aluminium, zinc, silicon and other trace metals.*
- *Once coated, the product can then receive various surface treatments depending on the customer’s specific requirements.*

“The range of options includes a “Skin Passed” or “un-Skin Passed” surface, a “passivation treatment” or “not passivation treated”, an “oiled surface” or “un-oiled” surface and a “resin coating” or “not resin coated”.

Resin coating is a thin, clear or lightly tinted translucent polymer resin applied on its own over a passivation treated aluminum zinc surface (2 stage process), or applied with the passivation treatment (1 stage process).

²¹ Galvanised Steel Application, page 13 and Aluminium Zinc Coated Steel Application, page 13.

²² Galvanised Steel Application, page 13.

²³ Galvanised Steel Application, page 13.

PUBLIC RECORD

Either resin application process delivers the required characteristics to assist the customer's further processing due to its lubricant properties and also to protect the surface during customer handling of the product. Resin coating can be referred to as Anti Finger Print²⁴."

Production process diagrams for galvanised steel were provided in both applications, with BlueScope stating that this was sufficient for the aluminium zinc coated steel application, given the processes are fundamentally similar for both products. Customs and Border Protection considers this approach is reasonable.

(iii) Substantial process of manufacture

In respect of galvanised steel and aluminum zinc coated steel BlueScope submits that it undertakes more than one substantial process of manufacture in the production of the goods.

6.4.2 Customs and Border Protection's assessment

Based on the descriptions above of the manufacturing processes for galvanised steel and aluminium zinc coated steel (and supporting information provided in the applications), Customs and Border Protection is satisfied that there is at least one substantial process of manufacture performed in Australia and, therefore, that the goods may be taken to have been produced in Australia.

6.5 Australian market

6.5.1 Background

In their applications, BlueScope submitted that in the Australian market:

- galvanised steel is supplied into the building and construction, manufacturing, automotive and transport primary market sectors (Section 6.5.2 refers); and
- aluminium zinc coated steel is supplied into the building and construction and manufacturing primary market sectors (Section 6.5.2 refers).

BlueScope stated that the end use application of each product varies within the primary market sectors. It claimed that locally produced and imported goods are used interchangeably across a variety of applications in the Australian market.

6.5.2 Market segmentation and demand variability²⁵

BlueScope stated that in the Australian market the key market segments for galvanised steel and aluminum zinc coated steel are the building and construction industry segment (largest consumer by volume) and the smaller manufacturing industry segment.

²⁴ Aluminium Zinc Coated Steel Application, page 13.

²⁵ This section regarding market segmentation and demand variability is based on the information provided in the applications, which appears very similar for galvanised steel and aluminium zinc coated steel. Customs and Border Protection notes that further investigation regarding similarities and differences in the market segments and demand factors for galvanised and aluminium zinc coated steel is required. Customs and Border Protection also considers that the degree of substitutability between the products warrants further investigation.

PUBLIC RECORD

(i) Galvanised steel

BlueScope stated that in the building and construction industry examples of end use applications for galvanised steel include; commercial and industrial buildings light structural sections (purlins and girts); structural sections for carports, sheds and garages; plastering and ceiling accessories; garage door tracks; structural nail-plates, post stirrups, frame connectors and bracing for timber frames.

BlueScope stated that in the manufacturing industry examples of end use applications for galvanised steel include; feedstock as input for pipe and tube manufacture; air-conditioning ducting; cable trays; components in domestic appliances; hot water system components; electrical meter cabinets; tool-boxes; meter boxes; grain silos components and general manufactured articles.

The applicant also advised that galvanised steel is supplied to automotive components (i.e. brakes parts) and Original Equipment Manufacturer (OEM) automotive markets.

The application claims that end users (and end use applications) in the key market segments are the predominant drivers of demand for galvanised steel.

(ii) Aluminum zinc coated steel

BlueScope stated that in the building and construction industry examples of end use applications for aluminum zinc coated steel include; roll formed roof and wall cladding; rain water guttering and down-pipes; roof flashing and trims; residential roof trusses; residential roofing battens; ceiling battens; residential house framing; wall structural sections; office wall framing; garden sheds; and garage door panels.

BlueScope stated that in the manufacturing industry examples of end use applications for aluminum zinc coated steel include; components in domestic appliances; hot water system components; cabinets; flues; ducting; grain silos and general manufactured articles.

BlueScope advised that aluminum zinc coated steel is not usually supplied to the auto components and OEM automotives market segments.

The application claims that the predominant drivers of demand for aluminum zinc coated steel in the two key Australian market segments include:

- *“residential construction, specifically, residential new dwelling construction, and investment in residential alterations and additions construction;*
- *commercial and industrial construction; and*
- *substitution into markets previously dominated by other materials including replacing timber for residential framing and replacing zinc coated steel products for structural framing in commercial / industrial internal partitioning and walling market²⁶”.*

²⁶ Aluminium Zinc Coated Steel Application, page 17.

PUBLIC RECORD

(iii) Both products

BlueScope stated that there are a variety of factors that influence demand variability for galvanised steel and aluminum zinc coated steel within the Australian market, including:

- seasonal fluctuations;
 - impacts on agriculture, such as silos depending on season;
 - building industry Christmas closures;
 - wet versus dry season in tropical climates;
- factors contributing to overall market growth or decline;
 - availability of capital for infrastructure spending;
 - general macro-economic factors such as bank interest rates;
 - global and domestic business and consumer confidence;
- government regulation;
 - standards – international manufacturers do not always manufacture to the same standards as Australian manufacturers (BlueScope claim that this is commonly not apparent until installation);
 - policy – major government spending on infrastructure (i.e. the school building revolution);
 - new home rebates – which can stimulate demand;
- short term pricing volatility;
 - pressure on Australian manufacturing to compete with imported finished products;
 - pressure and influence on purchasing decisions for inventory levels; and
 - which is evident primarily in the indirect distribution channel; and influenced through global steel capacity utilisation.

6.5.3 Marketing and distribution

(i) Australian market and distribution diagram

Subsequent to lodging the applications BlueScope provided a marketing and distribution diagram in respect of the Australian markets for galvanised steel and aluminum zinc coated steel (**Confidential Attachment GEN 1** refers). Customs and Border Protection notes that the diagram provides a more detailed understanding of market flows, market participants and how imports and the Australian industry's products compete. For the purposes of CON 190, the descriptions below reflect the information provided in the applications.

(ii) Galvanised steel

BlueScope stated that approximately one third²⁷ of total galvanised steel sales are made directly to the domestic building product manufacturing industry. This industry roll forms the galvanised steel into building products such as structural sections for

²⁷ Based on BlueScope's sales data this proportion was found to be slightly higher.

PUBLIC RECORD

commercial buildings, garages and sheds as well as structural decking. These manufacturers then distribute the manufactured products to builders.

BlueScope claimed that the balance of sales is made to either the local distribution market or direct to the general manufacturing and auto industries, including auto component manufacturers, pipe and tube manufacturers and racking manufacturers.

(iii) Aluminum zinc coated steel

BlueScope stated that a major proportion of aluminum zinc coated steel sales are made directly to the domestic building product manufacturing industry. This domestic building product manufacturing industry roll forms the aluminum zinc coated steel into building products such as building cladding. The building product manufacturers then distribute the manufactured products to builders and home owners.

BlueScope claimed that the balance of sales of aluminum zinc coated steel is made to either the local distribution market (through distributor / resellers such as OneSteel Limited, Southern Steel Supplies, BlueScope Distribution Pty Ltd) or direct to the general manufacturing industry. These distributors and resellers may offer a range of services such as smaller parcels of product, along with credit facilities and further processing (such as sheeting, slitting and blanking).

(iv) Both products

The applications stated that BlueScope's locally produced galvanized steel and aluminum zinc coated steel products and the imported products compete in all states and territories and across each segment through the same distribution channels. All customers have the opportunity to purchase imported material either direct from the overseas mill, through an international trader or from an Australian based stockist.

6.5.4 Alternative products

(i) Galvanised steel

BlueScope stated that other coated steel products are substitutable for galvanised steel including:

- 55% aluminum / zinc coated steel (also known as Aluzinc), 5% aluminum / zinc coated steel (also known as Galfan) and zinc / magnesium coated steel (for certain product applications); and
- painted metallic coated steel substitutes (including painted versions of the products listed above).

Inter-materials are also substitutable for galvanised steel depending on product end use, including:

- timber, hot rolled structural sections, load bearing concrete panels and masonry for framing applications in construction;
- plastic and composite materials such as conduits and ceiling and plaster fittings for non-framing products for the building industry; and
- aluminum, plastics or advanced composites for automotive applications.

PUBLIC RECORD

BlueScope claimed that regardless of product substitutability, galvanised steel is considered by end users to be better product in the identified key applications.

(ii) Aluminum zinc coated steel

BlueScope stated that other coated steel products are substitutable for aluminum zinc coated steel including:

- galvanised steel products (for certain product applications), and
- painted metallic coated steel substitutes; such as painted aluminum zinc coated steel (e.g. COLORBOND® steel) or painted zinc coated steel.

Inter-materials are also substitutable for aluminum zinc coated steel depending on product end use, including:

- clay and cement roof tiles for domestic roofing applications;
- tilt up concrete panels and masonry bricks for industrial building walling;
- plastic and aluminum gutters and down pipes for rain water goods; and
- timber for residential or industrial / commercial structural framing applications (i.e. roof or wall framing).

BlueScope claimed that regardless of product substitutability, aluminum zinc coated steel is considered by end-users as a fit-for-purpose product that is better suited in the identified key applications to alternate substitutes “*due to its superior value proposition*”²⁸.

6.5.5 Market size

6.5.5.1 BlueScope’s claims

BlueScope stated that Australian Bureau of Statistics (ABS) import data for galvanised steel and aluminium zinc coated steel, classified to nominated tariff sub-headings were the subject of “No Country Declared” suppression orders. Therefore BlueScope obtained export data (for all countries including those subject to the applications) for 2008-09 to 2011-12 (inclusive), from the International Steel Statistics Bureau (ISSB), a European agency that specialises in collecting, analysing and publishing import and export trade data²⁹. BlueScope noted that ISSB data for 2011-12 was incomplete, due to the delay in supplying country of origin data. For the applications, BlueScope extrapolated the ISSB data to estimate import volumes of galvanised steel and aluminium zinc coated steel for May 2012 (excluding for China³⁰) and June 2012. All references to ISSB volume data in this report includes extrapolated figures for the respective months for which data was not available.

²⁸ Aluminium Zinc Coated Steel Application, page 19.

²⁹ ISSB is a European company involved in the publication of reports covering UK, European and Global trade in steel and raw materials, page 39 refers.

³⁰ As export data for China was available for May 2012.

PUBLIC RECORD

For the applications, BlueScope estimated the size of the Australian market for galvanised steel and aluminium zinc coated steel using ISSB data and its own sales data.

6.5.5.2 Customs and Border Protection's assessment

Customs and Border Protection compared the estimated import volumes in the applications to the data in Customs and Border Protection's import data base, and identified variances, which were not significant. These issues are discussed further at Sections 7.3.2 and 7.3.4. Customs and Border Protection's import data for all countries in respect of galvanised steel and aluminium zinc coated steel is at **Confidential Attachment CA 1**.

Customs and Border Protection found that product finishes (i.e. whether aluminium zinc coated steel is painted or unpainted) are not identifiable in the export data provided by BlueScope and in Customs and Border Protection's import data. As product finishes cannot be identified in the data used to estimate market volumes, it is likely that painted products which are outside the scope of the goods are included in import volumes of aluminium zinc coated steel. The inclusion of these products may inflate import volumes and therefore the aluminium zinc coated steel Australian market size.

Customs and Border Protection also found that specific production dimensions (including exact width and thickness of the goods) are not discernable in the export data provided by BlueScope and in Customs and Border Protection's import data. While the tariff subheadings and statistical codes provide indicative parameters regarding width and thickness of imported products, they provide guidance only in determining exact product dimensions of the imported goods.

Notwithstanding these issues, for the purposes of this report, Customs and Border Protection considers that in the absence of detailed import information, the data in Customs and Border Protection's import data base provides a reasonable estimation of import volumes. During the course of the investigation process Customs and Border Protection will seek detailed data from importers and exporters regarding product finish, to estimate a more accurate market size in respect of the goods.

(i) Galvanised steel

The following graph depicts Customs and Border Protection's estimate of the Australian market size for galvanised steel using data from its import database and BlueScope's sales data. Customs and Border Protection estimates that in 2011-12 the size of the Australian market for galvanised steel was approximately 685,000 tonnes.

PUBLIC RECORD

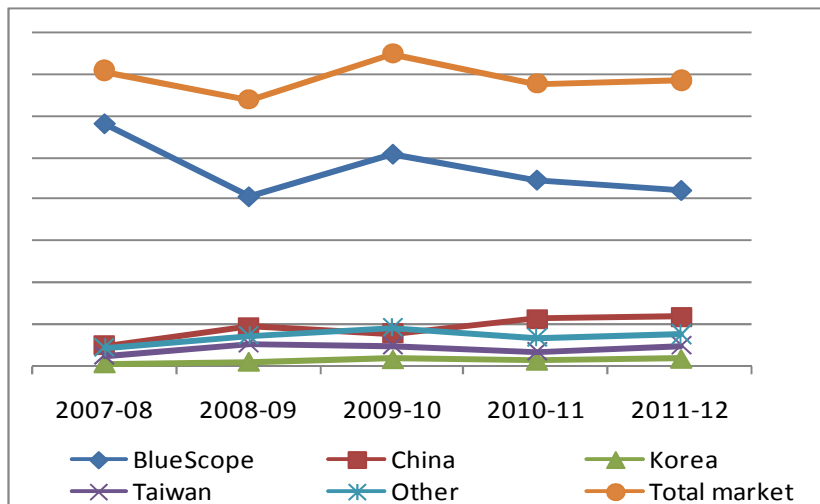


Figure 3: Australian market for galvanised steel - 2007-08 to 2011-12

The graph above shows that the total Australian market size for galvanised steel remained relatively constant (showing a marginal increase) from 2010-11 to 2011-12.

(ii) Aluminium zinc coated steel

The following graph depicts Customs and Border Protection's estimate of the Australian market size for aluminium zinc coated steel using data from its import database and BlueScope's sales data. Customs and Border Protection estimates that in 2011-12 the size of the Australian market for aluminium zinc coated steel was approximately 218,000 tonnes.

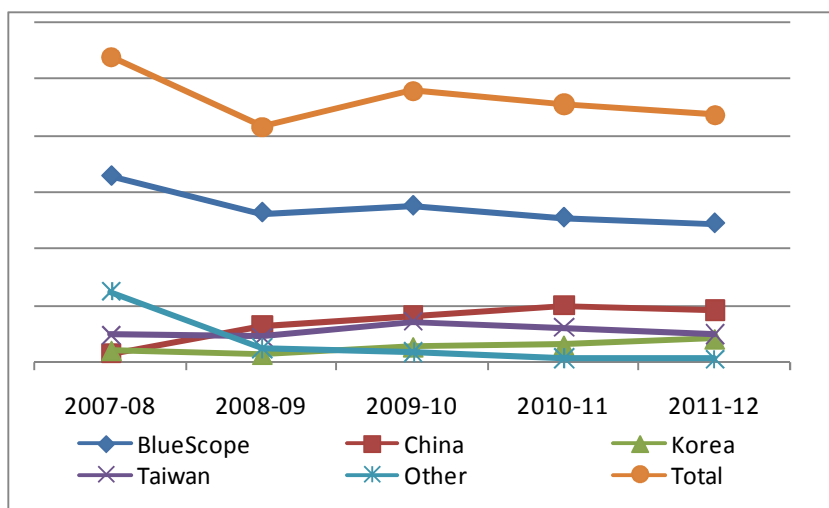


Figure 4: Australian market for aluminium zinc coated steel - 2007-08 to 2011-12

The graph above shows that the total Australian market size for aluminium zinc coated steel continually decreased during 2009-10 to 2011-12.

PUBLIC RECORD

6.6 Australian industry information

6.6.1 General accounting / administration information

BlueScope is a publicly listed company on the Australian stock exchange, limited by shares. BlueScope has a number of subsidiaries and joint ventures both in Australia and internationally. Several of these subsidiaries and joint ventures (such as BlueScope Distribution Pty Ltd) are directly involved in either the manufacture or supply of galvanised steel and aluminium zinc coated steel.

BlueScope has six internal corporate groups with distinct functions which operate in Australia and internationally. The application nominates the Coated & Industrial Products Australia Group as relevant to the goods the subject to the applications.

The applications state that BlueScope's financial accounting period is from 1 July to 30 June. BlueScope's audited financial statements and Annual Report for 2010-11 were provided³¹. BlueScope provided its chart of accounts, internal management accounting reports (for two months in 2011-12) and general accounting and administration information.

6.6.2 Australian industry's sales

BlueScope provided information in the applications, including a summary of domestic and export sales volumes, revenues and rebates as required³² in Confidential Appendices A2, A3, A4, A5 and A6. Appendix A1 was also provided (in both applications) to substantiate production volumes and capacity for BlueScope for the period 1 July 2011 to 30 June 2012.

Customs and Border Protection examined the detail in, and link between, relevant appendices and identified some relatively minor discrepancies. As a result the applicant provided updated appendices. Customs and Border Protection was subsequently able to reconcile the data within these updated appendices, with a few minor discrepancies.

Customs and Border Protection therefore considers that BlueScope's appendices are reliable for the purposes of assessing the economic condition of the industry in respect of galvanised steel and aluminium zinc coated steel.

6.6.3 Cost information

BlueScope completed a Confidential Appendix A6 cost to make and sell (CTMS) spreadsheet for domestic (A6.1) and export sales (A6.2) for galvanised steel and aluminium zinc coated steel. The information provided in these appendices included production and sales volumes, manufacturing costs, selling (including distribution), general and administrative (SG&A) expenses for the period 2007-08 to 2011-12. BlueScope also provided separate spreadsheets for various sub-categories and high sales volume product models.

³¹ The application notes that BlueScope's Annual Reports from 2003 are publicly available on its website at www.bluescopesteel.com. Audited reports for 2011-12 will be available from mid September 2012.

³² Where applicable.

PUBLIC RECORD

Customs and Border Protection examined the information provided and the link between other appendices and considers the information reliable for the purposes of assessing the economic condition of the industry in respect of galvanised steel and aluminium zinc coated steel.

6.6.4 Other economic factors

BlueScope completed Confidential Appendix A7 (for both applications) showing movements in assets, capital investment, research and development expenses, return on investment, capacity, capacity utilisation, employment, productivity, stocks, cash flow measures and wages.

6.6.5 Customs and Border Protection's assessment – Australian industry

Based on the information in the applications, Customs and Border Protection is satisfied that there is an Australian industry producing like goods to the goods the subject of the applications and that the information contained in the applications is sufficient for the purposes of a preliminary analysis of the economic condition of the industry in respect of galvanised steel and aluminium zinc coated steel from 2007-08 to 2011-12.

7 REASONABLE GROUNDS – DUMPING

7.1 Findings

Having regard to the matters contained in the applications and to other information considered relevant, there appear to be reasonable grounds to support the claims that:

- galvanised steel has been exported to Australia from China, Korea, and Taiwan at dumped prices;
- aluminium zinc coated steel has been exported to Australia from China, Korea, and Taiwan at dumped prices;
- the individual total volume of galvanised steel that has been dumped from China, Korea and Taiwan is each greater than 3% of the total Australian import volume of the goods, and therefore is not negligible; and
- the individual total volume of aluminium zinc coated steel that has been dumped from China, Korea and Taiwan is each greater than 3% of the total Australian import volume of the goods, and therefore is not negligible.

7.2 Legislative framework

Article 5.2 of the World Trade Organisation (WTO) Anti-Dumping Agreement (AD Agreement) states that an application shall include evidence of dumping. It states that simple assertion, unsubstantiated by relevant evidence, cannot be considered sufficient to meet this requirement, but such information must be reasonably available to the applicant.

Subsection 269TC(1) of the Act requires that the CEO must reject an application for a dumping duty notice if, inter alia, the CEO is not satisfied that there appear to be reasonable grounds for the publication of a dumping duty notice.

Under section 269TG of the Act, one of the matters that the Minister must be satisfied of to publish a dumping duty notice is that the export price of goods that have been exported to Australia is less than the normal value of those goods. This issue is considered in the following sections.

7.3 Export prices

(i) Both products

Section B.1.4 of the respective applications identified the producers³³, exporters and importers of the goods from the nominated countries for 2011-12.

As noted previously, BlueScope stated that ABS import data for galvanised steel and aluminium zinc coated steel for the nominated countries was not available. Therefore, BlueScope provided monthly export volumes and values for both products sourced from ISSB for the identified tariff sub-headings. As the ISSB data contained information based on exports BlueScope noted that there may be slight volume

³³ Producers were identified at Confidential Attachment B.1.4 for respective applications. Customs and Border Protection also sought further clarification that the exporters of the goods from Korea and Taiwan were also the producers of the goods (this was subsequently provided by BlueScope).

PUBLIC RECORD

discrepancies between Customs and Border Protection's import data and the ISSB export data, due to timing differences.

BlueScope stated that the terms of the ISSB export prices were free-on-board (FOB).

7.3.1 Galvanised steel - BlueScope's claims

BlueScope calculated monthly and quarterly FOB prices and export volumes for galvanised steel exported from China, Korea and Taiwan for 2011-12 to determine dumping margins for exports from each of the nominated countries.

Quarterly and annual ISSB export prices for galvanised steel are summarised in the following table (Customs and Border Protection calculated 2011-12 annual export prices using the data provided by BlueScope).

Country	Sep Quarter 2011 (AUD#)	Dec quarter 2011 (AUD)	Mar quarter 2012 (AUD)	Jun quarter 2012 (AUD)	2011-12 (AUD)
China*	\$874	\$907	\$784	\$815	\$836
Korea**	\$861	\$908	\$794	\$854	\$852
Taiwan**	\$866	\$884	\$783	\$856	\$845

AUD – Australian dollars.

* The weighted average export prices do not include data for June 2012.

** The weighted average export prices do not include data for May and June 2012.

Figure 5: ISSB export prices for galvanised steel provided in the application – 2011-12

7.3.2 Galvanised steel - Customs and Border Protection's assessment

Customs and Border Protection compared the monthly and quarterly export data provided by BlueScope (and the extrapolated annual data) with data contained in Customs and Border Protection's import database. Customs and Border Protection found considerable variation in the monthly volumes, although annually the volumes varied within 10%. Customs and Border Protection considers that this could be largely attributed to timing differences. Customs and Border Protection also identified variations in export prices, although this variation was significantly less. There was a 6% variation in the annual Korean export prices between the two data sources, reflecting higher export prices in Customs and Border Protection's import data base.

Customs and Border Protection considers that, based on the information submitted in the application, the amounts used by BlueScope to estimate FOB export prices for galvanised steel exported from the nominated countries to Australia appear to be reasonable. Furthermore, in 2011-12, import volumes from each of the relevant countries exceeded 3% of the total Australian import volume.

7.3.3 Aluminium zinc coated steel - BlueScope's claims

BlueScope calculated monthly and quarterly FOB prices and export volumes for aluminium zinc coated steel exported from China, Korea and Taiwan for 2011-12 to determine dumping margins for each of the nominated countries.

Quarterly and annual ISSB export prices for aluminium zinc coated steel are summarised in the following table (Customs and Border Protection calculated 2011-12 annual export prices using the data provided by BlueScope).

PUBLIC RECORD

Country	Sep Quarter 2011 (AUD)	Dec quarter 2011 (AUD)	Mar quarter 2012 (AUD)	Jun quarter 2012 (AUD)	2011-12 (AUD)
China*	\$917	\$903	\$819	\$867	\$880
Korea**	\$900	\$909	\$775	\$848	\$857
Taiwan**	\$903	\$892	\$830	\$829	\$879

* The weighted average export prices do not include data for June 2012.

** The weighted average export prices do not include data for May and June 2012.

Figure 6: ISSB export prices for aluminium zinc coated steel provided in the application – 2011-12

7.3.4 Aluminium zinc coated steel - Customs and Border Protection's assessment

Customs and Border Protection compared the monthly and quarterly export data provided by BlueScope (and the extrapolated annual data) with data contained in Customs and Border Protection's import database. Customs and Border Protection considers that the two data sources may include imports of painted aluminium zinc coated steel, which are outside the investigation scope. However as discussed previously, at this stage it is not possible to extrapolate these products from the source data.

Customs and Border Protection found considerable variation in the monthly volumes, however annually the volumes varied within 8%. Customs and Border Protection considers that this could be largely attributed to timing differences.

Customs and Border Protection also identified variations in export prices, with a 9% variation in the annual Korean export prices between the two data sources reflecting higher export prices in Customs and Border Protection's import data base.

Notwithstanding some variances, Customs and Border Protection considers that, based on the information submitted in the application, the amounts used by BlueScope to estimate FOB export prices for aluminium zinc coated steel exported from the nominated countries exported to Australia appear to be reasonable. Furthermore, that in 2011-12, import volumes from the relevant countries exceeded 3% of the total Australian import volume.

7.4 Normal values

7.4.1 China

7.4.1.1 Particular market situation

(i) Background

China is treated as a market economy country under Australia's Anti-Dumping provisions. Australia's provisions are in accordance with the WTO AD Agreement and provide for the rejection of domestic selling prices in market economy countries where it can be established that the situation in the exporting country renders domestic selling prices unsuitable for normal value purposes.

PUBLIC RECORD

Generally, Customs and Border Protection calculates the normal value of the goods as the price for like goods sold for home consumption in the country of export (s.269TAC(1) of the Act refers)³⁴.

One of the exceptions to using domestic selling prices for determining normal values is set out in s.269TAC(2)(a)(ii) of the Act, which broadly provides that the domestic selling prices are not an appropriate basis for normal value if the Minister is satisfied that:

“the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under s.269TAC subsection (1)” (i.e. a ‘particular market situation’ exists).

One of these situations may be where the domestic selling prices in the country of export have been materially affected by government influence rendering those prices unsuitable for use in establishing normal values.

The existence of a particular market situation potentially affects the approach that Customs and Border Protection takes to calculating normal values under the Act in undertaking an assessment of whether goods have been exported to Australia at dumped prices.

(ii) BlueScope’s claims – for both products

In their applications, BlueScope considers that actual selling prices within the domestic Chinese galvanised steel and aluminium zinc coated steel markets were not suitable for establishing normal values (under s.269TAC(1) of the Act) for the products exported from China, as a “*particular market situation*” exists in these markets.

To support the market situation claims in respect of both applications BlueScope refers to International Trade Remedies Report No.177 (REP 177) for HSS³⁵ exported from China and other countries. In this report Customs and Border Protection determined that a market situation existed for HSS sold domestically in China and that normal values for HSS exported from China to Australia could not be determined under s. 269TAC(1) of the Act. BlueScope highlight that the Minister accepted this market situation finding.

BlueScope asserts that a “*particular market situation*” exists in the Chinese galvanised steel and aluminium zinc coated steel markets, because HRC prices in China are artificially lower, or not substantially the same as they would be if they

³⁴ This price is subject to adjustments under s269TAC(8) of the Act to ensure any differences do not affect the comparison with the export price.

³⁵ On 15 June 2011, Customs and Border Protection made public notification that it had initiated an investigation into the alleged dumping of HSS exported to Australia from China, Korea, Malaysia, Taiwan and Thailand. Following this investigation, Customs and Border Protection recommended to the Minister, that a dumping duty notice be published in relation to HSS exported to Australia from China, Korea, Malaysia and Taiwan and that a countervailing duty notice be published in relation to HSS exported to Australia from China except by Huludao and Qingdao Xiangxing (REP 177 refers). The Minister accepted Customs and Border Protection’s findings and recommendations as contained in REP 177 and this decision was publicly notified in *The Australian* newspaper and *the Gazette* on 3 July 012. REP 177 is available on Customs and Border Protection’s website at www.customs.gov.au.

PUBLIC RECORD

were determined in a competitive market, due to a range of factors that directly and indirectly impact prevailing Chinese aluminium zinc coated steel and galvanised steel prices.

BlueScope claims that galvanised steel and aluminium zinc coated steel producers which are not integrated (i.e. the HRC producer is separate from the producer involved in the galvanised coating or aluminium zinc coating processes) are affected by the Government of China (GOC) distortions, similar to HSS and that GOC has heavily influenced the Chinese domestic market for galvanised steel and aluminium zinc coated steel through:

- *“the provision of steel raw material products (i.e. HRC) at less than adequate remuneration;*
- *the prevalence of State Owned Asset Enterprises “(SOEs)” (also known as State-Invested Enterprises (SIEs)) involved in the manufacture of HRC in China that receive benefits for the production of HRC resulting in artificially low raw material input prices for galvanised steel producers; and*
- *certain benefits received by producers of the GUC from the GOC including reductions in taxes, exemptions on duties and VAT (value added tax), the provision of grants, and concessional interest payments (i.e. government subsidies that impact the selling prices for HRC and galvanised steel manufactured in China)”³⁶.*

(ii)(a) Provision of raw steel materials at less than adequate remuneration

BlueScope notes findings in REP 177 that it claims are important and relevant for the applications. *“Specifically, Customs and Border Protection concluded³⁷:*

“...that the GOC has exerted numerous influences on the Chinese iron and steel industry, which are likely to have materially distorted competitive conditions within that industry and affected the supply of HSS, HRC, narrow strip and upstream products and materials”³⁸.

BlueScope claimed that as HRC represents more than 60% of the total production cost³⁹ of galvanised steel and aluminium zinc coated steel, BlueScope considers that artificially low Chinese HRC input prices used in the manufacture of galvanised steel means that Chinese domestic selling prices for galvanised steel and aluminium zinc coated steel are not suitable to determine normal values under s.269TAC(1) of the Act.

(ii)(b) REP 177

In their applications BlueScope refers to Customs and Border Protection’s conclusions

³⁶ Galvanised Steel Application, pages 43-44 and Aluminium Zinc Coated Application, pages 44-45.

³⁷ REP No.177, P.166.

³⁸ Galvanised Steel Application, page 43 and Aluminium Zinc Coated Application, page 43.

³⁹ References are also made in respective applications to the HRC representing between 70-80% of production costs. Based on BlueScope’s cost data Customs and Border Protection considers that the proportion of total cost to make representing by HRC is closer to 60%.

PUBLIC RECORD

in REP 177 that:

- the GOC plays a significant role in influencing the domestic iron and steel industry through its numerous broad, overarching GOC macroeconomic policies and plans that outline aims and objectives for the Chinese iron and steel industry, including:
 - the National Steel Policy;
 - National and regional five year plans and guidelines;
 - a BluePrint for Steel Industry Adjustment and Revitalisation;
 - the alignment of the GOC policies; and
- implementation measures (that go towards actively executing the aims and objectives of these policies and plans), as summarised below:
 - measures to eliminate backwards production capacity and to encourage technical and environmental improvement;
 - market entry criteria and industry operating conditions;
 - measures to curb ‘production capacity redundancy’;
 - guiding industry mergers and acquisitions;
 - import and export measures on coke;
 - subsidies in the iron and steel industry; and
 - other implementation measures, including impact of SOEs.

This report does not detail Customs and Border Protection’s assessment and conclusion in respect of the GOC’s macroeconomic policies or implementation measures. These are contained in Appendix A to REP 177⁴⁰.

BlueScope submits that the same GOC influences on the domestic iron and steel industry are also of consideration for the applications involving galvanised steel and aluminium zinc coated steel, because HRC is also a key input into both galvanised steel and aluminium zinc coated steel production.

BlueScope subsequently refer in their applications to Customs and Border Protection’s examination and conclusions in REP 177 on the impact of the GOC influences on the determinants of HSS supply for each of the four categories identified (i.e. measures to drive structural adjustment, technological efficiency and environmental measures, export restrictions on coke, and subsidisation), including:

- the cost of the factors of production (i.e. reduced cost results in increased production);
- technology (enhanced technologies contribute to lower costs and higher production volumes); and
- the number of suppliers in the market (the GOC influences have contributed to a reduction in the number of industry participants but not a reduction in production).

BlueScope claims that, as the determinants of supply applicable to HSS supply are

⁴⁰ REP 177, pages 105-172.

PUBLIC RECORD

also the same determinants of supply for galvanised steel and aluminium zinc coated steel, that Customs and Border Protection's conclusions on the GOC's influence on the four identified categories are applicable to the goods the subject of the applications.

(ii)(c) Impact of GOC measures on supply and price of galvanised steel and aluminium zinc coated steel

In supporting their claim that the impact of the GOC measures on the supply and price of HSS in China similarly applies to the supply and price of galvanised steel and aluminium zinc coated steel in China, BlueScope examined the GOC influences and impacts on the supply and pricing for galvanised steel and aluminium zinc coated steel, as detailed below.

Structural adjustment

BlueScope claims that the supply and price of galvanised steel and aluminium zinc coated steel would have been influenced by:

- *“reducing the prices of the factors of production of aluminium zinc coated steel and galvanised steel including the price of raw material HRC due to increases in supply of HRC (as well as changes in supply of upstream steel, iron and other raw material manufacturers);*
- *improved technology used by consolidated enterprises;*
- *eliminating redundant capacity and consolidating production into larger, merged steel enterprises (although not reducing production capacity as in GOC's objectives); and*
- *increasing compliance costs for new environmental standards”⁴¹.*

Technological and operating efficiency measures

BlueScope claims that these measures would have caused an increase in supply, and reductions in price, of galvanised steel and aluminium zinc coated steel through the elimination of backwards capacity and adoption of more technologically-advanced production techniques (with similar principles applying to HRC manufacturers).

Export restrictions on coke

BlueScope claims that export restrictions on coke (and similar measures) contributed to lower costs for inputs in the steel-making, HRC, galvanised steel and aluminium zinc coated steel and manufacturing processes, resulting in lower selling prices for the identified products.

Others – including SIEs

BlueScope highlights that REP 177 relied on additional information concerning the implementation and impact of GOC policies on the Chinese Iron and Steel Industry,

⁴¹ Galvanised Steel Application, page 52-53 and Aluminium Zinc Coated Steel Application, page 52-53.

PUBLIC RECORD

including the impact of SOEs. BlueScope noted that REP 177 found that large SOEs / SIEs are required to comply with national industrial policies and other requirements. Furthermore that Customs and Border Protection identified that Baosteel (a major exporting group of companies which BlueScope nominates is an exporter of galvanised steel and aluminium zinc coated steel) in Annual Reports for 2006, 2008 and 2010 had commented on compliance with the GOC's policies for the Iron and Steel Industry.

(iii) Customs and Border Protection's assessment

Customs and Border Protection has assessed BlueScope's claims that a particular market situation exists in the Chinese domestic HRC, galvanised steel and aluminium zinc coated steel markets. Given the applicant's reliance on REP 177 to support their market situation claims, Customs and Border Protection assessed BlueScope's claims against the detailed analysis and assessment of the market situation in China for HSS which forms Appendix A to REP 177⁴².

Customs and Border Protection considers that at the consideration stage, BlueScope has provided sufficient information and evidence to support the claims that the market situation findings in respect of HSS (REP 177 refers) are also relevant and applicable to the Chinese galvanised and aluminium zinc coated steel markets. Given that galvanised steel and aluminium zinc coated steel producers form part of the Chinese iron and steel industry, and as HRC is the major raw material for both products, Customs and Border Protection considers it is reasonable to assume that the identified GOC influences in this industry created a "*market situation*" for the respective domestic markets for these products.

Furthermore it is reasonable to assume that HRC producers that supplied HRC to HSS manufacturers at prices that were below adequate remuneration might also supply HRC to aluminium zinc coated steel and galvanised steel producers, assuming that these producers are not integrated. Customs and Border Protection considers that if the producers of the goods are integrated producers and also produce HRC, the HRC production costs and transfer price would be influenced by GOC policies and by implementation measures.

Customs and Border Protection therefore considers that there are reasonable grounds, at consideration stage, for claiming that Chinese domestic selling prices for galvanised steel and aluminium zinc coated steel are not suitable to determine normal values under s. 269TAC(1) of the Act. As a consequence when constructing normal values under s.269TAC(2)(c) of the Act, the artificially low HRC prices cannot be used.

Customs and Border Protection also considers that BlueScope's claim that Chinese export prices to third countries similarly cannot be used as the basis for normal values because the export prices are also influenced by the GOC's policies, at the consideration stage, is reasonable.

⁴² REP 177, pages 105-172.

PUBLIC RECORD

7.4.1.2 Constructed normal values

(i) BlueScope's claims – construction for the most common grades (both products)

BlueScope claimed that the full range of product specifications that are the subject of the applications in respect of galvanised steel and aluminium zinc coated steel are not commonly sold in China, Korea or Taiwan. They claimed that the thickness and width of the higher volume products sold in Australia are not generally sold on the domestic markets of the nominated countries. In addition, published domestic prices for galvanised steel and aluminium zinc coated steel products are not readily available from reliable third parties, industry journals or steel industry publications.

Therefore, BlueScope constructed normal values for the most common grade of galvanised steel (1200 mm width x 1.50 mm thickness Z275 coated)⁴³ and aluminium zinc coated steel (940 mm width x 0.42 mm thickness, AZ150 coated) it supplies to the Australian market as representative of the galvanised steel and aluminium zinc coated steel exported from China, Korea and Taiwan.

Customs and Border Protection reviewed BlueScope's Confidential Appendix A4 in respect of galvanised steel and aluminium zinc coated steel to substantiate the applicant's claims that the nominated grades represented common grades. Customs and Border Protection found that galvanised steel at 1200 mm width x 1.50 mm thickness (Z275 coated) represented a large volume of total domestic sales in relation to thickness only (i.e. products with a thickness of 1.50 mm). BlueScope supplied larger volumes of other galvanised steel products at a thickness of 1.50 mm, at a range of widths. However as galvanised steel Z275, which includes a range of products at varying widths and thicknesses (including the 1200 mm width x 1.50 mm thickness product) represents a major proportion of BlueScope's total sales, Customs and Border Protection considers using this product as a basis for normal values is reasonable.

Customs and Border Protection confirmed that aluminium zinc coated steel at 940 mm width x 0.42 mm thickness (AZ150 coated) represented a major proportion of total domestic sales in terms of width and thickness. Therefore, Customs and Border Protection considers using this product as a basis for normal values is reasonable.

(ii) Galvanised steel – BlueScope's claims

In the application, BlueScope constructed normal values for galvanised steel sold in China using average quarterly domestic selling prices for base grade HRC sold domestically in Korea and Taiwan (refer to following sections in relation to Korea and Taiwan), plus amounts for pickling, cold-rolling, metal coating, SG&A expenses and packaging. BlueScope claims that the estimates of normal values were ex-works and in AUD.

⁴³ The application refers to 940 mm width x 0.42 mm thickness. BlueScope advised that this is an error and refers to the most common grade for aluminium zinc coated steel. All attachments refer to the correct grade.

PUBLIC RECORD

BlueScope reduced the selling prices used in this construction to account for a nominal profit and SG&A expenses incorporated in these HRC selling prices (reflecting transfer prices, as Chinese producers of galvanised steel are predominately integrated producers that also produce HRC). It estimated SG&A expenses, as a percentage of revenue, using published data by two Korean producers and BlueScope's conversion costs provided to Customs and Border Protection in respect of the current HRC dumping investigation.

BlueScope estimated conversion costs for pickling, cold-rolling and metal coating from its standard costing system. For each of these processes this system identifies material costs such as:

- scrap, pickling losses and rejects (based on the input cost of HRC);
- credits for these losses;
- zinc cost (based on the international price of zinc and coating thickness);
- zinc dross recovery; and
- processing costs.

BlueScope added the estimated conversion costs to the constructed HRC values.

Processing costs included costs per hour for items such as labour, maintenance and overheads and costs per tonne for items such as natural gas and electricity. BlueScope adjusted these costs to reflect its understanding of Chinese production costs. In making these adjustments, BlueScope made certain assumptions regarding the comparability of Australian and Chinese labour rates (including labour associated with maintenance and overheads), natural gas costs and electricity rates.

BlueScope advised that cost assumptions were based on information and data provided by independent external sources. The sourced information and data was provided to Customs and Border Protection, however is considered commercial-in-confidence by BlueScope.

BlueScope added SG&A expenses and packing costs using its costing model with adjustments to reflect differences in labour rates noted above.

BlueScope also added a nominal profit (less than 6%) to the constructed prices, which it stated reflected the nominal profit expected for a commodity product.

In constructing normal values for galvanised steel to ensure fair comparison to export prices, BlueScope applied a 4% upward adjustment for VAT. BlueScope claimed that this adjustment should be made to the constructed normal values for China to allow for the difference between the 17% domestic VAT and the 13% VAT refund applicable to certain exports of high value-added steel products, including cold-rolled steel, coated steel, GI, alloy steel, hot rolled stainless steel, grain-oriented electrical steel from China⁴⁴. To support this adjustment claim BlueScope provided the relevant tariff codes to which the export rebate applies and supporting global steel industry reports.

⁴⁴ BlueScope claimed that on 27 March 2009, the Chinese Ministry of Finance and the State Administration of Taxation announced that tax rebates for exports of some steel products would be increased to 13% from 5%, effective 1 April 2009. This is the second adjustment in tax rebate since December 2008.

PUBLIC RECORD

See Section 7.4.4 for another adjustment which BlueScope noted could have been applied regarding ensuring the terms of normal values were FOB.

(iii) Galvanised steel – Customs and Border Protection’s assessment

Customs and Border Protection considers that, based on the information submitted in the application, the applicant’s constructed normal values for galvanised steel sold in China appears to be reasonable. The applicant has supported their constructed cost model with information that is reasonably available to it and, where assumptions have been made, has explained the basis for those assumptions. Where appropriate, the applicant has used data from independent sources, to make adjustments to costs (i.e. processing costs) to make them appropriate to their understanding of industry conditions in China. Given that processing costs did not represent a significant proportion of the total CTMS, were supported by cost data provided by an independent source, BlueScope’s processing allocations appear reasonable.

The applicant has included a profit margin (although the profit estimate was not supported by source documentation) as part of the constructed normal value. The applicant notes it the derived profit margin is reflective of the margin for this type of commodity. In this instance, even though the applicant has not provided any supporting evidence for its estimate of profit, it is considered reasonable because it also reflects nominal profit calculated from Profit and Loss (P&L) statements of major Asian HRC and steel exporters (which was used in HRC cost constructions), which was supported by calculations and documentation in the application.

Customs and Border Protection is also satisfied that, based on the information submitted in the application, no further adjustments (at the consideration stage) to domestic selling prices are required.

(iv) Aluminium zinc coated steel – BlueScope’s claims

In the application, BlueScope constructed normal values for aluminium zinc coated steel sold in China using average quarterly domestic selling prices for base grade HRC sold domestically in Korea and Taiwan (refer to following sections in relation to Korea and Taiwan), plus amounts for pickling, cold-rolling, metal coating, SG&A expenses and packaging.

BlueScope reduced the selling prices used in this construction to account for a nominal profit and SG&A expenses incorporated in these selling prices for HRC (reflecting transfer prices, for any Chinese producers of aluminium zinc coated steel which are integrated producers that also produce HRC). It estimated SG&A expenses, as a percentage of revenue, using published data by two Korean producers (as mentioned previously) and BlueScope’s conversion costs provided to Customs and Border Protection in respect of the current HRC dumping investigation.

BlueScope estimated conversion costs for pickling, cold-rolling and metal coating from its standard costing system. See previous discussion regarding material costs for each of these processes identified by this system.

BlueScope added the estimated conversion costs to the constructed HRC values.

PUBLIC RECORD

Processing costs included costs per hour for items such as labour, maintenance and overheads and costs per tonne for items such as natural gas and electricity. BlueScope adjusted these costs to reflect its understanding of Chinese production costs. In making these adjustments, BlueScope made certain assumptions regarding the comparability of Australian and Chinese labour rates (including labour associated with maintenance and overheads), natural gas costs and electricity rates.

BlueScope advised that cost assumptions were based on information and data provided by independent external sources. The sourced information and data was provided to Customs and Border Protection, however is considered commercial-in-confidence by BlueScope.

BlueScope added SG&A expenses and packing costs using its costing model with adjustments to reflect differences in labour rates noted above.

BlueScope also added a nominal profit (less than 6%) to the constructed prices, which it stated reflected the nominal profit expected for a commodity product.

In constructing normal values for aluminium zinc coated steel to ensure fair comparison to export prices, BlueScope applied a 4% upward adjustment for VAT (as explained in the preceding section in respect of galvanised steel). To support this adjustment claim BlueScope provided the relevant tariff codes to which the export rebate applies and supporting global steel industry reports.

See Section 7.4.4 for another adjustment which BlueScope noted could have been applied regarding ensuring the terms of normal values were FOB.

(v) Aluminium zinc coated steel – Customs and Border Protection’s assessment

Customs and Border Protection considers that, based on the information submitted in the application, the applicant’s constructed normal values for aluminium zinc coated steel sold in China appears to be reasonable. The applicant has supported their constructed cost model with information that is reasonably available to it and, where assumptions have been made, has explained the basis for those assumptions. Where appropriate, the applicant has used data from independent sources, to make adjustments to costs (i.e. processing costs) to make them appropriate to their understanding of industry conditions in China. Given that processing costs did not represent a significant proportion of the total CTMS, were supported by cost data provided by an independent source, BlueScope’s processing allocations appear reasonable.

The applicant has included a profit margin (although the profit estimate was not supported by source documentation) as part of the constructed normal value. The applicant notes it the derived profit margin is reflective of the margin for this type of commodity. In this instance, even though the applicant has not provided any supporting evidence for its estimate of profit, it is considered reasonable because it also reflects nominal profit calculated from P&L statements of major Asian HRC and steel exporters (which was deducted from HRC costs in constructed values), which was supported by calculations and documentation in the application.

PUBLIC RECORD

Customs and Border Protection is satisfied that, based on the information submitted in the application, no further adjustments (at the consideration stage) to domestic selling prices are required.

7.4.2 Korea

7.4.2.1 Constructed normal values

(i) Galvanised steel – BlueScope's claims

In the application, BlueScope constructed normal values for galvanised steel sold in Korea based on domestic price information for HRC sold in Korea in 2011-12 that was sourced from a local independent steel based business. These domestic HRC prices were in Korean Won and were converted to AUD using BlueScope's corporate monthly exchange rates. The published data included an ex-works price that BlueScope considered was a list price (this was the highest price and did not change during the year), a delivered distribution price and an import distribution price. BlueScope used the delivered distribution price as it considers this is the most comparable base grade distribution price.

The prices used to construct normal values reflected the delivered distribution price and the exchange rates used were similar to exchange rates available to Customs and Border Protection. BlueScope reduced the selling prices used in the construction to account for a nominal profit and SG&A expenses incorporated in these HRC selling prices (reflecting transfer prices, as Korean producers of the goods are predominately integrated producers that also produce HRC). BlueScope added conversion costs for pickling, cold-rolling, metal coating, SG&A expenses and packaging.

BlueScope adjusted further processing costs, packaging and SG&A expenses. Processing costs included costs per hour for items such as labour, maintenance and overheads and costs per tonne for items such as natural gas and electricity. BlueScope adjusted these costs to reflect its understanding of Korean production costs. In making these adjustments, BlueScope made certain assumptions regarding the comparability of Australian and Korean labour rates (including labour associated with maintenance and overheads), natural gas costs and electricity rates.

BlueScope advised that cost assumptions were based on information and data provided by independent external sources. The sourced information and data was provided to Customs and Border Protection, however is considered commercial-in-confidence by BlueScope.

BlueScope added SG&A expenses and packing costs using its costing model with adjustments to reflect differences in labour rates noted above.

BlueScope also added a nominal profit (less than 6%) to the constructed prices, which it stated reflected the nominal profit expected for a commodity product.

See Section 7.4.4 for another adjustment which BlueScope noted could have been applied; to ensure the terms of normal values were FOB.

PUBLIC RECORD

(ii) Galvanised steel – Customs and Border Protection’s assessment

Customs and Border Protection considers that, based on the information submitted in the application, the applicant’s constructed normal values for galvanised steel sold in Korea appears to be reasonable. The applicant has supported their constructed cost model with information that is reasonably available to it and, where assumptions have been made, has explained the basis for those assumptions. Where appropriate, the applicant has used data from independent sources, to make adjustments to costs (i.e. processing costs) to make them appropriate to their understanding of industry conditions in Korea. Given that processing costs did not represent a significant proportion of the total CTMS, were supported by cost data provided by an independent source, BlueScope’s processing allocations appear reasonable.

The applicant has included a profit margin (although the profit estimate was not supported by source documentation) as part of the constructed normal value. The applicant notes it the derived profit margin is reflective of the margin for this type of commodity. In this instance, even though the applicant has not provided any supporting evidence for its estimate of profit, it is considered reasonable because it also reflects nominal profit calculated from P&L statements of major Asian HRC and steel exporters (which was deducted from HRC costs in constructed values), which was supported by calculations and documentation in the application.

Customs and Border Protection is satisfied that, based on the information submitted in the application, no further adjustments (at the consideration stage) to domestic selling prices are required.

(iii) Aluminium zinc coated steel – BlueScope’s claims

In the application, BlueScope constructed normal values for aluminium zinc coated steel sold in Korea based on domestic price information for HRC sold in Korea in 2011-12 that was sourced from a local independent steel based business. These HRC domestic prices were in Korean Won and were converted to AUD using BlueScope’s corporate monthly exchange rates. The published data included an ex-works price that BlueScope considered was a list price (this was the highest price and did not change during the year), a delivered distribution price and an import distribution price. BlueScope used the delivered distribution price as it considers this is the most comparable base grade distribution price.

The prices used to construct normal values reflected the delivered distribution price and the exchange rates used were similar to exchange rates available to Customs and Border Protection. BlueScope reduced the selling prices used in the construction to account for a nominal profit and SG&A expenses incorporated in these selling prices (reflecting transfer prices, as Korean producers of the goods are predominately integrated producers that also produce HRC). BlueScope added conversion costs for pickling, cold-rolling, metal coating, SG&A expenses and packaging.

BlueScope adjusted further processing costs, packaging and SG&A expenses. Processing costs included costs per hour for items such as labour, maintenance and overheads and costs per tonne for items such as natural gas and electricity.

PUBLIC RECORD

BlueScope adjusted these costs to reflect its understanding of Korean production costs. In making these adjustments, BlueScope made certain assumptions regarding the comparability of Australian and Korean labour rates (including labour associated with maintenance and overheads), natural gas costs and electricity rates.

BlueScope advised that cost assumptions were based on information and data provided by independent external sources. The sourced information and data was provided to Customs and Border Protection, however is considered commercial-in-confidence by BlueScope.

BlueScope added SG&A expenses and packing costs using its costing model with adjustments to reflect differences in labour rates noted above.

BlueScope also added a nominal profit (less than 6%) to the constructed prices, which it stated reflected the nominal profit expected for a commodity product.

See Section 7.4.4 for another adjustment which BlueScope noted could have been applied; to ensure the terms of normal values were FOB.

(iv) Aluminium zinc coated steel – Customs and Border Protection’s assessment

Customs and Border Protection considers that, based on the information submitted in the application, the applicant’s constructed normal values for aluminium zinc coated steel sold in Korea appears to be reasonable. The applicant has supported their constructed cost model with information that is reasonably available to it and, where assumptions have been made, has explained the basis for those assumptions. Where appropriate, the applicant has used data from independent sources, to make adjustments to costs (i.e. processing costs) to make them appropriate to their understanding of industry conditions in Korea. Given that processing costs did not represent a significant proportion of the total CTMS, were supported by cost data provided by an independent source, BlueScope’s processing allocations appear reasonable.

The applicant has included a profit margin (although the profit estimate was not supported by source documentation) as part of the constructed normal value. The applicant notes it the derived profit margin is reflective of the margin for this type of commodity. In this instance, even though the applicant has not provided any supporting evidence for its estimate of profit, it is considered reasonable because it also reflects nominal profit calculated from P&L statements of major Asian HRC and steel exporters (which was deducted from HRC costs in constructed values), which was supported by calculations and documentation in the application.

Customs and Border Protection is also satisfied that, based on the information submitted in the application, no further adjustments (at the consideration stage) to domestic selling prices are required.

PUBLIC RECORD

7.4.3 Taiwan

7.4.3.1 Constructed normal values

(i) Galvanised steel – BlueScope’s claims

In the application, BlueScope constructed normal values for galvanised steel sold in Taiwan based on domestic price information for HRC sold in Taiwan in 2011-12 that was sourced from a local independent steel based business. These HRC prices were in New Taiwan Dollars and were converted to AUD using BlueScope’s corporate monthly exchange rates. The published data included a mill price that BlueScope considered was a list price (this was the highest price) and a price for HRC made to Japanese standard JIS G3131 with a thickness of 1.2 mm to 4.5 mm. BlueScope used the lower price.

The prices used to construct normal values reflected the published prices and the exchanges rates used were similar to exchange rates available to Customs and Border Protection. BlueScope reduced the selling prices used in the construction to account for a nominal profit and SG&A expenses incorporated in these HRC selling prices (reflecting transfer prices, as Taiwanese producers of the goods are predominately integrated producers that also produce HRC). BlueScope added conversion cost for pickling, cold-rolling, metal coating, SG&A expenses and packaging.

BlueScope adjusted further processing costs, packaging and SG&A expenses. Processing costs included costs per hour for items such as labour, maintenance and overheads and costs per tonne for items such as natural gas and electricity. BlueScope adjusted these costs to reflect its understanding of Taiwanese production costs. In making these adjustments, BlueScope made certain assumptions regarding the comparability of Australian and Taiwanese labour rates (including labour associated with maintenance and overheads), natural gas costs and electricity rates.

BlueScope advised that cost assumptions were based on information and data provided by independent external sources. The sourced information and data was provided to Customs and Border Protection, however is considered commercial-in-confidence by BlueScope.

BlueScope added SG&A expenses and packing costs using its costing model with adjustments to reflect differences in labour rates noted above.

BlueScope also added a nominal profit (less than 6%) to the constructed prices, which it stated reflected the nominal profit expected for a commodity product.

See Section 7.4.4 for another adjustment which BlueScope noted could have been applied; to ensure the terms of normal values were FOB.

(ii) Galvanised steel – Customs and Border Protection’s assessment

Customs and Border Protection considers that, based on the information submitted in the application, the applicant’s constructed normal values for galvanised steel sold in Taiwan appear to be reasonable. The applicant has supported their constructed cost model with information that is reasonably available to it and, where assumptions

PUBLIC RECORD

have been made, has explained the basis for those assumptions. Where appropriate, the applicant has used data from independent sources, to make adjustments to costs (i.e. processing costs) to make them appropriate to their understanding of industry conditions in Taiwan. Given that processing costs did not represent a significant proportion of the total CTMS, were supported by cost data provided by an independent source, BlueScope's processing allocations appear reasonable.

The applicant has included a profit margin (although the profit estimate was not supported by source documentation) as part of the constructed normal value. The applicant notes it the derived profit margin is reflective of the margin for this type of commodity. In this instance, even though the applicant has not provided any supporting evidence for its estimate of profit, it is considered reasonable because it also reflects nominal profit calculated from P&L statements of major Asian HRC and steel exporters (which was deducted from HRC costs in constructed values), which was supported by calculations and documentation in the application.

Customs and Border Protection is satisfied that, based on the information submitted in the application, no further adjustments (at the consideration stage) to domestic selling prices are required.

(iii) Aluminium zinc coated steel – BlueScope's claims

In the application, BlueScope constructed normal values for aluminium zinc coated steel sold in Taiwan based on domestic price information for HRC sold in Taiwan in 2011-12 that was sourced from a local independent steel based business. These HRC prices were in New Taiwan Dollars and were converted to AUD using BlueScope's corporate monthly exchange rates. The published data included a mill price that BlueScope considered was a list price (this was the highest price) and a price for HRC made to Japanese standard JIS G3131 with a thickness of 1.2 mm to 4.5 mm. BlueScope used the lower price.

The prices used to construct normal values reflected the published prices and the exchanges rates used were similar to exchange rates available to Customs and Border Protection. BlueScope reduced the selling prices used in the construction to account for a nominal profit and SG&A expenses incorporated in these HRC selling prices (reflecting transfer prices, as Taiwanese producers of the goods are predominately integrated producers that also produce HRC). BlueScope added conversion cost for pickling, cold-rolling, metal coating, SG&A expenses and packaging.

BlueScope adjusted further processing costs, packaging and SG&A expenses. Processing costs included costs per hour for items such as labour, maintenance and overheads and costs per tonne for items such as natural gas and electricity. BlueScope adjusted these costs to reflect its understanding of Taiwanese production costs. In making these adjustments, BlueScope made certain assumptions regarding the comparability of Australian and Taiwanese labour rates (including labour associated with maintenance and overheads), natural gas costs and electricity rates.

BlueScope advised that cost assumptions were based on information and data provided by independent external sources. The sourced information and data was

PUBLIC RECORD

provided to Customs and Border Protection, however is considered commercial-in-confidence by BlueScope.

BlueScope also added a nominal profit (less than 6%) to the constructed prices, which it stated reflected the nominal profit expected for a commodity product.

See Section 7.4.4 for adjustments the applicant claims should be made to constructed normal values to ensure fair comparison to export prices.

(iv) Aluminium zinc coated steel – Customs and Border Protection’s assessment

Customs and Border Protection considers that, based on the information submitted in the application, the applicant’s constructed normal values for aluminium zinc coated steel sold in Taiwan appear to be reasonable. The applicant has supported their constructed cost model with information that is reasonably available to it and, where assumptions have been made, has explained the basis for those assumptions. Where appropriate, the applicant has used data from independent sources, to make adjustments to costs (i.e. processing costs) to make them appropriate to their understanding of industry conditions in Taiwan. Given that processing costs did not represent a significant proportion of the total CTMS, were supported by cost data provided by an independent source, BlueScope’s processing allocations appear reasonable.

The applicant has included a profit margin (although the profit estimate was not supported by source documentation) as part of the constructed normal value. The applicant notes it the derived profit margin is reflective of the margin for this type of commodity. In this instance, even though the applicant has not provided any supporting evidence for its estimate of profit, it is considered reasonable because it also reflects nominal profit calculated from P&L statements of major Asian HRC and steel exporters (which was deducted from HRC costs in constructed values), which was supported by calculations and documentation in the application.

Customs and Border Protection is satisfied that, based on the information submitted in the application, no further adjustments (at the consideration stage) to domestic selling prices are required.

7.4.4 Adjustments

(i) All nominated countries – both products

BlueScope stated that the constructed normal values for galvanised steel and aluminium zinc coated steel sold in China, Korea and Taiwan have been determined at the ex-factory level. While, export prices sourced from ISSB were at the FOB level. It stated that the FOB export prices are therefore likely to include domestic inland freight in the country of export. BlueScope claims that it does not have access to inland freight charges from the manufacturer in the exporting countries to place of export. It considers that normal values need to be adjusted upwards to take account of the inland freight and ensure comparability of normal values and export prices. However in the absence of actual inland freight charges BlueScope has not adjusted normal values. It claimed that this adjustment would result in larger dumping margins (by increasing normal values).

PUBLIC RECORD

Customs and Border Protection identified that the SG&A expenses used in constructing normal values for the goods included an amount for warehousing and distribution. Therefore inland freight expenses maybe included in the constructed normal values, establishing prices closer to an FOB level. It considers an additional adjustment for inland freight to normal values for galvanised steel and aluminium zinc coated steel sold in China, Korea and Taiwan may not be required.

7.5 Import volumes – nominated countries

The application states that in 2011-12 imports of galvanised steel and aluminium zinc coated steel imported from China, Korea and Taiwan collectively represented approximately 75% and 95% respectively, of the total Australian import volume. Customs and Border Protections import data base identified that the proportion of imports from the nominated countries for galvanised steel and aluminium zinc coated steel were marginally lower and higher respectively compared to BlueScope's estimates.

From the information available from Customs and Border Protection's import database, it appears that imports of galvanised steel and aluminium zinc coated steel from China, Korea and Taiwan (classified to the tariff sub headings specified at Section 4.2.3) represented more than 3% of the total import volume of galvanised steel and aluminium zinc coated steel respectively during 2011-12 and are therefore not in negligible volumes as defined in s.269TDA of the Act.

7.6 Dumping margins

In addition to Customs and Border Protection's findings regarding export prices (Sections 7.3.2 and 7.3.4 refer), Customs and Border Protection considers that, based on the information submitted in the application, the amounts used by BlueScope to estimate normal values appear to be reasonable.

(i) Galvanised steel

Normal values for galvanised steel calculated by BlueScope are summarised in the following table (Customs and Border Protection calculated annual normal values using the data provided by BlueScope).

Country	Sep Quarter 2011 (AUD)	Dec quarter 2011 (AUD)	Mar quarter 2012 (AUD)	Jun quarter 2012 (AUD)	2011-12 (AUD)
China	\$1,019	\$983	\$949	\$992	\$986
Korea	\$1,068	\$1,000	\$964	\$1,012	\$1,011
Taiwan	\$926	\$925	\$896	\$930	\$916

Figure 7: Applicant's estimated normal values for galvanised steel – 2011-12

Dumping margins for galvanised steel calculated by BlueScope and provided in its application are summarised in the following table (Customs and Border Protection calculated annual dumping margins using data provided by BlueScope).

PUBLIC RECORD

Country	Sep Quarter 2011 (AUD)	Dec quarter 2011 (AUD)	Mar quarter 2012 (AUD)	Jun quarter 2012 (AUD)	2011-12 (AUD)
China	17%	8%	21%	22%	18%
Korea	24%	10%	21%	18%	19%
Taiwan	7%	5%	14%	9%	9%

Figure 8: Applicant's dumping margins for galvanised steel – 2011-12

Revised dumping margins for galvanised steel calculated by Customs and Border Protection using data from its import database (for export prices) and adjusted normal values are summarised in the following table.

Country	Sep Quarter 2011 (AUD)	Dec quarter 2011 (AUD)	Mar quarter 2012 (AUD)	Jun quarter 2012 (AUD)	2011-12 (AUD)
China	8%	1%	14%	17%	11%
Korea	3%	2%	12%	2%	7%
Taiwan	3%	0%	9%	8%	5%

Figure 9: Revised dumping margins for galvanised steel – 2011-12

While the revised dumping margins for galvanised steel calculated by Customs and Border Protection were lower compared to BlueScope's estimates (predominately reflecting variations in export price data), the revised 2011-12 annual dumping margins were still greater than 2%.

Export prices (based on Customs and Border Protection's import database), Customs and Border Protection's constructed normal values and supporting calculations and dumping margin calculations for galvanised steel are at **Confidential Attachments CA 2, CA 3 and CA 4** respectively.

(ii) Aluminium zinc coated steel

Normal values for aluminium zinc coated steel calculated by BlueScope are summarised in the following table (Customs and Border Protection calculated annual normal values using the data provided by BlueScope).

Country	Sep Quarter 2011 (AUD)	Dec quarter 2011 (AUD)	Mar quarter 2012 (AUD)	Jun quarter 2012 (AUD)	2011-12 (AUD)
China	\$1116	\$1080	\$1069	\$1113	\$1095
Korea	\$1146	\$1078	\$1060	\$1108	\$1098
Taiwan	\$1048	\$1047	\$1036	\$1071	\$1051

Figure 10: Applicant's estimated normal values for aluminium zinc coated steel – 2011-12

Dumping margins for aluminium zinc coated steel calculated by BlueScope and provided in its application are summarised in the following table (Customs and Border Protection calculated annual dumping margins using data provided by BlueScope).

PUBLIC RECORD

Country	Sep Quarter 2011 (AUD)	Dec quarter 2011 (AUD)	Mar quarter 2012 (AUD)	Jun quarter 2012 (AUD)	2011-12 (AUD)
China	22%	20%	31%	28%	25%
Korea	27%	19%	37%	31%	28%
Taiwan	16%	17%	25%	29%	22%

Figure 11: Applicant's dumping margins for aluminium zinc coated steel – 2011-12

Revised dumping margins for aluminium zinc coated steel calculated by Customs and Border Protection using data from its import database (for export prices) and adjusted normal values are summarised in the following table.

Country	Sep Quarter 2011 (AUD)	Dec quarter 2011 (AUD)	Mar quarter 2012 (AUD)	Jun quarter 2012 (AUD)	2011-12 (AUD)
China	20%	16%	12%	11%	15%
Korea	19%	8%	16%	26%	17%
Taiwan	13%	17%	24%	18%	18%

Figure 12: Revised dumping margins for aluminium zinc coated steel – 2011-12

While the revised dumping margins for aluminium zinc coated steel calculated by Customs and Border Protection were lower compared to BlueScope's estimates (predominately reflecting variations in export price data), the revised 2011-12 annual dumping margins were still greater than 2%.

Export prices (based on Customs and Border Protection's import database), Customs and Border Protection's constructed normal values and supporting calculations and dumping margin calculations for aluminium zinc coated steel are at **Confidential Attachments CA 2, CA 3 and CA 4** respectively.

(iii) Both products - Customs and Border Protection's assessment

Customs and Border Protection is satisfied that, based on the information submitted in the applications in respect of galvanised steel and aluminium zinc coated steel, BlueScope has demonstrated that there appear to be reasonable grounds for concluding that galvanised steel and aluminium zinc coated steel has been exported to Australia from China, Korea and Taiwan at dumped prices.

8 REASONABLE GROUNDS – ECONOMIC CONDITION OF THE AUSTRALIAN INDUSTRY

8.1 Findings

Having regard to the matters contained in the applications and to other information considered relevant, Customs and Border Protection is satisfied that the Australian industry (BlueScope) appears to have experienced injury in respect of galvanised steel and aluminium zinc coated steel based on the assessment of the economic condition of the respective industries.

8.2 Legislative framework

Subsection 269TC(1) requires that the CEO must reject an application for a dumping duty notice if, inter alia, the CEO is not satisfied that there appears to be reasonable grounds for the publication of a dumping duty notice. Under s.269TG of the Act, one of the matters that the Minister must be satisfied of to publish a dumping duty notice is that because of the dumping, material injury has been or is being caused or is threatened to the Australian industry producing like goods.

8.3 Injury claims⁴⁵

(i) Galvanised steel

In respect of galvanised steel, BlueScope claimed that the Australian industry has been injured through:

- loss of sales volume;
- reduced market share;
- reduced revenues;
- price undercutting⁴⁶;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced return on investment;
- reduced ability to raise capital for re-investment; and
- reduced employment.

(ii) Aluminium zinc coated steel

In respect of aluminium zinc coated steel, BlueScope claimed that the Australian industry has been injured through:

- loss of sales volume;

⁴⁵ Section 4.1 also refers.

⁴⁶ Customs and Border protection considers price undercutting is a causation factor rather than a factor impacting on the economic condition of the industry. Section 10.2.2 discusses price undercutting claims.

PUBLIC RECORD

- reduced market share;
- reduced revenues;
- price undercutting;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced return on investment;
- reduced ability to raise capital for re-investment; and
- reduced employment.

8.4 Commencement of injury

The applications claim that material injury to the Australian industry caused by dumped imports commenced in 2010-11 and has been exacerbated in 2011-12. In their application in respect of aluminium zinc coated steel, BlueScope claim that the dumped imports from China, Korea and Taiwan commenced in 2008-09 (and there was a delay in the injury experienced by the Australian industry).

8.5 Injury approach

The injury analysis detailed in this section is based on the financial information submitted by BlueScope and import data from Customs and Border Protection's import database.

BlueScope provided production; cost and sales data for "total" galvanised steel and "total" aluminium zinc coated steel products (as covered by the goods descriptions). As BlueScope manufacture and supply a wide range of like goods at varying widths and thicknesses, production, cost and sales data was also provided for key product specifications, representing products with the highest sales volumes.

At the consideration stage, for the purpose of assessing the economic condition of the Australian industry aggregate product data has been used. Micro-analysis covering individual or a range of, product specifications may be undertaken during the investigation.

Reflecting Customs and Border Protection's treatment of the applications in this report (Section 3.1.1 refers), analysis and assessment of the economic condition of the industry and injury factors for galvanised steel and aluminium zinc coated steel are presented separately within this section.

8.6 Cumulation of injury

Subsection 269TAE(2C) of the Act provides for consideration of the cumulative effect of exports from different countries, if, after having regard to:

- the conditions of competition between the exported goods; and
- the conditions of competition between the exported goods and the like goods that are domestically produced;

the Minister is satisfied that it is appropriate to consider the cumulative effects.

PUBLIC RECORD

Based on the information provided in the applications, Customs and Border Protection is satisfied that in respect of galvanised steel and aluminium zinc coated steel, in respective markets, the conditions of competition between imported and domestically produced like goods appear to be similar.

BlueScope claimed that it has been unable to increase prices to recover increased costs as a result of price undercutting by imports of galvanised steel and aluminium zinc coated steel from each of the nominated countries.

The information contained in Customs and Border Protection's imports database indicates that several importers of galvanised steel and aluminium zinc coated steel imported from a number of the nominated countries. Customs and Border Protection considers that this indicates that the products are used by the same or similar customers.

As discussed at Section 6, Customs and Border Protection is satisfied that for each application, the goods are alike, have similar specifications (in terms of width), have similar end-uses, and compete in the same primary market segments.

Customs and Border Protection considers that it is appropriate to consider the cumulative effect of the allegedly dumped imports.

8.7 Volume effects

8.7.1 Sales volume

(i) Galvanised steel

The following graph shows BlueScope's sales volumes for galvanised steel from 2007-08 to 2011-12.

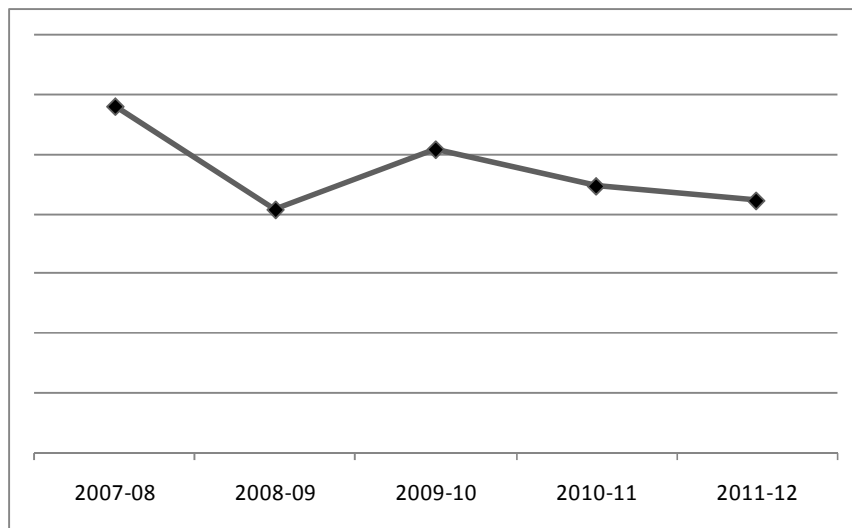


Figure 13: BlueScope's sales volume (tonnes) – galvanised steel – 2007-08 to 2011-12

This graph shows that BlueScope's domestic sales volumes of galvanised steel continually decreased since 2009-10.

PUBLIC RECORD

(ii) Aluminium zinc coated steel

The following graph shows BlueScope's sales volumes for aluminium zinc coated steel for 2007-08 to 2011-12.

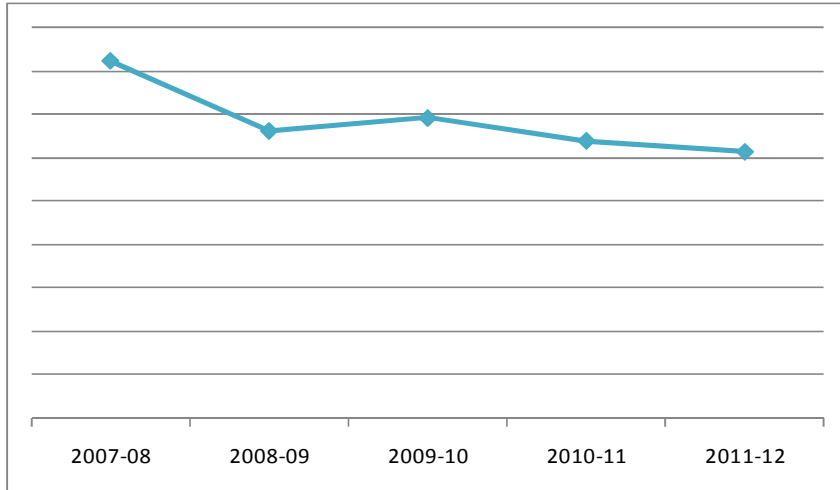


Figure 14: BlueScope's sales volume (tonnes) – aluminium zinc coated steel – 2007-08 to 2011-12

This graph shows that BlueScope's domestic sales volumes of aluminium zinc coated steel continually decreased since 2009-10. It appears that BlueScope's sales volume for aluminium zinc coated steel and galvanised steel reflect similar trends.

8.7.2 Market shares

(i) Galvanised steel

The following graph shows movements in market shares including BlueScope's market share, in the Australian market for galvanised steel for 2007-08 to 2011-12.

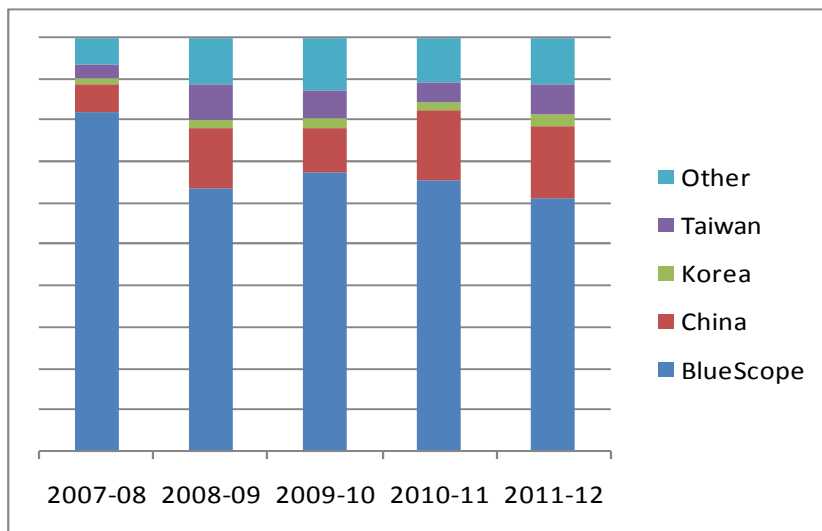


Figure 15: Market shares – galvanised steel – 2007-08 to 2011-12

This graph shows that BlueScope's market share in the Australian market for galvanised steel continually decreased since 2009-10, reflecting BlueScope's trends

PUBLIC RECORD

in sales volumes. During this period, the market share of total imports from China, Korea and Taiwan increased. Although, there has been variation in market shares held by each of the nominated countries, with the largest market share represented by imports from China.

(ii) Aluminium zinc coated steel

The following graph shows movements in market shares including BlueScope's market share, in the Australian market for aluminium zinc coated steel for 2007-08 to 2011-12.

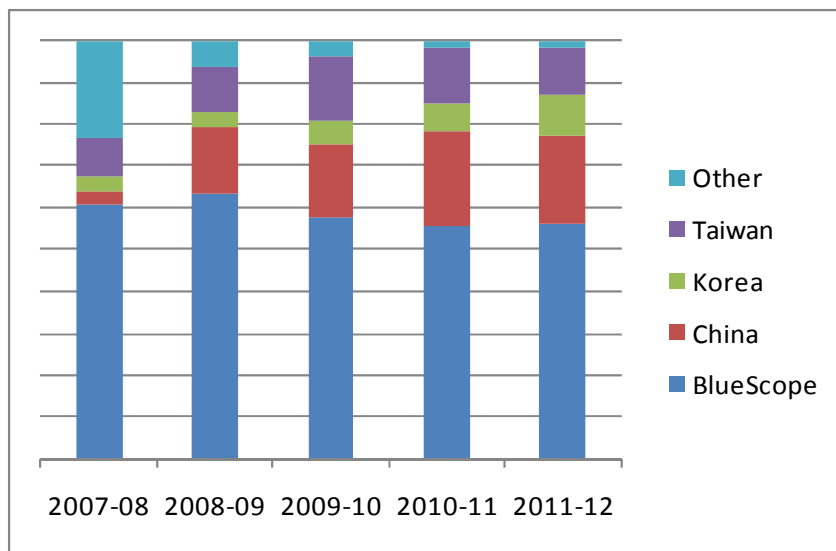


Figure 16: Market shares – aluminium zinc coated steel – 2007-08 to 2011-12

This graph shows that BlueScope's market share in the Australian market for aluminium zinc coated steel has remained relatively constant since 2009-10, in a declining market. During this period, the market share of total (aggregate) imports from China, Korea and Taiwan increased from 2008-09 to 2009-10 and has remained constant since 2009-10. Although, there has been variation in market shares held by each of the nominated countries, with the largest market share represented by imports from China. Imports from China decreased in 2011-12.

8.8 Price effects

8.8.1 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 revenues and costs.

(i) Galvanised steel

The following graphs show movements in BlueScope's total and unit revenues (reflecting net prices less rebates and discounts) and costs in respect of galvanised steel for 2007-08 to 2011-12.

PUBLIC RECORD

Total revenue and costs

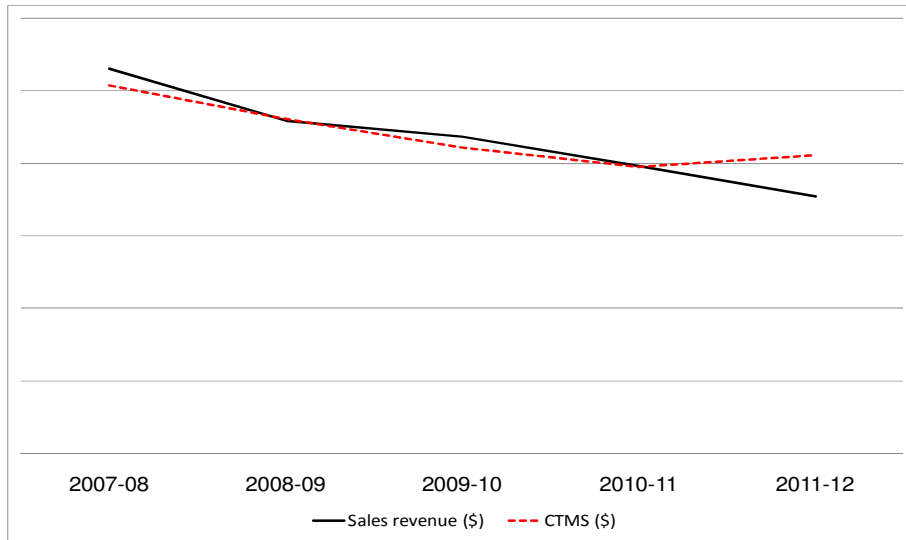


Figure 17: BlueScope's total sales revenue and costs – galvanised steel – 2007-08 to 2011-12

Unit revenue and costs (AUD (\$) per tonne)



Figure 18: BlueScope's unit sales revenue and costs – galvanised steel – 2007-08 to 2011-12

The graphs show:

- total sales revenue decreased continually since 2007-08 and unit sales revenue decreased in 2011-12, which indicates price depression; and
- sales revenue and costs in respect of galvanised steel followed similar trends until 2011-12 as costs increased above revenue, which indicates price suppression (this trend was apparent for total (figure 17 refers) and unit values (figure 18 refers)).

(ii) Aluminium zinc coated steel

The following graphs show movements in BlueScope's total and unit revenues (reflecting net prices less rebates and discounts) and costs in respect of aluminium zinc coated steel for 2007-08 to 2011-12.

PUBLIC RECORD

Total revenue and costs

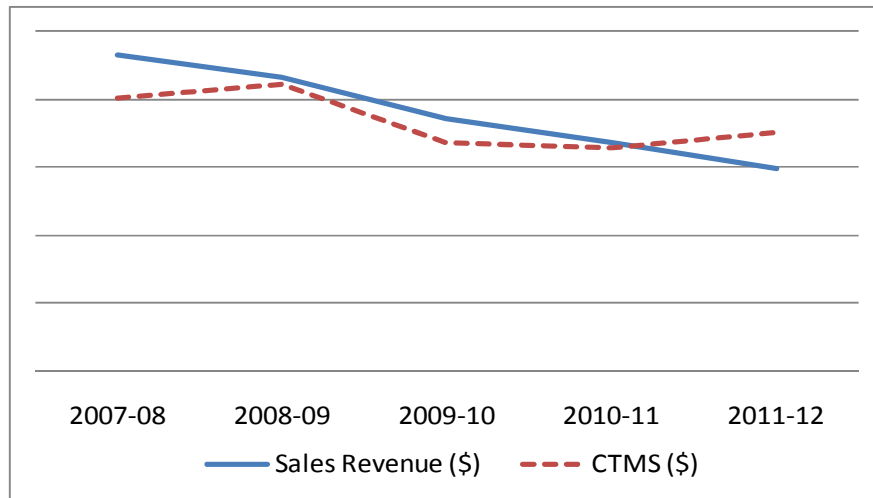


Figure 19: BlueScope's total sales revenue and costs – aluminium zinc coated steel – 2007-08 to 2011-12

Unit revenue and costs (AUD (\$) per tonne)

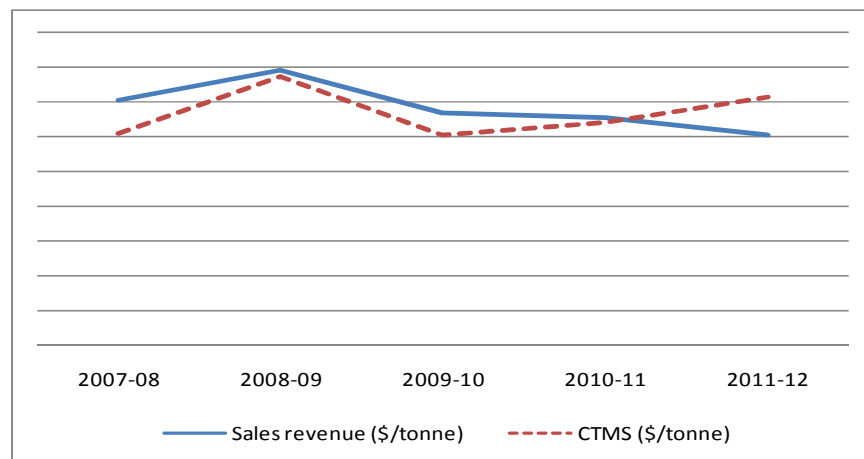


Figure 20: BlueScope's unit sales revenue and costs – aluminium zinc coated steel – 2007-08 to 2011-12

The graphs show:

- total sales revenue decreased continually since 2007-08 and unit sales revenue decreased in 2011-12, which indicates price depression; and
- sales revenue and costs in respect of aluminium zinc coated steel followed similar trends until 2011-12 as costs increased above revenue, which indicates price suppression (this trend was apparent for total (figure 19 refers) and unit values (figure 20 refers)).

8.9 Profit effects

(i) Galvanised steel

The following graph shows movements in BlueScope's profit and profitability in respect of galvanised steel for 2007-08 to 2011-12.

PUBLIC RECORD

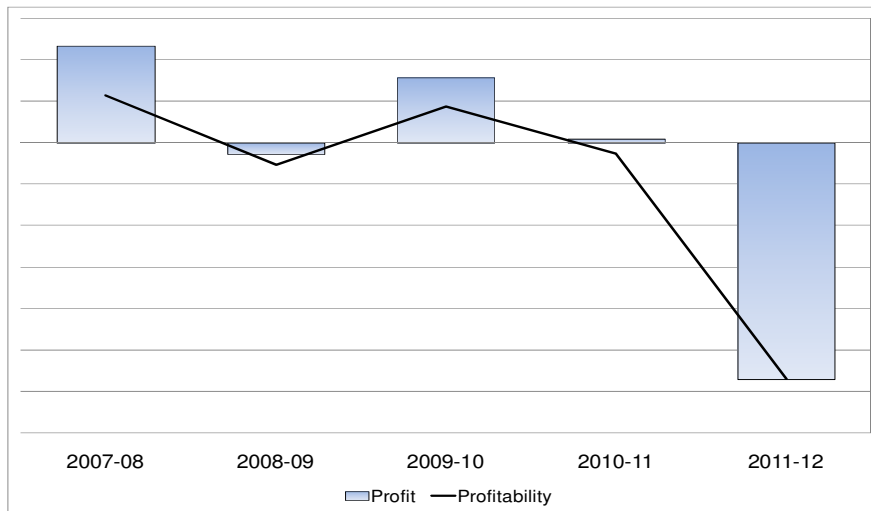


Figure 21: BlueScope's profit and profitability – galvanised steel – 2007-08 to 2011-12

This graph shows a significant decrease in BlueScope's profit and profitability in respect of galvanised steel since 2009-10, with an exponential decrease occurring in 2011-12.

(ii) Aluminium zinc coated steel

The following graph shows movements in BlueScope's profit and profitability in respect of aluminium zinc coated steel for 2007-08 to 2011-12.

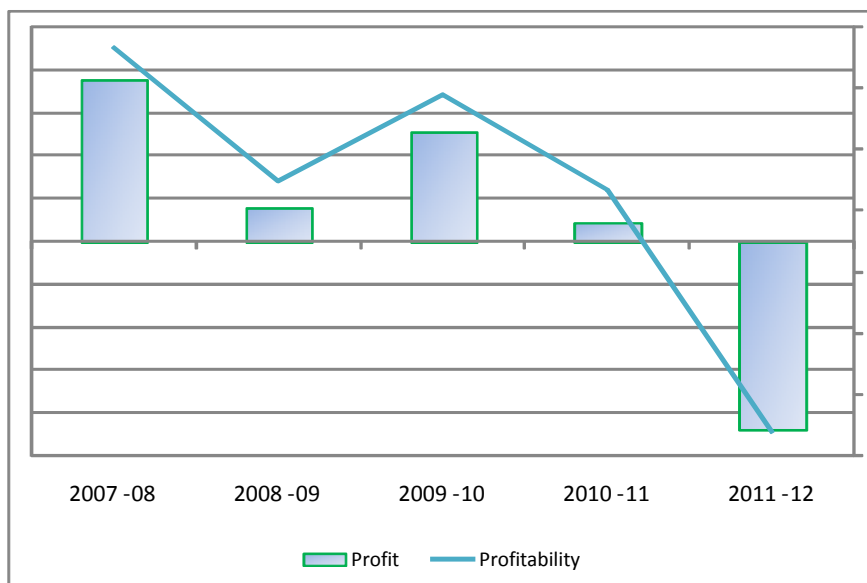


Figure 22: BlueScope's profit and profitability – aluminium zinc coated steel – 2007-08 to 2011-12

This graph shows a significant decrease in BlueScope's profit and profitability in respect of galvanised steel since 2009-10, with an exponential decrease occurring in 2011-12.

PUBLIC RECORD

8.10 Summary of major injury indicators

Based on the preliminary analysis detailed above, there appear to be reasonable grounds to support the claim that BlueScope has experienced injury from 2010-11 to 2011-12 in the form of:

(i) Galvanised steel

- loss of sales volume;
- reduced market share;
- reduced sales revenues;
- price depression;
- price suppression;
- reduced profit and profitability;

(ii) Aluminium zinc coated steel

- loss of sales volume;
- reduced sales revenues;
- price depression;
- price suppression; and
- reduced profit and profitability.

Customs and Border Protection's assessment of the economic condition on the Australian industry in respect of both products is at **Confidential Attachment CA 5**.

8.11 Other injury factors

8.11.1 BlueScope's claims

BlueScope completed a Confidential Appendix A7 for galvanised steel and aluminium zinc coated steel for the period 2008-09 to 2011-12. BlueScope claims that they have experienced injury in respect of other economic / injury factors (Section 4.1 refers). Customs and Border Protection has reviewed respective Confidential Appendix A7's and identified the following trends for other injury factors⁴⁷, in respect of domestic sales of both galvanised steel and aluminium zinc coated steel (i.e. like goods).

8.11.1.1 Assets

(i) Both products

Customs and Border Protection identified a downward trend in the value of assets used in the production of galvanised steel and aluminium zinc coated steel from 2008-09.

⁴⁷ Where similar trends regarding other injury factors have been identified for both galvanized steel and aluminium zinc coated steel Customs and Border Protection has not repeated the findings under separate headings for each product.

PUBLIC RECORD

8.11.1.2 Capital investment

(i) Both products

Customs and Border Protection identified varying trends for capital investment in the production of galvanised steel and aluminium zinc coated steel, however capital investment decreased in 2011-12 for both products.

Excluding the data provided in Confidential Appendix A7 no other information was provided to support BlueScope's claim regarding reduced ability to attract capital re-investment in respect of galvanised steel or aluminium zinc coated steel.

8.11.1.3 Research and development expenditure

(i) Both products

Research and development expenditure (R&D) in respect of galvanised steel and aluminium zinc coated steel decreased in 2011-12.

8.11.1.4 Return On Investment (return on assets employed)

(i) Galvanised steel

Return on investment (ROI) in relation to galvanised steel decreased exponentially from 2008-09 to 2011-12. The downward trend shown for ROI was the most prevalent other injury factor in Confidential Appendix A7. The most significant decrease in ROI occurred in 2011-12, which would have been impacted on BlueScope's restructure and closure of production facilities (at Westport), including metal coating lines. BlueScope also notes that the ROI results in 2008-09 are impacted by significant capital expenditure in relation to its Port Kembla steel works.

(ii) Aluminium zinc coated steel

ROI in relation to aluminium zinc coated steel reduced substantially from 2008-09 to 2011-12 (although to a much less significant degree than compared to the ROI for galvanised steel). This would also have been impacted by the closure of one of BlueScope's two aluminium zinc coating lines in 2011. BlueScope noted that the ROI results in 2008-09 are impacted by significant capital expenditure in relation to its Port Kembla steel works.

8.11.1.5 Revenue

(i) Galvanised steel

Revenue from domestic sales of galvanised steel continually decreased from 2008-09 to 2011-12, with significant decreases occurring in 2011-12.

(ii) Aluminium zinc coated steel

Customs and Border Protection identified (when reconciling application appendices) that revenue amounts shown in Confidential Appendix A7 for aluminium zinc coated steel also included products with widths of less than 600mm, which are not the

PUBLIC RECORD

subject of the application. Therefore Customs and Border Protection cannot accurately assess revenue trends shown in Confidential Appendix A7. Notwithstanding this issue, Customs and Border Protection referred to Confidential Appendices A3 and A6 to identify trends for net sales revenues for aluminium zinc coated steel. As discussed at Section 9.6.1 sales revenue for aluminium zinc coated steel decreased continually from 2007-08 to 2011-12.

8.11.1.6 Capacity

(i) Both products

Capacity for the production of galvanised steel and aluminium zinc coated steel decreased in 2011-12, which would have been impacted on BlueScope's restructure and closure of production facilities (at Westport), including metal coating lines.

8.11.1.7 Capacity utilisation

(i) Both products

Capacity utilisation for galvanised steel and aluminium zinc coated steel decreased in 2011-12.

8.11.1.8 Employment

(i) Galvanised steel

Employment (measured in number of persons) relating to galvanised steel production decreased in 2011-12, which would have been impacted on BlueScope's restructure and closure of production facilities (at Westport), including metal coating lines.

(ii) Aluminium zinc coated steel

Employment (measured in number of persons) relating to aluminium zinc coated steel production decreased continually from 2008-09 to 2011-12. The reduction to employee levels in 2011-12 was significant. This would also have been impacted by the closure of one of BlueScope's two aluminium zinc coating lines in 2011.

8.11.1.9 Productivity

(i) Galvanised steel

Productivity (measured in tonnes per person) in respect of galvanised steel decreased in 2011-12.

(ii) Aluminium zinc coated steel

Productivity (measured in tonnes per person) in respect of aluminium zinc coated steel increased continually from 2008-09 to 2011-12.

PUBLIC RECORD

8.11.1.10 Stocks

(i) Galvanised steel

Stock (inventory) levels of galvanised steel decreased in 2011-12.

(ii) Aluminium zinc coated steel

Stock (inventory) levels of aluminium zinc coated steel decreased significantly in 2011-12 (BlueScope stated that this predominately reflects reduced production).

8.11.1.11 Wages

(i) Galvanised steel

Wages related to the production of galvanised steel decreased in 2011-12. The average wage for the production of galvanised steel increased in 2011-12.

(ii) Aluminium zinc coated steel

Wages related to the production of aluminium zinc coated steel significantly decreased from 2010-11 to 2011-12, which BlueScope state reflects the significantly reduction in employee numbers. The average wage for the production of aluminium zinc coated steel increased in 2011-12.

8.11.2 Customs and Border Protection's assessment – other economic / injury factors (including revenue effects)

Based on the information contained in the applications there appears to be reasonable grounds to support the claim that BlueScope have experienced injury in the form of:

(i) Galvanised steel

- reduced revenues;
- reduced ROI;
- reduced production capacity; and
- reduced employment.

However it is also evident the closure of BlueScope's metal coating line would have also impacted on the 2011-12 trends for other injury factors.

(ii) Aluminium zinc coated steel

- reduced revenues⁴⁸;
- reduced ROI;
- reduced production capacity; and

⁴⁸ Notwithstanding the issues identified with revenue amounts provided for aluminium zinc coated steel in Confidential Appendix A7.

PUBLIC RECORD

- reduced employment.

(iii) Both products

Notwithstanding the preliminary findings above, Customs and Border Protection will further analyse the other economic (and revenue) indicators claimed in the application, including those discussed in this section, during the investigations.

9 CAUSATION FACTORS

9.1 Findings

Having regard to the matters contained in the application and to other information considered relevant, Customs and Border Protection is satisfied that galvanised steel and aluminium zinc coated steel exported to Australia from China, Korea and Taiwan at allegedly dumped prices appear to have caused material injury to the Australian industry.

9.2 Causation factors

9.2.1 Volume

(i) Galvanised steel – BlueScope’s claims⁴⁹

BlueScope claimed that the Australian market for galvanised steel expanded in 2009-10 and that BlueScope’s sales increased following the 2008-09 global financial crisis. BlueScope claimed that imports from China, Korea and Taiwan also increased, but by a lesser amount. During 2010-11, the market experienced a contraction. BlueScope’s sales volumes fell, but imports from China, Korea and Taiwan continued to increase. In 2011-12 BlueScope’s sales volume continued to decrease while imports from China and Korea increased. BlueScope claimed that imports from Taiwan in 2011-12 were at similar levels to earlier years. Imports of galvanised steel from all other source countries increased in 2011-12.

BlueScope claimed that the increase in imports from China, Korea and Taiwan in successive years since 2008-09 contributed to BlueScope’s loss of market share in 2010-11 and 2011-12.

BlueScope claimed that dumped imports from China, Korea and Taiwan have been the major cause of lost sales by BlueScope in 2011-12.

(ii) Galvanised steel – Customs and Border Protection’s assessment

In respect of galvanised steel, Customs and Border Protection considers that there appears to be reasonable grounds that the significant increase in the individual and cumulative volume of imports from China, Korea and Taiwan in 2009-10 contributed to BlueScope’s reduced sales volume in 2010-11 and 2011-12. Custom and Border Protection identified that the most significant increase in the aggregated import volume for the nominated countries since 2009-10 occurred in 2011-12.

(iii) Aluminium zinc coated steel – BlueScope’s claims⁵⁰

BlueScope claimed that the Australian market for aluminium zinc coated steel expanded in 2009-10 as imports of aluminium zinc coated steel from China, Korea and Taiwan increased by approximately 50% compared to 2008-09. BlueScope

⁴⁹ BlueScope’s claims may vary from Customs and Border Protection’s injury findings in this report (Section 9 refers).

⁵⁰ Ibid.

PUBLIC RECORD

stated that its sales volumes in 2009-10 were relatively stable during this period.

BlueScope claimed that in 2010-11, imports from China continued to increase, with imports from Korea and Taiwan decreasing. It claims that imports from China and Taiwan continued to increase in 2011-12, with imports from Taiwan in 2011-12 remaining relatively constant (when compared to the preceding year).

BlueScope claimed that imports of aluminium zinc coated steel from all other countries have decreased on an annual basis since 2008/09 and hold a relatively minor share of total imports into Australia (at approximately 5%).

BlueScope claimed that the increase in import volume from China, Korea and Taiwan in 2009-10 is considered to have been the catalyst for its subsequent reduction in sales volumes in 2010-11, continuing again in 2011-12.

(iv) Aluminium zinc coated steel – Customs and Border Protection’s assessment

In respect of aluminium zinc coated steel, Customs and Border Protection considers that there appears to be reasonable grounds that the significant increase in the cumulative volume of imports from China, Korea and Taiwan in 2009-10 contributed to BlueScope’s reduced sales volume in 2010-11 and 2011-12. Customs and Border Protection notes that in 2011-12 in a declining Australian market, while imports from China and Taiwan decreased, that the cumulative volume of imports from the nominated countries increased, due to increased import volumes from Korea. This occurred concurrently with a further decrease in BlueScope’s sales.

9.2.2 Price undercutting

(i) Galvanised steel

In their application in respect of galvanised steel, BlueScope stated that:

“The influence of the dumped exports of galvanised steel on BlueScope’s selling prices, profit and profitability in 2010/11 and 2011/12 has been substantial⁵¹”.

BlueScope claimed that in 2011-12 export prices (A\$/FOB per metric tonne) for galvanised steel imported from China, Korea and Taiwan were comparable (i.e. varied within 2%) and were also \$300 AUD below average export prices for imports from other countries. BlueScope claimed that in order to maintain market share they responded by offering competitive landed-into-store prices for the galvanised steel compared to export prices for imports from China, Korea and Taiwan. They claimed this is evidenced by reduced selling prices.

BlueScope provided a summary of import offers (prices shown in AUD per metric tonne and free-into-store (FIS)) from each of the nominated countries, including from the nominated exporters, at prices that they claimed undercut their selling prices. Source documentation to substantiate a selected number of import sales offers was

⁵¹ Galvanised Steel Application, page 29

PUBLIC RECORD

included in the summary (where available). BlueScope also provided post exportation costs and accompanying calculations for imports from the nominated countries.

BlueScope submits that in order to maintain domestic volumes they have been required to match import prices of the dumped galvanized steel, through BlueScope's import parity pricing mechanism, where appropriate (this policy was provided in the galvanised steel application). BlueScope claimed that dumped exports of galvanised steel from China, Korea and Taiwan undercut BlueScope's average selling price by 12% to 18% in 2011-12. BlueScope claimed that the net effect of the price undercutting from the dumped exports from China, Korea and Taiwan, is that BlueScope's selling prices are depressed, and that net selling prices (excluding rebates) have reduced by 6% compared to 2010-11 average net selling prices.

As evidence of price undercutting, the application for galvanised steel contained a specific example⁵² of the sales negotiation process.

Example 1

In the application, BlueScope included details of commercial negotiations with a distributor concerning the supply of galvanised steel to a long-term customer during May 2011 to August 2011. This customer had been approached for supply by an importer with a price that was \$20 AUD per metric tonne below BlueScope's import parity price. This company approached BlueScope to ascertain whether BlueScope would offer a reduced net selling price comparable to the import offer. BlueScope stated that in order to maintain supply to the customer, they provided rebates to achieve a comparable price, despite occurring at a time when market prices were rising.

BlueScope claimed that the price undercutting example establishes a causal link between BlueScope's injury and the dumped exports.

BlueScope further consider that there is a strong causal link between increasing import volumes of dumped exports of galvanised steel from China, Korea and Taiwan, and BlueScope's reduced selling prices, reduced margin over cost, and diminished profits and profitability (which BlueScope claim was substantial in 2010-11 and 2011-12).

(ii) Galvanised steel – Customs and Border Protection's assessment

Customs and Border Protection considers that the information provided, for the purpose of a consideration decision, appears to provide reasonable evidence of price undercutting, although issues which warrant further investigation were identified.

Customs and Border Protection found that while the import offer summary for galvanised steel provided in the application covered imports of galvanised steel from each of the nominated countries (supplied at FIS terms), however supporting source documentation was provided in respect of China and Taiwan only. Customs and Border Protection also identified that the post exportation costs estimated by

⁵² BlueScope claim that customer details and prices are commercial-in-confidence.

PUBLIC RECORD

BlueScope in respect of imports from Korea and Taiwan were understated, as Customs duty (of 5%) had been omitted.

Customs and Border Protection also found that the source country of the import offers was not always apparent in the evidence provided to support price undercutting claims (although noting that imports of galvanised steel from the nominated countries represented more than 60% of the total Australian import volume).

Notwithstanding the issues identified above, the application was supported with reasonable evidence of price undercutting (at the consideration stage), which warrant further investigation. It is also apparent that BlueScope experienced price depression in 2011-12, which supports BlueScope's claims of reduced prices (which they claim was in order to compete with dumped imports at competitive prices). Customs and Border Protection conducted further analysis of price undercutting claims by calculating and comparing Non Injurious Prices (NIPs) to export prices for galvanised steel exported from the nominated countries, which substantiated BlueScope's price undercutting claims (Section 10.5 refers).

(iii) Aluminium zinc coated steel

In their application in respect of aluminium zinc coated steel, BlueScope stated that:

"The dumped exports the subjects of this application, however, are at price levels that significantly undercut BlueScope's selling prices⁵³".

BlueScope claimed that in 2011-12 export prices (A\$/FOB per metric tonne) for aluminium zinc coated steel imported from China, Korea and Taiwan were comparable, reflecting import competition. BlueScope claimed that in order to maintain market share they responded by offering competitive landed-into-store prices for the aluminium zinc coated steel compared to export prices for imports from China, Korea and Taiwan. They claimed this is evidenced by BlueScope's reduced selling prices.

BlueScope provided a summary of import offers (prices shown in AUD per metric tonne and in FIS terms) from each of the nominated countries, including from the nominated exporters, at prices that they claimed undercut their selling prices. Source documentation to substantiate a selected number of import sales offers was included in the summary (where available). BlueScope also provided post exportation costs and accompanying calculations for imports from the nominated countries.

BlueScope submits that in order to maintain domestic volumes they have been required to match import prices of the dumped aluminium zinc coated steel, through BlueScope's import parity pricing mechanism, where appropriate (this policy was provided in the aluminium zinc coated steel application).

BlueScope claimed that dumped exports of aluminium zinc coated steel from China, Korea and Taiwan undercut BlueScope's average selling price by 11% to 15% in 2011-12. BlueScope claimed that the net effect of the price undercutting from the

⁵³ Aluminium Zinc Coated Steel Application, page 30.

PUBLIC RECORD

dumped exports from China, Korea and Taiwan, is that BlueScope's selling prices are depressed, and that net selling prices (excluding rebates) have reduced by 7.5% compared to 2010-11 average net selling prices.

As evidence of price undercutting, the application for aluminium zinc coated steel contained two specific examples⁵⁴ of the negotiation process for ZINCALUME® steel.

Example 1

Example 1 describes BlueScope's negotiation process with a customer in the commercial industrial market segment that purchases a specified annual volume of aluminium zinc coated steel from BlueScope via their distributor channel partner. BlueScope stated that the customer receives offers from traders on a monthly basis and provides BlueScope's distributors with the offers, which are subsequently validated by the distributors (based on market intelligence). The application states that if the offer is validated the distributor requests financial support from BlueScope to secure "*the strategically critical volume*". BlueScope also compares the offer against their import parity database. BlueScope refers to the assistance as a "*EUT*" mechanism, a form of a rebate and pricing support. They claim that in 2011-12 in order to secure supply of aluminium zinc coated steel to the customer the "*EUT*" was increasing utilised, in addition to volume rebates.

Example 2

Example 2 describes BlueScope's negotiation process with an end user customer regarding supply of ZINCALUME® steel G550. BlueScope stated that the customer requested that BlueScope match reported FIS import offers or the customer would source the product from an alternative supplier. BlueScope advised that they reduced prices for the supply to the company (by varying amounts dependent upon thickness), for October 2011 to November 2011, with the EUT support, before additional rebates.

BlueScope claimed that the price undercutting examples establish a causal link between BlueScope's injury and the dumped exports of aluminium zinc coated steel.

BlueScope further consider that there is a strong causal link between the increasing aggregated import volumes of dumped exports of aluminium zinc coated steel from China, Korea and Taiwan, and BlueScope's reduced selling prices, reduced margin over cost, and diminished profits and profitability (which BlueScope claim was substantial in 2010-11⁵⁵ and 2011-12).

(iv) Aluminium zinc coated steel – Customs and Border Protection's assessment

Customs and Border Protection considers that the information provided, for the purpose of a consideration decision, appears to provide reasonable evidence of price undercutting, although issues which warrant further investigation were identified.

⁵⁴ BlueScope claim that customer details and prices are commercial-in-confidence.

⁵⁵ Being impacted by increasing import volumes reduced sales and depressed prices during earlier periods.

PUBLIC RECORD

Customs and Border Protection found that the import offer summary provided in the application covered imports of aluminium zinc coated steel from each of the nominated countries (supplied at FIS terms), and supporting source documentation was provided in respect of each of the nominated countries.

However, Customs and Border Protection identified that components of the source documentation provided in the application to illustrate price undercutting related to galvanised steel and not aluminium zinc coated steel.

The source country of the import offers was not always apparent in the evidence provided to support price undercutting claims (although noting that imports of galvanised steel from the nominated countries represented a over 95% of the total Australian import volume, it is reasonable to assume that these offers were in respect of the nominated countries).

Customs and Border Protection also identified that the post exportation costs estimated by BlueScope in respect of imports from Korea and Taiwan were understated, as Customs duty (of 5%) had been omitted.

Notwithstanding the issues identified above, Customs and Border Protection considers that the application was supported with reasonable evidence of price undercutting (at the consideration stage), which warrant further investigation. It is also apparent that BlueScope experienced price depression in 2011-12, which supports BlueScope's claims of reduced prices (which they claim was in order to compete with dumped imports at competitive prices). Customs and Border Protection conducted further analysis of price undercutting claims by calculating and comparing NIPs to export prices for aluminium zinc coated steel exported from the nominated countries, which substantiated BlueScope's price undercutting claims (Section 10.5 refers).

9.2.3 Costs and impacts on profits and profitability

(i) Galvanised steel – BlueScope's claims

BlueScope claimed that the CTMS for galvanised steel in 2011-12 increased by approximately 10%, but average selling prices for galvanised steel decreased by 6%. BlueScope claimed that it was unable to pass on cost increases for goods sold to the Australian customers. As a result, it has experienced material injury from imports of galvanised steel at dumped prices. BlueScope claimed that the erosion of BlueScope's margin during 2011-12 contributed to a significant decline in profit for the galvanised steel business.

(ii) Galvanised steel – Customs and Border Protection's assessment

In respect of galvanised steel, Customs and Border Protection considers that there appears to be reasonable grounds that dumped imports have impacted on BlueScope's profit and profitability. This assessment is supported by the preliminary findings that BlueScope experienced price suppression in respect of galvanised steel in 2011-12.

Customs and Border Protection also considers that BlueScope's 2011 restructure and closure of production facilities may have impacted on their performance in

PUBLIC RECORD

respect of galvanised steel. While in their application BlueScope indicated they have isolated the impacts of the restructure from cost data, this issue will be further investigated.

(iii) Aluminium zinc coated steel – BlueScope’s claims

BlueScope claimed that the CTMS for aluminium zinc coated steel increased by approximately 11% in 2011-12 compared to 2010-11, while average net selling price for aluminium zinc coated steel decreased by approximately 7.5%. BlueScope claims it is unable to pass on production cost increases by increasing prices for goods sold to Australian customers. As a result, it has experienced material injury from imports of aluminium zinc coated steel at dumped prices. BlueScope claimed that the erosion of BlueScope’s margin during 2011-12 contributed to a significant decline in profit for the aluminium zinc coated steel business.

(iv) Aluminium zinc coated steel – Customs and Border Protection’s assessment

In respect of aluminium zinc coated steel, Customs and Border Protection considers that there appears to be reasonable grounds that dumped imports have impacted on BlueScope’s profit and profitability. This assessment is supported by the preliminary findings that BlueScope experienced price suppression in respect of aluminium zinc coated steel in 2011-12.

Customs and Border Protection also considers that BlueScope’s 2011 restructure and closure of production facilities may have impacted on their performance. While in their application BlueScope indicated they have isolated the impacts of the restructure from cost data, this issue will be further investigated.

9.2.4 Other economic factors

(i) Galvanised steel – BlueScope’s claims

In respect of galvanised steel BlueScope claimed that it has experienced injury in the form of other economic indicators notably reduced ROI, reduced revenues, underutilisation of production capacity, reduced employee numbers. It also claimed that the reduction in BlueScope’s profit and profitability in respect of galvanised steel also impacts the attractiveness of the business for the BlueScope Board to commit to re-invest in the business and its ability to attract capital for re-investment purposes.

(ii) Galvanised steel – Customs and Border Protection’s assessment

As discussed at Section 10.2.2, at the consideration stage the impact on other economic / injury factors of dumped goods warrants further investigation.

(iii) Aluminium zinc coated steel – BlueScope’s claims

In respect of aluminium zinc coated steel BlueScope claimed that it has experienced injury in the form of other economic indicators notably reduced ROI, reduced revenues, underutilisation of production capacity, reduced employee numbers. It also claimed that the reduction in BlueScope’s profit and profitability in respect of aluminium zinc coated steel also impacts the attractiveness of the business for the

PUBLIC RECORD

BlueScope Board to commit to re-invest in the business and its ability to attract capital for re-investment purposes.

(iv) Aluminium zinc coated steel – Customs and Border Protection’s assessment

As discussed at Section 10.2.2, at the consideration stage the impact on other economic / injury factors of dumped goods warrants further investigation.

9.3 Materiality of injury

(i) Galvanised steel – BlueScope’s claims

BlueScope stated that the global financial crisis impacted BlueScope’s performance in 2008-09, including in relation to galvanised steel. The impact resulted in reduced demand and decreased profits and profitability. In 2011-12, following reductions in sales volumes and market share, BlueScope’s galvanised steel business has incurred significant losses. BlueScope claimed that the deterioration in their profit in relation to their galvanised steel business from 2009-10 to 2011-12 (excluding re-structure costs incurred in the September quarter of 2012) represents a material diminution of profit and profitability.

BlueScope attributes this material reduction in profit to the increase in continuing dumped galvanised steel exported to Australia during 2010-11 and 2011-12 at prices that have undercut BlueScope’s selling prices.

(ii) Galvanised steel – Customs and Border Protection’s assessment

Customs and Border Protection considers that the declining sales volume, sales revenue, profits and profitability and changes in the relativity of prices and costs in 2011-12 identified in respect of galvanised steel (Section 9 refers) indicates that at the consideration stage the injury suffered by the Australian industry is material.

(iii) Aluminium zinc coated steel – BlueScope’s claims

BlueScope stated that the global financial crisis impacted BlueScope’s performance in 2008-09, including in relation to aluminium zinc coated steel. The impact resulted in reduced demand and decreased profits and profitability. In 2011-12, following reductions in sales volumes and market share, BlueScope’s aluminium zinc coated steel business has incurred significant losses. BlueScope claimed that the deterioration in their profit in relation to their aluminium zinc coated steel from 2009-10 to 2011-12 (excluding re-structure costs incurred in the September quarter of 2012) represents a material diminution of profit and profitability.

BlueScope attributes this material reduction in profit to the increase in continuing dumped aluminium zinc coated steel exported to Australia during 2010-11 and 2011-12 at prices that have undercut BlueScope’s selling prices.

(iv) Aluminium zinc coated steel – Customs and Border Protection’s assessment

Customs and Border Protection considers that the declining sales volume, sales revenue, profits and profitability and changes in the relativity of prices and costs in 2011-12 identified in respect of aluminium zinc coated steel (Section 9 refers)

PUBLIC RECORD

indicates that at the consideration stage the injury suffered by the Australian industry is material.

9.4 Injury caused by factors other than dumping

(i) Both products

The applications for galvanised steel and aluminium zinc coated steel discuss the impact of global economic climate and appreciation of the AUD as other potential causation factors.

Global economic climate

BlueScope claims that, as it attempted to recover from the effects of the 2008-09 global economic crisis BlueScope suffered material injury from the increasing imports from the nominated countries in 2009-10. BlueScope claimed that recovery was hindered by the significant increase in exports of the goods from China, Korea and Taiwan.

However, in both applications, BlueScope claimed that the recent global economic downturn in 2011-12 has not materialised into a reduction in Australian market demand for galvanised steel and aluminium zinc coated steel. Furthermore, that during the same period the aggregate import volumes from the nominated countries for respective products increased, while BlueScope's sales volume decreased.

Exchange rate – appreciation of the AUD

In both applications BlueScope recognises that the appreciation of the AUD against other currencies has increased the competitiveness of imports (as they become cheaper). However BlueScope claimed that their sensitivity analysis on the impact of the appreciating AUD on the dumping from each of the nominated exporting countries is estimated to represent approximately 2% of the dumping margins determined during 2011-12.

(ii) Customs and Border Protection's assessment

Customs and Border Protection considers that the current economic slow down may be affecting BlueScope's performance to a certain degree. However, it notes that in 2011-12, the individual cumulative market volumes held by imports of galvanised steel from the nominated countries is increasing. Customs and Border Protection also identified that the aggregate import volumes of aluminium zinc coated steel from the nominated countries is increasing, which is driven by increased import volumes from Korea. Customs and Border Protection considers that dumped imports have impacted on BlueScope's performance in respect of galvanised steel and aluminium zinc coated steel.

Customs and Border Protection recognises that the strong AUD will have impacted on the prices of imports, making them more price-competitive. However, as dumping margins have been identified, it is likely that dumped imports have affected negatively BlueScope's performance in respect of both galvanised steel and aluminium zinc coated steel.

PUBLIC RECORD

As noted previously, BlueScope had a major restructure in the September quarter of 2011. Customs and Border Protection considers that this potentially may have had an effect on its performance in 2011-12, including in respect of galvanised steel and aluminium zinc coated steel. However, it notes that costs associated with this restructure have been identified and excluded from the injury analysis (for both products). Customs and Border Protection also notes that the media release announcing the restructure stated that the aim of the restructure was to better align Australian steel making production with Australian domestic demand and for BlueScope to divest its export business.

9.5 Comparison of export prices and estimated non-injurious prices

(i) Background

Unsuppressed Selling Price (USP) and NIP issues are examined at an early stage of an investigation and, where possible and appropriate, preliminary examinations are made during the application consideration period for the purpose of assessing injury and causal link and therefore the appearance of reasonable grounds for the publication of a dumping duty notice and or a countervailing duty notice.⁵⁶

The NIP is the minimum price necessary to prevent injury to the Australian industry producing like goods.⁵⁷

Customs and Border Protection generally derives the NIP by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping and subsidies. This price is referred to as the USP.

Customs and Border Protection's approach to establishing USPs observes the following hierarchy:

- industry selling prices at a time unaffected by dumping and subsidies; or
- constructed industry prices – industry CTMS plus profit; or
- selling prices of un-dumped / unsubsidised imports.

Having calculated the USP, Customs and Border Protection then calculates a NIP by deducting the costs incurred in getting the goods from the export FOB point (or another point if appropriate) to the relevant level of trade in Australia.

These deductions normally include overseas freight, insurance, into-store costs and amounts for importer expenses and profit.

The applicants have not provided USP or NIP estimates as this is not required by the application form. However, it is considered appropriate to compare the allegedly dumped and subsidised export prices to NIP estimates for the purposes of this report.

⁵⁶ Subsection 269TC(1)(c) of the Act.

⁵⁷ Subsection 269TACA(a) of the Act.

PUBLIC RECORD

If the export prices are greater than the NIP, it would suggest that dumping and subsidies may not be causing material injury. If, on the other hand, the export prices are lower than the NIP, this would support a finding that dumped and subsidised imports have caused material injury to the applicant producing like goods.

Customs and Border Protection has undertaken a preliminary calculation of a USP and NIP for galvanised steel and aluminium zinc coated steel.

(ii) Galvanised steel – Customs and Border Protection’s assessment

In order to further validate Customs and Border Protection’s preliminary assessment that there appears to be reasonable grounds that the Australian industry has experienced injury caused by dumped exports of galvanised steel, Customs and Border Protection compared the export prices for galvanised steel from Customs and Border Protection’s import database with estimated NIPs based on the BlueScope’s 2011-12 CTMS for galvanised steel. The CTMS was adjusted for post exportation costs to ensure comparability with FOB export prices. These post exportation costs were provided by BlueScope in respect of each of the nominated countries, with the addition of Customs duty in respect of imports from Korea and Taiwan.

Customs and Border Protection found that the export prices were significantly below the estimated non-injurious prices, which support BlueScope’s claims that galvanised steel imported from the nominated countries undercut BlueScope’s selling prices.

(iii) Aluminium zinc coated steel – Customs and Border Protection’s assessment

In order to further validate Customs and Border Protection’s preliminary assessment that there appears to be reasonable grounds that the Australian industry has experienced injury caused by dumped exports of aluminium zinc coated steel, Customs and Border Protection compared the export prices for aluminium zinc coated from Customs and Border Protection’s import database with estimated NIPs based on the BlueScope’s 2011-12 CTMS for aluminium zinc coated. The CTMS was adjusted for post exportation costs to ensure comparability with FOB export prices. These post exportation costs were provided by BlueScope in respect of each of the nominated countries, with the addition of Customs duty in respect of imports from Korea and Taiwan.

Customs and Border Protection found that the export prices were significantly below the estimated non-injurious prices, which support BlueScope’s claims that aluminium zinc coated steel imported from the nominated countries, undercut BlueScope’s selling prices.

9.6 Conclusion on whether dumped imports caused material injury to the Australian industry

(i) Galvanised steel

Customs and Border Protection is satisfied that, based on the information submitted in the application in respect of galvanised steel, BlueScope has demonstrated that it appears to have suffered injury in respect of galvanised steel and that there appear to be reasonable grounds for concluding that the dumping of galvanised steel

PUBLIC RECORD

exported to Australia from China, Korea and Taiwan has caused material injury to the Australian industry producing like goods.

Customs and Border Protection notes that notwithstanding the conclusion above, other causes of injury, including the impact of BlueScope's restructure (especially as it relates to the metal coating businesses), downturn in the global economic climate and the impact of Australian dollar on increasing the competitiveness of imports will also be investigated further.

(ii) Aluminium zinc coated steel

Customs and Border Protection is satisfied that, based on the information submitted in the application in respect of aluminium zinc coated steel, BlueScope has demonstrated that it appears to have suffered injury in respect of aluminium zinc coated steel and that there appear to be reasonable grounds for concluding that the dumping of aluminium zinc coated steel exported to Australia from China, Korea and Taiwan has caused material injury to the Australian industry producing like goods.

Customs and Border Protection notes that notwithstanding the conclusion above, other causes of injury, including the impact of BlueScope's restructure (especially as it relates to the metal coating businesses), downturn in the global economic climate and the impact of Australian dollar on increasing the competitiveness of imports will also be investigated further.

10 CONCLUSION

As discussed in this report, Customs and Border Protection has examined the applications in respect of galvanised steel and aluminium zinc coated steel and is satisfied that:

- the applications comply with s.269TB(4) of the Act; and
- there is an Australian industry in respect of like goods;
- there appears to be reasonable grounds for the publication of a dumping duty notice in respect of galvanised steel exported from China, Korea and Taiwan; and
- there appears to be reasonable grounds for the publication of a dumping duty notice in respect of aluminium zinc coated steel exported from China, Korea and Taiwan.

Accordingly, the CEO has not rejected the applications for the publication of dumping duty notices under s.269TC(1) of the Act.

For the purposes of the investigations:

- the investigation period to determine whether dumping has occurred will be from **1 July 2011 to 30 June 2012**; and
- Customs and Border Protection will examine the Australian market and the economic condition of the industry from **1 July 2007** for the purposes of injury analysis.

PUBLIC RECORD

11 ATTACHMENTS

Attachment No.	Title
Appendix 1	Delegate's notice
Confidential Attachment GEN 1	BlueScope's market distribution diagram
Confidential Attachment CA 1	Imports of galvanised steel and aluminium zinc coated steel from Customs and Border Protection's import database
Confidential Attachment CA 2	Export prices (based on Customs and Border Protection's import data)
Confidential Attachment CA 3	Normal values (revised by Customs and Border Protection)
Confidential Attachment CA 4	Customs and Border Protection's dumping margin calculations
Confidential Attachment CA 5	Injury analysis (including volume, price and profit effects) and NIP calculations