



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

INVESTIGATIONS INTO ALUMINIUM ZINC COATED STEEL AND GALVANISED STEEL

RECORD OF MEETING

CUSTOMS AND BORDER PROTECTION AND ONESTEEL

Date: Tuesday, 26 March 2013

Attendees:

OneSteel

Matt Condon
*Manager Trade Measures
OneSteel ATM*

Peter Whelan
*Manager Operations
OneSteel ATM*

Brett Willcox
*Manager Supply Chain
OneSteel ATM*

Customs and Border Protection

Joanne Reid
Director, Operations 2

Nicole Platt
Manager, Operations 2

Background:

OneSteel requested a meeting with the Australian Customs and Border Protection Service (Customs and Border Protection) to discuss their concerns regarding the recently published statement of essential facts (SEF190). The meeting was conducted at Customs House in Canberra.

Discussed:

OneSteel entities were visited for verification (OneSteel ATM and OneSteel Trading as importers and OneSteel Coil Coaters as an end user) in the current case prior to the meeting at Customs House. Three separate visit reports for the different sectors of the business were prepared from the verification visit, which are available on the public record.

OneSteel gave a slide presentation at the meeting outlining its concerns surrounding SEF190 and the points to be discussed. A non-confidential version of that presentation is attached (**attachment 1**).

Customs and Border Protection advised that it would discuss with BlueScope the information provided in relation to the availability of galvanised steel with a hot-rolled coil substrate.

Further to the presentation slides, with regards to potential exemptions to be recommended, Customs and Border Protection discussed its position regarding the status of unchromated product supplied by BlueScope. That is, at this stage unchromated products would not be recommended for an exemption as there was not enough evidence to support the claim that BlueScope does not offer the product to all purchasers on equal terms.

OneSteel was advised that this did not prevent future claims for exemptions being lodged and that if it obtained further evidence to support the claim it should be provided to Customs and Border Protection for further consideration.

PUBLIC RECORD

OneSteel & International Trade Remedies Branch Meeting 26th March 2013

SEF 190- Dumping Zinc Coated and Aluminium Coated Steel

International Trade Remedies Branch

- **Joanne Reid (Director Operations 2)**
- **Nicole Platt (Operations Manager)**

OneSteel

- **Matt Condon (Manager Trade Measures)**
- **Brett Willcox (Supply Chain Manager ATM)**
- **Peter Whelan (Manager Operations ATM)**

Key Points for Discussion

1. Wide Scope of the Investigation

2. ATM

- Assessment of the 'Like Goods'
- OST ATM produced its own zinc coated steel during the dumping investigation period.
- CBP recommendations to Minister on whether exemptions are granted for Tariff Concession Orders

3. Coil Coaters

- CBP position of an exemption on basis that BSL did not offer the goods to all parties within the Australian market on equal terms.

4. Ascertained Export Price

SEF 190 – ATM Related Concerns

Assessment of Like Goods in relation to Hot Rolled Coil vs Cold Rolled Coil

i. Physical likeness :

- Different Mechanical Properties between HRC and CRC due to difference in physical properties , ie CRC elongated grain structure and HRC has a fine grain structure.
- Aust Structural Tube Standard stipulates that only Hot Rolled strip is suitable (steel shall be fine grained and made from fully killed, continuously cast steels. The coil shall be produced on a hot strip mill) – (appendix 1).
- This is required to meet the structural ductility requirements of Australian Design Standards and maintain public safety.

ii. Commercial likeness:

- Not commercially alike because CRC has additional production steps that add approx \$80-\$100/t to the cost - (appendix 2)
- International benchmarks report HRC and CRC prices separately due to differences in price and application
- BSL in its HRC dumping case didn't include CRC in like goods.

iii. Functional likeness :

- Don't have the same end use, HRC is used for structural tube applications ,CRC used for furniture tubing
- CRC is hard and springy as defined in SEF 190

iv. Production Likeness:

- Initial production steps are similar but CRC has additional steps that change the Physical Likeness, the Commercial Likeness and Functional likeness.

SEF 190 ATM

- OneSteel's Assessment that CRC and HRC are not like goods supported by the granting of the two Tariff Concession Orders.
TC 124 2989 – No expiry date
TC 124 3148 – Expected expiry date 31st May 13
- In SEF 190 CBP state they will recommend that the Minister exempt TC1242989 from dumping measures. OneSteel affirm this position.
- In SEF 190 CBP state they will recommend to the Minister that he does not exempt TC 1243148. OneSteel strongly oppose^s this position on following basis that
 - OST produced the galvanised HRC internally from 1999 to July 2012 which includes the dumping injury and investigation periods – (appendixes 3,4,5)
 - BSL did not produce the goods covered by either of the TCOs during the injury or investigation period and therefore were not injured by them.
 - BSL are unable to supply a product that is substitutable by the 31st May 13.
 - The imported galvanised HRC sourced by ATM complies with the Australian Standard for the manufacture of Hollow Structural Sections.

SEF 190 ATM

- It is OST ATM's expectation that it will take at least another 6 to 9 months before
 - all the substitutable product trials are complete (appendix 6)
 - OST ATM are confident that all identified risks involved in changing feed from HRC to CRC have been properly assessed (appendix 7)
 - changes are made to AS1163, the Australian Standard for Structural Steel Hollow Sections and that the updated standard is published and in effect.
- It will be OST ATM **Confidential – business risk** as a result in the change of feed material used to produce them.
- Once OST ATM proven domestic galvanised coil feed product that is fit for purpose only then **Confidential – import details**

SEF 190 : ATM

- Impact of Dumping Measures if applied as per SEF 190
 - Combination of Dumping margin [REDACTED] %
 Plus gap to AEP \$ [REDACTED]/t
 is \$ [REDACTED]/t = [REDACTED] % Increase in costs.
 - Measures would apply back to 6th Feb 13
 - Potentially after 31st May 13 if the TCO is revoked a further 5% tariff \$ [REDACTED]/t) would apply
 - The total additional cost would be approx. \$ [REDACTED] pa
- OST ATM will not be able to recover the coil cost increases in the pipe and tube end market.
- OST ATM will have no [REDACTED] [supply options]
 [REDACTED] fit for purpose in the end market.
- The use of Cold Rolled Galvanised feed material is [REDACTED]
 Australian standard for Structural Steel Hollow Sections AS1163 C450L0
- OST ATM will [REDACTED] [business planning]

SEF 190 : ATM

- OST ATM submit that it is not appropriate for CBP to be applying measures to any products covered by both the TCOs.
- If at a later point in time when
 - BSL has established proper technical and supply chain capability to supply a substitutable product
and
 - OST ATM has verified that the Hollow Structural Sections manufactured from the BSL feed meets the performance requirements of the AS 1163
and
 - The Australian Standards has been updated and published to reflect a change in feed material
- BSL have the opportunity to launch a new investigation.

SEF 190 Coil Coaters

Coil Coaters

- ITRB position of an exemption on basis that BSL did not offer the goods to all parties within the Australian market on equal terms.

Ascertained Export Price

- As with the Hot Rolled Coil Investigation REP 188, the AEP or effective floor price that has been implemented in PAD 190, is again un-equitable given the current international market prices.
- In circumstances where commodity raw material inputs are volatile, setting the AEP near the top of the price cycle greatly magnifies measures and unfairly impacts downstream businesses.
- In the 6 month period following the Zn and AlZn coated steel investigation period, international benchmark prices for export HDG coated coil have fallen by approx. US\$█/t.
- OneSteel is also concerned that dumping margins and AEP for exporters are influenced by galvanised Cold Rolled Coil which is more expensive to manufacture due to the additional process required to produce it.
- OneSteel submits that Customs review the calculations of the AEP and dumping margins to assess this impact.

Appendix 1 AS/NZS1163:2009 - Cold-formed structural steel hollow sections

5 DESIGNATION

All grades shall be designated in the format shown in the following example:

AS/NZS 1163–C350L0

where

AS/NZS 1163 = number of this Standard

C = cold-formed sections

350 = minimum yield strength in MPa (see Table 6)

L = guaranteed impact properties of the material (when applicable)

0 = low temperature impact test at 0°C (when applicable)

6 MANUFACTURING PROCESS—STEEL FEED

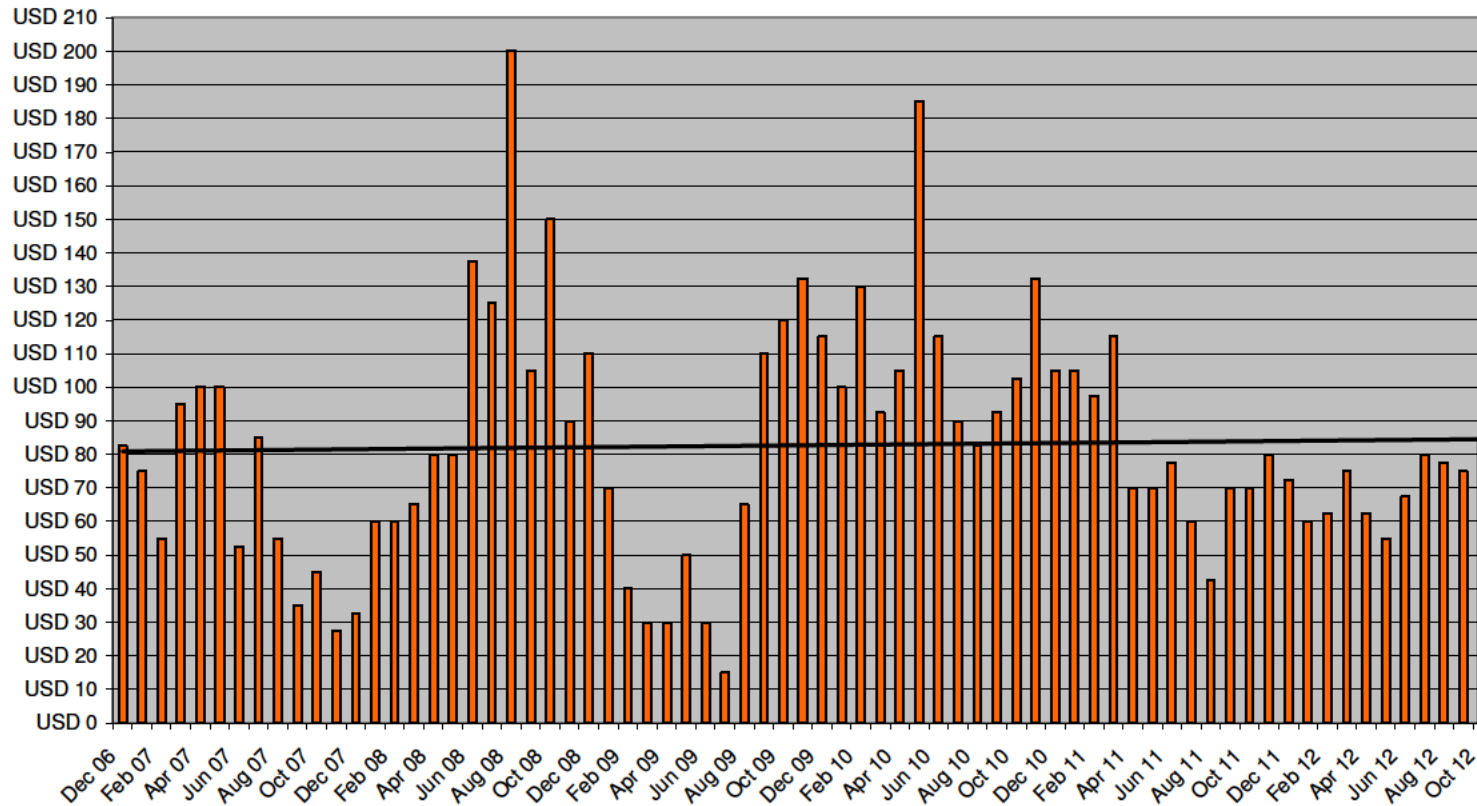
The steel shall be made by the basic oxygen process or an electric process at the steel manufacturer's option. The steelmaking process shall be shown on test certificates.

Additional refining by vacuum arc remelt, electroslag refining or secondary steelmaking practices such as vacuum degassing or calcium injection, or both, is permitted.

The steel shall be fine-grained and be made from fully killed, continuously cast steels. The coil shall be produced on a hot strip mill.

Appendix 2 Historical Price difference of Hot Rolled Coil vs Cold Rolled Coil

Premium CRC over HRC (SBB China Export FOB Shanghai USD/t)



SBB China Export FOB indexes for CRC and HRC

Appendix 3 Timeline & Key Events

- 1999** Australian Tube Mills commenced manufacture of Zinc Coated Hot Rolled coil to feed Pipe and tube manufacturing operations on Strip Galvanising plant in Acacia Ridge Qld.
- 2010** Alleged initiation of injury caused by import of dumped Zinc Coated coil from 2010
- 2011** Dumping investigation period from 1 July 2011 to 30 June 2012
- **2012**

July - Closure of Strip Galvanising plant and replacement with Zinc Coated Hot Rolled Coil imports from [REDACTED] Note that closure date and commencement of imports (other than trial material) is post dumping investigation period.

October – BlueScope announced intention to develop Zinc Coated Hot Rolled coil substitute

November - Tariff Concession Order application TC1242989 and TC1243148 accepted. BlueScope limit period of operation TC 1243148 due to intention to manufacture Hot Rolled Coil equivalent product on Cold Rolling Mill with modified rolling process.

December – ATM apply for exemption from dumping duties on the basis of no domestically manufactured substitutable goods proposing TCO as means of implementing exemption

2013

Confidential – product development schedule

Appendix 4 ATM Produced Goods (Zinc Coated Hot Rolled Coil)

- SEF section 10.6.2 does not consider ATM manufactured goods. It is inferred that this is because ATM's goods (Zinc Coated Hot Rolled Coil) are not like goods to the Galvanised Steel manufactured by BlueScope and the subject of the dumping investigation

10.6.2 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.

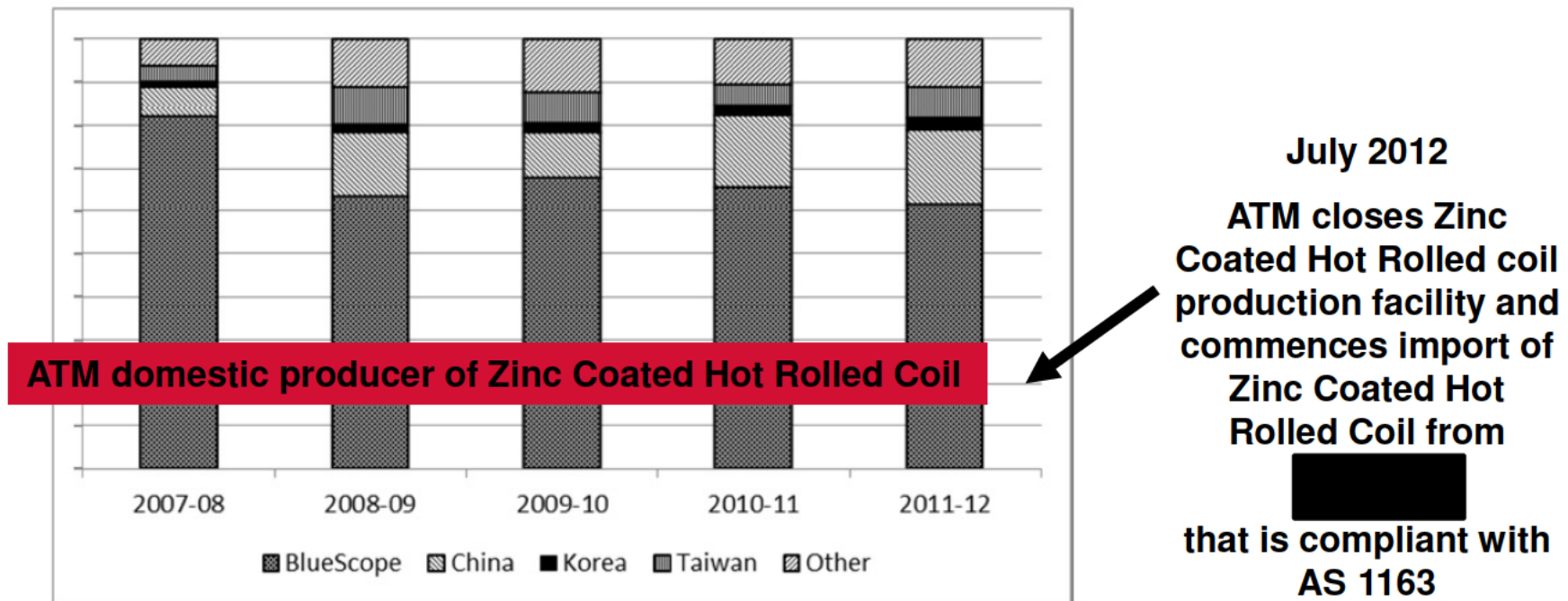


Figure 12: Market shares – galvanised steel – 2007-08 to 2011-12

Appendix 5 ATM Produced Goods - Dumping investigation period

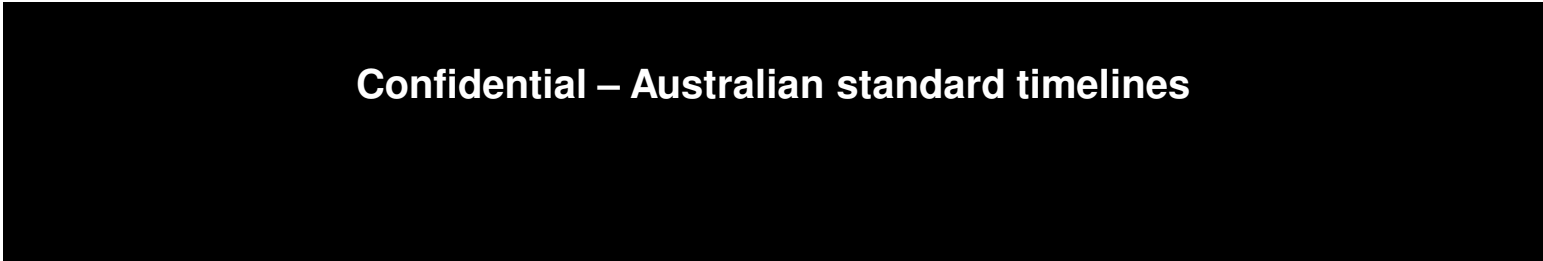



- From 2005 to 2012 BlueScope could not produce a Zinc Coated Hot Rolled coil or any substitutable product for the manufacture of C450L0 Structural Steel Hollow Sections
- ATM was the only Australian producer of Zinc Coated Hot Rolled Coil during the investigation period
- BlueScope Steel was unable to manufacture Zinc Coated Hot Rolled Coil before and during the investigation period

Confidential Graph

**Quarterly ATM volumes of internally produced galvanised
HRC
From Jul 09 to June 12**

Appendix 6 Substitutable Product Trials

ATM request that TC 1243148 also be exempted from dumping duties indefinitely on the basis that the proposed substitutable product from BlueScope:

- Cannot meet all the requirements stipulated in TC 1243148 which were agreed with BlueScope at the time of drafting the TCO. Non compliance issues include minimum coil mass, coil internal bore diameter and available thickness range. This makes the BSL trial coil not substitutable for the TC 1243148 product.
-  **Confidential – Australian standard timelines** 
- The earliest availability of standard compliant, production quantities of BlueScope's Zinc Coated Hot Rolled equivalent material will be late in calendar year 2013 approximately 6mths after the sunset clause of the TC 1243148 expected to be the 31st of May 2013.
- ATM have no viable supply option for this product and would  **Confidential- business planning**  if anti-dumping measures were imposed.

Appendix 6 Substitutable Product Trials

- Zinc Coated Cold Rolled Annealed Coil has been used **Confidential- production** [REDACTED] primarily used in furniture and light fabrication applications. This [REDACTED] does not mean all structural tube can be substituted by cold rolled material. This is due to:
 1. The annealed* material supplied by BlueScope is used for a [REDACTED] product. This product is primarily used in furniture and light fabrication applications. This material is not covered by TC 1243148 as the standard [REDACTED] grade is below the 360MPa minimum requirement (* The annealing process softens the material and improves the properties of this strip making it more suitable for use in tubular applications but reduces the strength).
 2. The annealed material does not meet the strength requirements for C450L0. Further [REDACTED] this material does not translate to larger sizes (greater 65mmx65mm) and higher grade (C450L0) product. This product is primarily used in domestic and commercial construction and heavy fabrication. Higher strength feed material for this application is covered TC 1243148.
 3. BlueScope's newly proposed manufacturing process to provide feed material for the higher grade tube (C450L0) is not Annealed. BlueScope purport that the reduced cold work from the modified cold rolling process will not work harden the material to an extent that will require annealing thereby making it suitable for use in high strength (C450L0) tube. **This is not proven and the intent of the current trials is to determine the suitability or otherwise of the material across a representative range of thickness and tube size combinations.**
 4. OneSteel Australian Tube Mills is [REDACTED] **Confidential- business risk management** [REDACTED] carry the reputational risk of any failure, non compliance or product recall.

Appendix 6 Substitutable Product Trials

5.

Confidential – Standards update

Appendix 6 Substitutable Product Trials

- The earliest availability of standard compliant, production quantities of BlueScope Zinc Coated Hot Rolled equivalent material will be [REDACTED] 2013 much later than the potential expiry of the TC 1243148 on the 31st of May. This is due to:
 - Zinc Coated Coil from BlueScope is offered on a 8 week lead lime. The lead time for supply from completion of trials in [REDACTED] would be for [REDACTED] production. Only after full production trials in [REDACTED] could ATM transition to production quantity supply from BlueScope which would equate to [REDACTED] orders.
 - The transport logistics of the material are not proven and there is a risk that the material may be damaged or become wet in transport. If Zinc Coated coil is wet in transport or storage the zinc coated can be damaged and may be unusable.
 - The timing of updates to AS/NZS1163:2009 is not clear and subject to acceptance of submissions to be BD23 committee and public draft review.
 - BSL have not offered trial material that meets all requirements of TC 1243148. The content of TC 1243148 was agreed with BlueScope at the time of submission.
 - Once the trial has been complete and required changes to the Australian Standard implemented it would take [REDACTED] to cut over the [REDACTED] supply.

Appendix 6 Substitutable Product Trials

- The following table summaries the trial material proposed from BlueScope steel. Note the following:
 - BlueScope are unable to supply 3.43mm coil for the trial and have not provided a timeframe for when the material will be available. BlueScope therefore cannot produce the range of thickness covered by TC 1243148
 - All coils have a bore size (internal diameter) less than the 711mm minimum required by TC 1243148 and therefore are not substitutable for the TCO products
 - ■% of the trial coils have a target weight below the 14t minimum required by TC 1243148 and therefore are not substitutable for the TCO products.

Confidential – Customer order example

Appendix 7 RISKS – BSL Modified Cold Rolled Material for use in Structural Tube

REF	Risk	Testing / Development	Required Outcome
	Confidential Internal testing Plan		

Appendix 8 Cold Rolling and Galvanising Process

BSL Cold Rolling Process. Not required for Zinc Coated Hot Rolled Coil

