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onesteel
australian tube mills

12th April 2013

Ms Joanne Reid

Director Operations 2

International Trade Remedies Branch

Australian Customs and Border Protection Service

5 Constitution Avenue

CANBERRA ACT 2601

Received
12 April 2013

Public File

Dear Joanne,

Alleged Dumping of Zinc Coated (Galvanised) Steel and Aluminium Zinc Coated Steel Exported from the People's Republic of China, the Republic of Korea and Taiwan

OneSteel ATM comments on BlueScope Submission dated the 20th March 2013

OneSteel ATM has read BlueScope's submission dated the 20th of March 13 and seeks to address statements that may be misinterpreted by Customs during their anti-dumping investigation due to the general nature of BlueScope's claims.

1. "BlueScope is a manufacturer of HGI exceeding 2mm thickness"[1]

OneSteel ATM, a large consumer of galvanised Hot Rolled Coil (HGI) that uses it as a feed steel to manufacture its Hollow Structural Sections, is surprised by the claim that BlueScope are presently or have been a manufacturer of galvanised HRC (HGI).

OneSteel is aware that BlueScope is currently **trialling**[2] through their cold rolling mill a process to verify they can manufacture a galvanised Coated Hot Rolled **equivalen**t (HGI equivalent) product.

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[1] BlueScope submission date 20th March 2013

[2] Trial order – Confidential attachment 1

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The trials involve processing ungalvanised HRC through their cold rolling mill and then galvanising it in order to provide feed material for the higher grade tube [redacted] OneSteel will then need to test BlueScope's trial feed across a full range of Structural Hollow Sections and test these Structural Hollow Sections to determine they meet all the performance requirements of AS/NZS 1163:2009. If they do, then a submission to the Australian Standard committee for AS/NZS 1163:2009 is required, and the standard updated, to accept the new galvanised cold rolled coil as a suitable feed.

BlueScope's trials and OneSteel's subsequent trials are designed to test the hypothesis that the reduced cold work from the modified cold rolling process will not strain harden the material to an extent that will substantially alter the mechanical properties and render the product unsuitable for use in structural applications designed in accordance with AS4100:1998 Steel Structures.

This is not proven and the intent of the first trial is to determine the suitability or otherwise of the material across a representative range of thickness and tube size combinations. The bulk of this trial material will not be available to OneSteel ATM to commence its trials until the 2nd last week in May 2013 nearly 12 months after the dumping investigation period ended. The completion of the full set of trials and updating of AS/NZS 1163:2009 is expected to take at least another 6-9 months.

2. **"*BlueScope can and does produce galvanized steel up to 3.5mm in thickness for the Australian market (including for the pipe and tube market). During the investigation period, BlueScope sold in excess of 2,000 tonnes of galvanized steel with a thickness greater than or equal to 2.0mm into the pipe and tube market.*"**

It is OneSteel's understanding that the galvanised steel that BlueScope refers to is not galvanised Hot Rolled Steel but Zinc Coated Cold Rolled Coil (CGI). This Cold Rolled Coil from BlueScope is annealed[3] to remediate the strain hardening and residual stresses as well as recrystallise the elongated grain structure that cold rolling induces. The annealed material is used for a limited range [redacted product and grade references redacted] This product is primarily used in furniture and light fabrication applications. To put this into perspective BSL's sales of 2,000t of galvanised steel into the pipe and tube market during the investigation period is less than 2% of the total Australian galvanised pipe and tube market. This limited usage does not mean all structural tube can be substituted by cold rolled material.

Of importance to OneSteel's application for exclusion from dumping duties for TC 1243148 is that the BlueScope supplied material is not covered by TC 1243148 as the BlueScope CGI material "G300" has minimum yield strength of 300MPa which is below the 360MPa minimum requirement specified. The permanent exclusion of TC 1243148 from dumping duties would not affect the application of dumping duties to products competing with the G300 material that BlueScope supplied during the investigation period.

BlueScope have also advised OneSteel ATM they are unable to supply 3.43mm coil for the trial and have not provided a timeframe for when the material will be available. Again OneSteel ATM is surprised by BlueScope's claim that they can produce galvanised steel up to 3.5mm.

[3] 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

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3. **"*BlueScope has the capability to produce both cold rolled galvanized steel as well as hot rolled galvanised steel.*"**

OneSteel ATM is aware that BlueScope does have the capability to produce cold rolled galvanised steel and uses this capability to supply customers.

However OneSteel is not aware that BlueScope has the demonstrated capability to produce hot rolled galvanised coil.

OneSteel ATM is unsure why if BlueScope does have the capability to supply hot rolled galvanised steel they have not supplied hot rolled galvanised steel to a OneSteel ATM who specifically needs a galvanised hot rolled coil product for the pipe and tube market segment.

Further it would be interesting to understand why if BlueScope does have the capability to supply hot rolled galvanised steel why they would be trailing modified cold rolled galvanised steel.

As referenced above OneSteel Australian Tube Mills is conducting a joint project with BlueScope to trial a Zinc Coated Hot Rolled equivalent (HGI equivalent) product produced on their cold rolling mill. This is not proven and the intent of the first trial is to determine the suitability or otherwise of the material across a representative range of thickness and tube size combinations.

4. ***"The claimed AS/NZS 1163:2009 reflects a hot rolled steel feed for the pipe and tube industry – a product that BlueScope can produce and supply to the pipe and tube industry in Australia.***
CHSC's claim that hot rolled galvanised steel is not available from local manufacture in Australia is therefore incorrect."

AS/NZS 1163:2009 does reflect a hot rolled steel feed for the pipe and tube industry. The reason for this is to obtain steel that isn't further cold rolled and strain hardened. This requirement is borne out by the sentence on page 6 of the standard that states

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. [4]

[Confidential references re Standards]
]

OneSteel ATM supports CHSC's statement that hot rolled galvanised steel is not available from local manufacture in Australia. The only known Australian manufacture of galvanised hot rolled coil steel in the past was OneSteel ATM until it ceased its strip galvanising operations in July 2012.

[4] AS1163:2009 p6

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5. Finally, BlueScope would highlight that CHSC's comment that the additional cost to make cold rolled galvanized steel (over hot rolled galvanized steel) is not of itself a basis for exemption or that it is not a like good. BlueScope can provide Customs and Border protection with the physical and mechanical properties of HGI and CGI that demonstrate the goods are not materially different, if requested.

OneSteel agree that commercial likeness in itself is not a reason enough to determine that a product is not a like good. However Cold Rolled Coil and Hot Rolled Coil are different on all four of the tests that Customs should use to determine like goods; ie physical likeness, commercial likeness, functional likeness and production likeness.

1. Physical likeness:

Galvanised HRC and Galvanised CRC products are not physically alike due to the temperatures at which they are rolled creating a difference in their grain structures, strain hardening and residual stress.

To ignore this difference would be akin to arguing that graphite and diamond are physically the same as they have the same chemical composition.

These physical differences of the grain structure, strain hardening and residual stress between galvanised HRC and galvanised CRC result in different mechanical properties and this affects the way the steel performs.

- BlueScope's glossary on its website states that Cold Rolling

> "distorts the grain structure of the steel significantly and therefore a loss of ductility results."[5]

This loss of ductility and/or subsequent heat treatment makes cold rolled coil, and cold rolled annealed coil, unsuitable for the majority of Structural tube applications.

The Australian Structural Tube Standard AS/NZS 1163:2009[6] 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). This is required to meet the structural ductility requirements of Australian Design Standards and maintain public safety.

A comparison of the mechanical properties of the [redacted] Cold Rolled Galvanised product and [redacted galvanised feed specifications redacted] grades used for the production of the higher grade AS/NZS1163:2009 C450L0 tube will show a substantial difference in the mechanical properties and that the goods are materially different.

[5] http://www.bluescopedistribution.com.au/steel-guide/glossary

[6] AS1163:2009 p6

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Other physical difference between HRC and CRC include

- The coil radius of galvanised HRC is generally larger than galvanised CRC.
- The inner coil diameter of galvanised HRC is larger than galvanised CRC.
- Cold roll galvanised coil thicknesses are generally thinner than galvanised Hot rolled coils.

2. Commercial likeness:

HRC and CRC are not commercially alike, a fact not disputed by BlueScope.

This is largely due to the fact that CRC has additional production steps that add to the cost and the fact that it has different end market applications.

International benchmarks price reports such as SBB and CRU show separate prices for CRC and HRC because the goods are not alike. The difference in the benchmark prices is approximately US$80-$100/t

3. Functional likeness :

The different physical properties of HRC and CRC result in them having different functional uses.

The thinner gauges, higher tensile and lower ductility of galvanised CRC means that it is ideally suited for roofing and wall cladding, guttering, signs, the manufacturer of home appliances, car parts, equipment to store and transport materials, and packing implements.

Galvanised HRC is used in Australia for the manufacture of structural tube applications where the combination of strength and ductility is required. Some galvanised CRC can be used in tubing for furniture or if annealed and softened for lower grade applications but as stated before this is a very small segment of the market.

4. Production Likeness:

Whilst HRC is a feed material for galvanised CRC the subsequent production steps that cold roll coil undergoes means that they productions are fundamentally different.

For galvanised hot rolled coil, the rolling occurs at temperatures above the recrystallization temperature of the steel, whereas cold roll coils are rolled at temperatures below the recrystallization temperature.

The limited amounts of cold rolled galvanised steel [applications] have required a further annealing[7] process to overcome the lower ductility. This annealing renders it unsuitable for the bulk of the Structural Hollow section market C450L0 which requires a higher strength.

[7] 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

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It is interesting to note that BSL in its HRC dumping case[8] did not include CRC in like goods.

On the above evidence OneSteel ATM fully agrees with Chung Hung Steel Corporation, that galvanised hot rolled coil is not a like good to BlueScope's galvanised cold rolled steel.

As a consequence Customs should exclude imported galvanised hot rolled steel from the alleged dumping investigation. Or failing this Customs should conduct a separate investigation to determine material injury, normal and export values of imported galvanised hot rolled coil.

Please contact me if you have any questions in relation to the above points.

Yours truly

Matt Condon

Manager Trade Measures

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Attachments 1 – Confidential Trial Order

Attachments 2,3,4,5 - Confidential Feed Specifications

[8] REP 188 Hot Rolled Coil steel exported from Japan, the Republic of Korea, Malaysia and Taiwan