Australian Government
Australian Customs and Border Protection Service

CUSTOMS ACT 1901 - PART XVB

INTERNATIONAL TRADE REMEDIES BRANCH

REPORT 190

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

30 April 2013

PUBLIC RECORD

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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
EXW	ex-works
FAS	free-along- side ship
FIS	free-into-store
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
PAD190	Preliminary Affirmative Determination Report 190
REP 177	International Trade Remedies Branch Report 177 regarding hollow structural sections
REP 188	International Trade Remedies Branch Report 188 regarding hot rolled coil
SEF 190	Statement of Essential Facts 190
TMRO	Trade Measures Review Officer
USP	unsuppressed selling price
WTO	World Trade Organisation

3 SUMMARY AND RECOMMENDATIONS

These investigations are in response to separate applications lodged by BlueScope Steel Limited (BlueScope) in relation to the allegations that dumped zinc coated (galvanised) steel and aluminium zinc coated steel[1] exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan caused material injury to the Australian industry producing like goods.

This report (REP 190) sets out the Chief Executive Officer (CEO) of the Australian Customs and Border Protection Service's (Customs and Border Protection's) recommendations for both galvanised steel and aluminium zinc coated steel to the Minister for Home Affairs (the Minister) in relation to the investigations.

3.1 Recommendation

The delegate of the CEO recommends to the Minister that dumping duty notices be published in respect of:

(a) galvanised steel exported to Australia:
- (i) from China by all exporters;
- (ii) from Korea by all exporters, other than Union Steel Co., Ltd (Union Steel Korea); and
- (iii) from Taiwan by all exporters, other than Sheng Yu Co., Ltd (Sheng Yu) and Ta Fong Steel Co., Ltd (Ta Fong).

(b) aluminium zinc coated steel exported to Australia:
- (i) from China by all exporters; and
- (ii) from Korea by all exporters, other than Union Steel Korea.

If the Minister accepts this recommendation, to give effect to the decision, the Minister must sign the relevant notices and schedules, under s.269TG(1) and s.269TG(2) of the *Customs Act 1901*[2] (the Act), and s.8 of the *Customs Tariff (Anti Dumping) Act 1975* (the Dumping Duty Act).

Customs and Border Protection also recommends that, if the Minister agrees with the recommendation to publish dumping duty notices, certain goods should be exempt from interim dumping duty and dumping duty. If the Minister accepts this recommendation, to give effect to the decision, the Minister must sign an instrument of exemption from dumping duty, under s.8(7) of the Dumping Duty Act.

3.2 Application of law to facts

Division 2 of Part XVB of the Act sets out, among other matters, the procedures to be followed and the matters to be considered by the CEO in conducting investigations in relation to the goods covered by an application.

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[1] Refer to the full description of the goods in section 5 of this report.
[2] A reference to a division, section or subsection in this report is a reference to a provision of the *Customs Act 1901*, unless otherwise specified.

The CEO's powers under this Division have been delegated to certain officers of Customs and Border Protection.

3.3 Application

On 3 August 2012, BlueScope lodged applications[3] requesting that the Minister publish dumping duty notices in respect of:

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

On 17 August 2012[4] 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.

The CEO was satisfied that the applications were made in the prescribed manner by a person entitled to make the applications.

3.4 Initiation of investigations

On 5 September 2012, following consideration of the applications, the CEO decided not to reject the applications and Customs and Border Protection initiated separate investigations. Public notification of initiation of the investigations was made in *The Australian* newspaper on 5 September 2012. Australian Customs Dumping Notice (ACDN) No. 2012/40 provides further details of the investigations and is available on Customs and Border Protection's website at www.customs.gov.au.

In respect of both investigations:

- the investigation period for the purpose of assessing dumping is 1 July 2011 to 30 June 2012; and
- the injury analysis period for the purpose of determining whether material injury has been caused to the Australian industry is from 1 July 2007.

3.5 Preliminary Affirmative Determinations

The CEO, after having regard to the application and submissions, was satisfied that there were sufficient grounds for the publication of dumping duty notice in respect of galvanised steel and aluminium zinc coated steel exported to Australia from China, Korea and Taiwan, and made preliminary affirmative determinations (PADs)[5] to that effect on 6 February 2013. PAD 190 contains details of the decision and is available on the public record.

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[3] *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.

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

[5] Section 269TD

Customs and Border Protection decided to require and take securities[6] in respect of any interim dumping duty that may become payable in respect of the goods from China, Korea and Taiwan that were entered into home consumption on or after 6 February 2013.

3.6 Statement of Essential Facts

The CEO must, within 155 days after the initiation of an investigation, or such longer period as the Minister allows[7], give the Minister a report in respect of the goods the subject of the application.

The Minister granted an extension to the date by which SEF190 had to be placed on the public record. On 18 March 2013, the delegate of the CEO placed on the public record SEF190, on which the delegate proposed to base recommendations to the Minister concerning the publication of dumping duty notices in these investigations.

Interested parties were invited to lodge responses to SEF190 by 8 April 2013. Non-confidential versions of all submissions considered are available on the electronic public record for these investigations.

The electronic public record contains non-confidential submissions by interested parties, the non-confidential versions of Customs and Border Protection's visit reports and other publically available documents. It is available online at http://www.customs.gov.au/anti-dumping/cases/default.asp .

Documents on the electronic public record should be read in conjunction with this report.

3.7 Terminations

Galvanised steel

On 26 April 2013, the delegate of the CEO terminated the dumping investigation so far as it relates to galvanised steel exported by:

- Union Steel Korea from Korea;
- Sheng Yu from Taiwan; and
- Ta Fong from Taiwan.

Termination Report No. 190A sets out the reasons for these terminations.

Aluminium zinc coated steel

On 26 April 2013, Customs and Border Protection terminated the dumping investigation so far as it relates to aluminium zinc coated steel exported by:

[6] Section 42
[7] If the date by which the SEF must be placed on the public record is extended, this extends the date by which the final report is due to the Minister by a corresponding period – s.269TC(4)(bf).

- Union Steel Korea from Korea; and
- Sheng Yu from Taiwan.

Termination Report No. 190A sets out the reasons for these terminations.

On 30 April 2013, Customs and Border Protection terminated the dumping investigation so far as it relates to aluminium zinc coated steel exported from Taiwan. Termination Report No. 190B sets out the reason for the termination.

The termination reports are available on the public record.

3.8 Report 190

In formulating the final report the CEO must have regard to the applications concerned, any submissions concerning publication of the notice to which the delegate of the CEO has had regard for the purposes of formulating SEF190, any submission in response to SEF190 received by Customs and Border Protection within 20 days after the date SEF190 was placed on the public record, and any other matters considered relevant.[8]

3.9 Findings and conclusions

Customs and Border Protection has made the following findings and conclusions based on available information provided during the course of the investigations.

3.9.1 The goods and like goods (chapter 5 of this report)

Locally produced galvanised steel and aluminium zinc coated steel are like goods to the goods the subject of the applications (the goods).

3.9.2 Australian industry (Chapter 6 of this report)

There is an Australian industry producing like goods (galvanised steel and aluminium zinc coated steel) to the goods the subject of the investigations and these like goods are wholly manufactured in Australia by BlueScope.

3.9.3 Exemptions (Chapter 7 of this report)

Customs and Border Protection recommends that certain goods that fall within the description of the goods the subject of the investigations should be exempt from interim dumping duty and dumping duty under s.8(7)(b) of the Dumping Duty Act. Tariff Concession Orders (TCOs) are currently in force in relation to these goods.

3.9.4 Market (Chapter 8 of this report)

The Australian market for galvanised steel and aluminium zinc coated steel is predominately supplied by locally produced goods. Imports from the nominated

[8] Section 269TEA(3)

countries make up the majority of the remainder, with a small volume of imports from other countries.

3.9.5 Dumping (Chapter 9 of this report)

(i) Galvanised steel

Customs and Border Protection has found in respect of galvanised steel that:

- a market situation existed in the domestic market for galvanised steel in China during the investigation period such that selling prices in that market are not suitable for normal value purposes;
- the cost of hot rolled coil in the Chinese exporters' records does not reasonably reflect competitive market costs. A benchmark for hot rolled coil can be established by reference to costs of exporters from Korea and Taiwan;
- galvanised steel exported to Australia from China, Korea and Taiwan during the investigation period was dumped;
- galvanised steel exported from Korea by Union Steel Korea and from Taiwan by Sheng Yu and Ta Fong was not dumped; and
- the volume of dumped goods from these countries, and the dumping margins for all exporters (except Union Steel Korea, Sheng Yu and Ta Fong) were not negligible.

Customs and Border Protection's assessment of dumping margins for galvanised steel exported from China, Korea and Taiwan is tabulated below:

Country	Manufacturer / exporter	Dumping margin
China	Angang Steel Company Limited (ANSTEEL)	20.1%
	ANSC-TKS Galvanising Co., Ltd (TAGAL)	32.7%
	Wugang Iron and Steel Company (WISCO)	18.5%
	Yieh Phui Technomaterial China	6.8%
	All other exporters	62.9%
Korea	Dongbu Steel Co. Ltd	3.2%
	POSCO	9.1%
	Union Steel Korea	<2%
	All other exporters	28.5%
Taiwan	Chung Hung Steel Corp	8.5%
	Sheng Yu	<2%
	Yieh Phui Enterprise Co., Ltd	2.6%
	Ta Fong	<2%
	All other exporters	8.6%

The dumping investigations were terminated so far as they relate to exports by Union Steel Korea, Sheng Yu and Ta Fong on 26 April 2013.

(ii) Aluminium zinc coated steel

Customs and Border Protection finds that in respect of aluminium zinc coated steel that:

- a market situation existed in the domestic market for aluminium zinc coated steel in China during the investigation period such that selling prices in that market are not suitable for normal value purposes;
- the cost of hot rolled coil in the Chinese exporters' records does not reasonably reflect competitive market costs. A benchmark for hot rolled coil can be established by reference to costs of exporters from Korea and Taiwan;
- aluminium zinc coated steel exported to Australia from China and Korea during the investigation period was dumped;
- aluminium zinc coated steel exported to Australia by Sheng Yu from Taiwan was dumped, but the dumping was negligible;
- aluminium zinc coated steel exported to Australia by Union Steel Korea from Korea and all other exporters from Taiwan was not dumped; and
- the volumes of dumped goods from China and Korea, and the dumping margins for all exporters (except Union Steel Korea) were not negligible.

Customs and Border Protection's assessment of dumping margins for aluminium zinc coated steel exported from China and Korea is tabulated below:

Country	Manufacturer / exporter	Dumping margin
China	ANSTEEL	5.8%
	Union Steel China	8.6%
	Yieh Phui Technomaterial	5.5%
	Jiangyin Zongcheng Steel Co., Ltd (Zong Cheng)	18.1%
	All other exporters	19.3%
Korea	Dongbu Steel	5.8%
	Union Steel Korea	<2%
	All other exporters	7.7%

The dumping investigation was terminated so far as it relates to exports by Sheng Yu on 26 April 2013. The dumping investigation so far as it relates to exports by Yieh Phui Enterprise and all other exporters from Taiwan, was terminated on 30 April 2013.

3.9.6 Injury (Chapter 10 of this report)

Customs and Border Protection has found that in the investigation period the Australian industry producing like goods experienced injury in the form of:

(i) Galvanised steel

- loss of sales volume;
- reduced market share;
- reduced sales revenue;
- price depression;
- price suppression;
- reduced profit and profitability;
- reduced return on investment (ROI);
- reduced production capacity; and
- reduced employment.

(ii) Aluminium zinc coated steel

- loss of sales volume;
- reduced sales revenue;
- price depression;
- price suppression; and
- reduced profit and profitability.
- reduced ROI;
- reduced production capacity; and
- reduced employment.

3.9.7 Causation factors (Chapter 11 of this report)

Customs and Border Protection has found that dumping of galvanised steel exported to Australia from China, Korea and Taiwan has caused material injury to the Australian industry.

Customs and Border Protection has found that dumping of aluminium zinc coated steel exported to Australia from China and Korea has caused material injury to the Australian industry.

3.9.8 Will dumping and material injury continue? (Chapter 12 of this report)

Customs and Border Protection has found that dumping and material injury will continue in respect of both galvanised steel and aluminium zinc coated steel if measures are not imposed.

3.9.9 Non-injurious price (Chapter 13 of this report)

Customs and Border Protection considers that the non-injurious price can be established by reference to a constructed price which reflects an undumped import parity price.

3.9.10 Proposed measures (Chapter 15 of this report)

For all goods and nominated countries, the NIP exceeded the export price by at least the calculated dumping margin. This means that the lesser duty rule does not come into effect and the proposed measures are linked to the full margin of dumping.

4 BACKGROUND

4.1 Introduction

On 3 August 2012, applications were lodged on behalf of BlueScope requesting that the Minister publish dumping duty notices in respect of:

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

(i) Galvanised steel

BlueScope claimed that material injury in respect of galvanised steel commenced in 2010-11[9]. 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.

(ii) Aluminium zinc coated steel

BlueScope claimed that material injury in respect of aluminium zinc coated steel commenced in 2010-11[10] and was 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;

[9] The applicant claims that the dumping of galvanised steel commenced prior to this period (in 2008-09).
[10] The applicant claims that the dumping of aluminium zinc coated steel commenced prior to this period (in 2008-09).

- reduced profits;
- reduced profitability;
- reduced return on investment;
- reduced ability to raise capital for re-investment; and
- reduced employment.

On 17 August 2012[11] 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.

4.2 Applications seeking countervailing measures

On 18 October 2012, applications[12] were lodged on behalf of BlueScope requesting that the Minister publish countervailing duty notices in respect of:

- galvanised steel exported to Australia from China; and
- aluminium zinc coated steel exported to Australia from China.

On 2 November 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.

On 26 November 2012, following consideration of the applications, the CEO decided not to reject the applications and Customs and Border Protection initiated separate investigations. Public notification of initiation of the investigations was made in *The Australian* on 26 November 2012. ACDN No. 2012/56 provides further details of the investigations and is available on Customs and Border Protection's website at www.customs.gov.au.

The earliest date PADs could be made in respect of the countervailing investigations was day 60 of the investigations (i.e. 26 January 2013). No PAD had been made at the time of preparing this report.

Customs and Border Protection is currently investigating subsidy claims for galvanised steel and aluminium zinc coated steel exported to Australia from China in Investigations 193a and 193b respectively.

The statements of essential facts for the countervailing investigations are to be published by 15 May 2013.

4.3 Previous investigations

Australia

(i) Contemporary activity

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

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

[12] *Application for Countervailing Duties for Galvanised Steel exported from China, Korea and Taiwan* received on 18 October 2012; and *Application for Countervailing Duties for Aluminium Zinc Coated Steel exported from China, Korea* and *Taiwan* received on 18 October 2012.

(ii) Other related products

Hot rolled coil

An investigation regarding the dumping of hot rolled coil (HRC) exported from Korea, Malaysia, Japan and Taiwan was recently conducted by Customs and Border Protection. HRC is the major raw feed material for galvanised steel and aluminium zinc coated steel. Customs and Border Protection found that HRC exported to Australia from the aforementioned countries was dumped[13]. A dumping duty notice was published on 20 December 2012.

International[14]

(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

(a) 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 compliant by the applicant (on 11 December 2008) (Official Journal Decision 2009/106/EC refers)[15].

(b) More recently, on 22 February 2012, the Commission commenced an anti-subsidy investigation into imports of certain organic coated steel ("OCS") products from China into the EU (Initiation Notice No. 2012/C 52/05). The application was made by EUROFER, the European Steel Association, on behalf of its members producing like goods.

The Commission's investigation period into OCS exported from China to EU was the twelve months ending 30 September 2011, with the last quarter of the period coinciding with the current investigation period of the galvanised steel and aluminium zinc coated steel investigations (i.e. from 1 July 2011 to 30 June 2012).

On 15 February 2013, the Commission published a "Proposal for a Council Implementing Regulation imposing a countervailing duty on imports of certain

[13] ACDN 2012/66 Hot Rolled Coil Steel exported from Japan, the Republic of Korea, Malaysia and Dumping, finding in relation to an investigation in dumping.

[14] 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.

[15] 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.

organic coated steel products originating from the People's Republic of China" No. 2013/0052. The proposal was passed and implement on 11 March 2013.

(iii) United States

On November 5, 2012, the US Department of Commerce (the Department) initiated the second five year "sunset" review (77 FR 66439 refers) of the antidumping duty orders on certain hot-rolled carbon steel flat products from India, Indonesia, the People's Republic of China (PRC), Taiwan, Thailand, and Ukraine. The Department found that revocation of the antidumping duty orders would likely to lead to continuation or recurrence of dumping at the margins identified in the "Final Results of Sunset Reviews".

On 5 March 2013, after conducting expedited (120 day) sunset reviews of the antidumping duty orders on certain hot-rolled carbon steel flat products from India, Indonesia, the PRC, Taiwan, Thailand, and Ukraine, the Department issued notices (that came into effect on 12 March 2013) to continue the anti-dumping measures on those products exported from the nominated countries.

4.4 Current measures

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

As outlined in paragraph 3.5 of this report, a PAD was made on 6 February 2013 requiring securities in respect of any interim dumping duty that may become payable in respect of the goods from China, Korea and Taiwan that were entered into home consumption on or after 6 February 2013.

5 THE GOODS

5.1 Findings

Locally produced galvanised steel and aluminium zinc coated steel are like goods to the goods the subject of the applications.

5.2 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:

> "G*oods 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 5.3 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.

5.3 The goods under investigation

Following the initiation of the investigations, a number of interested parties sought clarification regarding goods that are subject to the investigations. After consultation with BlueScope, Customs and Border Protection issued ACDN 2012/62[16] to provide clarification regarding the goods that are covered by the investigations. The ACDN did not alter the description of the goods as described in the applications. The following section outlines the goods under investigation and issues raised by interested parties relating to the goods and clarified by ACDN 2012/62.

[16] ACDN 2012/62 is available on Customs and Border Protection's website at www.customs.gov.au.

5.3.1 Goods description

(i) Galvanised steel

The imported goods the subject of the galvanised steel application are described as:

> *"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"*[17].

Galvanised steel of any width is included.

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*). 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.

The application stated that trade and other names often used to describe galvanised steel include:

- "GALVABOND®" steel;
- "ZINCFORM®" steel;
- "GALVASPAN®" steel;
- "ZINCHITEN®" steel;
- "ZINCANNEAL"steel;
- "ZINCSEAL"steel;
- Galv;
- GI;
- Hot Dip Zinc coated steel;
- Hot Dip Zinc/iron alloy coated steel; and
- Galvanneal.

Product Treatment

The galvanised steel application covers galvanised steel whether or not including any (combination of) surface treatment, for instance; whether passivated or not passivated, (often referred to as chromated or unchromated), oiled or not oiled, skin passed or not skin passed, phosphated or not phosphated (for zinc iron alloy coated steel only).

Goods excluded from investigation scope

Painted galvanised steel, pre-painted galvanised steel, electro-galvanised plate steel and corrugated galvanised steel are not covered by the application and subsequent investigation.

[17] Galvanised Steel Application, page 10.

(ii) Aluminium zinc coated steel

The imported goods the subject of the aluminium zinc coated steel application are described as:

> "*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*"[18].

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*). Common coating masses used are: AZ200, AZ150, AZ100, and AZ70.

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.

Product treatment

The aluminium zinc coated steel application covers aluminium zinc coated steel whether or not including any (combination of) surface treatment, for instance; whether passivated or not passivated, (often referred to as chromated or unchromated), resin coated or not resin coated (often referred to as Anti Finger Print (AFP) or not AFP), oiled or not oiled, skin passed or not skin passed.

Goods excluded from investigation scope

Painted aluminium zinc coated steel, pre-painted aluminium zinc coated steel and corrugated aluminium zinc coated steel are not covered by the application and subsequent investigation.

[18] Aluminium Zinc Coated Steel Application, page 10.

5.3.2 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"*.

(i) Australia

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

(ii) International

There are a number of relevant International Standards for galvanised steel and aluminium zinc coated steel products (figures 1 and 2 refer) that cover a range of products through specific grade designations, including the recommended or guaranteed properties of each of these product grades.

(i) Galvanised steel

International Standards	Product Grade Names
General and Commercial Grades	
AS/NZS 1397	G1, G2
ASTM A 653/A 653M	CS type A, B and C
EN10346	DX51D, DX52D
JIS 3302	SGCC, SGHC
Forming, Pressing & Drawing Grades	
AS/NZS 1397	G3
ASTM A 653/A 653M	FS, DS type A and B
EN10346	DX53D, DX54D
JIS 3302	SGCD, SGCDD,
Structural Grades	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A 653/A 653M	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3302	SGC340, SGC400, SGC440, SGC490, SGC570 SGH340, SGH400, SGH440, SGH490, SGH570

Figure 1: International Standards for galvanised steel[19]

[19] Galvanised Steel Application, page 11.

(ii) Aluminium zinc coated steel

International Standards	Product Grades
General and Commercial Grades	
AS/NZS 1397	G1, G2
ASTM A792	CS, type A, B and C
EN10346	DX51D, DX52D
JIS 3321	SGLCC
Forming, Pressing & Drawing Grades	
AS/NZS 1397	G3
ASTM A792	FS, DS
EN10346	DX53D, DX54D
JIS 3321	SGLCD, SGLCDD
Structural Grades	
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 2: International Standards for aluminium zinc steel[20]

5.3.3 Tariff classification

(i) Galvanised steel

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).

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%.

(ii) Aluminium zinc coated steel

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.

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%.

5.3.4 Tariff Concession Orders (TCOs)

(i) Galvanised steel

Current tariff concessions

There are nine TCOs currently in force applicable to the relevant tariff classification subheading 7210.49.00, which covers galvanised steel[21].

[20] Aluminium Zinc Coated Steel Application, page 11.
[21] TC 9612218, in force at the time of initiation of the investigation, was revoked on 30 January 2013

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/mm2 and NOT greater than 380 N/mm2; (b) tensile strength NOT less than 440 N/mm2; (c) elongation NOT less than 29% and NOT greater than 41%; (d) coating mass NOT less than 45 g/m2 and NOT greater than 65 g/m2; (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 1242989	COILS, non-alloy steel, hot rolled, zinc coated, complying with American Society for Testing and Materials Standard ASTM A 653/A 653M - 05a, having ALL of the following: (a) coil thickness NOT less than 3.5 mm and NOT greater than 6.0 mm; (b) coil width NOT less than 784 mm and NOT greater than 1 263 mm; (c) minimum yield strength NOT less than 330 Mpa; (d) minimum tensile strength NOT less than 430 Mpa; (e) coil inside diameter NOT less than 711 mm and NOT greater than 813 mm; (f) zinc coating mass NOT less than 0.080 kg/m2 per side; (g) each coil weighing NOT less than 14 metric tonnes; (h) chemical composition by weight of ALL of the following: (i) carbon content NOT greater than 0.20%; (ii) manganese content NOT less than 0.30% and NOT greater than 0.90%; (iii) phosphorus content NOT greater than 0.03%; (iv) sulphur content NOT greater than 0.03%; (v) chromium content less than 0.30%; (vi) molybdenum content less than 0.08%; (vii) aluminium content NOT greater than 0.10%; (viii) copper content NOT greater than 0.25%; (ix) nickel content NOT greater than 0.25%; (x) titanium content NOT greater than 0.04%; (xi) vanadium content less than 0.10%; (xii) silicon content NOT greater than 0.45%
TC 1243148	COILS, non-alloy steel, hot rolled, zinc coated, complying with American Society for Testing and Materials Standard ASTM A 653/A 653M - 05a, having ALL of the following: (a) coil thickness NOT less than 1.48 mm and NOT greater than 6.0 mm; (b) coil width NOT less than 784 mm and NOT greater than 1 263 mm; (c) minimum yield strength NOT less than 360 Mpa; (d) minimum tensile strength NOT less than 460 Mpa; (e) coil inside diameter NOT less than 711 mm and NOT greater than 813 mm; (f) zinc coating mass NOT less than 0.080 kg/m2 per side; (g) each coil weighing NOT less than 14 metric tonnes; (h) chemical composition by weight of ALL of the following: (i) carbon content NOT greater than 0.20%; (ii) manganese content NOT less than 0.50% and NOT greater than 1.00%; (iii) phosphorus content NOT greater than 0.03%;

	(iv) sulphur content NOT greater than 0.03%; (v) chromium content less than 0.30%; (vi) molybdenum content less than 0.08%; (vii) aluminium content NOT greater than 0.10%; (viii) copper content NOT greater than 0.25%; (ix) nickel content NOT greater than 0.25%; (x) titanium content NOT greater than 0.04%; (xi) vanadium content less than 0.1%; (xii) silicon content NOT greater than 0.45%, Note: For the purposes of this Order, the operative period of this TCO is expected to commence on 13 November 2012 and cease on 31 May 2013.
TC 1248929	STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following: (a) yield strength NOT greater than 210 MPa; (b) tensile strength NOT less than 270 MPa; (c) total elongation NOT less than 40%; (d) total coating mass NOT less than 30 g/m2 and NOT greater than 70 g/m2 on each side; (e) in ANY of the following sizes: (i) thickness 0.75 mm and width 1 390 mm; (ii) thickness 0.75 mm and width 1 450 mm; (iii) thickness 0.75 mm and width 1 475 mm; (iv) thickness 0.75 mm and width 1 530 mm; (v) thickness 0.75 mm and width 1 565 mm; (vi) thickness 0.75 mm and width 1 640 mm; (vii) thickness 0.76 mm and width 1 220 mm; (viii) thickness 0.80 mm and width 1 350 mm; (ix) thickness 0.95 mm and width 820 mm; (x) thickness 1.00 mm and width 624 mm For the purposes of this Order, tolerances allowable for specification (e) are: (a) thickness +/- 10% (b) width +/- 1%
TC 1248930	STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following: (a) yield strength NOT less than 190 MPa; (b) tensile strength NOT less than 340 MPa; (c) total elongation NOT less than 32%; (d) total coating mass NOT less than 30 g/m2 and NOT greater than 70 g/m2 on each side; (e) in ANY of the following sizes: (i) thickness 0.70 mm and width 865 mm; (ii) thickness 0.70 mm and width 980 mm; (iii) thickness 0.70 mm and width 1 225 mm; (iv) thickness 0.70 mm and width 1 244 mm; (v) thickness 0.70 mm and width 1 300 mm; (vi) thickness 0.70 mm and width 1 350 mm; (vii) thickness 0.70 mm and width 1 370 mm; (viii) thickness 0.70 mm and width 1 400 mm; (ix) thickness 0.70 mm and width 1 410 mm; (x) thickness 0.70 mm and width 1 455 mm; (xi) thickness 0.70 mm and width 1 500 mm; (xii) thickness 0.70 mm and width 1 585 mm; (xiii) thickness 0.70 mm and width 1 710 mm; (xiv) thickness 0.70 mm and width 1 720 mm; (xv) thickness 0.65 mm and width 865 mm; (xvi) thickness 0.65 mm and width 1 800 mm;

	(xvii) thickness 1.00 mm and width 1 160 mm For the purposes of this Order, tolerances allowable for specification (e) are: (a) thickness +/- 10% (b) width +/- 1%
TC 1349350	STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following: (a) yield strength NOT less than 165 MPa and NOT greater than 325 MPa; (b) tensile strength NOT less than 270 MPa; (c) total elongation NOT less than 35% and NOT greater than 50%; (d) total coating mass NOT less than 45 g/m2 and NOT greater than 65 g/m2 on each side; (e) thickness 2.00 mm and width 1 070 mm For the purposes of this Order, tolerances allowable for specification (e) are: (a) thickness +/- 10% (b) width +/- 1%
TC 1349351	STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following: (a) yield strength NOT less than 115 MPa and NOT greater than 305 MPa; (b) tensile strength NOT less than 270 MPa; (c) total elongation NOT less than 37% and NOT greater than 57%; (d) total coating mass NOT less than 35 g/m2 and NOT greater than 65 g/m2 on each side; (e) in ANY of the following sizes: (i) thickness 0.65 mm and width 870 mm; (ii) thickness 0.65 mm and width 930 mm; (iii) thickness 0.65 mm and width 1 150 mm; (iv) thickness 0.65 mm and width 1 640 mm; (v) thickness 0.65 mm and width 1 645 mm; (vi) thickness 0.65 mm and width 1 680 mm; (vii) thickness 0.65 mm and width 1 710 mm; (viii) thickness 0.70 mm and width 925 mm; (ix) thickness 0.70 mm and width 930 mm; (x) thickness 0.70 mm and width 1 000 mm; (xi) thickness 0.70 mm and width 1 005 mm; (xii) thickness 0.70 mm and width 1 010 mm; (xiii) thickness 0.70 mm and width 1 045 mm; (xiv) thickness 0.70 mm and width 1 455 mm; (xv) thickness 0.70 mm and width 1 485 mm; (xvi) thickness 0.70 mm and width 1 550 mm; (xvii) thickness 0.75 mm and width 1 135 mm; (xviii) thickness 0.75 mm and width 1 140 mm; (xix) thickness 0.75 mm and width 1 625 mm; (xx) thickness 0.75 mm and width 1 670 mm; (xxi) thickness 0.80 mm and width 1 060 mm; (xxii) thickness 0.80 mm and width 1 150 mm; (xxiii) thickness 0.80 mm and width 1 200 mm; (xxiv) thickness 1.00 mm and width 1 610 mm; (xxv) thickness 1.20 mm and width 1 595 mm; (xxvi) thickness 2.30 mm and width 985 mm For the purposes of this Order, tolerances allowable for specification (e) are:

	(a) thickness +/- 10% (b) width +/- 1
TC 1349352	STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following: (a) yield strength NOT less than 155 MPa and NOT greater than 295 MPa; (b) tensile strength NOT less than 340 MPa; (c) total elongation NOT less than 34%; (d) total coating mass NOT less than 35 g/m2 and NOT greater than 65 g/m2 on each side; (e) in ANY of the following sizes: (i) thickness 0.70 mm and width 830 mm; (ii) thickness 0.70 mm and width 855 mm; (iii) thickness 0.75 mm and width 840 mm; (iv) thickness 0.75 mm and width 855 mm; (v) thickness 0.75 mm and width 1 630 mm; (vi) thickness 0.75 mm and width 1 645 mm; (vii) thickness 0.75 mm and width 1 683 mm; (viii) thickness 0.75 mm and width 1 700 mm; (ix) thickness 1.20 mm and width 1 170 mm; (x) thickness 1.20 mm and width 1 175 mm; (xi) thickness 1.20 mm and width 1 198 mm; (xii) thickness 1.60 mm and width 1 160 mm For the purposes of this Order, tolerances allowable for specification (e) are: (a) thickness +/- 10% (b) width +/- 1%
TC 1349354	STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following: (a) yield strength NOT less than 235 MPa and NOT greater than 400 MPa; (b) tensile strength NOT less than 390 MPa; (c) total elongation NOT less than 28%; (d) total coating mass NOT less than 35 g/m2 and NOT greater than 65 g/m2 on each side; (e) in ANY of the following sizes: (i) thickness 2.00 mm and width 975 mm; (ii) thickness 2.30 mm and width 948 mm; (iii) thickness 2.30 mm and width 1 030 mm; (iv) thickness 2.30 mm and width 1 190 mm; (v) thickness 2.60 mm and width 1 230 mm For the purposes of this Order, tolerances allowable for specification (e) are: (a) thickness +/- 10% (b) width +/- 1%

Tariff concession applications under consideration

At the time of preparing this report there are nine TCO applications currently under consideration by Customs and Border Protection that are applicable to galvanised steel. They are as follows: TC 1304297, TC 1312163, TC 1307948, TC 1308073, TC 1308115, TC 1308121, TC 1308125, TC 1309160 and TC 1310746.

The implication on the findings of the investigation of TCOs in force, or applied for, is discussed further at Chapter 7.

(ii) Aluminium zinc coated steel

Current tariff concession orders

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

Tariff concession applications under consideration

There are no tariff concession orders under consideration applicable to the relevant tariff classification subheading for aluminium zinc coated steel.

6 AUSTRALIAN INDUSTRY AND LIKE GOODS ASSESSMENT

6.1 Customs and Border Protection's assessment

Based on the verified information and data available, there is an Australian industry producing like goods to the goods the subject of the applications and these goods are wholly manufactured in Australia.

Customs and Border Protection clarifies that aluminium zinc coated steel is being investigated separately to galvanised steel, as is evident in separate dumping margins calculated for each product and in Customs and Border Protection's approach to the investigation from the outset.

6.2 Locally produced like goods

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.

Subsection 269T(1) of the Act 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*".

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

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

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

6.3 Australian industry

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). During the investigation period, BlueScope manufactured galvanised steel and aluminium zinc coated steel at both its Springhill (Port Kembla) and Western Port plants.

BlueScope manufactures HRC in Australia from liquid steel, via flat steel production. As Western Port no longer has a hot strip mill, hot rolled steel is transported from Port Kembla by sea or rail to be further processed into galvanised steel and

aluminium zinc coated steel. The steel production process is capital intensive and BlueScope does not use imported steel in the manufacture of the goods.

Restructure

On 22 August 2011, BlueScope's board announced a restructure of its business and the closure of its 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.

Taking into account the reduced production capacity of BlueScope as a result of the business restructure, Customs and Border Protection is satisfied that there continues to be an Australian industry (that is, BlueScope) wholly manufacturing the goods the subject of the investigations.

6.4 Production process

The sections below detail BlueScope's manufacturing process in respect of both galvanised steel and aluminium zinc coated steel. This process is described as two stages covering the production process for HRC and the conversion of HRC into the goods.

6.4.1 Stage 1 – HRC

The main raw materials used in the production of steel are iron ore, coal and fluxes (limestone and dolomite). The raw materials are fed into the top of the blast furnace in predetermined proportions and sequences. Air, which is heated to about 1200°C, is blown into the blast furnace. This causes the coke to burn, producing carbon monoxide which creates the required chemical reaction. The iron ore is reduced to molten iron by removing the oxygen. Molten iron and slag is periodically drained from the blast furnace and the molten iron is transported to the steelmaking area.

The basic oxygen steelmaking (BOS) process creates liquid steel from molten iron, scrap steel and alloying materials. The BOS vessel is charged and a lance that blows 99% pure oxygen onto the steel and iron causes the temperature to rise to about 1700°C. This melts the scrap, lowers the carbon content of the molten iron and helps remove unwanted elements. Samples are tested and computer analyses of the steel are done to ensure the desired chemistry is achieved. The steel can be further refined by adding alloying materials which give the steel special properties required by the customer. The liquid steel is cast into slabs of various dimensions so that it can be rolled.

During the investigation period BlueScope manufactured HRC on either of two hot strip mills. The slab is reheated in a furnace to obtain consistent temperature of around 1200°C. The heated slab is reduced in thickness by passing through a set of five or six rolling mill stands to produce HRC of the desired thickness and widths. The HRC is then transferred to the Springhill and Western Port coating mills.

6.4.2 Stage 2 - conversion process - coated steel with zinc and aluminum zinc

(i) Pickling

HRC is pickled to remove scale (iron oxide) formed during the hot rolling process. The HRC is unwound, side trimmed to the customers required width and passed through a bath of 70°C hydrochloric acid, washed, dried and recoiled.

(ii) Cold rolling

The pickled HRC is cold rolled to reduce the steel thickness. The cold rolling process is conducted at room temperature. The cold rolling process involves passing the HRC through a number of rolling mill stands to progressively reduce the thickness without changing the width. For example, a 1,200 metre coil of 2.5 mm thickness could be reduced to 0.5 mm thickness and 6,000 metres long. During the process the grain structure is elongated, making the steel hard and springy. This intermediate steel product is known as a Cold Rolled Fully Hard (CRFH) product.

(iii) Metal coating

The cold rolled coil is cleaned to remove any oils from the cold rolling process and any traces of surface oxide and is then annealed in an inert atmosphere furnace. Where formability is the prime requirement, the coil is fully annealed. Where high strength and limited formability is required, the coil is partially annealed.

The clean and annealed coil then passes from the furnace through a molten metal bath of the required composition where the molten metal chemically bonds to the steel surface. Thinner gauges of galvanised steel are coated with oil, but thicker gauges are produced bare. Aluminum zinc coated steel can be supplied with a range of surface treatments (passivation coating and a resin coating) to protect the service or supplied skin passed and without surface treatment for feed for paint lines.

6.4.3 Australian industry and production process finding

BlueScope is the sole producer of galvanised steel and aluminium zinc coated steel in Australia and wholly manufactures the goods. OneSteel ATM advised that during the investigation period it also produced galvanised hot rolled coil product for its own use. OneSteel ATM closed its strip galvanising plant in July 2012 and began importing zinc coated hot rolled coil from that time.

6.5 Like goods

(i) Galvanised steel

BlueScope stated that it manufactures 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:

> *"(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"*[22]*.*

(ii) Aluminium zinc coated steel

BlueScope stated that it manufactures 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).

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. BlueScope submitted that:

[22] Galvanised Steel Application, pages 12-13.

"(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"[23].

6.6 Stakeholder claims in respect of like goods

A number of interested parties have made claims in relation to like goods, exemptions and the goods description. Relevant submissions have been summarised in Figure 3. A summary of each of the main issues raised is discussed below:

[23] Aluminium Zinc Coated Steel Application, pages 12-13.

Party	Date of Submission	Goods issue	Refer to report Sections
Ace Gutters Pty Ltd	15/10/12 05/04/13	Unchromated product	6.6.3, 7.3.2.2
GM Holden Ltd	15/10/12	Tailor-welded steel	6.6.1, 7.3.1.2
B&R Enclosures	17/10/12	Supply of wide Zincanneal coil	6.7, 7.3.1.3
Chinese Iron and Steel Association (CISA)	01/11/12	Goods description generally	6.7, 7.3.1.4
Ford	01/11/12	Automotive steel	6.6.1, 7.3.1
POSCO	23/11/12 08/04/13	Zero spangle	6.6.2, 7.3.1.1
OneSteel ATM	27/11/12 08/04/13 19/04/13	Cold rolled coil v hot rolled coil	6.6.4, 7.3.2.1
Ace Gutters Pty Ltd	30/11/12	Supply of Galvalume coil	6.6.3, 7.2.2.2
GM Holden	14/12/12	Supply of wide galvanised coil	6.6.1, 7.3.2.2
OneSteel ATM	17/01/13 26/03/13 08/04/13 19/04/13	Exempt goods subject to TCOs and unchromated product	6.6.4, 6.7, 7.3.2.1
GM Holden	07/01/13 08/04/13	Exempt certain goods for automotive use – tailor welded blanks and certain sizes.	6.6.1, 7.3.1.2, 7.3.1.3
CISA	15/01/13 22/02/13 08/04/13	Exempt goods not produced by BlueScope; galvanised steel widths greater than 1550mm, zero spangle, goods subject to TCOs current and future	6.6.2, 6.7, 7.3.1.3
Orrcon Steel	08/04/13	Exemptions – TCOs and zero spangle	6.6.2, 7.3.1.1
Dongbu Steel	08/04/13	Unchromated product and goods description	6.6.3, 7.3.2.2

Figure 3: submissions by interested parties relating to the goods and like goods description

6.6.1 Tailor-welded steel

Tailor welded steel (also known as 'tailor welded blanks' or 'tailored blanks') consists of two galvanised steel coils of varying thickness and widths welded together using a curvature weld process.

By way of example the resulting coil may be have a thickness of 0.7 mm and width of 1,215 mm on one side and a thickness of 1.6mm and width of 1,011 mm on the other. Customs and Border Protection understands that these products are commonly used in automotive parts for passenger motor vehicles.

Tailor-welded steel not produced by BlueScope

Importers claim in their submissions that the Australian industry does not produce tailor welded coated steel to the specifications they require.

BlueScope has confirmed that it cannot manufacture tailor welded galvanised steel, however it does manufacture galvanised steel which may be further processed to produce welded steel (whether in sheets or customised form).

Is tailor-welded steel the goods?

Customs and Border Protection considers tailor welded steel falls within the goods description for the investigation, provided it meets the other specifications stated in the goods description (for example, galvanised coating).

There is nothing in the goods description for the investigation that prevents tailor welded steel from being subject to any measures imposed.

However, any interested parties who claim certain goods should be exempt from measures, including tailor welded steel may apply for an exemption from duties under sections 8(7) of the Dumping Duty Act.

Further discussion of Customs and Border Protection's consideration of exemptions is in Chapter 7.

6.6.2 Zero spangle

The term 'spangle' refers to distinctive patterns that zinc coating leaves on coated steel. Most galvanised steel has a patterned 'spangle' on it; however it is possible to produce galvanised steel that has a non-spangle finish. Exporters claim that non-spangled or zero spangle finish is required for visible part of automotive vehicle bodies, such as the body, because 'spangles' would result in an uneven paint finish, making 'zero spangle' the only suitable product for this purpose.[24]

Zero spangle steel not produced by BlueScope

Submissions were received advising that the Australian industry does not produce zero spangle coated steel.

BlueScope has confirmed that it cannot manufacture zero spangle finish coated steel, however it does manufacture galvanised steel which has a minimal or small spangle.

[24] POSCO submission, EPR 190/052, page 12.

Notwithstanding the above, BlueScope advised that it does not manufacture zero-spangled galvanised steel which is solely used for the exterior (i.e. exposed skin panels) of automobiles.

Is zero spangle steel the goods?

Customs and Border Protection considers zero spangle finish falls within the goods description for the investigation, provided it meets the other specifications stated in the goods description (for example, galvanised coating).

There is nothing in the goods description for the investigation that prevents zero spangle finish steel from being subject to any measures imposed. However, any interested parties who wish for their goods to be exempt from measures, including zero spangle steel, may apply for an exemption from duties under the Dumping Duty Act.

Further discussion of Customs and Border Protection's consideration of exemptions is in Chapter 7 of this report.

6.6.3 Unchromated aluminium zinc coated steel

Unchromated coated steel is like to commonly produced aluminium zinc coated steel, however it does not have a protective surface treatment, making it more suitable for painting.

Unchromated product is a raw material input for painted aluminium zinc coated steel and is used as feed for a continuous coating line.

BlueScope's ability to produce unchromated coated steel

Interested parties have raised that BlueScope does not offer its unchromated GALVALUME product for sale to customers in Australia, or that if it does offer the product for sale, the terms are considered not commercially acceptable.

BlueScope confirmed with Customs and Border Protection that it is able to produce unchromated coated steel suitable for painting and advised that it does offer the product for sale on the Australian market.

A discussion of exemption claims regarding this matter by parties is in Chapter 7 of this report.

Does BlueScope produce a like good?

Customs and Border Protection is satisfied that the imported and locally produced unchromated coated steel are like goods.

Further discussion of exemption claims in relation to this product is in Chapter 7 of this report.

6.6.4 Hot rolled coil and cold rolled coil substrates

Galvanised and aluminium zinc coated steel may both be produced by coating either hot rolled coiled steel or cold rolled coiled steel. BlueScope produces its galvanised steel and aluminium zinc coated steel using a cold rolled coil (CRC) substrate. An importer, OneSteel ATM, has claimed that it requires galvanised steel produced using a HRC substrate to produce rectangular hollow sections (RHS), and accordingly BlueScope's product is not suitable for its purposes.

Is hot rolled coil substrate galvanised steel and aluminium zinc coated steel a like good to galvanised steel and aluminium zinc coated steel?

Customs and Border Protection is satisfied that the imported and locally produced coated steel are broadly like goods regardless of the hot rolled or cold rolled nature of the substrate used in production.

Further discussion of exemptions is in Chapter 7 of this report.

6.7 Other issues – goods description too broad

The Chinese Iron and Steel Association (CISA) has submitted that the goods description is 'overly broad' because CISA understood the goods description to include *both* aluminium zinc coated steel and galvanised steel in one investigation.[25]

GM Holden has submitted that it also believes the goods description is too broad. Specifically, GM Holden would like to see three separate investigations conducted into the three main market segments for each product it has identified.[26] GM Holden also submitted that the OEM Automotive market segment should be excluded from the goods description and from measures because of an absence of injury.

Several interested parties raised the concern that goods not able to be produced by BlueScope should not form part of the goods description for the purposes of the investigation. CISA submitted that all products with widths greater than 1550mm should be exempt given BlueScope cannot manufacture a product of this size. GM Holden also submitted that all products outside the capabilities of BlueScope should be exempt.

Customs considers that the limitation of BlueScope's ability to make certain sizes does provide a basis for an exemption to be granted in this circumstance, however, it would need to be assessed on a case by case basis and therefore, if measures are imposed, parties are invited to make an application for an exemption on this basis. This is discussed in Chapter 7.

6.8 Submissions in Response to SEF190

OneSteel submitted that unchromated galvanised steel should be removed from the goods description as it is an intermediate product unfit for commercial purpose other than paint line feed. The unchromated product is not causing any injury to the

[25] See CISA submission dated 17/12/12, page 1 and CISA submission dated 1/11/12, page 2.
[26] GM Holden submission dated 7 January 2013, page 5

applicant. OneSteel claim BlueScope chooses not to sell unchromated product as it is compensated by the increased sales of painted coil and if investigated separately there would be no grounds for injury or causal link. OneSteel believe unchromated product falls within the category of "goods of a kind" different from other goods falling within the applicant's broad description.

Customs and Border Protection advises that it is not possible to amend the wording of the goods description after an investigation is initiated although clarification is possible, and some clarification of the goods description is found in ACDN 2012/62.

Although the wording of the goods description cannot be altered, certain goods may be exempted from duties by the Minister. Any party who wishes particular goods to be considered for exemption from duties should make that request in writing and provide supporting evidence.

6.9 Customs and Border Protection's assessment - like goods

Customs and Border Protection found that BlueScope has demonstrated in relation to galvanised steel and aluminium zinc coated steel:

- *physical likeness* - the primary physical characteristics of imported and locally produced goods are similar (both are manufactured to achieve mechanical properties designated by Australian and international standards);
- *commercial likeness* - the imported and locally produced goods are commercially alike, directly competitive and are sold to common customers;
- *functional likeness* - the imported and locally produced goods are functionally alike as they have the same end-uses; and
- *production likeness* - the imported and locally produced goods are manufactured in a similar manner.

Customs and Border Protection considers that BlueScope produces like goods that are identical to, or have characteristics closely resembling, the goods.

7 EXEMPTION REQUESTS

7.1 Customs and Border Protection's assessment

After examination of the facts provided, Customs and Border Protection recommends the Minister exempt from interim dumping duty and dumping duty certain goods currently covered by TCOs in force at the date of this report. These TCOs are listed at Appendix 2.

At the time of preparing this report there are a number of TCOs under consideration by Customs and Border Protection. As these TCOs are not 'in force' at the time of making a recommendation to the Minister, goods covered by these proposed TCOs are not recommended for exemption. Interested parties may apply for exemption for goods covered by these TCOs if they come into force prior to or following imposition of anti-dumping measures.

Customs and Border Protection does not recommend the Minister grant exemptions from interim dumping duty or dumping duty for exports of galvanised steel manufactured from a hot rolled coil substrate unchromated aluminium zinc coated steel

Customs and Border Protection has established separate variable factors for exports of galvanised steel manufactured from hot rolled coil substrate and cold rolled coil substrate.

7.2 Background

In the event that anti-dumping measures are imposed on exports of galvanised steel and aluminium zinc coated steel from the nominated countries, all grades, types and models of galvanised steel and aluminium zinc coated steel that conform to the goods description will be subject to the dumping duty notices unless the Minister exempts particular goods.

The Minister has discretion to exempt goods subject to dumping duties from that duty under the Dumping Duty Act. In particular, s.8(7) of the Dumping Duty Act specifies the following circumstances under which an exemption may be granted:

The Minister may, by notice in writing, exempt goods from interim dumping duty and dumping duty if he or she is satisfied:

(a) that like or directly competitive goods are not offered for sale in Australia to all purchasers on equal terms under like conditions having regard to the custom and usage of trade;

(b) that a Tariff Concession Order under Part XVA of the Customs Act 1901 in respect of the goods is in force;

(c) that:

> *(i) where the goods are goods to which section 8 of the Customs Tariff Act 1995 applies—the item in Schedule 4 to that Act that applies to the goods is*

expressed to apply to goods, or to a class or kind of goods, as prescribed by by-law; and

(ii) suitably equivalent goods the produce or manufacture of Australia are not reasonably available;

(d) that:

(i) the tariff classification in Schedule 3 to that Act that applies to the goods is such that no duty is payable in respect of the goods or the duty payable in respect of the goods is at a rate equivalent to a rate payable under Schedule 4 on the goods; and

(ii) suitably equivalent goods the produce or manufacture of Australia are not reasonably available; or

(e) that the goods, being articles of merchandise, are for use as samples for the sale of similar goods.[27]

Customs and Border Protection has received a number of submissions from interested parties requesting that certain goods falling within the description of the goods under investigation be granted an exemption. The reasons for requesting exemption largely focus on s.8(7)(a) or 8(7)(b) as grounds for granting that exemption.

Applications for exemption are generally made after the imposition of anti-dumping measures however, in this case, Customs and Border Protection has examined some claims during the course of the investigation. Given the timeframes and the complexities involved in this case, a late request for an exemption by Mavko Pty Ltd has been considered but it has not been possible make a recommendation to the Minister in this report. This claim will be further investigated and a recommendation made to the Minister after the implementation of any anti-dumping measures.

In the event that Customs and Border Protection has stated in this report that it recommends that the Minister does *not* grant an exemption for particular goods, this does not prevent an interested party from submitting a later exemption request.

7.3 Exemption requests by market segment

Customs and Border Protection has received a number of written requests for exemption. These requests have been broadly categorised by market segment and are discussed below.

[27] Section 8(7), *Customs Tariff (Anti-Dumping) Act 1975.*

7.3.1 Exemption requests from the automotive market segment

(i) Galvanised steel

7.3.1.1 Specific and specialised types of galvanised steel – zero spangle

Interested parties claimed that zero spangle galvanised steel is not produced in Australia, and that as a result, no injury is being caused to the Australian industry due to imports of those products. Chapter 6 of this report outlines the characteristics and broad specifications of zero spangle.

Submissions to SEF190 and Customs and Border Protection's assessment

Parties including Orrcon, CISA, POSCO, and GM Holden submitted that BlueScope cannot produce a zero spangle product and the minimal spangle product it does produce is not substitutable for a zero spangle product.

BlueScope refutes claims that its minimal spangle product cannot be substituted for zero spangle products in many cases. BlueScope does accept that in the automotive sector a particular zero spangle finish is required for some components and it has been working closely with the automotive industry to develop appropriate TCOs to incorporate particular end user requirements that include the zero spangle finish. The current TCOs are silent as to spangle finish requirements and therefore zero spangle product can be imported under these TCOs. BlueScope does not object to the granting of exemptions based upon the existence of the TCOs listed in Appendix 2 to this report. BlueScope opposes an exemption for non-automotive zero spangle products as it claims its minimal spangle product is often substitutable in these circumstances.

Customs and Border Protection has been advised by an interested party that the current TCOs do not cover all zero spangle products required by the automotive industry. Particular zero spangle products not covered by existing TCOs (or those currently under consideration) should be included in a separate application for exemption after any measures are imposed so that they can be given due consideration on a case by case basis.

Customs and Border Protection does not recommend that an exemption be granted for all zero spangle products as many zero spangle automotive products are currently covered by existing TCOs and there are issues of substitutability to consider on a case by case basis.

7.3.1.2 Specific and specialised types of galvanised steel – tailor welded

Interested parties claimed that tailor welded galvanised steel is not produced in Australia, and that as a result, no injury is being caused to the Australian industry due to imports of those products. Chapter 6 of this report outlines the characteristics and broad specifications of tailor welded steel.

Submissions to SEF190 and Customs and Border Protection's assessment

GM Holden submitted that BlueScope does not produce tailor welded steel and it should therefore be exempt from anti-dumping measures.

BlueScope claims that whilst it does not make tailor welded steel products directly it does provide the base product to local processors of tailor welded steel. BlueScope argue that to provide an exemption based on tailor welded products would impact the supply of the steel to the local tailor welding manufacturing market. BlueScope manufacture like goods to the imported steel used to locally produce tailor welded blanks in Australia.

Customs and Border Protection is aware that an Australian tailor welded manufacturing market exists but has not been in contact with that industry at this stage. Given that it is the local tailor welded manufacturer that would be directly affected by any decision in this case to grant an exemption on the basis of tailor welded steel, Customs and Border Protection is not recommending granting an exemption at this time. Parties are invited to make individual exemption applications on the grounds of tailor welded steel product after anti-dumping measures are imposed to enable consultation with both BlueScope and the local Australian tailor welded industry.

7.3.1.3 Certain sizes of galvanised steel

Interested parties have claimed that the Australian industry is unable to produce galvanised steel outside of certain widths and thicknesses, and that those widths and thicknesses are required by manufacturers in the automotive market segment.

BlueScope confirmed it is capable of manufacturing galvanised steel to a maximum width of 1550mm and a minimum thickness of 0.3mm.[28]

Customs and Border Protection notes that some galvanised steel in widths greater than 1550mm is covered by TCOs, which are recommended for exemption from interim dumping duty and dumping duty.

Submissions to SEF190 and Customs and Border Protection's assessment

There were no submissions to SEF190 on this type of exemption. However, a request was received from Sanwa Pty Ltd, seeking information on applying for an exemption on this basis. At the time of preparing this report an exemption application had yet to be received.

The test is not whether BlueScope manufacturers an identical product, but whether it can produce goods that are 'like or directly competitive'. Customs and Border Protection has consulted with BlueScope and members of the automotive market importing and manufacturing community and is satisfied that BlueScope, while able to produce a broad range of widths and thicknesses of galvanised steel, is capable of

[28] Customs and Border Protection notes that the minimum and maximum thickness capabilities of BlueScope's products is also dependent on the width of that product. Customs and Border Protection has collected supporting documentation and verified BlueScope's claims.

manufacturing galvanised steel to a maximum width of 1550mm and a minimum thickness of 0.3mm and does not produce a product that is like or directly competitive with the imported product for that application.

Customs and Border Protection considers that galvanised steel outside of the dimensions capable of being produced by the Australian industry may be reasonable grounds for the Minister to consider an exemption from duties. Parties seeking exemption for goods outside the widths or thicknesses able to be produced by BlueScope will need to provide evidence as to why locally-manufactured widths or thicknesses are not substitutable or directly competitive in other applications. At this stage no specific applications for exemptions on this basis have been considered.

7.3.1.4 Tariff Concession Orders

CISA and GM Holden submitted that goods that are subject to all future TCOs and those currently under consideration should be automatically exempt from anti-dumping measures.

There are nine TCOs applicable to galvanised steel in force and nine applications being considered at the time of this report. They are as follows:

TCOs in force	TCOs under consideration
TC 0939596	TC 1304297
TC 1242989	TC 1312163
TC 1243148	TC 1307948
TC 1248989	TC 1308073
TC 1248930	TC 1308115
TC 1349350	TC 1308121
TC 1349351	TC 1308125
TC 1349352	TC 1309160
TC 1349354	TC 1310746

Customs and Border Protection has been advised that BlueScope does not intend to object to the applications currently under consideration.

The relevant exemption provision requires that the TCO must be 'in force' in order to grant an exemption. Customs and Border Protection recommends the Minister exempt from interim dumping duty and dumping duty galvanised steel the subject of a TCO that is in force at the time of preparing this report.

In the event of future TCOs being granted, parties are able to make individual applications if and when they arise, including for those TCOs that are under consideration at the date of this report.

(ii) Aluminium zinc coated steel

Customs and Border Protection has been informed that use of aluminium zinc coated steel in the automotive market segment is rare, and has not received submissions requesting exemption of aluminium zinc coated steel from anti-dumping measures.

7.3.2 Exemption requests from the manufacturing market segment

7.3.2.1 Galvanised steel – hot rolled coil substrate

Customs and Border Protection has received submissions in relation to galvanised steel made from a hot rolled coil substrate. OneSteel ATM has requested that Customs and Border Protection grant an exemption from measures for galvanised steel made from a hot rolled coil substrate on the basis of s.8(7)(a) and s.8(7)(b) of the Dumping Duty Act.

OneSteel ATM claimed in its submission of 27 November 2012 that galvanised steel produced using a cold rolled coil (CRC) substrate is unsuitable for production of structural steel sections because it is not compliant with the standard AS 1163 C450PLUS.[29] OneSteel ATM also note in its submission that two TCOs have been applied for by OneSteel ATM, and approved by Customs and Border Protection, for these particular goods.

TC 1242989 was published in the *Gazette* on 12 December 2012, operative from 9 November 2012. TC 1243148 was also published in the Tariff Concessions *Gazette* on 12 December 2012, with a specified period of operation being from 13 November 2012 to 31 May 2013. The TCOs are for goods compliant with American Society for Testing and Materials (ASTM) A 653/A 653M – 05a.[30]

SEF190 preliminarily recommended exemption of goods covered by TC 1242989 and for goods covered by TC 1243148 until 31 May 2013.

Submissions to SEF190 and Customs and Border Protection's assessment

BlueScope agrees that it does not have the ability to produce the products covered by TC 1242989 and therefore does not object to an exemption based on this TCO. Customs and Border Protection therefore recommends the Minister grant an exemption for goods covered by TC 1242989.

Following publication of SEF190 Customs and Border Protection has received a number of submissions from both OneSteel ATM and BlueScope in relation to TC 1243148, stated as expiring on 31 May 2013. The submissions provide conflicting accounts of the circumstances leading to the application for the TCO as follows:

- OneSteel ATM submits that BlueScope will not be able to produce the product covered by this TCO in commercial quantities by the TCO's expiry date. OneSteel ATM also claims that the product being trialled to replace the product currently covered by TCO 1243148 is fundamentally different in its processing basis and will require the current Australian Standards to be revised in order to comply.
- BlueScope refutes claims that it will be unable to produce commercial quantities of the product covered by TCO 1243148 by 31 May 2013 and also advises that the product it is producing for OneSteel ATM is manufactured

[29] OneSteel submission 27/11/12, EPR 190/53, p.1.
[30] Refer to Tariff Gazette, 12 December 2012, available at www.customs.gov.au

from hot rolled coil substrate and that no update of any Australian Standard is required based on the product it is now producing.

As at the date of this report TC 1243148 is in force. Customs and Border Protection considers that this is a sufficient basis on which to recommend an exemption for goods covered by this TCO. The exemption will remain in force for such time as TC 1243148 is in force. If TC 1243148 is revoked in the future and OneSteel ATM considers there are grounds for an exemption pursuant to section 8(7)(a) it may apply for such an exemption at that time.

In the alternative to an exemption OneSteel ATM submitted that galvanised steel manufactured from hot rolled coil substrate should not be subject to measures because imports of the goods did not cause injury to BlueScope during the investigation period. OneSteel ATM suggests that this product should be afforded the same treatment as pickled and oiled HRC during the recently completed HRC investigation. In that investigation the non-injurious price for pickled and oiled HRC from Japan was set at the export price such that no interim dumping duty was payable on imports.

BlueScope submits that even if it was found that no injury was caused during the investigation period, there is a threat of injury because BlueScope will be capable of manufacturing these products in the foreseeable future, and the goods were found to be dumped. Customs and Border Protection has examined the quotes for supply of the trial product currently being produced and compared the price to export prices of hot rolled coil substrate galvanised coil during the investigation period. Customs and Border Protection also notes the established export supply chains OneSteel ATM has for the product. Customs and Border Protection agrees that there is a foreseeable and imminent threat of injury to BlueScope from imports of hot rolled coil substrate galvanised coil in the future and is not recommending establishment of a 'floor price' measure for hot rolled coil substrate galvanised coil.

OneSteel ATM also submitted that at the very least separate variable factors should be established for exports of galvanised coil with a hot rolled coil substrate and cold rolled coil substrate due to the clear price differences between the two products. Customs and Border Protection agrees with this submission – this is further discussed at Chapter 9 of this report.

7.3.2.2 Aluminium zinc coated steel - unchromated

OneSteel Coil Coaters and Ace Gutters Pty Ltd (Ace Gutters) have requested an exemption from anti-dumping measures of unchromated aluminium zinc coated steel. The exemption is claimed under s8(7)(a) of the Dumping Duty Act, in particular, that like goods are not offered for sale to all purchasers on equal terms.

Both Ace Gutters and OneSteel Coil Coaters claim that BlueScope does not offer for sale to third party customers in Australia unchromated aluminium zinc coated steel, or alternatively that BlueScope will not offer for sale unchromated aluminium zinc coated steel on commercially sustainable terms.

SEF190 did not recommend an exemption for unchromated aluminium zinc coated steel.

BlueScope's sales data shows a one off sale of a small quantity to an independently operated related entity during the investigation period, which BlueScope explained was to assist when its regular supply failed. No other sales of unchromated aluminium zinc coated steel to domestic customers were recorded during that period.

BlueScope provided details of a supply quote to OneSteel Coil Coaters that it believed demonstrated its offer to sell was on reasonable commercial terms. The quote for supply was examined by Customs and Border Protection. The quoted price was compared to the manufacturing cost to produce the chromated unpainted product and the internal transfer price of the unchromated product from BlueScope to its paint line facility. The quote was also compared to the end user third party sales of the painted product by BlueScope to its customers. While the quote is higher than chromated product lines that have undergone further processing, the increase in price despite less manufacturing process can be explained by market demand for the final painted product and the fact that it is used to produce a much higher priced output product (being painted aluminium zinc coated steel). That is, BlueScope has priced supply of the product according to its value in production of the finished product in the market, rather than the cost of production. This is an acceptable commercial practice.

Ace Gutters submitted during the investigation that BlueScope closed its account with Ace Gutters in 2006. While Ace Gutters has provided a submission setting out past conflicts with BlueScope in relation to the establishment of its paint line, and it is understood that Ace Gutters is reluctant to deal with BlueScope in the future because of this, there is currently no evidence to show that BlueScope would not provide Ace Gutters with a quote to supply the required material if requested.

Submissions to SEF 190 and Customs and Border Protection's assessment

Submissions have been received from parties including Ace Gutters, Dongbu Steel and OneSteel Coil Coaters. These submissions include claims that BlueScope engages in restrictive trade practices by not offering unchromated product to the Australian market on equal terms, that BlueScope has not seriously pursued sales of this product in the Australian market and its past actions show it does not intend to genuinely supply the Australian market that competes with its painted steel product line.

Parties noted that by not selling the unchromated product, BlueScope deprives itself of income, which would be an injury factor not caused by dumping, or alternatively by diverting the unchromated product solely to its paint lines it boosts its profits on the painted product, in which case the market value of the internal transfer of unchromated product to its paint line should be reflected in its financial statements.

All submissions claim that BlueScope refuses to supply the product on commercial terms to the Australian market. In SEF190 Customs and Border Protection stated that it considered that BlueScope's price offer for unchromated product was in line with market demand for the finished painted product. Submissions refuted this finding on the basis that there was no market for the unchromated product, a fact which it is claimed is supported by the reality that there were no genuine sales of unchromated product by BlueScope during the investigation period.

OneSteel Coil Coaters submitted that there are only two parties in the Australian market that would be interested in purchasing the unchromated product and the only willing customer during the investigation period rejected the price offering, therefore on this basis there was no market demand. Submissions questioned the "commercial reality" of the situation as described by Customs and Border Protection in SEF190 whereby prices are set based on the increased value of the finished painted product when setting the price for the input component. Parties refuted Customs and Border Protection's finding stating that the quotes provided were unrealistic and uncommercial, that the quote for an unrefined product was higher than that of the finished input product and that there is no market demand for a product that did not have any sales. It was also submitted that at no stage had BlueScope refuted claims by Ace Gutters that it had refused supply to the company.

BlueScope has responded to these claims by stating that it does provide the unchromated product for sale to all Australian buyers on equal terms. BlueScope has advised that formal letters of offer have been provided to both OneSteel Coil Coaters and Ace Gutters for the supply of unchromated product since the publication of SEF190. OneSteel Coil Coaters submitted to the investigation that the offer provided is not on viable commercial terms and that this most recent offer is on less favourable terms than previously rejected offers. OneSteel Coil Coaters also questioned the timing of such offers and BlueScope's refusal to provide a quote based on its import parity pricing model.

OneSteel Coil Coaters further claims that there has been no injury caused to BlueScope by the importation of unchromated product because it did not sell the product during the investigation period.

The relevant exemption provision that OneSteel Coil Coaters and Ace Gutters are pursuing an exemption under is section 8(7)(a). That provision states that the Minister may grant an exemption on the basis:

> *(a) that like or directly competitive goods are not offered for sale in Australia to all purchasers on equal terms under like conditions having regard to the custom and usage of trade*

The terms provided in the offer of sale from BlueScope to OneSteel Coil Coaters and the one off sale during the investigation period cannot be used for comparison purposes as the one off sale was not in the ordinary course of trade. Further examination has been conducted of the two recent quotes provided by BlueScope following SEF190. They appear to be based on similar pricing terms when comparing equivalent product sizes with the only variance occurring in quantity limitations. The fact that Ace Gutters and OneSteel Coil Coaters consider the price offered is too high, is not a relevant consideration in relation to an exemption pursuant to section 8(7)(a). Based on the evidence before it Customs and Border Protection considers that BlueScope offers like goods to all purchasers on equal terms under like conditions. Customs and Border Protection does not recommend an exemption be granted.

Customs and Border Protection notes that one or more exporters of unchromated aluminium zinc coated steel during the investigation period will not be subject to

measures in any case due to the relevant dumping investigation being terminated by Customs and Border Protection.

8 AUSTRALIAN MARKET

8.1 Findings

The Australian markets for galvanised steel and aluminium zinc coated steel are supplied by BlueScope and imports from the nominated countries, and other countries.

Galvanised steel is supplied into the building and construction, manufacturing, automotive and transport primary market sectors. Aluminium zinc coated steel is supplied into the building and construction and manufacturing primary market sectors.

Customs and Border Protection estimates that in 2011-12 the size of the Australian market for galvanised steel was approximately 630,000 tonnes.

Customs and Border Protection estimates that in 2011-12 the size of the Australian market for aluminium zinc coated steel was approximately 220,000 tonnes.

8.2 Market segmentation and demand variability

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.

(i) Galvanised steel

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.

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.

Galvanised steel is supplied to automotive components (i.e. brakes parts) and Original Equipment Manufacturer (OEM) automotive markets.

BlueScope state 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

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.

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.

BlueScope 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 market*[31]*"*.

(iii) Both products

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;

[31] Aluminium Zinc Coated Steel Application, page 17.

- 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.

8.3 Marketing

As discussed at section 5.3.1, BlueScope sells galvanised steel and aluminum zinc coated steel under several brand names. Different brands were sold into different market sectors and BlueScope claims this enabled it to develop marketing strategies that targeted particular market sectors.

(i) BlueScope products - Galvanised steel

GALVABOND® is the largest selling brand of galvanised steel and is a commercial grade suitable for forming, pressing and drawing. This product has the typical spangled surface that forms as the zinc coating dries. ZINCANNEAL® is a similar product but the zinc coating is subjected to direct fire gas furnace post exiting the coating bath and consequently the surface has a much finer crystalline structure. GALVASPAN® is the second largest selling brand of galvanised steel and is aimed at the construction market for the production of purlins and girts. The vast majority of sales of this brand have a zinc coating mass of 350 g/m^2. ZINCHITEN® is a structural product that can have the same structural properties, but is typically sold with a lower coating mass. GALVAFORM® is a brand specially developed for the automotive sector and DECKFORM® was developed specifically for the steel decking market.

(ii) BlueScope products - Aluminum zinc coated steel

ZINCALUME® and TRUECORE® are the main brands of aluminium zinc coated steel. ZINCALUME® is the largest selling brand. TRUECORE® may have the same structural properties but it is targeted to the house framing market. It is produced in limited sizes to suit the framing market and is coated with a blue tinted resin.

8.4 Market distribution

(i) Galvanised steel

A large proportion of galvanised steel sales are made directly to the domestic building product manufacturing industry. Customers in this industry roll form the galvanised steel into building products such as structural sections for commercial buildings, garages and sheds. The building product manufacturers then distribute the manufactured products to builders. If these customers require slit coils it is supplied from the service centres. Smaller quantities are sold directly to customers in the automotive (car and component manufacturers), manufacturing and pipe and tube sectors. The balance is sold through distributors.

(ii) Aluminum zinc coated steel

A significant proportion of aluminum zinc coated steel sales are made directly to the domestic building product manufacturing industry. Customers in this industry roll form the steel into building products such as building cladding. The building product manufacturers subsequently distribute the manufactured products to builders. BlueScope stated that the majority of the balance is sold through distributors and only a very small volume is sold into other market sectors.

(iii) Both products

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). Distributors normally purchase either imports or BlueScope's products, but some purchase from both sources.

BlueScope and importers of galvanised steel and aluminum zinc coated steel compete in all states and territories in Australia and across each segment via the same distribution channels in order to sell product into the market.

8.5 Market size

Customs and Border Protection has estimated the size of the Australian markets for galvanised steel and aluminium zinc coated steel using import data from Customs and Border Protection's import data base and verified and unverified data provided by BlueScope, importers and exporters. Customs and Border Protection notes the following issues with the accuracy of data sets:

- Product finishes (for example, whether aluminium zinc coated steel is painted or unpainted) are not easily identifiable in the data sets. As product finishes cannot be easily identified in the data used to estimates market volumes, it is likely that some painted products which are outside the scope of the goods may be included in import volumes. The inclusion of these products may inflate import volumes and therefore Australian market sizes; and

- Specific production dimensions (including exact width and thickness of the goods) are not discernable in data sets. 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 the import data available is sufficient for estimating import volumes to assess the Australian market sizes for galvanised steel and aluminium zinc coated steel.

(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 verified sales data. Customs and Border Protection estimates that in

2011-12 the size of the Australian market for galvanised steel was approximately 630,000 tonnes.

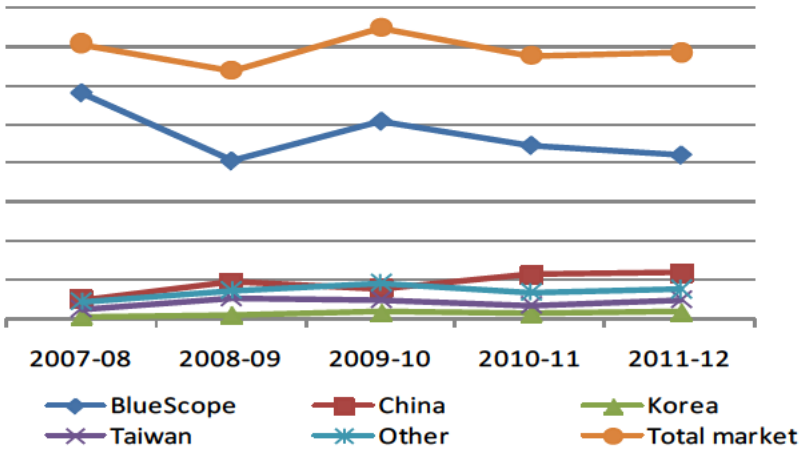

Figure 4: Australian market for galvanised steel - 2007-08 to 2011-12

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 verified sales data. Customs and Border Protection estimates that in 2011-12 the size of the Australian market for aluminium zinc coated steel was approximately 220,000 tonnes.

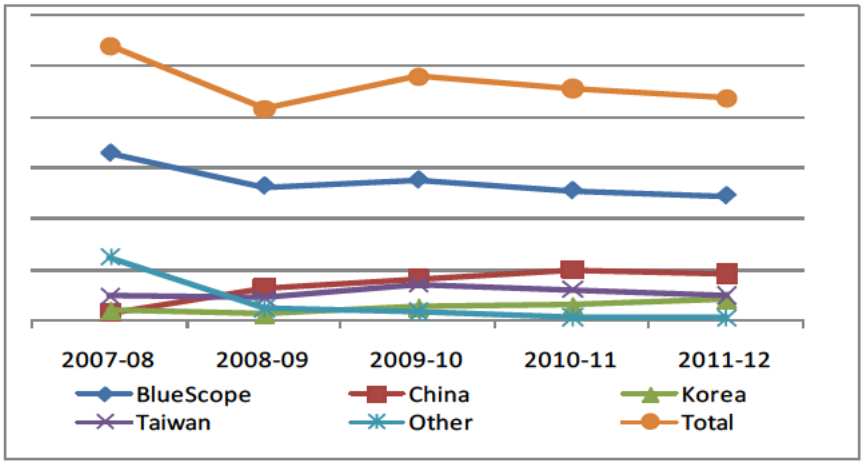

Figure 5: Australian market for aluminium zinc coated steel - 2007-08 to 2011-12

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

8.6 Alternative products

(i) Galvanised steel

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.

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

(ii) Aluminium zinc coated steel

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*"[32].

[32] Aluminium Zinc Coated Steel Application, page 19.

8.7 Importers

Customs and Border Protection performed a search of its import database and identified importers of galvanised steel and aluminium zinc coated steel. The largest nine importers accounted for approximately 90% of the total galvanised steel and aluminium zinc coated steel imports from the nominated countries.

Customs and Border Protection undertook visits to eight of those importers and prepared reports following the visits:

- Citic Australia Commodity Trading Pty Ltd
- Stemcor Australia Pty Ltd
- Marubeni-Itochu Steel Oceania Pty Ltd
- Minmetals Australia Pty. Ltd.
- Onesteel
- CMC (Australia) Pty Ltd
- GS Global Australia Pty.Ltd.
- GM Holden Ltd

These visit reports can be found on the electronic public record available on the Customs and Border Protection website at www.customs.gov.au .

9 DUMPING INVESTIGATION

9.1 Findings

(i) Galvanised steel

Customs and Border Protection has determined that:

- a market situation existed in the domestic market for galvanised steel in China during the investigation period such that selling prices in that market are not suitable for normal value purposes;
- the cost of hot rolled coil in the Chinese exporters' records does not reasonably reflect competitive market costs. A benchmark for hot rolled coil can be established by reference to costs of exporters from Korea and Taiwan;
- galvanised steel exported to Australia from China, Korea and Taiwan during the investigation period was dumped;
- galvanised steel exported from Korea by Union Steel Korea and from Taiwan by Shen Yu and Ta Fong was not dumped; and
- the volume of dumped goods from these countries, and the dumping margins for all exporters (except Union Steel Korea, Sheng Yu and Ta Fong) were not negligible.

Dumping margins for galvanised steel are tabulated below:

Country	Manufacturer / exporter	Dumping margin
China	ANSTEEL	20.1%
	TAGAL	32.7%
	WISCO	18.5%
	Yieh Phui Technomaterial	6.8%
	All other exporters	62.9%
Korea	Dongbu Steel	3.2%
	POSCO	9.1%
	Union Steel Korea	<2%
	All other exporters	28.5%
Taiwan	Chung Hung Steel	8.5%
	Yieh Phui Enterprise	2.6%
	Sheng Yu	<2%
	Ta Fong	<2%
	All other exporters	8.6%

Figure 6: Dumping margins for galvanised steel

The dumping investigation so far as it relates to exports of galvanised steel from Union Steel Korea, Sheng Yu and Ta Fong was terminated on 26 April 2013 due to negligible dumping margins[33].

[33] TER 190A refers

(ii) Aluminium zinc coated steel

Customs and Border Protection has assessed that:

- a market situation existed in the domestic market for aluminium zinc coated steel in China during the investigation period such that selling prices in that market are not suitable for normal value purposes;
- the cost of hot rolled coil in the Chinese exporters' records does not reasonably reflect competitive market costs. A benchmark for hot rolled coil can be established by reference to costs of exporters from Korea and Taiwan;
- aluminium zinc coated steel exported to Australia from China and Korea during the investigation period was dumped;
- aluminium zinc coated steel exported to Australia by Sheng Yu from Taiwan was dumped, but the dumping was negligible;
- aluminium zinc coated steel exported to Australia by Union Steel Korea from Korea and all other exporters from Taiwan was not dumped; and
- the volume of dumped goods from China and Korea, and the dumping margins for all exporters (excluding Union Steel Korea) were not negligible.

Dumping margins for aluminium zinc coated steel are tabulated below:

Country	Manufacturer / exporter	Dumping margin
China	ANSTEEL	5.8%
	Union Steel China	8.6%
	Yieh Phui Technomaterial	5.5%
	Zong Cheng	18.1%
	All other exporters	19.3%
Korea	Dongbu Steel	5.8%
	Union Steel Korea	<2%
	All other exporters	7.7%

Figure 7: Dumping margins for aluminium zinc coated steel

The dumping investigation so far as it relates to exports of aluminium zinc coated steel from Union Steel Korea and Sheng Yu (a Taiwanese exporter) was terminated on 26 April 2013 due to negligible dumping margins.

The dumping investigation so far is it relates to all exports of aluminium zinc coated steel from Taiwan was terminated on 30 April 2013 due to a finding of no dumping[34].

[34] TER190B refers

9.2 Introduction

9.2.1 Number and categorisation of exporters

Customs and Border Protection estimates there were a total of around 107 exporters of galvanised steel and 28 exporters of aluminium zinc coated steel[35] from the three countries/region subject of this investigation that exported to Australia in the investigation period.

Despite the relatively large number of exporters, Customs and Border Protection has not undertaken a sampling exercise in terms of s.269TACB(8).

Rather, Customs and Border Protection sought to determine exporter-specific dumping margins for all exporters, after investigating the exportations of all exporters in the investigation period, whether or not they cooperated with the investigation. Therefore, Customs and Border Protection regards all exporters to be 'selected exporters' in relation to s.269T.[36]

Shortly after initiating the investigation, Customs and Border Protection wrote to all known potential exporters of galvanised steel and aluminium zinc coated steel (identified in its import database), inviting them to make themselves known as an exporter and cooperate with the investigation by completing an Exporter Questionnaire.

Customs and Border Protection received 14 responses to the Exporter Questionnaire issued in relation to the dumping investigations. There were 13 exporters that provided adequate and timely responses to the Exporter Questionnaires – 9 were visited for verification purposes, and data for the other 3 was examined without on-site verification.

In the case of those exporters that provided an adequate and timely response to the Exporter Questionnaire, Customs and Border Protection was able to base the dumping margin calculations on the data submitted. These exporters were considered to be 'selected cooperating exporters'.

In some instances, the data submitted by these exporters was verified in on-site visits to the exporters' premises. In other cases, the data was examined by Customs and Border Protection without on-site verification.

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[35] It is difficult to estimate the number of exporters accurately because in some cases Customs and Border Protection is only aware of the identities of the suppliers, which can be trading entities or manufacturers. Customs and Border Protection usually regards the manufacturer to be the exporter. Where the supplier details for particular importations in the Customs and Border Protection commercial database relate to traders, this means the identities and number of the exporters (manufacturers) are unknown.

[36] S.269T(1) provides that 'selected exporter, in relation to a dumping duty notice or a countervailing duty notice in respect of goods, means an exporter of goods the subject of the application or like goods whose exportations were investigated for the purpose of deciding whether or not to publish that notice.'

In the case of one exporter that provided an inadequate response to the Exporter Questionnaire, or those exporters that did not respond to the questionnaire, Customs and Border Protection regarded these exporters as 'selected non-cooperating exporters'.

The calculation of dumping margins for each selected cooperating and selected non-cooperating exporter is at **Confidential Attachment 1.**

9.2.1.1 Selected cooperating exporters

Cooperating exporters collectively account for an estimated 70% of the volume of galvanised steel exports and 80% of the volume of aluminium zinc coated steel exports to Australia from the nominated countries/region in the investigation period.

Exporters whose data was verified on-site

Customs and Border Protection undertook verification visits to the following selected cooperating exporters, and based dumping margin calculations upon that verified data.

China:
- Angang Steel Company Limited (ANSTEEL)
- ANSC-TKS Galvanizing Co., Ltd (TAGAL)
- Union Steel China Co., Ltd (Union Steel China)
- Yieh Phui Technomaterial Co., Ltd

Korea:
- Dongbu Steel Co. Ltd
- Union Steel Korea

Taiwan:
- Chung Hung Steel Corporation
- Sheng Yu
- Yieh Phui Enterprise Co., Ltd

Exporters whose data was assessed without verification

Customs and Border Protection examined the data contained in responses to Exporter Questionnaires by a further four selected cooperating exporters, and found the data to be verifiable and without material deficiency.

However, verification visits were not undertaken in relation to these exporters. Rather, Customs and Border Protection calculated dumping (and subsidy) margins after analysing the data submitted by these entities.

The four selected cooperating exporters subject of this approach are listed below.

China:
- Wuhan Iron and Steel Company Limited (WISCO)
- Jiangyin Zong Cheng Steel Co., Ltd (Zong Cheng)

Taiwan
- Ta Fong

Korea:
- POSCO

9.2.1.2 Selected non-cooperating exporters

There was one other response to the Exporter Questionnaire – from Shiang Jay Industrial Co., Ltd, a Taiwanese exporter. Customs and Border Protection found that the response to the questionnaire was deficient in a material degree. Customs and Border Protection provided an opportunity for the exporter concerned to address those deficiencies. Having regard to the original response to the Exporter Questionnaire, and to subsequent attempts to address deficiencies, Customs and Border Protection finds the response remained deficient, and could not be relied upon for calculating dumping margins.

The information provided by Shiang Jay was assessed as being materially deficient and not sufficient to warrant verification, and it is considered to be unreliable. Customs and Border Protection considers that Shiang Jay has not fully cooperated with the investigation.

It also considers all those entities that exported galvanised steel or aluminium zinc coated steel to Australia from any of the three countries/region the subject of the investigation that did not make themselves known to Customs and Border Protection, and did not provide a response to the Exporter Questionnaire, are selected non-cooperating exporters.

The export prices and normal values for selected non-cooperating exporters have been determined after having regard to all relevant information.

The dumping findings are outlined in the sections below that are particular to each country/region.

9.3 Determination of normal values – China (both products)

9.3.1 Particular market situation

In its application, BlueScope submitted that domestic prices of galvanised steel and aluminium zinc coated steel in China are not suitable for the determination of normal values under s269TAC(1) as a particular market situation in relation to those goods renders those domestic selling prices unsuitable.

In its recent investigation into dumping of hollow structural sections (HSS) exported from China, Customs and Border Protection found that a particular market situation existed in the Chinese iron and steel industry that rendered domestic selling prices of HSS unsuitable for the determination of normal value (Report 177 (REP 177)

refers[37]). In particular, Customs and Border Protection found that the Chinese government influences distorted the selling prices of HRC, the main raw material used in the manufacture of HSS.

Galvanised steel and aluminium zinc coated steel producers form part of the iron and steel industry in China and HRC is the main raw material used in the production of those goods. Based on these facts and the findings in REP 177[38], Customs and Border Protection considers it reasonable to consider that the GOC influences in the iron and steel industry identified in REP 177 continue to exist in the Chinese domestic market such that HRC selling prices do not reflect competitive market costs.

During the current investigations Customs and Border Protection has found that some exporters of galvanised steel and aluminium zinc coated steel to Australia are 'integrated producers'. This means that rather than purchasing HRC they manufacture their own HRC from raw materials such as iron ore, coke or coking coal and scrap. Customs and Border Protection considers that due to the nature of the government influences as set out in REP 177 the HRC production inputs and/or transfer prices for HRC would equally be affected and not reflect competitive market costs.

Customs and Border Protection therefore considers that a particular market situation exists in relation to domestic sales of galvanised steel and aluminium zinc coated steel exported to Australia from China rendering domestic prices of those goods unsuitable for determining a normal value. Normal values should be constructed under s269TAC(2)(c) of the Act.

Detailed discussion of the finding in relation to market situation, and submissions in response to SEF190, is at Appendix 1.

9.3.2 Approach to replacing HRC costs

The construction of normal value under s269TAC(2)(c) of the Act has been undertaken in accordance with the conditions of Regulation 180,181 and 181A of the *Customs Regulations 1926*.

Regulation 180(2) requires that if an exporter keeps records in accordance with generally accepted accounting principles and those records reasonable reflect competitive market costs associated with the production of like goods then the cost of production must be worked out using the exporter's records.

Customs and Border Protection's view is that HRC prices are affected by GOC influences and do not reasonable reflect competitive market costs.

The issue of an appropriate benchmark for HRC costs was discussed in Appendix C of REP 177. That report discussed three options for determining a benchmark, in

[37] A detailed assessment of the market situation in China for HSS is contained in Appendix A to REP177.

[38] It is noted that on 14 January 2013 the Minister, following a recommendation from the Review Officer, asked Customs and Border Protection to reinvestigate the market situation findings in REP177. The reinvestigation report is due to the Minister on 14 April 2013.

order of preference based on World Trade Organisation (WTO) Appellate Body findings:

- private domestic prices;
- import prices; and
- external benchmarks.

(i) Private domestic prices

In REP 177 Customs and Border Protection found that private prices of HRC were equally affected by government influence and therefore not suitable. Customs and Border Protection's assessment of data submitted by cooperating exporters in the galvanised steel and aluminium zinc coated steel investigations shows that there is no significant difference between HRC prices from SIE and private suppliers. Customs and Border Protection considers that private domestic prices of HRC in China are still not suitable for determining a competitive market cost free from government influence.

(ii) Import prices

In REP177 Customs and Border Protection found that import prices were not suitable as a benchmark due to the lack of import penetration of HRC and the likelihood that import prices were equally affected by the government influences on domestic prices.

The GOC's response to the Government questionnaire in relation to HRC imports and the data supplied by cooperating exporters during the current investigations indicate that only a small quantity of HRC was imported in China during the investigation period. Due to the small quantity of imports of HRC, it is likely that import prices were equally affected by the government influences on domestic prices. Customs and Border Protection considers that import prices are not suitable for determining a competitive market cost of HRC.

(iii) External benchmarks

Customs and Border Protection has determined that an appropriate benchmark for HRC costs in China is the weighted average domestic HRC price paid by cooperating exporters of galvanised steel and aluminium zinc coated steel from Korea[39] and Taiwan[40], at comparable terms of trade and conditions of purchase to those observed in China.

As reported in PAD190, it was observed that some Korean and Taiwanese exporters use hot rolled band (HRB) as well as HRC for the production of galvanised steel and aluminum zinc coated steel exported to Australia. Some Chinese exporters also purchase HRB. HRB is not skin passed and exhibited only a minor price difference to HRC used for the manufacture of galvanised steel and aluminum zinc coated steel during the investigation period. For the purpose of the benchmark, all HRB purchases were included.

[39] Dongbu Steel and Union Steel.
[40] Chung Hung Steel, Yieh Phui Enterprise and Sheng Yu Steel.

One cooperating Korean exporter reported its HRC purchases by differentiating between HRC that was produced using the electric arc furnace method and HRC produced using the blast furnace method. The different types of HRC exhibited minor price differences in the investigation period. It is not clear what type of HRC was purchased for the production of galvanised steel and aluminum zinc coated steel in China. As such for the purpose of calculating the benchmark, all HRC purchases were included.

From the responses to the exporter questionnaire provided by three cooperating non-integrated Chinese exporters, two exporters provided HRC purchase data inclusive of delivery costs while the third exporter had both delivered and EXW terms. The delivery cost for HRC for this exporter was calculated as a weighted average cost per tonne, using the difference between the EXW and delivered prices per tonne multiplied by the quantity. An upward adjustment was made to all EXW HRC purchases during the investigation period.

For the purpose of calculating the benchmark, all HRC purchases by the cooperating exporters were adjusted to delivered prices.

Submission to SEF190

Angang & TAGAL submitted that Customs and Border Protection's approach to HRC cost replacement was incorrect. They stated that SBB steel market quoted prices are more transparent & persuasive and should be used instead. They stated that Customs and Border Protection should recheck the calculation process and that adjustments should be excluded from the normal value calculation.

Customs and Border Protection acknowledges that SBB is a reliable source of information pertaining to steel prices; however in the present case Customs and Border Protection considers that verified data pertaining to actual prices paid for HRC during the investigation period is preferable for use as a benchmark.

There is no basis for excluding adjustments from the normal value calculation as it is a requirement to ensure fair comparison between the normal value and export price used for assessing whether dumping has occurred.

9.3.3 Calculation of uplift

(i) Non-integrated cooperating exporters

To determine the amended competitive market costs for non-integrated Chinese exporters, Customs and Border Protection compared the benchmark prices to purchases of HRC by those exporters to arrive at a percentage difference to be applied to the raw materials cost recorded in the exporters' records. In each case, application of this benchmark resulted in an uplift to exporters' costs, i.e. the actual HRC costs incurred by galvanised steel and aluminum zinc coated steel exporters for HRC were lower than the benchmark amount.

An error was identified and rectified when calculating the uplift percentages at the time of publishing the PAD and imposing interim dumping securities. As a result of this rectification, the uplift percentages on average increase by approximately 1%.

The adjusted uplift was used to replace the HRC costs for all cooperating Chinese exporters for the purpose of this report.

(ii) Integrated cooperating exporters

As stated above, integrated manufacturers of galvanised steel and aluminium zinc coated steel do not purchase HRC but manufacture it themselves from other raw materials such as iron ore, coke or coking coal and scrap steel. However, as noted in Appendix 1, the GOC influences in the iron and steel industry are wide ranging and affect competitive market supply of raw material inputs including HRC. Customs and Border Protection has observed that some of the cooperating integrated exporters of galvanised steel and aluminium zinc coated steel also sell HRC to some of the non-integrated producers. Because this selling price is said not to reflect a competitive market cost to the purchaser, and has been substituted by a benchmark, this leads to an inference that the HRC manufacture costs of the integrated producers also do not reflect competitive market costs. In the absence of

- sufficient information to establish a benchmark for each of the raw material inputs to HRC; and
- sufficiently detailed cost records from the cooperating exporters in their questionnaire responses to make the adjustment at this level,

it is considered reasonable to make the substitution at the HRC level for integrated producers.

Therefore, for cooperating integrated Chinese exporters the weighted average percentage uplift found in relation to the cooperating non-integrated exporters was applied to their recorded costs to manufacture HRC.

(iii) Non-cooperating exporters

The methodology for calculating the normal value for non-cooperating exporters is discussed at sections 9.4.5 and 9.9.5.

9.4 Galvanised steel - China

9.4.1 ANSTEEL

9.4.1.1 Preliminary findings in the SEF

Export prices for direct and indirect exports by ANSTEEL (including through Angang entities in the Angang Group of companies) were established pursuant to s. 269TAB(1)(c) having regard to all the circumstances of the exportation. Specifically the export price is ascertained based on the price paid or payable for the goods by the importer.

Normal values for domestic sales by ANSTEEL were established in accordance with s.269TAC(2)(c) of the Act using ANSTEEL's weighted average cost to make and sell (CTMS) data (revised for raw material cost uplift), by product model, and an amount for profit based on domestic sales of like goods sold in the ordinary course of trade.

To ensure the comparability of normal values to export prices, the following adjustments were made:

Negative
Domestic inland freight

Positive
Export inland freight
Export handling charges
Angang International's and Angang HK's SG&A
Unrefundable VAT
Width
Surface Treatment
Normal Spangle
Surface quality

The dumping margin for galvanised steel exported by ANSTEEL was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for ANSTEEL at the time of the SEF was 19.3%.

9.4.1.2 Submissions received

BlueScope was the only interested party to make a submission in relation to ANSTEEL's dumping margin determination. The submission can be found on the Public Record[41].

Adjustments for SG&A expenses

BlueScope states that the ANSTEEL visit report does not indicate whether a comparison was undertaken between Angang International's SG&A and the commission paid to Angang International by ANSTEEL for the export sales to Australia. It submits that the adjustment to ANSTEEL's normal value for the role of Angang International should reflect the higher of the SG&A or the selling commission.

Raw materials and processing costs

BlueScope noted the comment in the report that processing costs can be influenced by 'exceptional circumstances' and 'abnormal situations' and stated that it is unclear what these were and what impact it has on ANSTEEL's processing costs.

Level of profit

BlueScope states that the report does not indicate the basis for the amount of profit applied to the constructed normal value and argues that profit should be calculated based on like goods sold in the ordinary course of trade.

[41] Document 100 of the public record

9.4.1.3 Customs and Border Protection's assessment

Adjustments for SG&A expenses

The visit team appropriately treated ANSTEEL, Angang International and Angang Hong Kong as a single entity[42] for the purpose of calculating dumping margins and made an upwards adjustment for the role of Angang International based on actual costs, in this case the SG&A expenses.

Raw materials and processing costs

The ANSTEEL visit report notes that:

> *"there are only a small number of PCNs [with processing costs] on the lower and upper percentage ranges and these PCNs also have relatively low production volumes"*

Therefore, the impact on the dumping margin would have been negligible. As such, the visit team advised that it did not pursue this issue further during the verification. Customs and Border Protection considers it appropriate that the visit team did not focus substantial time of the verification visit on this issue that would not have materially influenced the dumping margin calculation.

Level of profit

Chapter 10 of the ANSTEEL visit report states:

> *"A rate of profit has been added using data related to the production and arm's length sales of like goods in the ordinary course of trade."*

Customs and Border Protection can confirm that ANSTEEL's profit margin (as with the profit margin of all applicable exporters) has been calculated based on domestic arm's length sales of like goods sold in the ordinary course of trade.

Dumping margin calculation

Upon reviewing the dumping margin calculation for ANSTEEL, Customs and Border Protection found that an incorrect formula was applied to certain adjustments[43]. After correcting the error, the updated dumping margin for ANSTEEL is 20.1%.

9.4.2 TAGAL

9.4.2.1 Preliminary findings in the SEF

For sales made to two customers the export price can be determined under s. 269TAB(1)(a) using the invoiced price by TAGAL less any part of that price that

[4242] Section 5.5 of the ANSTEEL visit report

[43] See section 9.4.3.2 under "Constructed normal value calculation" for a discussion the formulas

represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

For sales made to another customer, then on-sold to the Australian customer, the export price can be determined under s. 269TAB(1)(c) having regard to all the circumstances of the exportation. Specifically the export price is ascertained using the invoiced price by TAGAL less any part of that price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

Normal values for domestic sales by TAGAL were established in accordance with s.269TAC(2)(c) of the Act using TAGAL's weighted average CTMS data (revised for raw material cost uplift), by product model, and an amount for profit based on domestic sales of like goods sold in the ordinary course of trade. To ensure fair comparison, adjustments were made to normal values as follows:

Negative:
Domestic inland freight

Positive
Export inland freight and handling
Unrefundable VAT
Export credit terms

The dumping margin for galvanised steel exported by TAGAL was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for galvanised steel exported by TAGAL at the time of the SEF was 30.8%

9.4.2.1 Submissions received

BlueScope was the only interested party to make a submission in relation to TAGAL's dumping margin determination. The submission can be found on the Public Record[44].

Export sales via traders

BlueScope questions the analysis[45] that levels of trade did not have an effect on prices for domestic sales. It argued that the product chosen for this analysis, DX54D Z140, has high costs and low sales volumes.

Similarly, BlueScope claims that TAGAL exports galvanised steel to its Australian customers via traders and therefore an upwards adjustment to the normal value is required for the agent's commission or fee.

[44] Document 101 of the public record

[45] Section 7.2 of the TAGAL visit report

Constructed normal value

BlueScope noted that the TAGAL visit report states that profit used in the constructed normal value was calculated from:

> *"data related to the production and arm's length sales of like goods in the ordinary course of trade".*

BlueScope states that it is not clear whether the profit is a weighted average of TAGAL's sales or based on a particular model or models. BlueScope has sought further explanation.

Adjustments for price extras

BlueScope states that it anticipates that TAGAL's normal value require adjustments for certain 'price extras' on goods exported to Australia, similar to the adjustments applied to ANSTEEL's normal value. The TAGAL visit report did not indicate that adjustments for 'price extras' were made to TAGAL's normal value.

9.4.2.2 Customs and Border Protection's assessment

Export sales via traders

According to the domestic sales spreadsheet provided by TAGAL in the exporter questionnaire response and verified during the visit, the model used to undertake the level of trade analysis is one of the highest selling product by TAGAL on the domestic market.

Customs and Border Protection notes that the outcome of the analysis is favourable to the Australian industry as a downwards adjustment to the normal value was not required.

Although it is not clear in the public version of the TAGAL visit report due to confidential redactions, Customs and Border Protection is satisfied that TAGAL's export price has been appropriately calculated taking into account the nature of the export sales and the parties involved. The export price used in the calculation of the dumping margin is the price invoiced by TAGAL (which does not include a trader's margin).

Constructed normal value

Customs and Border Protection can confirm that the profit has been calculated using the weighted average profit of all arm's length domestic sales made in the ordinary course of trade. This is the same methodology used to calculate profit for all exporters where a constructed normal value was ascertained.

Adjustments for price extras

Section 4.2.1 of the TAGAL visit report explains that the product code used by TAGAL contain key characteristics including, inter alia, steel grade, zinc coating mass, surface quality and thickness. In addition, Section 6.1 states that TAGAL provided cost data for each product code. Consequently, the cost of the 'extras'

referred to by BlueScope are already embedded in the cost of each product. This means that the constructed normal value includes the cost of the 'extras' and therefore an adjustment was not required.

Dumping margin calculation

Upon reviewing the dumping margin calculation for TAGAL, Customs and Border Protection found that an incorrect formula was applied to certain adjustments[46]. After correcting the error, the updated dumping margin for TAGAL is 32.7%.

9.4.3 WISCO

9.4.3.1 Preliminary findings in the SEF

Export prices for direct and indirect exports by WISCO (supplied through International Economic and Trading Corporation Wugang Group (IETC) and other Wugang entities) were established pursuant to s.269TAB(1)(c) of the Act using the invoiced price from Wugang Australia to its unrelated customers.

Normal values for domestic sales by WISCO were established in accordance with s.269TAC(2)(c) of the Act using WISCO's weighted average CTMS data (revised for raw material cost uplift), by product model, and an amount for profit based on profitable domestic sales of like goods. To ensure fair comparison, the following adjustments were made:

Positive
Export inland freight, handling and insurance
IETC's and Wugang Australia's SG&A
Unrefundable VAT

The dumping margin for galvanised steel exported by WISCO (supplied through IETC) was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for WISCO / IETC is 21.2%.

9.4.3.1 Submissions received

WISCO was the only interested party to make a submission in relation to WISCO's dumping margin determination. The submission can be found on the Public Record[47].

Constructed normal value calculation

WISCO submitted that the formula used to calculate normal values artificially inflates the normal value. This formula involved the application of adjustments to the normal

[46] See section 9.4.3.2 under "Constructed normal value calculation" for a discussion the formulas

[47] Document 107 of the public record

value where Customs and Border Protection applied an upwards adjustment by dividing by one minus the applicable rates:

$$x/(1-r_1)/(1-r_2)$$

Where x is the normal value pre-adjustment and r_1 and r_2 are the percentages of various adjustments. WISCO argues that the adjustments should be applied by multiplying the applicable rates:

$$x + (x \times r_1) + (x \times r_2)$$

IETC's SG&A

WISCO advised that there was an error in the calculation of IETC's SG&A which resulted in certain costs being double counted.

Ordinary course of trade test

WISCO also sought confirmation that the ordinary course of trade test used to calculate the profit margin did not exclude sales that are recoverable within 12 months.

Domestic Sales

WISCO noted that the WISCO dumping margin calculation report found that sales to related parties are cheaper than sales to unrelated parties. This finding resulted in Customs and Border Protection's finding that prices to related parties have been influenced by a commercial or other relationship and are not arm's length prices.

WISCO argued that the differences in prices, instead, reflects differences in quantities being purchased and some purchases by related parties being purchases from stock and therefore resulting in lower prices. It offered to provide Customs and Border Protection with further information.

HRC uplift and particular market situation

WISCO's submission also addressed the HRC uplift and particular market situation.

9.4.3.2 Customs and Border Protection's assessment

Constructed normal value calculation

To avoid any risk of exposing WISCO's commercially sensitive information, Customs and Border Protection will comment generally on the formula used to apply adjustments where the adjustment is expressed as a percentage [48]. This methodology was applied to all exporters.

[48] As opposed to an amount per unit.

Whether an adjustment is to be applied by multiplying[49] or dividing[50] depends on the denominator used to calculate the adjustment percentage. It is only relevant to use multiplication if the denominator of the adjustment percentage is the same as the amount the adjustment is being applied to. If the amount that the adjustment is being applied to is less the adjustment, then it is appropriate to apply the adjustment by dividing by one minus the percentage.

Take a calculation where profit is applied to costs to ascertain the revenue amount. If the profit percentage, denoted below as π, was calculated as a proportion of costs:

$$profit = revenue - cost$$

$$\pi = \frac{profit}{costs} = \frac{revenue - cost}{costs}$$

Then rearranging gives us:

$$\pi = \frac{revenue}{costs} - \frac{cost}{cost}$$

$$\pi = \frac{revenue}{costs} - 1$$

$$1 + \pi = \frac{revenue}{costs}$$

$$revenue = cost(1 + \pi)$$

$$revenue = cost + (cost \times \pi)$$

On the other hand, if the profit percentage was calculated as a proportion of revenue:

$$profit = revenue - cost$$

$$\pi = \frac{profit}{revenue} = \frac{revenue - cost}{revenue}$$

Then rearranging gives us:

$$\pi = \frac{revenue}{revenue} - \frac{cost}{revenue}$$

$$\pi = 1 - \frac{cost}{revenue}$$

$$\frac{cost}{revenue} = 1 - \pi$$

[49] $x + (x \times r_1)$

[50] $x/(1 - r_1)$

$$\frac{revenue}{cost} = \frac{1}{(1-\pi)}$$

$$revenue = \frac{cost}{(1-\pi)}$$

As observed above, whether multiplication or division is used depends on the denominator.

Assume that instead of one adjustment, two adjustments are required to calculate revenue from costs, such as profit and taxes. Given the following:

$$revenue = cost + profit + tax$$

$$\pi = \frac{profit}{revenue}$$

$$\tau = \frac{tax}{revenue}$$

Then substituting and rearranging gives:

$$revenue = cost + (\pi \times revenue) + (\tau \times revenue)$$

$$revenue = cost + revenue(\pi + \tau)$$

$$revenue - revenue(\pi + \tau) = cost$$

$$revenue(1 - \pi - \tau) = cost$$

$$revenue = \frac{cost}{(1-\pi-\tau)}$$

It is noted that the correct formula for applying more than one adjustment[51], as shown above, differs from the formula used in the WISCO dumping margin report[52], which was incorrect. Customs and Border Protection has amended WISCO's dumping margin calculation to apply the correct formula.

To provide a numeric example, given the following adjustments calculated with revenue in the denominator:

	Amount	% of revenue
Cost	$10	
Adjustment 1	$3	18.75%

[51] expressed as a percentage of revenue

[52] i.e. $cost/(1-\pi)/(1-\tau)$

Adjustment 2	$2	12.50%
Adjustment 3	$1	6.25%
Revenue	$16	

If costs and the adjustment percentages are known, then the different formulas give the following revenue results:

Multiplication formula[53]: 10+(10 x 18.75%)+(10 x 12.5%)+(10 x 6.25%) = $13.75

Original division formula[54]: 10/(1-18.75%)/(1-12.5%)/(1-6.25%) = $15.00

Correct division formula: 10/(1-18.75%-12.5%-6.25%) = $16.00

As the example above shows, both WISCO's suggested formula and the formula used in the WISCO dumping margin report underestimated the revenue amount, which has been corrected.

IETC's SG&A

Customs and Border Protection has reviewed IETCs SG&A calculation and agrees that double counting of certain costs have occurred. Therefore, the IETC SG&A adjustment calculation has been amended accordingly.

Ordinary course of trade test

Customs and Border Protection can confirm that, in accordance with usual practice, the ordinary course of trade test did not exclude recoverable sales.

Domestic Sales

Customs and Border Protection requested that WISCO provide evidence to support its claims that sales to related parties are arm's length transactions, however, no further evidence was received.

HRC uplift and particular market situation

Customs and Border Protection's reasons for applying the uplift to HRC costs and market situation finding are set out at section 9.3.

Dumping Margin

After adjusting for the correct formula used to apply adjustments, the double count in IETC's SG&A, and another error in relation to certain direct export costs, the dumping margin for WISCO / IETC is 18.5%

[53] as suggested by WISCO

[54] Used in the WISCO dumping margin report

9.4.4 Yieh Phui Technomaterial

9.4.4.1 Preliminary findings in the SEF

Export prices for exports by Yieh Phui Technomaterial were established pursuant to s.269TAB(1)(a) of the Act using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Normal values for domestic sales by Yieh Phui Technomaterial were established in accordance with s.269TAC(2)(c) of the Act using Yieh Phui Technomaterial's weighted average CTMS data (revised for raw material cost uplift), by product model, and an amount for profit based on domestic sales of like goods sold in the ordinary course of trade. To ensure fair comparison, the following adjustments to the normal values:

Positive
export packing;
export inland freight and insurance;
export handling and brokerage charges;
bank fees; and
VAT charges.

The dumping margin for galvanised steel exported by Yieh Phui Technomaterial was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for Yieh Phui Technomaterial is 6.8%.

9.4.4.1 Submissions received

BlueScope was the only interested party to make a submission in relation to Yieh Phui Technomaterial's dumping margin determination. The submission can be found on the Public Record[55].

Physical characteristics

BlueScope submits that even though there are small cost differences between different grades of HRC, an adjustment for HRC grades above the base grade should be applied. It argues that the lack of price differentials is due to HRC in China being "heavily influenced" by the Government of China and there are observable price differences in HRC sold in Korea and Taiwan.

BlueScope notes that Yieh Phui Technomaterial charges a small premium for coloured tints to export sales, but this premium is not charged to domestic sales. It also noted that no adjustments have been made to account for the premium applied to export sales of tinted galvanised steel and aluminium zinc coated steel exported to Australia. BlueScope disagrees with this and submits that an upwards adjustment is required for the premium charged on export sales for tinted colours.

[55] Document 99 of the public record

Packing costs

BlueScope disputes that claim by Yieh Phui Technomaterial that "domestic packaging can be more than export packaging" as it does not corroborate with the findings of other visits to exporters conducted during this investigation. It claims that this appears to be inconsistent with industry practice and requests that Customs and Border Protection review Yieh Phui Technomaterial's packaging costs.

HRC price comparisons

BlueScope noted a table in the visit report comparing Yieh Phui Technomaterial's HRC purchase prices with Metal Bulletin export prices and SBB CFR East Asia import prices. It argues that both of these benchmarks are inappropriate for comparing HRC prices as the prices are likely to be affected by dumping.

9.4.4.2 Customs and Border Protection's assessment

Physical characteristics

Customs and Border Protection has reviewed the visit team's decision in not applying an adjustment for HRC grades and colour tints and finds that it is consistent with policy outlined in the *Dumping and Subsidies Manual*[56]. One of the situations where adjustments will not be made is:

> *"where the goods sold in the domestic and export market are essentially identical"*[57]*.*

Additionally:

> *"in most cases adjustments for differences in physical characteristics, or for quality, are based on production cost differences."*[58]

Given that the normal value has been constructed based on cost to make and sell, Customs and Border Protection is satisfied that any material physical differences, including HRC grades and coloured tints, have been captured. The fact that there are price extras for HRC grades and colour tints for export sales and not for domestic sales does not necessitate an adjustment.

In relation to the claim that HRC is influenced by the Government of China, Customs and Border Protection notes its positive market situation findings and uplift in HRC costs[59].

Packing costs

Customs and Border Protection has reviewed the visit team's verification of packaging costs and is satisfied that the upwards adjustment for export packaging costs have been adequately applied and reflects actual costs of packaging incurred by Yieh Phui Technomaterial.

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[56] August 2012

[57] *Dumping and Subsidies Manual*, page 54

[58] *ibid*, page 56

[59] Section 9.3 refers

HRC price comparisons

Customs and Border Protection notes BlueScope's comments, however, the table referred to in BlueScope's submission was not used for benchmarking or HRC replacement purposes. Details on Customs and Border Protection's approach in relacing HRC costs are at section 9.3.2 above.

9.4.5 Selected non-cooperating exporters

9.4.5.1 Preliminary findings in the SEF

Export prices for export sales by all selected non-cooperating Chinese exporters were established in accordance with s.269TAB(3) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the lowest weighted average export prices for the entire investigation period from the selected co-operating exporters, excluding any part of that price that relates to post-exportation charges.

Normal values for domestic sales by all selected non-cooperating Chinese exporters were established in accordance with s.269TAC(6) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the highest weighted average normal values for the entire investigation period from the selected cooperating exporters.

The dumping margins for galvanised steel for selected non-cooperating Chinese exporters were established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for selected non-cooperating Chinese exporters is 62.9%[60].

9.4.5.1 Submissions received

No submissions were received in relation to Chinese selected non-cooperating exporter's dumping margin findings.

9.5 Galvanised steel - Korea

9.5.1 Dongbu Steel

9.5.1.1 Preliminary findings in the SEF

Export prices for galvanised steel export sales by Dongbu Steel were established in accordance with s.269TAB(1)(a) of the Act, using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

[60] As a result of revisions to some of the cooperating exporters' dumping margin, the selected non-cooperating exporter dumping margin has been updated since the SEF.

Normal values for galvanised steel domestic sales by Dongbu Steel were established in accordance with s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the ordinary course of trade. To ensure fair comparison, the following adjustments were made to normal values:

Negative
domestic packing;
domestic inland freight;
domestic warranty costs;
domestic warehousing; and
domestic credit terms.

Positive
export packing;
export inland freight;
export handling, loading and ancillary costs; and
bank charges.

The dumping margin for exports by Dongbu Steel was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for Dongbu Steel is 3.2%.

9.5.1.1 Submissions received

No submissions were received in relation to Dongbu Steel's dumping margin findings.

9.5.2 POSCO

9.5.2.1 Preliminary findings in the SEF

Export prices for exports by direct sales were established in accordance with s.269TAB(1)(a) of the Act, using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Export prices for exports by indirect sales through traders were established in accordance with s.269TAB(3) of the Act, by product model, using the price paid by the Korean traders.

Normal values for domestic sales by POSCO were established in accordance with:

- for certain models, s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the OCOT; and
- for certain models, s.269TAC(2)(c) of the Act using POSCO's weighted average CTMS data, by product model, and for certain models an amount of profit based on domestic sales of like goods made in the OCOT.

To ensure fair comparison, the following adjustments were made to normal values:

Negative
less domestic credit terms
less domestic inland freight and warehousing
less domestic handling, loading and ancillary costs
less domestic packing
less domestic warranty costs
less duty drawback

Positive
plus export packing
plus export inland freight
plus export handling, loading and ancillary costs
plus export credit terms

The dumping margin for galvanised steel exported by POSCO was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for POSCO is 9.1%.

Following the publication of SEF190 OneSteel ATM submitted that separate variable factors should be established for exports of galvanised steel made from a hot rolled coil substrate and that made from a cold rolled coil substrate. POSCO exports both products to Australia. Customs and Border Protection considers that the two products are clearly distinguishable in POSCO's records and that there is an identifiable price difference – both domestic and export – between the two products, with cold rolled coil substrate being more expensive. Customs and Border Protection has therefore established separate export prices and normal values for galvanised steel manufactured from hot rolled coil and cold rolled coil.

9.5.2.1 Submissions received

BlueScope was the only interested party to make a submission in relation to POSCO's dumping margin determination. The submission can be found on the Public Record[61].

BlueScope noted that Customs and Border Protection did not conduct a verification of POSCO's exporter questionnaire response and had previously visited POSCO in the recent hot rolled coil investigation (INV 188)[62]. It also noted that a downwards adjustment for domestically warranty expenses was made to POSCO's normal value. It does not consider that this adjustment should be accepted arguing that goods exported to Australia would equally be covered by the manufacturer's warranty.

[61] Document 124 of the public record

[62] Hot Rolled Coil exported from Japan, Malaysia, Korea and Taiwan.

9.5.2.2 Customs and Border Protection's assessment

Customs and Border Protection advises that the warranty expenses incurred by POSCO and reported in the domestic sales spreadsheet does not refer to 'manufacturer's warranty' but for compensation claims for defective products. This was discussed in the POSCO visit report[63] for INV 188. The approach in applying a downwards adjustment for POSCO's domestic warranty expenses in this investigation was the same as for INV 188.

9.5.3 Selected non-cooperating exporters

9.5.3.1 Preliminary findings in the SEF

Export prices for galvanised steel export sales by all selected non-cooperating Korean exporters were established in accordance with s.269TAB(3) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the lowest weighted average export prices for the entire investigation period from the selected co-operating exporters, excluding any part of that price that relates to post-exportation charges.

Normal values for domestic sales by all selected non-cooperating Korean exporters were established in accordance with s.269TAC(6) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the highest weighted average normal values for the entire investigation period from the selected cooperating exporters.

The dumping margins for galvanised steel for selected non-cooperating Korean exporters were established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for selected non-cooperating Korean exporters is 28.5%[64].

9.5.3.1 Submissions received

No submissions were received in relation to Korean selected non-cooperating exporter's dumping margin findings.

9.6 Galvanised steel - Taiwan

9.6.1 Chung Hung Steel

9.6.1.1 Preliminary findings in the SEF

Export prices for Chung Hung Steel for:

[63] Section 10.2.6

[64] The dumping margin for selected non-cooperating exporters has been updated since the SEF.

- direct exports were established in accordance with s.269TAB(1)(a) of the Act, using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation; and
- indirect exports through traders were established in accordance with s.269TAB(1)(c) of the Act, by product model, having regard to all the circumstances of the exportation.

Normal values for domestic sales by Chung Hung Steel were established in accordance with:

- for certain models, s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the OCOT; and
- for certain models, s.269TAC(2)(c) of the Act using Chung Hung Steel's weighted average CTMS data, by product model, and for certain models an amount of profit based on domestic sales of like goods made in the OCOT. For certain other models no profit was added pursuant to s.269TAC(13).

To ensure fair comparison, the following adjustments were made to normal values:

Negative
domestic packing

Positive
export packing;
export commission and trade fee;
export bank charges; and
export inland freight and inland transportation.

The dumping margin for galvanised steel exported by Chung Hung Steel was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for Chung Hung Steel is 8.5%.

Following the publication of SEF190 OneSteel ATM submitted that separate variable factors should be established for exports of galvanised steel made from a hot rolled coil substrate and that made from a cold rolled coil substrate. Chung Hung exports both products to Australia. Customs and Border Protection considers that the two products are clearly distinguishable in Chung Hung's records and that there is an identifiable price difference – both domestic and export – between the two products, with cold rolled coil substrate being more expensive. Customs and Border Protection has therefore established separate export prices and normal values for galvanised steel manufactured from hot rolled coil and cold rolled coil.

9.6.1.1 Submissions received

BlueScope was the only interested party to make a submission in relation to Chung Hung Steel's dumping margin determination. The submission can be found on the Public Record[65].

Related Parties

BlueScope queried the whether the purchase price of slabs reflected market prices, noting the reports reliance on the desk audit of Chung Hung Steel in INV 188 that found the purchase of slabs to be arm's length.

BlueScope also queried that if the related supplier was China Steel Corporation then it suggested that the prices could be influenced by a market situation in China.

Confidentiality of information

BlueScope stated that the public record version of the Chung Hung Steel visit report had a significant number of redactions and an absence of non-confidential summaries. It noted section 7.2.3 and the third dot point on page 34 as examples.

Production of export sales to Australia

BlueScope stated that, while it was not clear from the report, it appeared that some of the galvanised steel exported to Australia had been manufactured by Hung Li. BlueScope considered that if this was correct, then sales by Hung Li should have been included in the ordinary course of trade test and the normal value calculation.

9.6.1.2 Customs and Border Protection's assessment

Related Parties

The Chung Hung Steel visit report stated that:

> *"We noted that the cost of slabs purchased from* [redacted] *was similar to that from the two unrelated parties and that the visit report to Chung Hung Steel in respect of the recent Hot Rolled Coil investigation had considered the prices of slabs to reflect market prices. We consider that the price of slabs in Chung Hung Steel's CTMS reflects market prices."*[66]

The visit team provided the following explanation:

- the team compared the price from [redacted] to two other smaller independent suppliers and found them similar.
- the team checked the slab price data provided for the HRC investigation by Chung Hung and found it matched for the overlapping periods.

[65] Document 98 of the public record

[66] Section 7.2.2 of the Chung Hung Steel visit report

- the team then assessed the price against another exporter visited for HRC, whose purchase of coil was reported to have reflected a market price. The comparison showed the prices were similar.

Customs and Border Protection is satisfied with the visit team's explanation and findings.

Customs and Border Protection also notes that China Steel Corporation is based in Taiwan[67] and therefore market situation findings and claims of influence by the Government of China are not relevant to China Steel Corporation.

Confidentiality of information

Customs and Border Protection has reviewed the redactions in section 7.2.3 of the Chung Hung visit report and the explanation provided by Chung Hung on the reasons it considers the redacted information commercially sensitive.

Customs and Border Protection is satisfied that there is no way such a summary of the redacted information can be given to allow a reasonable understanding of the substance of the information without breaching confidentiality or adversely affecting Chung Hung's interest[68].

In relation to the third dot point on page 34, it relates to the previous dot point on sales trends. This explanation could have been added to the redacted information as an explanation.

Production of export sales to Australia

The circumstances of Hung Li's sales were discussed extensively between the visit team and the case management team during the investigation. Customs and Border Protection consider that it is inappropriate to include Hung Li's domestic sales.

9.6.2 Yieh Phui Enterprise

9.6.2.1 Preliminary findings in the SEF

Export prices for Yieh Phui Enterprise for:

- indirect exports through Asiazone were established in accordance with s.269TAB(1)(a) of the Act, using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation; and
- indirect exports through other traders were established in accordance with s.269TAB(3) of the Act, using the invoiced price to the customer.

[67] Section 3.1 of the Chung Hung Steel visit report

[68] In accordance with section 269ZJ(3) of the Act

Normal values for domestic sales by Yieh Phui Enterprise were established in accordance with:

- for certain models, s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the OCOT; and
- for certain models, s.269TAC(2)(c) of the Act using Yieh Phui Enterprise's weighted average CTMS data, by product model, and for certain models an amount of profit based on profitable domestic sales of like goods.

To ensure fair comparison, the following adjustments were made to normal values:

Negative
domestic inland freight;
domestic packaging;
domestic warranty;
specification adjustment (to account for variances in coating mass, width and thickness, as required);

Positive
direct export expenses;
selling, general and administrative expenses in respect of Asiazone
specification adjustment (to account for variances in coating mass, width and thickness, as required).

The dumping margin for galvanised steel for Yieh Phui Enterprise was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for Yieh Phui Enterprise is 2.6%.

9.6.2.2 Submissions received

Yieh Phui Enterprise[69] and BlueScope made submissions in relation to Yieh Phui Enterprise's dumping margin determination. The submission can be found on the Public Record[70].

Coating mass adjustment

Yieh Phui Enterprise disagreed with the coating mass adjustment applied to galvanised steel with a coating mass of Z60. It argued that it rarely sells galvanised steel with a coating mass of Z60 on the domestic market, and when it does, it charges the same price extra for Z60 as it would for a lower coating mass. To support its claim, it provided two internal order memos showing that the price extras applied to Z60 is the same as a lower coating mass. Yieh Phui Enterprise also

[69] Yieh Phui Enterprise made a submission on 28 Feb 2013 in response to its visit report, however it was not considered as to do so would have prevented the timely placement of the SEF on the public record. Yieh Phui Enterprise subsequently re-lodged the submission in response to the SEF.

[70] Documents 85, 91 & 112 of the public record

argued that there is no significant cost difference between Z60 and a lower coating mass.

Treatment of Yieh Phui and Asiazone as a single entity

BlueScope submitted that it does not agree with the approach of treating Yieh Phui and Asiazone as a single entity. It highlights that Asiazone:

- does not have domestic sales of like goods;
- has been involved with export sales of "like goods";
- has its own financial statements and therefore operates as a going concern;
- operates from Hong Kong;
- is a trader of goods manufactured by Yieh Phui; and
- has different SG&A expenses.

BlueScope argues that Asiazone should instead be treated as a trader and therefore an upwards adjustment for its trader's margin should be applied to its normal value.

Rebates

BlueScope noted that the rebates have been paid by Yieh Phui Enterprise on certain domestic sales. It then argues that

> *"As Asiazone was not listed for rebate sales, there should be no benefit afforded in Yieh Phui's normal value for rebates for comparison with Asiazone's export sales to Australia".*

HRC costs

BlueScope noted that Yieh Phui Enterprise does not record and differentiate the cost of HRC by grade. It is concerned that this results in an underestimation of costs and that it does not accurately reflect the true cost of manufacturing the galvanised steel and aluminium zinc coated steel.

9.6.2.3 Customs and Border Protection's assessment

Coating mass adjustment

In the absence of any domestic sales of exactly the same model as an export sale during the investigation period, Customs and Border Protection used the closest like model and made price adjustments to arrive at the price of the export model if it were sold on the domestic market. To support its claim that there is no price extra for Z60 coating mass in the domestic market, Yieh Phui Enterprise supplied an internal order memo for one sale of this model after the investigation period.

Customs and Border Protection accepts Yieh Phui Enterprise's submission that it does not ordinarily sell Z60 coating mass on the domestic market. This is supported by the fact that no such model was sold during the investigation period, and there has apparently been only one such sale of a small quantity after the investigation period. Customs and Border Protection does not consider this one-off sale representative of what Yieh Phui Enterprise would charge for Z60 on the domestic market if it was ordinarily sold. The domestic price extras list shows incremental

price extras for every increase in the range of coating masses. The export price extras list shows an increase in price between the next highest coating mass range and Z60. Customs and Border Protection considers that if there was a regular market for Z60 on the domestic market it is probably that Yieh Phui Enterprise would have a price extra for this coating mass.

The submission that there is no difference in cost between Z45 and Z60 is not relevant to the determination of price. This is evidenced by the fact that there is a price extra for Z60 on the export market.

Although Customs and Border Protection disagrees with the methodology proposed by Yieh Phui Enterprise in its submission, it does consider that the original methodology applied by Customs and Border Protection to estimate the price extra for Z60 was incorrect. Customs and Border Protection has re-calculated the normal value applying the same per tonne price increase between Z60 and the next closest coating mass range as that for the price difference between two other verified coating mass ranges on the domestic price extras list.

The re-calculation has not resulted in a material change to the dumping margin from SEF190.

Treatment of Yieh Phui and Asiazone as a single entity

Customs and Border Protection agrees that should Asiazone be treated as a trader, then the appropriate adjustment is the trader's margin rather than its SG&A. However, Customs and Border Protection does not agree with the approach suggested by BlueScope and supports the visit team's decision to treat Yieh Phui Enterprise and Asiazone as a single entity. In order for Asiazone to be treated as a trader, Customs and Border Protection must be satisfied that the transactions between Yieh Phui Enterprise and Asiazone are arm's length transactions. It is clear from the Yieh Phui visit report that Yieh Phui Enterprise directly negotiates with its Australian Customer[71] and given the arrangement and its relationship with Asiazone, Customs and Border Protection would not be satisfied that the transactions between Yieh Phui Enterprise and Asiazone are arm's length.

In addition, Asiazone is not the manufacturer of the goods nor does it place the goods in the hands of a freight forwarder for delivery to Australia. Therefore, Asiazone would not have met the definition as an exporter.

Rebates

Customs and Border Protection does not fully understand the argument presented by BlueScope. Nonetheless, it is Customs and Border Protection's policy to use the actual prices paid, net of discounts and rebates, when determining prices (for both export and domestic). Customs and Border Protection does not see any reason to depart from this policy.

[71] Section 5.1.2 of the Yieh Phui Enterprise visit report.

HRC costs

The visit team advised that during the verification visit, it also queried Yieh Phui Enterprise on the issue regarding HRC grade. Yieh Phui Enterprise stated that the range of price differs between HRC grades, this represents a small percentage of the costs. It also stated that domestic selling prices are not differentiated by HRC grades and the domestic price extras list does not have HRC grades as an extra cost. For these reasons, the visit team advised that it considered the issue low risk and did not further purse the subject.

Customs and Border Protection is satisfied with this explanation and considers that cost differences between HRC grades, if any, would have been negligible.

9.6.3 Selected non-cooperating exporters

9.6.3.1 Preliminary findings in the SEF

Export prices for galvanised steel export sales by all selected non-cooperating Taiwanese exporters were established in accordance with s.269TAB(3) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the lowest weighted average export prices for the entire investigation period from the selected co-operating exporters, excluding any part of that price that relates to post-exportation charges.

Normal values for galvanised steel domestic sales by all selected non-cooperating Taiwanese exporters were established in accordance with s.269TAC(6) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the highest weighted average normal values for the entire investigation period from the selected cooperating exporters, less any favourable adjustments.

The dumping margins for galvanised steel for selected non-cooperating Taiwanese exporters were established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for selected non-cooperating Taiwanese exporters is 8.6**%**[72].

9.6.3.1 Submissions received

No submissions were received in relation to Taiwanese selected non-cooperating exporter's dumping margin findings.

9.7 Volume of dumped exports

Customs and Border Protection assessed that the volume of galvanised steel exported from each of the nominated countries that were dumped over the

[72] The dumping margin for selected non-cooperating exporters has been updated since the SEF.

investigation period is each greater than 3% of the total import volumes of galvanised steel over the investigation period and is therefore not a negligible volume.

9.8 Galvanised steel - dumping margin summary

Customs and Border Protection's calculation of export prices, normal values and dumping margins in respect of galvanised steel are at **Confidential Attachment 1.**

9.9 Aluminium zinc coated steel - China

9.9.1 ANSTEEL

9.9.1.1 Preliminary findings in the SEF

Export prices for aluminium zinc coated steel exported by ANSTEEL (including through Angang entities in the Angang Group of companies) were established pursuant to s. 269TAB(1)(c) having regard to all the circumstances of the exportation. Specifically the export price is ascertained based on the price paid or payable for the goods by the importer.

Normal values for domestic sales by ANSTEEL were established in accordance with s.269TAC(2)(c) of the Act using ANSTEEL's weighted average CTMS data (revised for raw material cost uplift), by product model, and an amount for profit based on domestic sales of like goods sold in the ordinary course of trade. To ensure the comparability of normal values export prices the following adjustments were made:

Negative
Domestic inland freight

Positive
Export inland freight
Export handling charges
Angang International's and Angang HK's SG&A
Unrefundable VAT
Width
Surface Treatment
Normal Spangle
Surface quality

The dumping margin for aluminium zinc coated steel exported by ANSTEEL was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for ANSTEEL at the time of the SEF was 4.9%.

9.9.1.1 Submissions received

BlueScope was the only interested party to make a submission in relation to ANSTEEL's dumping margin determination and was discussed in section 9.4.1.2.

9.9.1.2 Customs and Border Protection's assessment

Dumping margin calculation

Upon reviewing the dumping margin calculation for ANSTEEL, Customs and Border Protection found that an incorrect formula was applied to certain adjustments[73]. After correcting the error, the updated dumping margin for ANSTEEL is 5.8%.

9.9.2 Union Steel China

9.9.2.1 Preliminary findings in the SEF

Export prices for exports by Union Steel China were established pursuant to s.269TAB(1)(a) of the Act using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Normal values for domestic sales by Union Steel China were established in accordance with s.269TAC(2)(c) of the Act using Union Steel China's weighted average CTMS data (revised for raw material cost uplift), by product model, and an amount for profit based on domestic sales of like goods sold in the ordinary course of trade. To ensure fair comparison, the following adjustments to the normal value were made:

Positive
inland freight;
VAT rebate;
handling, loading and ancillary costs; and
bank charges.

The dumping margin for aluminium zinc coated steel exported by Union Steel China was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for Union Steel China at the time of the SEF was 8.5%.

9.9.2.1 Submissions received

Union Steel China and BlueScope made submissions in relation to Union Steel China's dumping margin determination. The submissions can be found on the Public Record[74].

SG&A

Union Steel China noted that in section 6.7.2 of the visit report in relation to extraordinary gains and losses, certain items have been removed from Union Steel China's SG&A calculation as it is not relevant to the sale of aluminium zinc coated steel. It understands that part of the interest expense has already been excluded

[73] See section 9.4.3.2 under "Constructed normal value calculation" for a discussion the formulas

[74] Documents 105 & 124 of the public record

from Wuxi Changjiang Sheet Metal Co Ltd's (Wuxi Changjiang's) SG&A calculation and therefore, the item should not be removed from Union Steel China's SG&A calculation.

BlueScope noted that matters regarding Union Steel China's SG&A would have been sufficiently discussed during the verification visit and that it is difficult to adequately verify Union Steel China's claims after the visit. It does not consider that Union Steel China's SG&A should be amended as it cannot be satisfied that the interest costs were not incurred by Union Steel China.

Date of Sale

Union Steel China noted that the visit team used the invoice date as the date of sale even though its exporter questionnaire response suggested another date. It argued that it considers that the sales were only concluded on this alternate date rather than the invoice date as the invoice date can be affected by other factors, such as:

> "*during some period of the second half of 2011, the shipping market was very busy and it was hard to make shipping arrangements from China to Australia*."

Union Steel China provided two examples as evidence where the invoice date and the alternate date were substantially different.

BlueScope commented that it is usual to use the date of export as the date of sale and Union Steel has not provided evidence to support its claim to use a different date to the date of export.

Application of profit for normal value construction

Union Steel China noted that a profit margin was added to the cost to make and sell after applying the HRC cost uplift. It claims that this methodology is incorrect. Union Steel China states that Regulation 181A of the *Customs Regulations 1926* requires that the amount of profit must be worked out by

> " *using data relating to the production and sale of like goods … in the ordinary course of trade*".

It argues that the constructed costs includes an uplift which is not related to Union Steel China and that:

> "*The profit worked out in this way is an amount worked out by applying a rate derived from USC's own data to data about costs which has not been derived (not entirely derived) from USC's own data.*"

Union Steel submits that for the profit to be worked out using the data relating to Union Steel China's data then the profit rate should be applied to its own costs only, not the uplifted costs.

BlueScope supports Customs and Border Protection's approach in applying the profit to Union Steel China's constructed normal value. It states that Union Steel China's approach would reduce the level of profit applied to Union Steel China's normal

value. BlueScope does not consider Union Steel China's methodology appropriate as it would understate Union Steel China's normal value.

9.9.2.2 Customs and Border Protection's assessment

SG&A

Customs and Border Protection can clarify that the extraordinary gains and losses discussed in section 6.7.2 of the Union Steel China visit report refers to foreign exchange gains and losses. The visit team correctly only included foreign exchange gains and losses relating to sales of galvanised steel or aluminium zinc coated steel and exclude all other gains. Customs and Border Protection does not consider Wuxi Changjiang's interest expense have any bearing on this decision to exclude foreign exchange gains and losses that do not relate to the sale of galvanised steel and aluminium zinc coated steel.

Date of Sale

In line with the Customs and Border Protection policy, the visit team correctly used the invoice date as the date of sale. The Dumping and Subsidy Manual[75] states that:

> *In establishing the date of sale, Customs and Border Protection will normally use the date of invoice as it best reflects the material terms of sale. For the goods exported, the date of invoice also usually approximates the shipment date.*
>
> *Where a claim is made that an exporter claims a date other than the date of invoice better reflects the date of sale, Customs and Border Protection will examine the evidence provided.*
>
> *For such a claim to succeed it would first be necessary to demonstrate that the material terms of sale were, in fact, established by this other date. In doing so, the evidence would have to address whether price and quantity were subject to any continuing negotiation between the buyer and the seller after the claimed contract date.*

Customs and Border Protection has reviewed the documents provided during and after the verification visit, including the confidential attachments provided with its submission, and makes the following observations:

- There were no evidence of significant change[76] to the material terms of sales between the invoice date and the 'date of sale' suggested by Union Steel China.
- The 'date of sale' (as opposed to invoice date) agrees with the bill of lading date for only one out of eleven selected export sales transactions.
- For all eleven selected export sales transactions, the packing list date and volumes agreed with the commercial invoice thereby allowing the invoice to be reconciled to the bill of lading information.

[75] August 2012, page 55

[76] While the evidence provided by Union Steel China showed some change in volumes, it was within the specified small tolerances in the purchase orders.

Customs and Border Protection does not consider that Union Steel China has sufficiently demonstrated that the date of sale should be a date other than the invoice date.

Application of profit for normal value construction

While Customs and Border Protection notes Union Steel China's interpretation of Regulation 181A of the *Customs Regulations 1926*, it considers that working out Union Steel China's profit as a percentage of revenue using Union Steel's costs and revenue data complies with the Regulation 181A.

For a constructed normal value calculation, Section 269TAC(2) of the Act specifies that it include "*such amount as the Minister determines to be the cost of production*" and "*the profit on that sale*". It is Customs and Border Protection's interpretation that the cost "as the Minister determines" and "that sale" refers to the cost and sale after taking into consideration the effect of the market situation finding and the HRC uplift amount. Therefore, the appropriate cost amount to apply the profit margin is the uplifted costs, which reflects a market where no market situation exists

Dumping margin calculation

Upon reviewing the dumping margin calculation for Union Steel China, Customs and Border Protection found that an incorrect formula was applied to certain adjustments[77]. After correcting the error, the updated dumping margin for Union Steel china is 8.6%.

9.9.3 Yieh Phui Technomaterial

9.9.3.1 Preliminary findings in the SEF

Export prices for exports by Yieh Phui Technomaterial were established pursuant to s.269TAB(1)(a) of the Act using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Normal values for domestic sales by Yieh Phui Technomaterial were established in accordance with s.269TAC(2)(c) of the Act using Yieh Phui Technomaterial's weighted average CTMS data (revised for raw material cost uplift), by product model, and an amount for profit based on domestic sales of like goods made in the ordinary course of trade. To ensure fair comparison, the following adjustments to the normal values were made:

Positive
export packing;
export inland freight and insurance;
export handling and brokerage charges;
bank fees; and
VAT charges.

[77] See section 9.4.3.2 under "Constructed normal value calculation" for a discussion the formulas

The dumping margin for aluminium zinc coated steel exported by Yieh Phui Technomaterial was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for Yieh Phui Technomaterial is 5.5%.

9.9.3.1 Submissions received

BlueScope was the only interested party to make a submission in relation to Yieh Phui Technomaterial's dumping margin determination and was discussed in section 9.4.4.1.

9.9.4 Zong Cheng

9.9.4.1 Preliminary findings in the SEF

Export prices for aluminium zinc coated steel exported by Zong Cheng were established in accordance with s.269TAB(1)(a) of the Act, using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Normal values for domestic sales by Zong Cheng were established in accordance with s.269TAC(2)(c) of the Act using Zong Cheng's weighted average CTMS data (revised for raw material cost uplift), by product model, and an amount for profit based on domestic sales of like goods made in the ordinary course of trade[78].

To ensure fair comparison the following adjustments were made:

Negative
Domestic packaging
Domestic inland transport
Domestic other

Positive
Export packaging
Export inland transport
Export handling
Export commission
Unrefundable VAT

The dumping margin for aluminium zinc coated steel for Zong Cheng was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for Zong Cheng at the time of the SEF was 19.8%.

[78] Note that in SEF190 it was incorrectly stated that Zong Cheng's normal values were established in accordance with s.269TAC(1) of the Act.

9.9.4.1 Submissions received

Zong Cheng and BlueScope made submissions in relation to Zong Cheng's dumping margin determination. The submissions can be found on the Public Record[79].

Ascertained Export Price

Zong Cheng noted that Zong Cheng's export price in its dumping margin report differs from the ascertained export price in the provisional measures that currently apply to its exports of aluminium zinc coated steel. Zong Cheng also submits that the final ascertained export price should be expressed in US dollars, as this is the functional currency of the transactions.

HRC uplift

Zong Cheng disagreed with the HRC uplift applied to Zong Cheng's costs stating the the uplift is arbitrary and without evidence.

Value Added Tax

Zong Cheng dispute the treatment of the 4% non-refundable VAT as this is already included in Zong Cheng's normal accounting practice for cost of goods sold.

Profit

Zong Cheng objected to the inclusion of a level of profit in the normal value assessment.

Cost of production errors

Zong Cheng highlighted an error in the dumping margin calculations in relation to the cost of production.

9.9.4.2 Customs and Border Protection's assessment

Ascertained Export Price

Customs and Border Protection can confirm that it has recommended that the Minister ascertain the export price in US dollars as this is the currency in which export sales are usually made. Customs and Border Protection also notes that the ascertained export price for provisional measures was also expressed in US dollars.

HRC uplift

Customs and Border Protection's reason for applying the uplift to HRC costs is set out at section 9.3.

Value Added Tax

Customs and Border Protection considers it reasonable that un-refundable VAT would be recognised by an exporter in its cost of goods sold for export sales. The

[79] Documents 114 & 125 of the public record

adjustment made by Customs and Border Protection is to take into account that an export price would be inherently higher than a domestic price, all other things being equal, due to the fact that the cost of exports is higher because of the un-refundable VAT. Customs and Border Protection considers that the export prices calculated under s.269TAB(1)(a) of the Act incorporate this additional 4% un-refundable VAT, but normal values calculated using constructed costs do not include a component for un-refundable VAT, necessitating an adjustment.

Profit

When normal value is constructed pursuant to s.269TAC(2)(c), that section requires the inclusion of a profit unless the reason costs are being constructed is because of s.269TAAD. Customs and Border Protection is constructing a normal value due to a finding of a particular market situation, not because of the operation of s.269TAAD. Profit has therefore been added in accordance with the relevant Regulations.

Cost of production errors

Customs and Border Protection has reviewed the dumping margin calculation and acknowledges that and error has occurred in the dumping margin spreadsheet relating to the cost of production and has amended the spreadsheet accordingly.

Dumping margin calculation

After updating the dumping margin calculation to account for the error relating to the cost of production and a formula error applying to certain adjustments[80] the dumping margin for Zong Cheng is 18.1%.

9.9.5 Selected non-cooperating exporters

9.9.5.1 Preliminary findings in the SEF

Export prices for export sales by all selected non-cooperating Chinese exporters were established in accordance with s.269TAB(3) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the lowest weighted average export prices for the entire investigation period from the selected co-operating exporters, excluding any part of that price that relates to post-exportation charges.

Normal values for aluminium zinc coated steel domestic sales by all selected non-cooperating Chinese exporters were established in accordance with s.269TAC(6) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the highest weighted average normal values for the entire investigation period from the selected cooperating exporters.

The dumping margins for aluminium zinc coated steel for selected non-cooperating Chinese exporters were established in accordance with s.269TACB(2)(a) of the Act,

[80] See section 9.4.3.2 under “Constructed normal value calculation” for a discussion the formulas

by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for selected non-cooperating Chinese exporters is 19.3%[81].

9.9.5.1 Submissions received

No submissions were received in relation to Chinese selected non-cooperating exporter's dumping margin findings.

9.10 Aluminium zinc coated steel - Korea

9.10.1 Dongbu Steel

9.10.1.1 Preliminary findings in the SEF

Export prices for exports by Dongbu Steel were established in accordance with s.269TAB(1)(a) of the Act, using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

Normal values for domestic sales by Dongbu Steel were established in accordance with s.269TAC(1) of the Act using sales in the domestic market that were arm's length transactions and sold at prices that were in the OCOT. To ensure fair comparison, the following adjustments were made to normal values:

Negative
domestic packing;
domestic inland freight;
domestic warranty costs;
domestic warehousing; and
domestic credit terms.

Positive
export packing;
export inland freight;
export handling, loading and ancillary costs; and
bank charges.

The dumping margin for aluminium zinc coated steel exported by Dongbu Steel was established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for Dongbu Steel is 5.8%.

[81] As a result of revisions to some of the cooperating exporters' dumping margin, the selected non-cooperating exporter dumping margin has been updated since the SEF.

9.10.1.1 Submissions received

No submissions were received in relation to Dongbu Steel's dumping margin findings.

9.10.2 Selected non-cooperating exporters

9.10.2.1 Preliminary findings in the SEF

Export prices for aluminium zinc coated steel export sales by all selected non-cooperating Korean exporters were established in accordance with s.269TAB(3) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the lowest weighted average export prices for the entire investigation period from the selected co-operating exporters, excluding any part of that price that relates to post-exportation charges.

Normal values for aluminium zinc coated steel domestic sales by all selected non-cooperating Korean exporters were established in accordance with s.269TAC(6) of the Act, as sufficient information for these exporters has not been furnished. Specifically, Customs and Border Protection used the highest weighted average normal values for the entire investigation period from the selected cooperating exporter, less any favourable adjustments.

The dumping margins for aluminium zinc coated steel for selected non-cooperating Korean exporters were established in accordance with s.269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period. The dumping margin for selected non-cooperating Korean exporters is 7.7%.

9.10.2.1 Submissions received

No submissions were received in relation to Korean selected non-cooperating exporter's dumping margin findings.

9.11 Volume of dumped exports

Customs and Border Protection found that the volume of aluminium zinc coated steel exported from China and Korea that were dumped over the investigation period is each greater than 3% of the total import volumes of aluminium zinc coated steel over the investigation period and is therefore not a negligible volume.

9.12 Aluminium zinc coated steel - dumping margin summary

Customs and Border Protection's calculation of export prices, normal values and dumping margins for aluminium zinc coated steel are at **Confidential Attachment 2.**

10 INJURY ASSESSMENT

10.1 Findings

Customs and Border Protection has determined that, based on verified information and data, the Australian industry (BlueScope) has experienced injury in respect of both galvanised steel and aluminium zinc coated steel.

10.2 Injury claims

(i) Galvanised steel

See section 4.1(i) for BlueScope's injury claims in respect of galvanised steel.

(ii) Aluminium zinc coated steel

See section 4.1(ii) for BlueScope's injury claims in respect of aluminium zinc coated steel.

10.3 Commencement of injury

BlueScope claims that in respect of galvanised steel and aluminium zinc coated steel, material injury to the Australian industry caused by dumped imports commenced in 2010-11 and has been exacerbated in 2011-12.

10.4 Injury approach

The injury analysis detailed in this section is based on the verified 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 products, representing products with the highest sales volumes.

Customs and Border Protection's analysis of the economic conduction of the industry and injury factors for galvanised steel and aluminium zinc coated steel are presented separately within this section.

10.5 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.

Customs and Border Protection has assessed 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 are 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 import database identified several importers of galvanised steel and aluminium zinc coated steel imported from a number of the nominated countries (which was confirmed during visits to importers). Customs and Border Protection considers that this indicates that the products are used by the same or similar customers.

As discussed at chapter 5, Customs and Border Protection has assessed that for galvanised steel and aluminium zinc coated steel and the respective imported goods that the goods are alike, have similar specifications, 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 dumped imports.

10.6 Volume effects

10.6.1 Sales volume

(i) Galvanised steel

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

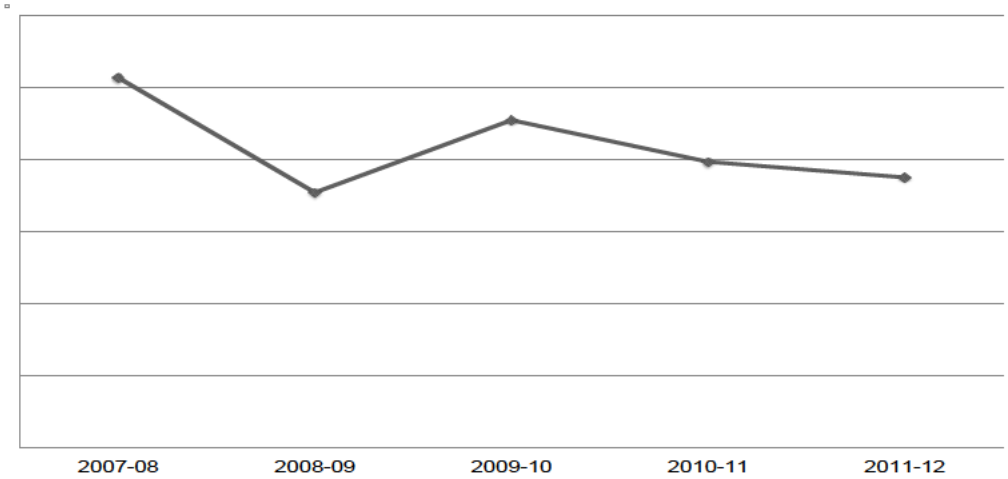

Figure 8: BlueScope's sales volume (tonnes) – galvanised steel – 2007-08 to 2011-12

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

(ii) Aluminium zinc coated steel

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

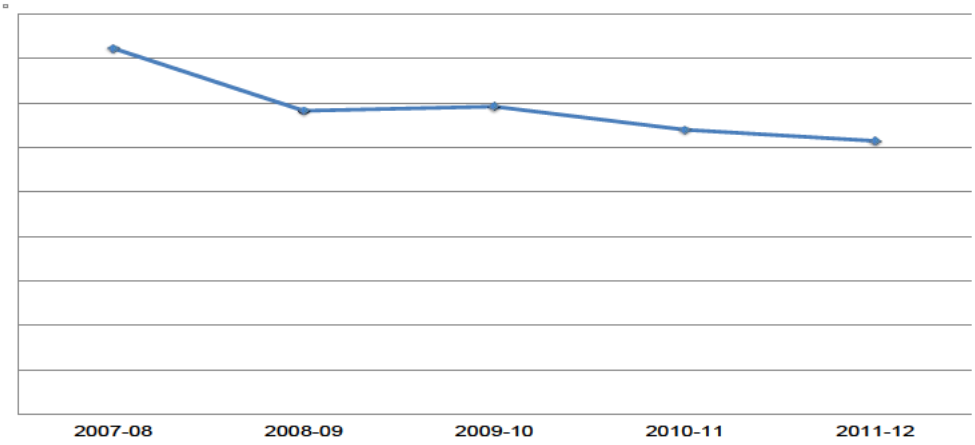

Figure 9: BlueScope's sales volume (tonnes) – aluminium zinc coated steel – 2007-08 to 2011-12

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

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.

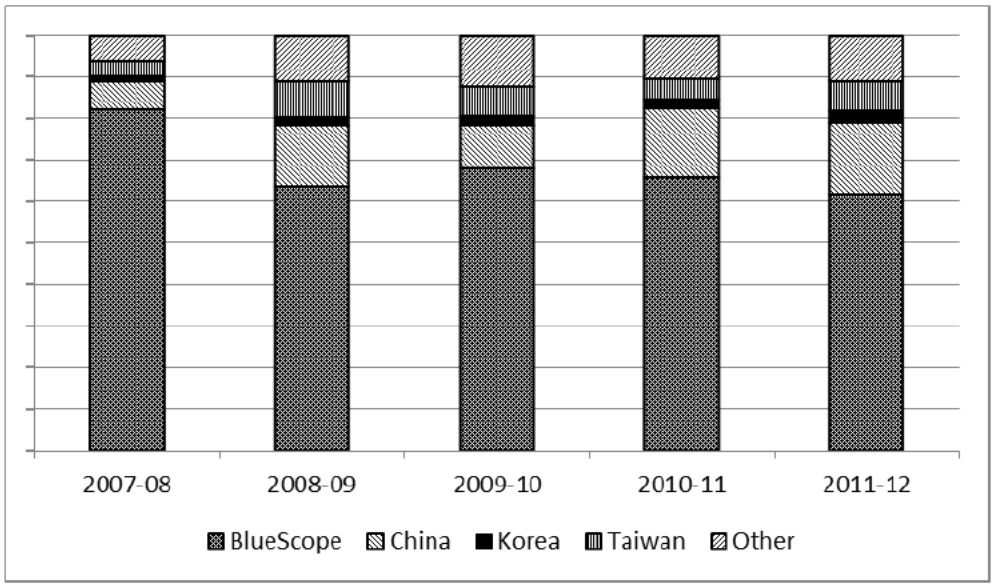

Figure 10: Market shares – galvanised steel – 2007-08 to 2011-12

This graph shows that BlueScope's market share in the Australian market for galvanised steel continually decreased from 2009-10, reflecting BlueScope's trends for sales volumes. During this period, the market share of total imports from China, Korea and Taiwan increased. 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.

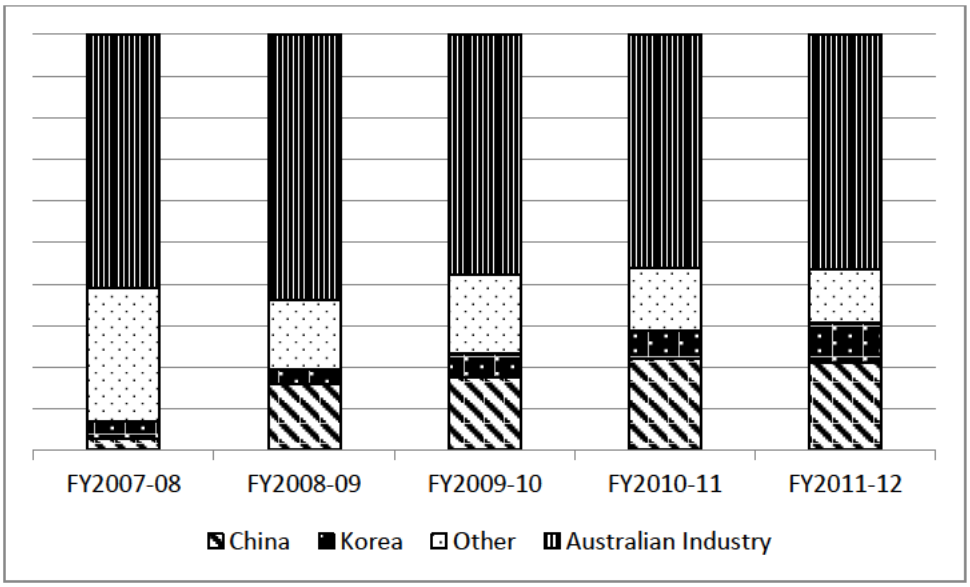

Figure 11: Market shares – aluminium zinc coated steel – 2007-08 to 2011-12[82]

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. 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.

10.7 Price effects

10.7.1 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

[82] Taiwan has been included in the total all other market share figure as there has been a finding of no dumping for that country.

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.

Total revenue and costs

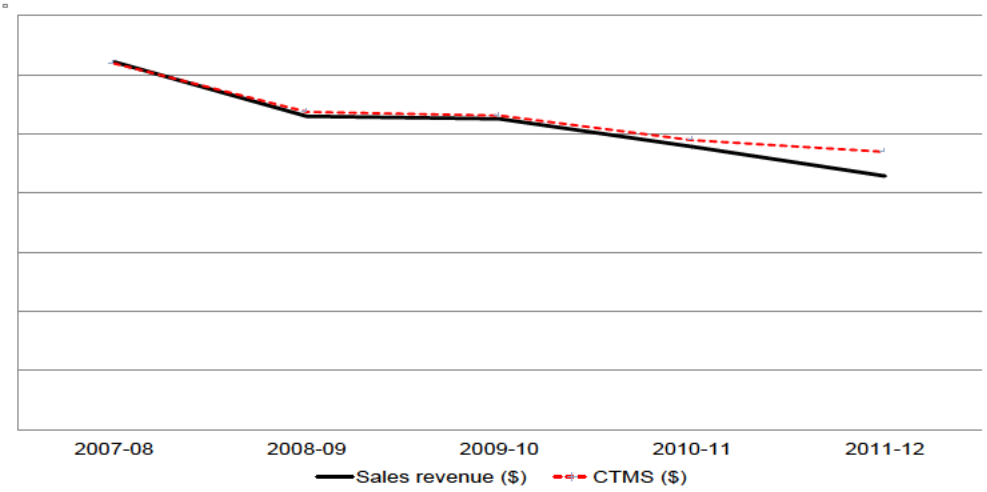

Figure 12: BlueScope's total sales revenue and costs – galvanised steel – 2007-08 to 2011-12

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

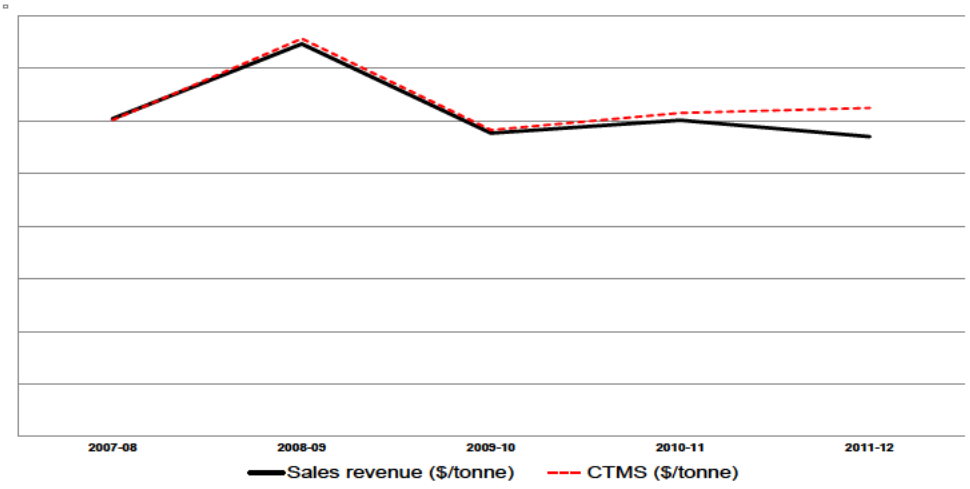

Figure 13: BlueScope's unit sales revenue and costs – galvanised steel – 2007-08 to 2011-12

The graphs show:

- total sales revenue decreased continually from 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 12 refers) and unit values (figure 13 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.

Total revenue and costs

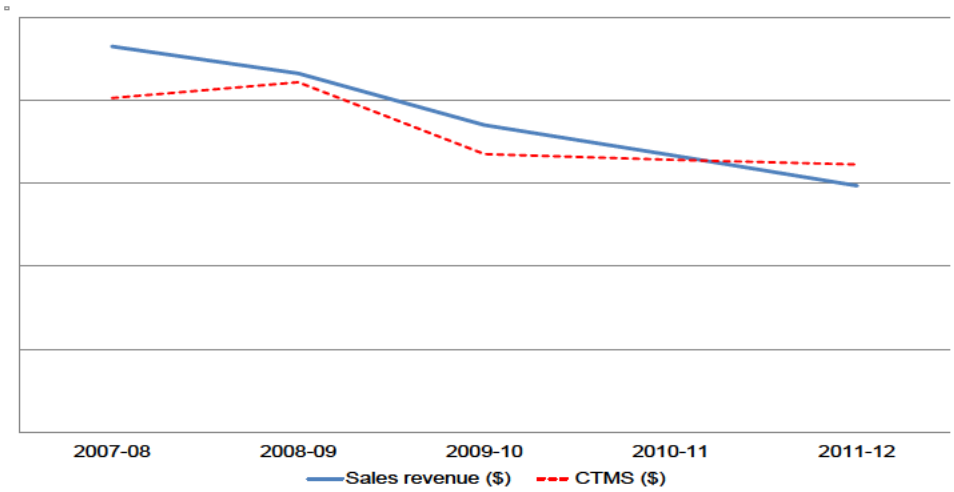

Figure 14: BlueScope's total sales revenue and costs – aluminium zinc coated steel – 2007-08 to 2011-12

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

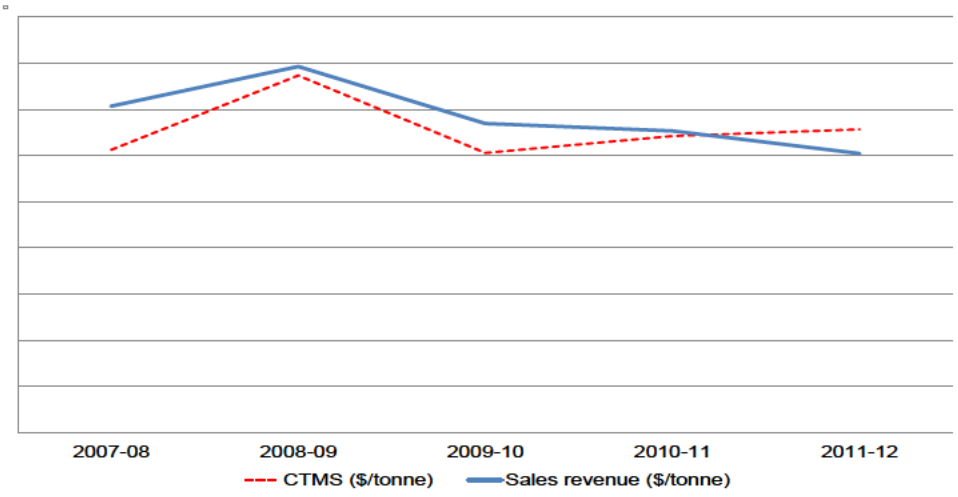

Figure 15: BlueScope's unit sales revenue and costs – aluminium zinc coated steel – 2007-08 to 2011-12

The graphs show:

- total sales revenue decreased continually from 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 2009-10 and during 2011-12 costs increased above revenue, which indicates price suppression (this trend was apparent for total (figure 14 refers) and unit values (figure 15 refers)).

10.8 Profit effects

(i) Galvanised steel

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

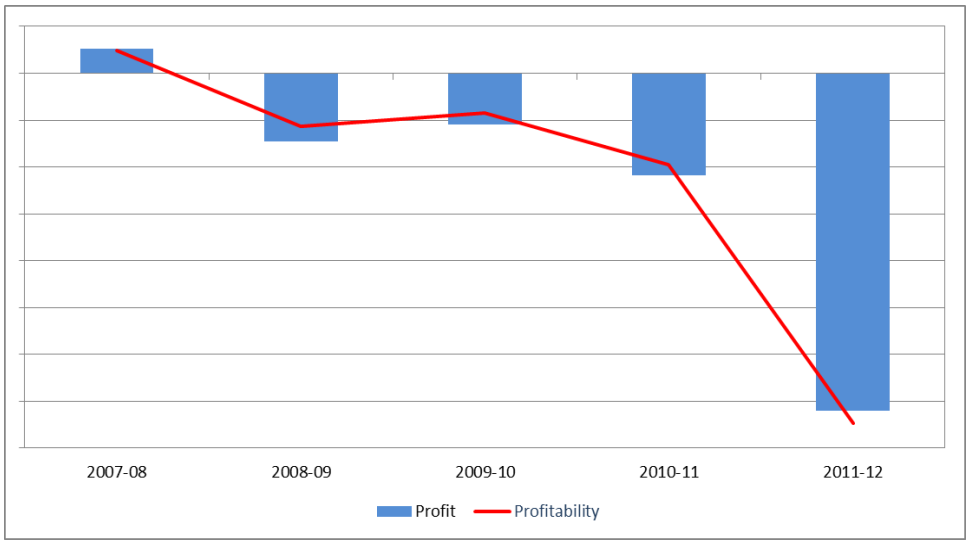

Figure 16: BlueScope's profit and profitability – galvanised steel – 2007-08 to 2011-12

This graph shows a significant decrease in BlueScope's total 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 total profit and profitability in respect of aluminium zinc coated steel for 2007-08 to 2011-12.

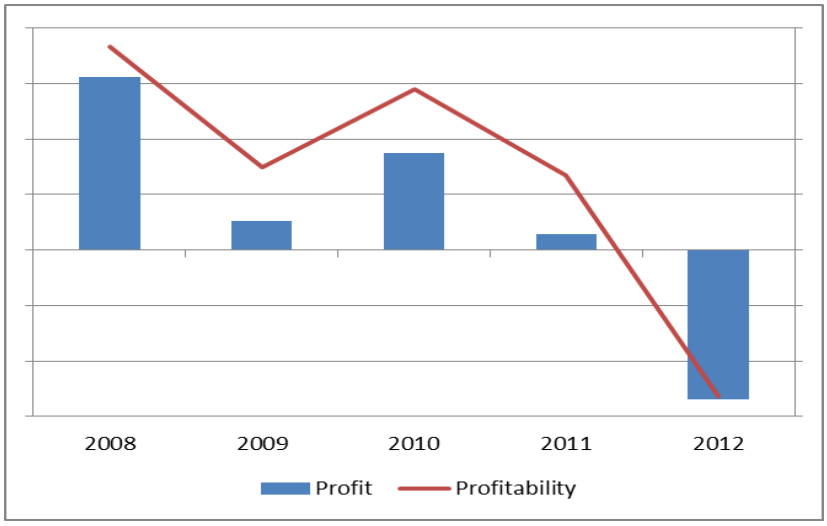

Figure 17: BlueScope's total profit and profitability – aluminium zinc coated steel – 2007-08 to 2011-12

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

10.9 Summary of major injury indicators

Based on the analysis detailed above, there are reasonable grounds to support the claim that BlueScope has experienced injury (in respect of the major indicators) 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.

10.10 Other injury factors

10.10.1 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 it has

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 factors[83], in respect of domestic sales of both galvanised steel and aluminium zinc coated steel (i.e. like goods).

10.10.2 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.

10.10.3 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.

10.10.4 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.

10.10.5 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 Western Port), 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

[83] 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.

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.

10.10.6 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 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 10.7.1 sales revenue for aluminium zinc coated steel decreased continually from 2007-08 to 2011-12.

10.10.7 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 by BlueScope's restructure and closure of production facilities (at Westport), including metal coating lines.

10.10.8 Capacity utilisation

(i) Both products

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

10.10.9 Employment

(i) Galvanised steel

Employment (measured in number of persons) relating to galvanised steel production decreased in 2011-12, which would have been impacted by 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.

10.10.10 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.

10.10.11 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).

10.10.12 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 significant reduction in employee numbers. The average wage for the production of aluminium zinc coated steel increased in 2011-12.

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

Based on the information contained in the applications there are 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 revenues;
- reduced ROI;
- reduced production capacity; and
- reduced employment.

11 HAS DUMPING CAUSED MATERIAL INJURY?

11.1 Findings

Customs and Border Protection finds that certain galvanised steel exported to Australia from China, Korea and Taiwan at dumped prices have caused material injury to the Australian industry producing like goods. Customs and Border Protection finds that aluminium zinc coated steel exported to Australia from China and Korea has caused injury to the Australian industry producing like goods.

11.2 Approach to assessing material injury[84]

Section 269TAE(2C) of the Act sets out the requirements for assessing the cumulative material injury effects of exports of goods to Australia from different countries. Where exports from more than one country are simultaneously the subject of anti-dumping investigations, the Minister may cumulatively assess the effects of such imports if:

- the margin of dumping established for each country is not negligible; and
- the volume of imports from each country is not negligible; and
- cumulative assessment is appropriate in light of the conditions of competition between the imported goods and the like domestic goods.

Customs and Border Protection has assessed material injury at macro and micro level and considered cumulatively the injurious effects of dumping from the nominated countries. Customs and Border Protection considers that Australian aluminium zinc coated steel and galvanised steel is like to the goods (including having similar end-uses and competing in some of the same markets). The conditions of competition are such that it is appropriate to consider the cumulative injurious effect of the dumped imports from China, Korea and Taiwan (in relation to exports of galvanised steel) and China and Korea (in relation to exports of aluminium zinc coated steel) on the Australian industry.

11.2.1 Macro analysis

In assessing whether material injury has been caused by dumping, Customs and Border Protection has conducted macro-analysis examining imports, market share, prices and industry performance across the Australian industry. In conducting this assessment, price undercutting has been assessed by comparing the price of imported and locally produced aluminium zinc coated steel and galvanised steel on the basis of pricing for the total class of the goods (either aluminium zinc coated steel and galvanised steel) and pricing by product categories. Customs and Border Protection has also considered in its macro-analysis the effects of non-dumped imports, or imports from countries outside of the scope of the investigation.

[84] Customs and Border Protection continues to clarify that galvanised steel and aluminium zinc coated steel have been considered separately across all stages of the investigations. Injury analysis has been separately performed for galvanised steel and separately for aluminium zinc coated steel. Any reference to 'whole product group' or similar is a reference exclusively to either aluminium zinc coated steel or to galvanised steel as applicable.

11.2.2 Micro analysis

Due to complexities in the market, including the range of products and different market sectors, Customs and Border Protection has also conducted a micro analysis. Micro analysis examines the injury and effects of dumping at a model-specific product level and within particular market sectors. Where possible, price undercutting has been undertaken by comparing the price of imported and locally produced aluminium zinc coated steel and galvanised steel by direct comparison of particular locally produced and imported models or grades and by market segment for major markets where that information is available.

11.3 Causation factors

11.3.1 Sales volume

(i) Galvanised steel

BlueScope's claims[85]

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.

Submissions by interested parties

Posco

In a submission dated 23 November 2012, Posco submits that "the mere fact that the Complainant's sales have decreased in 2011-12, while imports have marginally increased, is not enough to say that one has caused the other.[86]"

Posco claims that the cause of loss of volume for BlueScope was its own restructuring, namely the company's announcement to scale down export activities

[85] BlueScope's claims may vary from Customs and Border Protection's injury findings in this report (Section 10 refers).

[86] Posco submission, EPR190/052 page 21.

and mothball its Westernport Hot Strip Mill and No. 5 Coating Line.[87]

Posco state that if ABS data is substituted for Customs and Border Protection's data, a different picture of imports is shown. Using ABS data, import volumes as a percentage of the total Australian market from 2007-08 do not increase significantly during the investigation period.[88]

Australian Steel Association Inc

In a submission dated 18 October 2012, the ASA claim that injury caused by reduced volumes is attributable to BlueScope's decision to cease export sales.

GM Holden

GM Holden's submission dated 14 December 2012 attributes loss of sales to a depressed market.[89]

Customs and Border Protection's assessment

Customs and Border Protection's analysis shows that it is likely that the significant increase in the individual and cumulative volume of imports of galvanised steel 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 identified that the most significant increase in the aggregated import volume for the nominated countries since 2009-10 occurred in 2011-12. Customs and Border Protection also considers that BlueScope's reduced sales volumes (due to imports of the goods) resulted in reducing BlueScope's market share, during a period where the overall size of the Australian market increased.

In Chapter 10 Customs and Border Protection found that BlueScope's domestic sales volumes of galvanised steel continually decreased from 2009-10.

The analysis in Chapter 10 shows that BlueScope's market share in the Australian market for galvanised steel continually decreased from 2009-10, reflecting BlueScope's trends for sales volumes. During this period, the market share of total imports from China, Korea and Taiwan increased. There has been variation in market shares held by each of the nominated countries, with the largest market share represented by imports from China.

Customs and Border Protection considers that in 2011-12 in order to maintain market share in a declining market, BlueScope's reduced its selling prices of galvanised steel, which is supported by the assessment of price depression.

[87] Posco submission, EPR190/052 page 22.
[88] Posco submission, EPR190/052 pages 23-24.
[89] GM Holden submission, EPR190/056, page 1.

(ii) Aluminium zinc coated steel

BlueScope's claims[90]

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 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.

Submissions by interested parties

Ace Gutters

In a submission dated 30 November 2012, Ace Gutters claim that BlueScope has mistakenly drawn a correlation between increased export volumes from the nominated countries to increased imports into Australia.[91]

Customs and Border Protection's assessment

In respect of aluminium zinc coated steel, Customs and Border Protection considers that the significant increase in the cumulative volume of imports from China and Korea since 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 the cumulative volume of imports from the nominated countries increased due mainly to increased import volumes from Korea. This was concurrent with a further decrease in BlueScope's sales.

Chapter 10 shows that BlueScope's domestic sales volumes of aluminium zinc coated steel continually decreased from 2009-10. BlueScope's sales volume for aluminium zinc coated steel and galvanised steel reflect similar trends.

Chapter 10 also 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. Customs and Border Protection considers that in 2011-12 in order

[90] BlueScope's claims may vary from Customs and Border Protection's injury findings in this report (Section 10 refers).

[91] Ace Gutters submission, EPR190/055, page 3.

to maintain market share, BlueScope's reduced its selling prices of the aluminium zinc coated steel, which is supported by the assessment of price depression.

11.4 Price effects

11.4.1 Import Parity Pricing (IPP)

BlueScope submitted that its pricing strategy for both galvanised steel and aluminium zinc coated steel is based on import parity pricing (IPP) and therefore the price of imports is a key determinant of its selling price. IPP takes into consideration the market price of the goods using contemporary price information for equivalent imported products. BlueScope uses prices gathered from the import market (including from the countries the subject of the application) to determine the selling price of its goods, with the view to selling at prices considered competitive with imports. BlueScope explained that it has been using IPP for close to a decade to price its galvanised steel coated products and has more recently introduced IPP for aluminium zinc coated products.

BlueScope submitted that the price of imported aluminium zinc coated steel was generally released into the market three months prior to the date of importation of the goods. BlueScope gathers information regarding the current market price offers (for goods from all sources) through market intelligence. BlueScope subsequently consolidates these offers (including offers for galvanised steel from China, Korea and Taiwan) and determines a benchmark IPP for particular models at FIS level. BlueScope bases its price on the benchmark with a premium.

BlueScope submitted that it does not always benchmark to the lowest offered import price, but that this was a factor taken into consideration. BlueScope stated that factors other than import prices are taken into consideration when determining price (i.e. manufacturing costs and margins), however maintaining market share and volume is the key determinant (to cover fixed costs at a minimum). BlueScope submitted that in order to maintain domestic volumes it has been required to match import prices of the dumped aluminium zinc coated steel and galvanised steel, through its IPP and that this directly caused price injury resulting in reduced revenues and profits.

BlueScope provided Customs and Border Protection with its IPP data for the investigation period for aluminium zinc coated steel and galvanised steel for key product models, showing monthly import offers (free-into-store (FIS), AUD per tonne) from the nominated countries based on market intelligence, calculated monthly benchmark IPP, BlueScope's net prices (FIS, AUD per tonne), and premiums. To support the IPP spreadsheet BlueScope provided source documentation to validate the recorded import offers. Customs and Border Protection was satisfied that the IPP information provided by BlueScope was reflective of market prices offered by exporters from Korea, Taiwan and China and that the quotes provided were reasonably accurate and used this data to perform a micro analysis by model.

In the charts below, BlueScope's IPP benchmark price for a specific product line is compared with market intelligence collected by BlueScope of export prices from China, Korea and Taiwan to Australia. The chart also compares BlueScope's claimed net selling price (that is, the selling price after rebates, commissions and other post-

sale deductions) comprising the IPP benchmark price plus a premium, with actual selling prices during the investigation period for a selected model.

(i) Aluminium zinc coated steel product

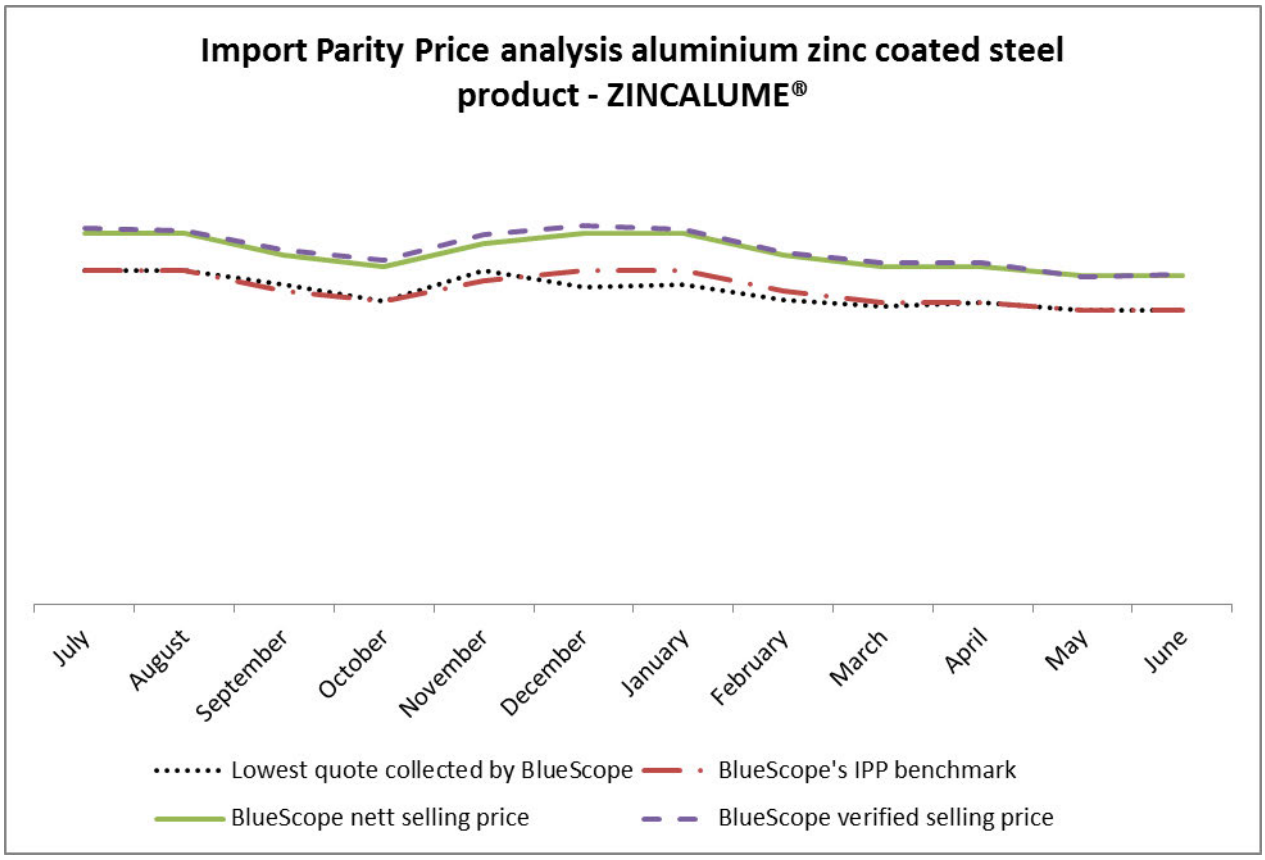

Figure 18: Import parity price analysis of a particular aluminium zinc coated steel Zincalume product

It can be seen that for the selected aluminium zinc coated steel model, BlueScope's IPP benchmark price closely matches the lowest quoted price, while BlueScope's verified selling prices during the investigation period closely aligned with BlueScope's planned selling price (referred to here as net selling price). The same analysis was conducted over four commonly sold models of aluminium zinc coated steel and similar correlations in prices were observed.

For aluminium zinc coated steel, it was observed that across all product models for which BlueScope collected market intelligence for IPP, the highest quoted price from at least one of the countries under investigation was equal to or higher than BlueScope's verified selling prices at FIS level in AUD. This was observed between three and seven months of the investigation period for each of the four models examined. BlueScope's verified selling price was below quoted prices collected by BlueScope from the countries under investigation for between 25% and 58% of the investigation period for each of the four products. This supports BlueScope's claim that to remain competitive its pricing must be responsive to fluctuating import prices and at times undercut import prices.

(ii) Galvanised steel product

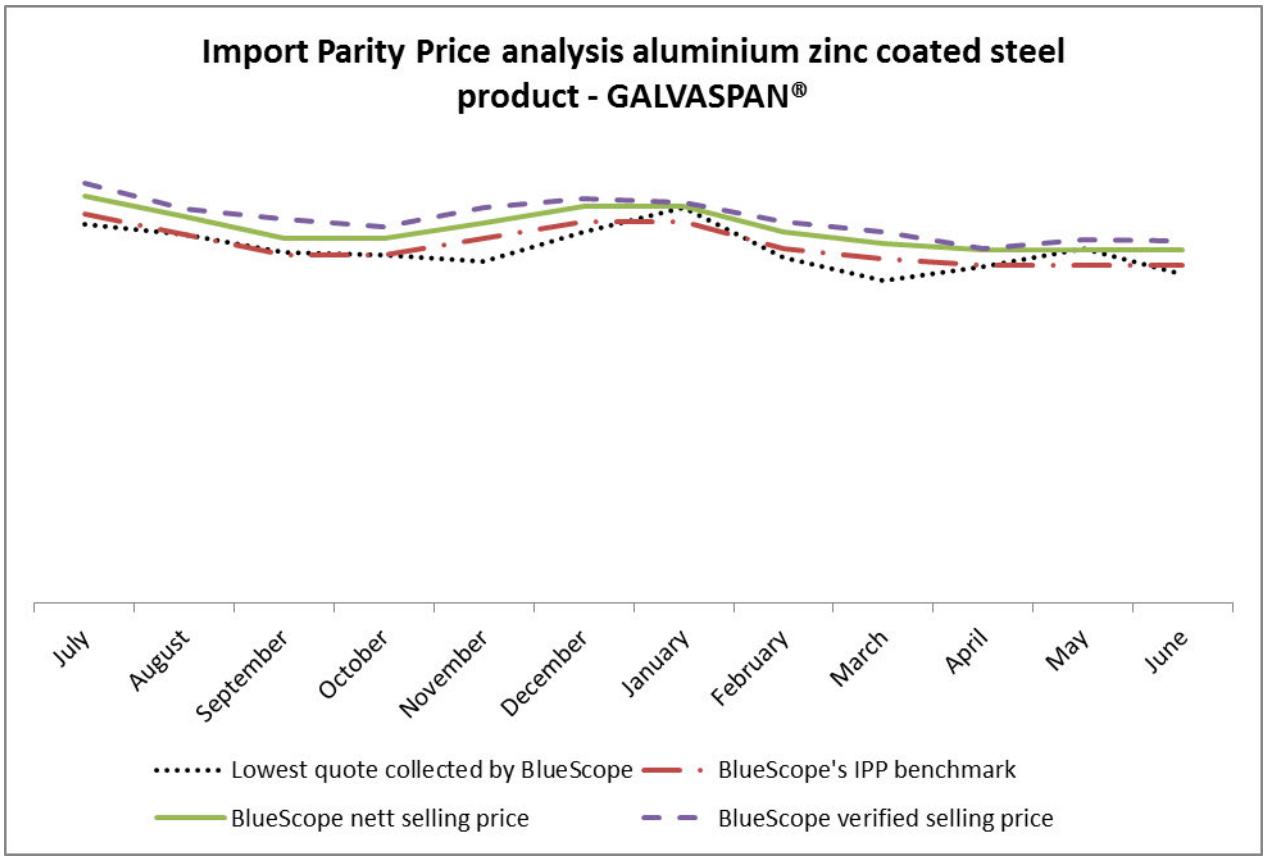

Figure 19: Import parity price analysis of a particular aluminium zinc coated steel Galvaspan product

In this graph for a particular galvanised steel model, it can be seen that BlueScope's IPP benchmark price correlates with the lowest quoted price, while BlueScope's verified selling prices during the investigation period closely aligned with BlueScope's planned selling price (referred to here as net selling price). The same analysis was conducted over seven commonly sold models of galvanised steel. Similar correlations in prices were observed across four of the models, however the remaining three models lacked sufficient data (for example, market intelligence did not cover all months in the investigation period) to observe a firm trend.

For galvanised steel, it was observed that across all product models for which BlueScope collected market intelligence for IPP, the highest quoted price from at least one of the countries under investigation was equal to or higher than BlueScope's verified selling prices at FIS level in AUD. This was observed between three and seven months of the investigation period for each the four models examined. BlueScope's verified selling price was below quoted prices collected by BlueScope from the countries under investigation for between 25% and 42% of the investigation period for each of the four products with sufficient IPP data (the remaining three products have not been assessed).

11.4.2 Price undercutting macro level analysis

Price undercutting occurs when imported product is sold at a price below that of a like Australian manufactured product.

(i) Galvanised steel

BlueScope's claims

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 substantial[92]".*

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 it responded by offering competitive landed-into-store prices for the galvanised steel compared to export prices for imports from China, Korea and Taiwan. It 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 cooperating exporters, at prices that it claimed undercut its 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 it has been required to match import prices of the dumped galvanised steel, through BlueScope's import parity pricing mechanism, where appropriate. 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.

Submissions by interested parties[93]

Posco

In a submission dated 23 November 2012, Posco states that 'there is no difference between prices of imports that are allegedly dumped and those that are depressed.[94],

Posco quotes the Appellate Body in DS184 (US - Hot Rolled Steel) supporting the statement that it is not possible to separate injury from dumped imports from injury

[92] Galvanised Steel Application, page 29

[93] Some interested parties made submissions specifically in relation to either galvanised steel and aluminium zinc coated steel, or both. As IPP is a feature of both galvanised steel and aluminium zinc coated steel, Customs and Border Protection has collated the arguments of interested parties in this section.

[94] Posco submission, EPR190/052, page 33.

from other factors, including imports from third countries that are comparably priced to the dumped imports.

Ace Gutters

In a submission dated 30 November 2011, Ace Gutters contend that price undercutting has not been shown to have occurred during the investigation period, and therefore no causal link may be found between dumping and injury. Ace Gutters state that because no evidence has been provided of price undercutting during the investigation period, this claim is not valid.[95]

Ace Gutters says that BlueScope has claimed that it charges a premium and also that it has an import parity price policy, which are inconsistent.

Ace Gutters do not believe BlueScope could be a price taker, rather than price setter when they are the major producer of aluminium zinc coated steel in Australia.[96]

GM Holden

In a submission dated 14 December 2012, GM Holden claim that BlueScope is 'effectively undercutting, supressing and depressing its own prices. These are business decisions on pricings rather than being driven by dumping.[97]'

Dongbu

In a submission dated 21 December 2012, Dongbu claim that BlueScope has self-inflicted the low prices in the market, and that exporters should not be 'blamed' for the low prices because they are 'forced to compete' at that level by BlueScope.[98]

Customs and Border Protection's assessment

Customs and Border Protection considered BlueScope's claims of price undercutting at a macro level comparing the price of imports to Australian industry prices on an FIS basis. Analysis indicates that BlueScope's selling price during the investigation period was competitive with import prices from China, Korea and Taiwan. This is consistent with BlueScope's decision to use Import Parity Pricing (IPP) in setting prices.

Customs and Border Protection examined the selling prices of galvanised steel imports with the Australian industry's selling prices. The Australian industry selling prices were gathered from verified data from Customs and Border Protection's visit to BlueScope. Import prices were obtained from Customs and Border Protection's import data and adjusted to an FIS price using a weighted average of post-exportation costs from importer's verified data. The adjustment considered the post-exportation costs for each country under investigation separately. Data is expressed as AUD per tonne.

[95] Ace Gutters submission, EPR190/055, page 4.
[96] Ace Gutters submission, EPR190/055, page 9.
[97] GM Holden, submission EPR190/056, page 2.
[98] Dongbu Steel submission, EPR190/062, page 5.

The following graph demonstrates that BlueScope's prices for galvanised steel are closely aligned with import prices from China, Korea and Taiwan:

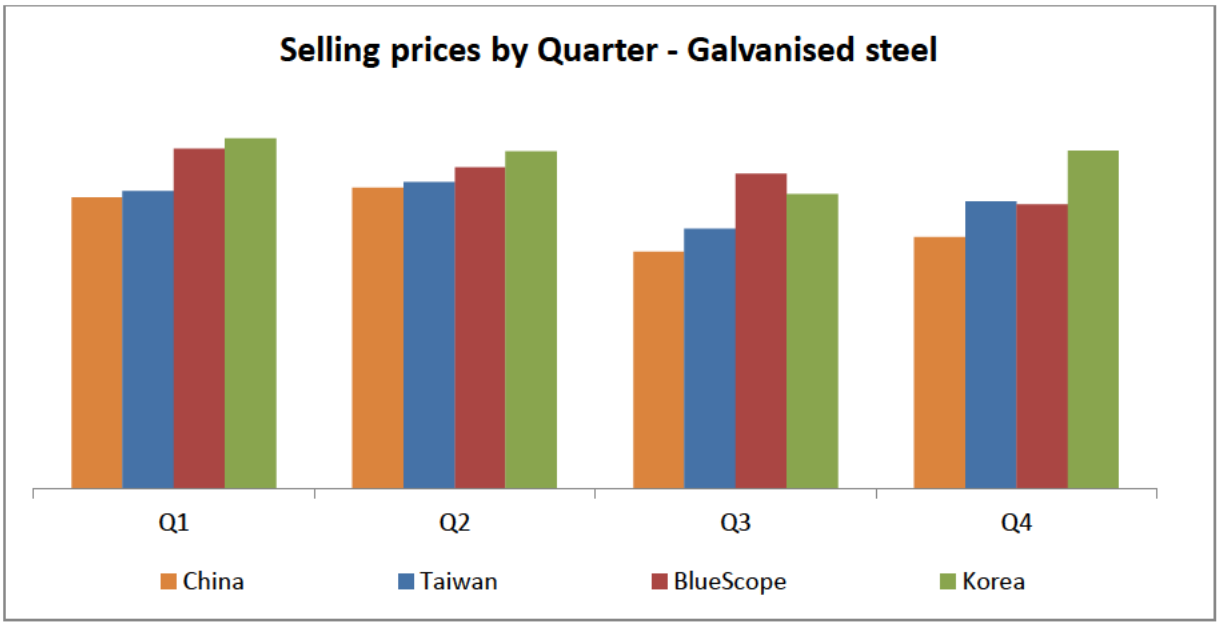

Figure 20: Comparison of galvanised selling prices over investigation period by quarter

As part of macro analysis of price undercutting, Customs and Border Protection also considered the pricing of undumped imports during the investigation period.

Using Customs and Border Protection's import data for the relevant tariff and statistical codes, the weighted average selling price per tonne for each quarter of the investigation period was analysed by investigated countries and all other countries. To avoid statistical anomalies related to broker error, the import data was cleansed to remove outlying entries above $2000/tonne and below $600/tonne. Goods not matching the goods description were also removed from the data set.

The chart below demonstrates that import prices declared from China, Korea and Taiwan are substantially lower per tonne on average than for non-investigated countries. This indicates that the Australian industry feels most price pressure from China, Korea and Taiwan as these are lower priced than imports from other countries.

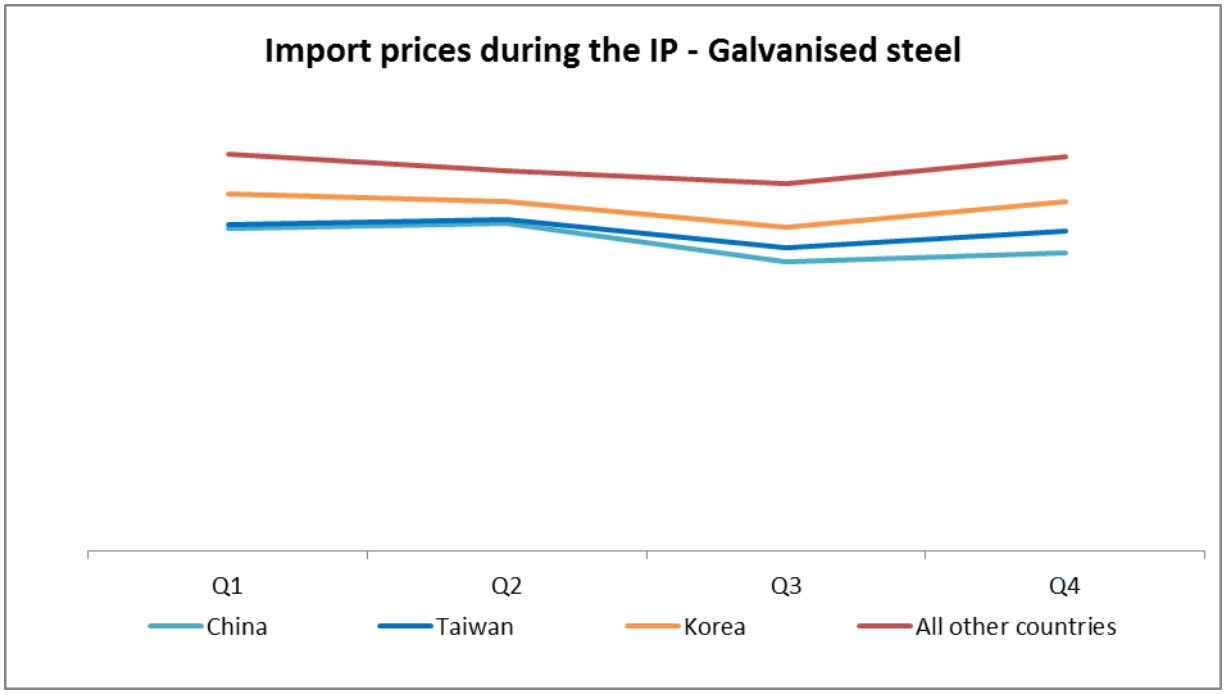

Figure 21: Investigation period import prices of galvanised steel by quarter

The lower import prices of China, Korea and Taiwan relative to all other countries demonstrate that greatest price pressure for BlueScope in setting IPP comes from countries selling at dumped prices. This is demonstrated at a micro level for particular products and specific exporters, and also at a macro level by product group and country. This supports BlueScope's claim that dumped imports are causing injury through price depression.

(ii) Aluminium zinc coated steel

Customs and Border Protection examined the selling prices of aluminium zinc coated steel imports with the Australian industry's selling prices. Prices were obtained from Customs and Border Protection's import data and adjusted to an FIS price using a weighted average of post-exportation costs from importer's verified data. The adjustment considered the post-exportation costs for each country under investigation separately. Data is expressed as AUD per tonne.

Customs and Border Protection examined the selling prices of aluminium zinc coated steel imports with the Australian industry's selling prices. Prices were obtained from import data and adjusted to an FIS price using a weighted average of post-exportation costs from importer's verified data. The adjustment considered the post-exportation costs for each country under investigation separately. Data is expressed as AUD per tonne.

The following graph demonstrates that BlueScope's prices for aluminium zinc coated steel are, in most cases, higher than import prices from China and Korea, with closer alignment in pricing in the final quarter of the investigation period.

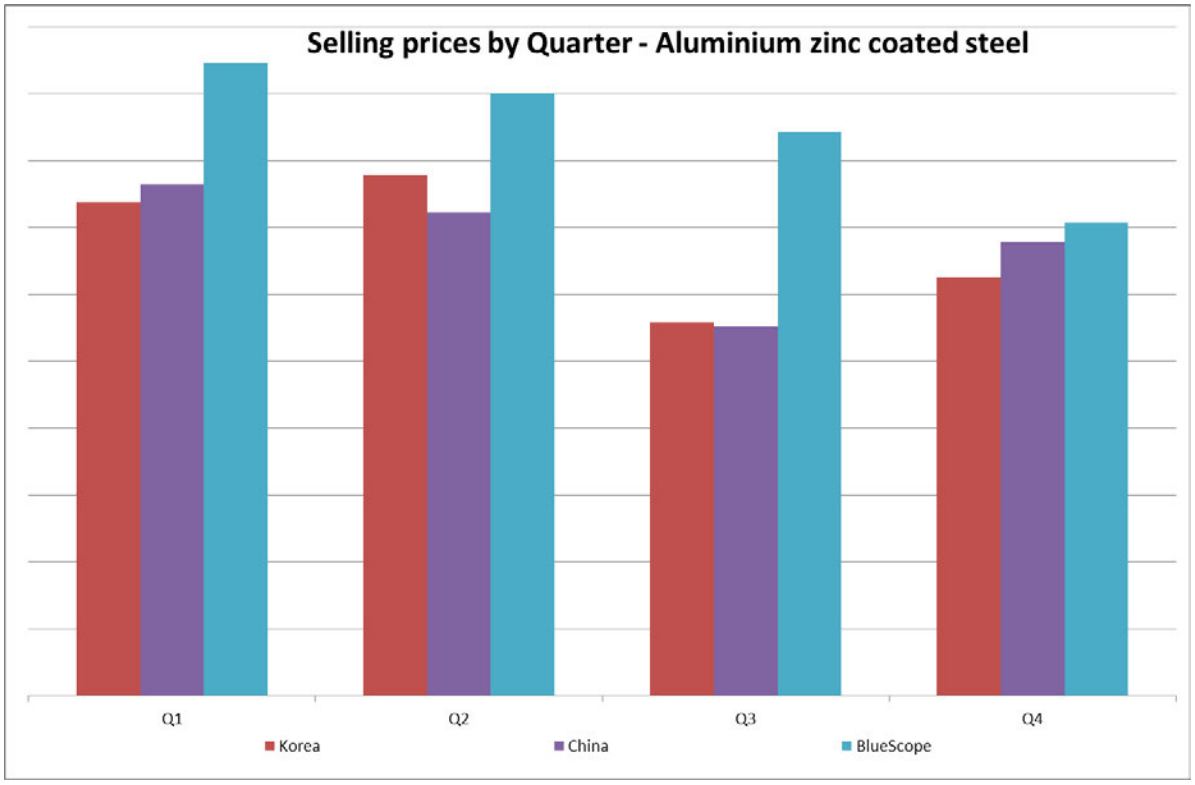

Figure 22: Investigation period selling prices by quarter of aluminium zinc coated steel

It can be seen that BlueScope's prices have decreased each quarter and that BlueScope's selling price based on IPP has been undercut by Chinese and Korean prices in all quarters.

As part of the macro analysis of price undercutting, Customs and Border Protection also considered the pricing of un-dumped imports of aluminium zinc coated steel during the investigation period.

Using import data for the relevant tariff and statistical codes, the weighted average selling price per tonne for each quarter of the investigation period was analysed by investigated countries and all other countries (including Taiwan). To avoid statistical anomalies related to broker error, the Customs commercial data was cleansed to remove outlying entries above $2000/tonne and below $600/tonne. Goods not matching the goods description were also removed from the data set.

The graph at figure 23 below shows that the differences between imports prices of aluminium zinc coated steel from Korea and China compared to all other countries, including Taiwan, are similar for the first three quarters then diverged in the fourth quarter where prices from other countries rose above prices from Korea and China.

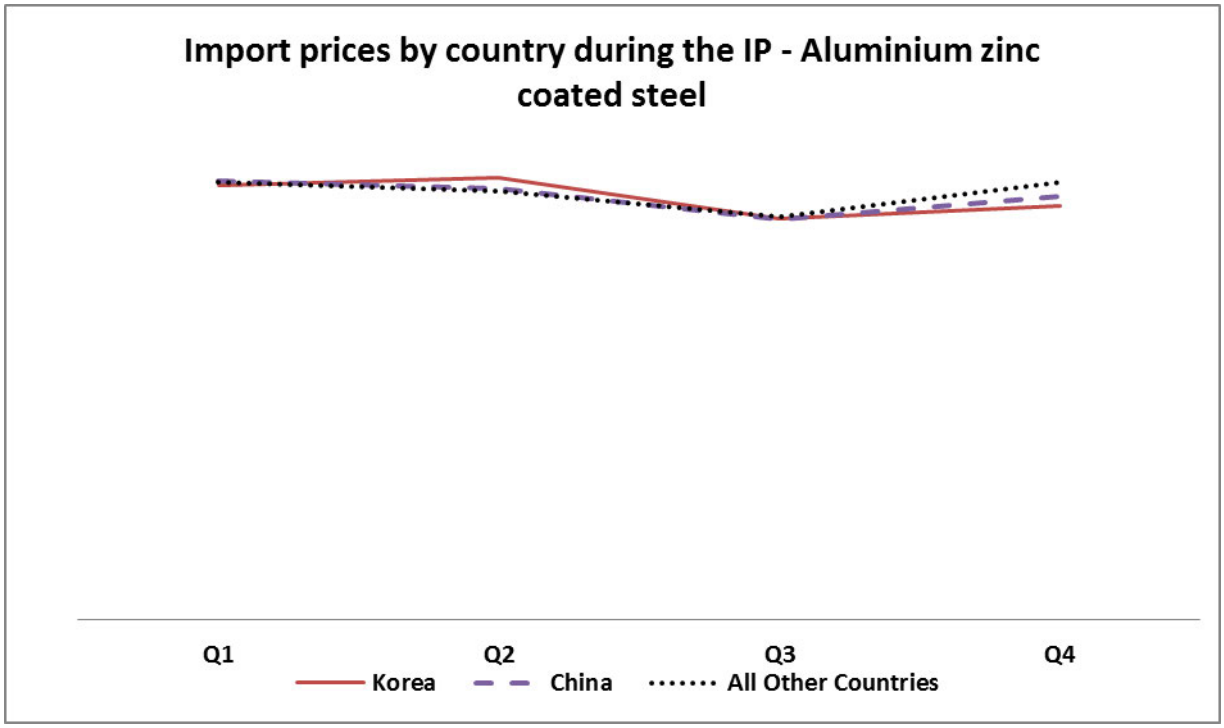

Figure 23: Investigation period import prices by quarter for aluminium zinc coated steel

Customs and Border Protection has considered the impact of the termination of the dumping investigation into aluminium zinc coated steel exported from Taiwan due to a finding of no dumping. Based on evidence gathered from the Australian industry, importers and exporters during the investigation Customs and Border Protection considers price transparency in the market for coated steel is high. Although the volume of exports of aluminium zinc coated steel from Taiwan during the investigation period is not insignificant, when compared to the combined volume of exports from China and Korea it is low. Customs and Border Protection considers that price pressure from dumped imports from China and Korea may have impacted the price of imports from Taiwan.

Analysis at both product level and overall market, highlighted that BlueScope's net selling prices followed the trends of the IPP benchmark over the investigation period, indicating a direct correlation and relationship between dumped import prices and BlueScope's prices. This supports BlueScope's claim that to remain competitive its pricing must be responsive to fluctuating import prices and at times undercut import prices.

This assessment is indicative that BlueScope has experienced price depression (by reducing selling prices) in order to compete with dumped imports at competitive prices.

11.4.3 Price depression, price suppression and profit impacts

(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.

Customs and Border Protection's assessment

Chapter 10 showed a significant decrease in BlueScope's profit and profitability in respect of galvanised steel from 2009-10, with an exponential decrease occurring in 2011-12. Customs and Border Protection considers that dumped imports have impacted on BlueScope's profit and profitability. This assessment is supported by the finding that BlueScope experienced price depression and suppression in respect of galvanised steel in 2011-12 combined with the analysis above that demonstrates BlueScope followed dumped import prices in setting its prices.

(ii) 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.

Customs and Border Protection's assessment

Chapter 10 shows a significant decrease in BlueScope's profit and profitability in respect of aluminium zinc coated steel since 2009-10, with an exponential decrease occurring in 2011-12. Customs and Border Protection considers that dumped imports have impacted on BlueScope's profit and profitability. This assessment is supported by the findings that BlueScope experienced price depression and suppression in respect of aluminium zinc coated steel in 2011-12 combined with the analysis above that demonstrates BlueScope followed dumped import prices in setting its prices.

11.5 Summary of major injury indicators

Based on the analysis detailed above, there are reasonable grounds to support the claim that dumping has caused injury to BlueScope in the form of:

(i) Galvanised steel

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

11.6 Other injury factors

In chapter 10 Customs and Border Protection found that there are reasonable grounds to support the claim that BlueScope have experienced injury from other injury factors in the form of:

(i) Galvanised steel

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

(ii) Aluminium zinc coated steel

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

Customs and Border Protection considers that it is inconclusive whether the other injury factors found above were caused by dumping, or caused by other factors such as the restructure of BlueScope's coating facilities. It is likely that at least both were contributing factors to the injury experienced by BlueScope.

11.7 Injury caused by factors other than dumping

BlueScope's claims

During Customs and Border Protection's verification visit, BlueScope noted that the coated steel markets have not recovered to their position prior to the global financial crisis and building activity is still suppressed. It also noted that the strength of the Australian dollar has some impact on the attractiveness of import offers. However, despite these observations, BlueScope claimed that neither of these factors displaces the impact of having to compete with dumped import prices. Given its import parity pricing policy dumped import prices have a direct and identifiable impact on BlueScope's prices.[99]

Submissions by interested parties[100]

- *GM Holden*

In a submission dated 15 October 2012, GM Holden claim that the following other injury factors are relevant:

- decrease in demand for automotive vehicles;
- post GFC restructure of BlueScope;
- appreciation of the Australian dollar;
- closure of BlueScope's Westernport plant;
- loss of export markets by BlueScope;
- increased prices for raw materials;
- decrease in general demand for Galvanised Steel; and
- increase in price for raw materials such as electricity and coking coal.

In a second submission dated 14 December 2012, GM Holden claim that BlueScope's own business decisions in setting its pricing has caused it injury. GM Holden also state that the automotive industry is depressed and that automotive industry purchasing is mainly by long term contract.

A third submission on behalf of GM Holden, dated 15 January 2013, states that '*the GFC, the factors set out in section 4.7.2(ii) of the consideration report, decrease in demand for the end product using the Galvanised steel, appreciation of the Australian dollar, increase in price for electricity and raw material prices, increases in iron ore and coal coking prices and a general reduction in demand for the entire steel industry*[101]' have caused injury to BlueScope.

- *Australian Steel Association (ASA)*

The ASA, in a submission dated 18 October 2012, claim that injury is caused by prevailing market conditions, the 'ebb and flow of business' and not by dumping.

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[99] For further information, refer to BlueScope verification report, EPR190/035, page 43.
[100] In the interests of brevity, not all submissions by all parties are addressed in this report. However, Customs and Border Protection has considered all submissions by interested parties and has taken into account the views put forward in those submissions.
[101] GM Holden, 15/1/13, page 12.

- *Chinese Iron and Steel Association (CISA)*

The CISA , in a submission dated 1 November 2012, allege that BlueScope 'shifts profit downstream' into its distribution businesses. The CISA believe that 'allegations of injury [do] not reflect the true financial position of the Applicant[102].'

In a second submission dated 17 December 2012, the CISA attribute BlueScope's injury to the restructure of BlueScope's business and to the global financial crisis.[103]

A third submission on behalf of the CISA, dated 15 January 2013, states that there is no causal link between dumping and injury, instead this injury is caused by the global financial crisis and BlueScope's business restructure.[104]

- *POSCO*

In a submission dated 23 November 2012, POSCO state that injury has been caused to BlueScope by BlueScope's decision to restructure, in particular BlueScope's decision to scale down export activities and mothball its Westernport hot strip mill and no. 5 coating line.

POSCO stated in that submission that 'The Complainant is operating in markets in which demand is contracting, and in which prices are depressed. It recently closed down one of its major production facilities, which has caused its costs to rise. These factors are the cause of injuries claimed by the Complainant. They would have occurred in the absence of the subject imports.[105]'

- *Ace Gutters*

In a submission dated 30 November 2012, Ace Gutters claim that injury has been caused to BlueScope as a result of market decline and 'the ebb and flow of business'.[106] Ace Gutters also attribute injury to the global financial crisis.[107]

- *Dongbu Steel*

In a submission dated 21 December 2012, Dongbu Steel state that BlueScope's non-supply of unpainted product to some businesses is causing it injury, as it could sell to those customers but does not.

Dongbu Steel also claim that BlueScope is the price setter in the market, and that exporters are simply lowering their prices because they are 'forced to compete' with BlueScope's pricing.[108]

[102] CISA submission, EPR190/XX, page 8.
[103] CISA, 17/12/12, page 5.
[104] CISA, 15/01/13 page 5.

[105] POSCO submission dated 23/11/12, EPR190/XX, page 30.
[106] Ace Gutters submission dated 23/11/12, EPR190/055, page 4.
[107] Ace Gutters submission dated 23/11/12, EPR190/055, page 5.
[108] Dongbu 21/12/12, page 6.

11.7.1 Customs and Border Protection's assessment

(i) Both products

Economic environment

Customs and Border Protection considers that the economic slow-down evident in the investigation period may have affected BlueScope's performance to a certain degree. However, in 2011-12, the individual cumulative market volumes held by imports of galvanised steel from the nominated countries increased. 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.

Appreciation of Australian dollar (AUD)

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 negatively affected BlueScope's performance in respect of both galvanised steel and aluminium zinc coated steel.

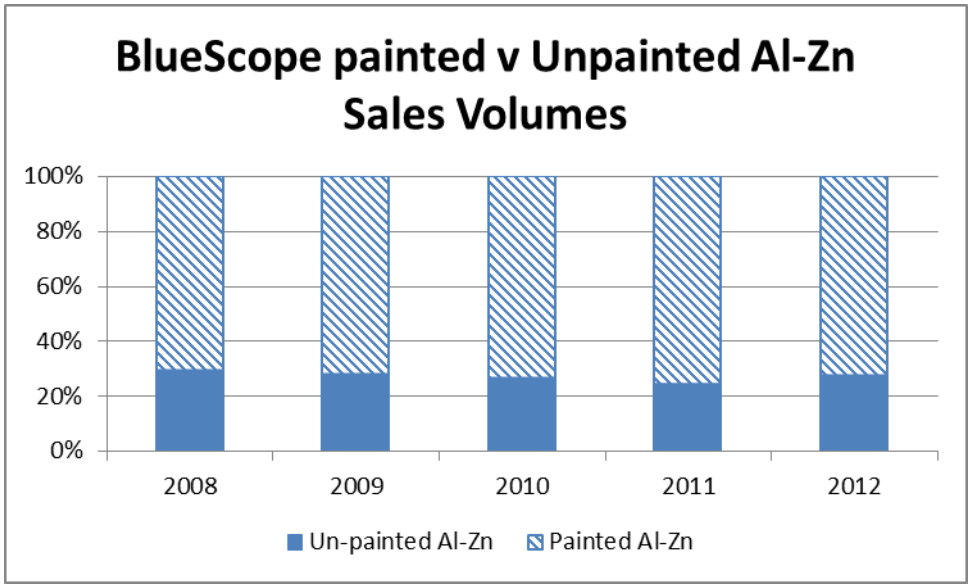
Restructure

As noted previously, BlueScope had a major restructure in the September quarter of 2011. Customs and Border Protection considers that this potentially 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).

Diversion to other products

BlueScope's production lines that produce aluminium zinc coated steel also produce the feedstock for BlueScope's painted products such as COLOURBOND®. Customs and Border Protection has examined whether any injury in the form of lost volume or price depression has been exaggerated by a strategy to divert production and / or profits to BlueScope's painted products.

The following graph shows the ratio of BlueScope's aluminium zinc coated steel painted to unpainted line sales volumes. The graph shows that the volume of unpainted aluminium zinc coated steel has remained relatively constant after a slight drop in 2009 whilst the volume of painted aluminium zinc coated steel reduced in line with the overall volume decrease in the 2012 financial year. This graph shows that there has been no significant shift from one particular line of aluminium zinc coated production to the other over the investigation period. In 2012 there is a higher proportion of unpainted product to painted product to the previous year. Therefore Customs and Border Protection does not consider this to be a causation factor in BlueScope's loss of sales volume.



Imports not causing injury to BlueScope

Chapter 7 set out a number of claims for exemption by various interested parties for goods that BlueScope does not make. Customs and Border Protection indicated in that chapter that, following consideration of these claims, it recommends the Minister exempt certain goods from anti-dumping measures. The dumping of imported goods covered by any exemption based on BlueScope's inability to supply could not be said to have caused injury to BlueScope during the investigation period.

Based on verified data obtained from exporters and importers, and information from Customs and Border Protection's import database, it is estimated that goods covered by any proposed exemptions represented approximately 6% of total dumped imports during the investigation period. The goods not covered by any proposed exemption, and which therefore caused injury to BlueScope still represent a significant proportion of exports covered by the investigation.

Conclusion – other causation factors

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 increased. The aggregate import volumes of aluminium zinc coated steel from the nominated countries increased, which is driven by increased import volumes from Korea. Custom's and Border Protection considers that dumped imports have impacted on BlueScope's performance in respect of galvanised steel and aluminium zinc coated steel.

There is evidence to show that BlueScope sets its prices according to import parity pricing. Therefore while steel prices have been depressed globally, the presence of dumped imports in the market has further suppressed BlueScope's prices so that it is unable to increase its prices to the extent it would have if competing with un-dumped prices. This has particularly impacted BlueScope due to increased raw material prices globally.

This, combined with the evidence presented in relation to BlueScope's IPP strategy, leads Customs and Border Protection to conclude that dumping, in and of itself, has caused injury to BlueScope.

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

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).

11.8 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 and verified data collection in respect of galvanised steel, BlueScope has demonstrated that it has suffered injury in respect of galvanised steel and that there are reasonable grounds for concluding that the dumping of galvanised steel exported to Australia from China, Korea and Taiwan has caused material injury to the Australian industry producing like goods.

(ii) Aluminium zinc coated steel

Customs and Border Protection is satisfied that, based on the information submitted in the application and verified data collection in respect of aluminium zinc coated steel, BlueScope has demonstrated that it has 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 and Korea has caused material injury to the Australian industry producing like goods.

12 WILL DUMPING AND MATERIAL INJURY CONTINUE?

12.1 Findings

Exports of galvanised steel from China, Korea and Taiwan and exports of aluminium zinc coated steel from China and Korea in the future may be at dumped prices and that continued dumping may cause further material injury to the Australian industry.

12.2 Introduction

When the Minister is satisfied that material injury to an Australian industry has been caused by dumping, anti-dumping measures may be imposed on future exports of like goods if the Minister is satisfied that the dumping and material injury may continue.

12.3 Customs and Border Protection's assessment

12.3.1 Will dumping continue?

Customs and Border Protection's dumping analysis found that galvanised steel exported from the nominated countries during the investigation period was found to be at dumped prices, with dumping margins between negligible and 32.7% (for cooperating exporters).

Customs and Border Protection's dumping analysis found that aluminium zinc coated steel exported from China and Korea during the investigation period was found to be at dumped prices, with dumping margins between negligible and 18.1% (for cooperating exporters).

Customs and Border Protection notes that forward orders exist for exports from the nominated countries, that the galvanised steel and aluminium zinc coated steel exported from these countries have a significant share and influence in the Australian market.

Customs and Border Protection considers that dumping will continue if anti-dumping measures are not imposed.

12.3.2 Will material injury continue?

Customs and Border Protection has reviewed the Australian industry's performance over the injury analysis period and has made a finding that galvanised steel exported at dumped prices from China, Korea and Taiwan and exports of aluminium zinc coated steel at dumped prices from China and Korea have caused material injury to the Australian industry.

Customs and Border Protection considers that the continuation of price competition from dumped imports from these countries is likely to have a continuing adverse impact on the Australian industry. Customs and Border Protection considers that this impact may be particularly evident in price depression and price suppression, reduced profits and profitability, and reduced revenues.

13 NON INJURIOUS PRICE

13.1 Findings

In all cases the non-injurious price (NIP) is at least equal to the normal value of exports of galvanised steel and aluminium zinc coated steel. The lesser duty rule does not come into effect and duties should be imposed at the full margin of dumping.

13.2 Introduction

Dumping duties may be applied where it is established that dumped imports have caused or threaten to cause injury to the Australian industry producing like goods. The level of dumping duty imposed by the Minister cannot exceed the margin of dumping, but a lesser duty may be applied if it is sufficient to remove the injury. This lesser duty provision is contained in the World Trade Organisation Anti-Dumping Agreement and the Dumping Duty Act.[109]

The NIP provides the mechanism whereby this lesser duty provision is given effect. The NIP is the minimum price necessary to prevent injury to the Australian industry producing like goods.[110]

Anti-dumping duties are based on FOB prices in the country of export. Therefore a NIP is calculated in FOB terms for the country of export.

13.3 Unsuppressed Selling Price

USP and NIP issues are examined at an early stage of an investigation and, where possible and appropriate, 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.[111]

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.

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[109] Subsection 8(5A) of the Dumping Duty Act

[110] Subsection 269TACA(a) of the Act.

[111] Subsection 269TC(1)(c) of the Act.

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

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.

13.4 BlueScope's claims

On 30 January 2013, BlueScope lodged a submission regarding calculating USPs and NIPs[112]. In its submission BlueScope suggested that Customs and Border Protection calculate USPs:

- for aluminium zinc coated steel based on BlueScope's CTMS for 2011-12 plus the level of profit it achieved in 2009-10; and
- for galvanised steel based on BlueScope's CTMS for 2011-12 plus the level of profit it achieved on aluminium zinc coated steel in 2009-10. BlueScope claims that its profit on galvanised steel in 2009-10 is not indicative of a profit that could have been achieved in 2011-12 in the absence of dumping due to the effects of the global financial crisis and the level of injurious imports in 2009-10[113].

13.5 Customs and Border Protection's assessment

Customs and Border Protection does not consider that industry selling prices are suitable to be used as a basis for a USP due to BlueScope's matching of import prices.

Customs and Border Protection considers the most appropriate basis for estimating the USP is to construct a selling price that BlueScope could reasonably be expected to achieve in a market unaffected by dumping. BlueScope's methodology for constructing a USP is not considered reasonable given that it has no connection to the manner in which its prices are currently established. As highlighted throughout the material injury assessment, BlueScope's prices are based on an equivalent into-store import parity price plus a local premium to account for such factors as shorter lead times, delivery options and after-sales service and support.

Further, the approach submitted by BlueScope would also appear to compensate for more than just the effects of dumping. The weak demand and excess capacity of steel globally, the strong Australian dollar and the impact of BlueScope's restructured local business are all overlooked in its proposed USP.

Customs and Border Protection is of the view that in a market unaffected by dumping, it is reasonable to expect that BlueScope would be able to achieve as a minimum, selling prices that reflected un-dumped import parity pricing. Accordingly, Customs and Border Protection considers that the FOB non-injurious price for each exporter is a price equal to the respective normal value.

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[112] A non-confidential version of this submission (number 66) is available on the public record.

[113] BlueScope submission response to SEF 190 dated 8 April 2013.

14 DISCRETIONARY FACTORS

The following matters may be considered should the Minister choose to exercise his discretion not to impose measures.

Some interested parties have claimed that an imposition of measures on galvanised steel or aluminium zinc coated steel will affect downstream suppliers. All submissions on discretionary factors received by Customs and Border Protection are available on the public record.

Parties opposed to the introduction of measures on either galvanised steel or aluminium zinc coated steel or both contend that such imposition will increase costs for the importing of the respective goods and for purchasers of the respective goods, thereby causing injury to their businesses in Australia and the end user. Some parties claimed that introducing measures may result in the loss of Australian jobs and Australian-owned businesses. They also claim that imposition of measures may result in increased prices, anti-competitive behaviour from BlueScope such as monopoly-seeking behaviour, including obstructing entry to the market for new entrants and may result in a monopoly market in Australia for either galvanised steel, aluminium zinc coated steel, or the painted COLORBOND® product lines.

These parties include Australia-based and Australian-owned importers and end users:

- KLE Pty Ltd – metal tube forming and finishing manufacturers
- B&R Enclosures Pty Ltd – specialist manufacturer of enclosures for the electrical, electronics, data and communications markets
- Ford
- GM Holden
- Thunderbox Toolboxes Pty Ltd - manufacture steel & aluminium toolboxes
- United Industrial Pty Ltd - specialises in strategic sourcing of materials and equipment for supply into predominantly the railway and construction industries
- Ace Gutters - manufacturer and supplier of rainwater products
- OneSteel Coil Coaters - producer and supplier of painted steel and aluminium coil and sheet

Importer and exporter industry associations:

- Chinese Iron and Steel Association (CISA); and
- Australian Steel Association (ASA).

Exporters:

- Dongbu Steel

15 PROPOSED MEASURES

Customs and Border Protection recommends to the Minister that dumping duty notices be published in respect of:

- galvanised steel exported to Australia by all exporters from China, Korea and Taiwan (other than exported by Union Steel Korea, Sheng Yu and Ta Fong); and
- aluminium zinc coated steel exported to Australia by all exporters from China and Korea (other than exported by Union Steel Korea).

For all goods and nominated countries the NIP has been set at the normal value. This means that the lesser duty rule does not come into effect and the proposed measures are linked to the full margin of dumping.

Customs and Border Protection also recommends to the Minister that exemptions be applied to certain goods that are currently subject to TCOs. A complete list of the relevant TCOs and a description of the goods covered by the TCOs is at Appendix 2.

16 RECOMMENDATIONS

The Delegate of the CEO is satisfied that:

- the dumping of galvanised steel exported to Australia from China, Korea and Taiwan has caused material injury to the Australian industry producing like goods; and
- the dumping of aluminium zinc coated steel exported to Australia from China and Korea has caused material injury to the Australian industry producing like goods.

The Delegate of the CEO recommends that the Minister impose:

- anti-dumping measures on galvanised steel exported to Australia from China, Korea and Taiwan (except for galvanised steel exported by Union Steel Korea, Sheng Yu and Ta Fong); and

- anti-dumping measures on aluminium zinc coated steel exported to Australia from China and Korea (except for aluminium zinc coated steel exported by Union Steel Korea).

The Delegate of the CEO recommends the Minister be satisfied:

- in accordance with s.269TAAD(1), that like goods sold in the country of export in arms' length transactions in substantial quantities during an extended period for home consumption or export to a third country:

  - at a price that is less than the cost of such goods and;
  - it is unlikely that the seller of the goods will be able to recover the cost of those goods within a reasonable period;

  the price paid for those goods is taken to not have been paid in the ordinary course of trade;

- in accordance with s.269TAB(3), that sufficient information has not been furnished, or is not available, to enable the export price of galvanised steel exported to Australia from China, Korea and Taiwan by the category of 'selected non-cooperating' exporters be determined under s.269TAB(1)(a), (b), or (c);

- in accordance with s.269TAB(3), that sufficient information has not been furnished, or is not available, to enable the export price of aluminium zinc coated steel exported to Australia from China and Korea by the category of 'selected non-cooperating' exporters be determined under s.269TAB(1)(a), (b), or (c);

- in accordance with s.269TAC(2)(a)(ii), that because of the situation in the market of the country of export is such that sales in that market are not

suitable for use in determining price under subsection 269TAC(1), the normal value of galvanised steel and aluminium zinc coated steel exported to Australia from China cannot be determined under s.269TAC(1);

- in accordance with s.269TAC(6), sufficient information has not been furnished or in not available to enable the normal value of galvanised steel and aluminium zinc coated steel to be ascertained under s.269TAC(1), (2), (5C) or (5D) for the category 'selected non-cooperating' exporters;

- in accordance with s.269TG(1) the amount of the export price of galvanised steel that have been exported to Australia from China, Korea and Taiwan is less than the amount of the normal value of those goods and because of that, material injury to the Australian industry producing like goods has been, or is being caused;

- in accordance with s.269TG(1) the amount of the export price of aluminium zinc coated steel that have been exported to Australia from China and Korea is less than the amount of the normal value of those goods and because of that, material injury to the Australian industry producing like goods has been, or is being caused;

- in accordance with s.269TG(2) the amount of the export price of galvanised steel already exported to Australia from China, Korea and Taiwan is less than the amount of the normal value of those goods and the export price of the goods that may be exported to Australia from China, Korea and Taiwan in the future may be less than the normal value of the goods and because of that, material injury to the Australian industry producing like goods has been, or is being caused;

- in accordance with s.269TG(2) the amount of the export price of aluminium zinc coated steel already exported to Australia from China and Korea is less than the amount of the normal value of those goods and the export price of the goods that may be exported to Australia from China and Korea in the future may be less than the normal value of the goods and because of that, material injury to the Australian industry producing like goods has been, or is being caused;

The delegate of the CEO recommends the Minister determine:

- in accordance with s.269TAAD(4), the amounts for the cost of production or manufacture of galvanised steel and aluminium zinc coated steel in the country of export and the administrative, selling and general costs associated with the sale of those goods;

- in accordance with s.269TAB(1)(c) the export prices for certain exports by ANSTEEL, TAGAL, WISCO and Chung Hung Steel be calculated having regard to all the circumstances of the exportation;

- in accordance with s.269TAB(3), the export prices for the categories of

'selected non-cooperating' exporters of galvanised steel and aluminium zinc coated steel be determined having regard to all relevant information;

- in accordance with s.269TAC(2)(c), the cost of production or manufacture of galvanised steel and aluminium zinc coated steel in the country of export, and the administrative, selling and general costs associated with the sale and the profit on that sale;

- in accordance with s.269TAC(6), normal values for the categories of 'selected non-cooperating' exporters of galvanised steel and aluminium zinc coated steel having regard to all relevant information;

- in accordance with s.269TACB(1), by comparison of the weighted average of export prices during the investigation period and the weighted average of normal values during that period, that exports of galvanised steel from China, Korea and Taiwan were dumped;

- in accordance with s.269TACB(1), by comparison of the weighted average of export prices during the investigation period and the weighted average of normal values during that period, that exports of aluminium zinc coated steel from China and Korea were dumped;

The delegate of the CEO recommends the Minister direct:

- in accordance with s.269TAC(8), the price paid or payable for like goods sold by:

  - Dongbu Steel;
  - POSCO;
  - Chung Hung Steel; and
  - Yieh Phui Enterprise

  be taken to be such a price adjusted for differences between domestic and export sales to ensure a fair comparison.

The delegate of the CEO recommends the Minister compare:

- in accordance with s.269TACB(2)(a), the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period.

The delegate of the CEO recommends the Minister declare:

➢ in relation to galvanised steel:

- in accordance with s.269TG(1), by public notice, that section 8 of the Dumping Duty Act applies to:

- galvanised steel exported by all exporters from China, Korea and Taiwan (except Union Steel Korea, Sheng Yu and Ta Fong), to the extent permitted by s.269TN; and
- like goods that were exported to Australia by all exporters from China, Korean and Taiwan (except Union Steel Korea, Sheng Yu and Ta Fong), after the CEO made a PAD under s.269TD on 6 February 2013 but before publication of the notice, to the extent permitted by s.269TN; and

- in accordance with s.269TG(2), by public notice, that section 8 of the Dumping Duty Act applies to like goods that are exported to Australia by all exporters from China, Korea and Taiwan (except Union Steel Korea, Sheng Yu and Ta Fong) after the date of publication of the notice;

➢ in relation to aluminium zinc coated steel:

- in accordance with s.269TG(1), by public notice, that section 8 of the Dumping Duty Act applies to:

  - aluminium zinc coated steel exported by all exporters from China and Korea (except Union Steel Korea), to the extent permitted by s.269TN; and
  - like goods that were exported to Australia by all exporters from China and Korea (except Union Steel Korea), after the CEO made a PAD under s.269TD on 6 February 2013 but before publication of the notice, to the extent permitted by s.269TN; and

- in accordance with s.269TG(2), by public notice, that section 8 of the Dumping Duty Act applies to like goods that are exported to Australia by all exporters from China and Korea (except Union Steel Korea), after the date of publication of the notice.

The delegate of the CEO recommends the Minister exempt:

- in accordance with s8(7)(b) of the Dumping Duty Act, from interim dumping duty and dumping duty goods covered by the following TCOs in force at the date of this report:
  - TC 0939596
  - TC 1242989
  - TC 1243148
  - TC 1248989
  - TC 1248930
  - TC 1349350
  - TC 1349351

- TC 1349352
- TC 1349354

APPENDIX 1 - ASSESSMENT OF A PARTICULAR MARKET SITUATION

1. INTRODUCTION

This appendix provides an assessment and determination of a 'particular market situation' in relation to galvanised steel and aluminium zinc coated steel in China during the investigation period. The following six subsections detail the basis of assessment and the tests applied to determine the existence of a 'particular market situation' in relation to domestic selling prices of the goods.

- Subsection two of this appendix provides a brief background and the reasons for the assessment of a 'particular market situation' in the current investigations. This subsection also highlights the relevance of the recent positive findings by Customs and Border Protection in Investigation number 177 (INV177) of a 'particular market situation' in relation to domestic sales of hollow structural sections (HSS).

- Subsection three provides an overview of the Chinese iron and steel industry and its importance in China. This subsection also analyses whether the GOC influences found in INV177 continue to distort prices in the steel sector and thereby the prices of galvanised steel and aluminium zinc coated steel products. The validity and continuance of various overarching macroeconomic policies, plans and legislation developed, promulgated and implemented by the GOC at central and local level found in INV177 are also assessed. The responses provided by the cooperating exporters in response to the supplementary exporter questionnaire have also been taken into account.

- Subsection four analyses the implications of the GOC's import and export policies and controls on galvanised steel, aluminium zinc coated steel and their major raw materials hot rolled coil (HRC), coke, coking coal, iron ore and scrap metal.

- Subsection five discusses the recent findings by the European Commission (EC) in relation to certain organic coated steel ("OCS") products exported from China to Europe.

- Subsection six discusses the fundamentals of the basic economic theory of supply and demand affecting the price of a commodity. It provides a theoretical framework to understand the implications of increase in the supply of a commodity through direct and indirect government interventions.

Finally, based on the conclusions reached and findings made in the above assessments, Customs and Border Protection has made a positive determination of the existence of a 'particular market situation' in the galvanised steel and aluminium zinc coated steel markets in China such that sales in that market are not suitable for determining a normal value. As such, Customs and Border Protection has not been

able to determine the normal values in accordance with s269TAC(1) of the Act for those goods exported from China.

The normal value of galvanised steel and aluminium zinc coated steel was constructed in accordance with s269TAC(2)(c) of the Act. The methodology used for the constructing the normal value is discussed in section 9.3 of the report.

2. BACKGROUND

In its application, BlueScope claimed that domestic prices of galvanised steel and aluminium zinc coated steel in China are not suitable for the determination of normal values. More specifically, BlueScope allege that the continued intervention by the GOC in the iron and steel industry distorts the prices of the goods the subject of the investigation during the current investigation period.

Section 269TAC(1) of the Act establishes that 'the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arms' length transactions by the exporter or, if like goods are not so sold by the exporter, by other sellers of like goods.'

However, s.269TAC(2)(a) of the Act sets out an exception and states that where '….because 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 subsection (1); the normal value of goods exported to Australia cannot be ascertained under subsection (1); …'. In such circumstances, the normal value may be determined on the basis of construction of cost[114] or third country sales.[115] Therefore, a determination as to whether there is a 'particular market situation' has consequences for the assessment of normal value and dumping margins.

2.1 HSS Findings

In the recent HSS investigation (INV177), Customs and Border Protection found that the price of the main raw material for HSS, HRC, was distorted by the GOC's intervention in the Chinese iron and steel industry. Customs and Border Protection found that a 'particular market situation' existed that rendered domestic selling prices of HSS unsuitable for the determination of normal value under s269TAC(1) of the Act (REP177 refers[116]).

BlueScope claimed in the application that the galvanised steel and aluminium zinc coated steel producers and traders form part of the iron and steel industry in China and that HRC is also the main raw material used in the production of those goods. It also claimed that the GOC continued to influence the HRC prices and the prices of its raw materials in the current investigation period through various forms of

114 S.269TAC(2)(c)
115 S.269TAC(2)(d)
116 A detailed assessment of the market situation in China for HSS is contained in Appendix A to REP177. REP177 can be accessed using the following link: http://www.customs.gov.au/anti-dumping/cases/default.asp

interventions in the Chinese iron and steel industry summarised in subsection 2.2 below.

Customs and Border Protection's findings in the HSS investigation that the HRC selling prices in China were distorted are directly relevant to the current investigations. The impacts of the GOC's policies and other economic measures identified in INV177 are found to have continued in the current investigation period[117].

2.2 Summary of Major Findings in INV177

The various forms of the GOC's intervention found in the iron and steel industry in INV177 are outlined below.

(i) the GOC plays a significant role in influencing the domestic iron and steel industry through its numerous broad, overarching 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;

(ii) 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 provided to the producers in the iron and steel industry; and
- other implementation measures, including impact of SOEs

Customs and Border Protection established 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;

- the impact of the GOC's influence on supply is extensive, complex and manifold, and their resulting impact on the price of HSS is not able to be easily quantified;

- the information available indicates that prices of HSS in the Chinese market are not substantially the same (likely to be artificially low), as they would have been without the GOC influence; and

[117] Current investigation period is from 1 July 2011 to 30 June 2012 for galvanised steel (INV 190a) and aluminium zinc coated steel (INV 190b).

- the GOC influences in the Chinese iron and steel industry have created a 'market situation' in the domestic HSS market, such that sales of HSS in that market are not suitable for determining normal value under s.269TAC(1).

2.3 Review Officer's Recommendations on INV177

The Trade Measures Review Officer (Review Officer) on 14 December 2012 published a report[118] of his review of the findings in INV177 and recommended to the Minister certain aspects of the investigation be reinvestigated. One aspect was the findings that a situation in the market of China was such that sales in the Chinese domestic market were not suitable for use in determining a normal value.

The Review Officer concluded that the evidence available to him, in his view, failed to sufficiently establish that policies and plans of the GOC were being implemented and enforced in a manner as would support a particular market situation finding. The Review Officer further stated that he "*did not wish for his conclusion to be read as positively finding that there is definitely no market situation in the Chinese domestic iron and steel industry*". His view was that the available evidence in HSS Report number 177 (REP177) was not adequate to definitively establish a 'particular market situation' finding.

On 14 January 2013, the Minister accepted the Review Officer's recommendation and requested that the CEO of Customs and Border Protection reinvestigate a number of findings, including that a 'particular market situation' exists in the HSS domestic market in China.

Customs and Border Protection provided the reinvestigation report to the Minister on 15 April 2013. The report is confidential as at the date of this report and the Minister is yet to make a final determination.

3. CHINESE IRON AND STEEL INDUSTRY

3.1 Government of China's response to Government Questionnaire

The GOC's response to the Government Questionnaire (GQ) in relation to a 'particular market situation' in these current investigations was submitted to Customs and Border Protection on 8 February 2013. In assessing the response Customs and Border Protection found that some responses were incomplete or were answered inadequately. Some attachments provided were partially omitted and not fully translated in English. In some parts of the questions, where the GOC made certain claims, it did not provide supporting evidence. On 8 March 2013 a supplementary questionnaire was sent to the GOC to:

(i) seek complete responses to the initial GQ;
(ii) request answers to the additional follow-up questions leading from the responses to the GQ; and

[118] The review officers report is published on the website: http://www.tmro.gov.au

(iii) clarify and understand certain new information collected during the course of the investigations.

The GOC provided its response to the supplementary government questionnaire (SGQ) on 1 April 2013.

As noted throughout this Appendix there were certain questions that Customs and Border Protection considers the GOC did not answer fully. The analysis of the existence of a 'particular market situation' in the galvanised steel and aluminium zinc coated steel markets in China is based on an assessment of relevant information from the GOC's responses in addition to other relevant information obtained during the course of the investigations.

3.2 Changes to macroeconomic policies and plans post INV177

In its response to the GQ (GQ A-13[119] refers), the GOC stated that none of the major government policies/catalogue/plans identified in INV177 have changed since the INV177 investigation period[120]. The following major government policies and plans were identified in INV177 that influenced the iron and steel industry and distorted the HSS prices in China:

(i) National Steel Policy (NSP)

(ii) A Blueprint for Steel Industry Adjustment and Revitalisation

(iii) Directory Catalogue on Readjustment of Industrial Structure and

(iv) 12th Five year plan for the Iron and Steel Industry

The GOC clarified that some documents are premised on a specific planning period, for example 'A Blueprint for Steel Industry Adjustment and Revitalization' was from 2009 to 2011. The GOC provided further following comments in relation to the above identified major policies and plans.

(i) The National Steel Policy (NSP)

The GOC stated that the National Steel Policy is an 'aspirational' document (and not a 'legal' document) which sets out the means by which the steel industry can modernise its operation and remain competitive and efficient in future.

The GOC also stated that the NSP was drafted to 'discuss ways to elevate the levels of technology used in the iron and steel industry; to promote structural adjustment; to improve the industry layout; to promote recycling and to minimise the industry's environment impact; and generally to guide the sound development of the iron and steel industry'.

[119] Page 36 of the response to GQ

[120] HSS investigation period was from 1 July 2010 to 30 June 2011

(ii) A Blueprint for Steel Industry Adjustment and Revitalisation

The GOC stated that the purpose[121] of the 'Blueprint for Steel Industry Adjustment and Revitalisation' was to discuss methods to stabilise the steel industry following the fallout from the global financial crisis. The GOC claims that it is not uncommon for WTO members to publish such documents in relation to unprecedented economic conditions.

(iii) Directory Catalogue on Readjustment of Industrial Structure

The GOC stated122 that the 'Directory Catalogue on Readjustment of Industrial Structure ("Directory Catalogue") is part of the same policy as the interim provisions on promoting structural adjustments (the Interim Provisions). The Interim Provisions set out the criteria under which certain production processes may be classified as 'encouraged', 'restricted', or 'eliminated' and how the government agencies may deal with such processes and the Directory Catalogue identifies what production processes actually fall within these categories.

3.3 Assessment of the GOC's influence on the current coated steel cases

The GOC did not specify any particular new policies and /or government initiatives that came into effect following INV177 that would have affected the Chinese iron and steel industry in the current investigation period (including galvanised steel, aluminium zinc coated steel and upstream industries). The GOC, in its response to GQ (GQ A-14 refers), stated that: *"… Initiatives or policies that "affect" an economy generally may "affect" the industries and markets in that economy. The GOC can at least say that the GOC has not engaged in any price control or price manipulation in the markets for the products to which the question refers, nor has it directed enterprises in those industries to behave in a particular way".*

Furthermore, the GOC, in its response to the GQA-14, provided independent reports on the iron and steel industry. The reports '*China steel industry to keep stable growth in next five years by Wu Wenzhang*', ' *The iron and steel industry: a global market perspective by Ignacio et al*', and '*Trends and Price Structures and Risk management by Patrick A. McCormick*' are at public record attachments 6, 7 and 8 of the current investigations.

While these reports have analysed the past performances of the global steel markets (including the Chinese steel market), production and usage of steel (including upstream products), and tried to predict the future trends, they do not contain an analysis of the GOC's major policies, plans, blueprints, legislation, or direct and indirect effects on prices of iron and steel products in China. Furthermore, the reports do not specifically provide any details as to how the prices of the iron and steel products and the raw materials are determined in China.

The GOC stated the Chinese central and local governments issued 'some opinions' to strengthen the building of government under the rule of law and that these 'documents indicate the legal basis and standard practices' for the formulation and implementation of industry regulations. The GOC also stated that the Chinese central and local governments issued a series of policies and measures to promote and

[121] Page 37 of the response to GQ
[122] page 37 of response to GQ refers

develop private enterprises during 2010 to 2012 (response to GQ A-14 refers). As an example, the GOC stated that as a result of these opinions, policies and measures, the number of SIE entities has dropped by 54% and the number of private enterprises increased by 20% in 2011 compared to 2006.

In response to the SGQ (public record Attachment 90 refers) the GOC stated that 2010 was a critical year for China, given the international financial crisis, in which to maintain steady and rapid economic development. The GOC identified numerous tasks to deepen the reform of economic development in 2010. Some of these reforms include:

- development of non-public economy;
- reform of state owned enterprises and monopolistic industries;
- pricing of resource products and charges for environment protection;
- reform of fiscal and taxation systems;
- reform of finance systems;
- rural and urban reforms;
- peoples livelihood security system;
- social fields;
- reform of foreign related economic system;
- reform of administrative regime; and
- push forward pilot work regarding comprehensive supporting reform.

The GOC, after stating its strong disagreement with Customs and Border Protection's finding of the existence of a 'particular market situation' in the Chinese iron and steel industry in INV177, set out the changes that occurred after INV177 in the various polices discussed in REP177 (response to GQ A-15 refers).

The majority of policies/catalogue and plans identified in INV177 remained active and valid in the current investigation period for the galvanised steel and aluminium zinc coated steel and are relevant to these investigations. Furthermore, it has been noted that while some of plans and policies were partially valid (as an example 'the Blueprint for Steel Industry Adjustment and Revitalisation' was only applicable between 2009 and 2011), others had either been replaced with similar sentiments or had minor amendments and did not have any significant differing effect in the current investigation period on the iron and steel industry (for example MIIT amended the Steel Standard Conditions in June 2012).

In response to the supplementary exporter questionnaire regarding the existence of a particular market situation in the galvanised steel and aluminium zinc coated steel markets, the cooperating exporters stated that they did not consider that the GOC macroeconomic policies and plans have affected their businesses during the investigation period.

After having analysed the GOC's overall macroeconomic policies and implementation plans in the Chinese iron and steel industry, Customs and Border Protection assessed the impact of the GOC's import and export policies on zinc coated (galvanised) steel, aluminium zinc coated steel and their major raw material industries in China as discussed in subsection 4 below.

4. CHINESE GALVANISED STEEL AND ALUMINIUM ZINC COATED STEEL INDUSTRIES

4.1 Raw Materials

The main raw materials identified for both products (galvanised steel and aluminium zinc coated steel) are HRC and cold rolled coil (CRC). CRC is produced by further processing HRC. The main raw materials for the manufacture of HRC are:

(i) Coke
(ii) Coking coal
(iii) Iron ore and
(iv) Scrap metal.

The two main processes used to produce HRC are the electric arc furnace process and blast furnace process.The key difference between the processes is that the blast furnace process is used to make steel from liquid iron, while an electric arc furnace process is used to make steel from scrap metal.

4.2 Production Process

In its applications, BlueScope provided a detailed description of the manufacturing process of the galvanised steel and aluminium zinc coated steel. It is noted that BlueScope is a fully-integrated[123] business entity manufacturing flat steel products.

A similar manufacturing process of galvanised steel and aluminium zinc coated steel was described by the cooperating Chinese exporters in their response to exporter questionnaires and verified by Customs and Border Protection as detailed in the visit reports[124].

During this investigation it has been established that some Chinese producers and exporters of galvanised steel and aluminium zinc coated steel were 'integrated producers' while others were 'non-integrated'. The integrated producers manufacture their main raw material, HRC, while the non-integrated producers purchase HRC to produce those goods.

[123] A fully integrated industry produces the major raw material (HRC) for the goods under consideration by itself using its raw materials such as coke, coking coal and scrap metal.

[124] Public version of the visit reports can be accessed using the following link; http://www.customs.gov.au/anti-dumping/cases/Current_Cases_EPR_190.asp

4.3 Galvanised steel and aluminum zinc coated steel industries in China

In its response to GQ (GQ A-1 refers), the GOC stated that the domestic Chinese galvanised steel and aluminium zinc coated steel industries are not well defined. The GOC further stated that the '...*coated steel industries have complicated and intertwining relationships with some of their neighbouring industrial sectors…'.* The GOC further stated that '*there is no routine statistical data available purely and specifically for the domestic Chinese galvanised steel and aluminium zinc coated steel industries".* The GOC further stated that data did not exist for the industries producing these goods and data on raw materials is not likely to relate only to those goods as Chinese entities produce a broader range of products. The GOC stated that due to the large number of participants in the Chinese steel industry, the GOC found it difficult to separately identify and categorise different steel industry participants on the basis of one or two of the products they manufacture.

The GOC provided some data on the number of Chinese entities, volume of domestic production, export of galvanised steel and aluminium zinc coated steel together with import and export of the major raw materials (HRC, coke, coking coal, iron ore and scrap metal. (Confidential version of the response to GQ (pg. 14) refers).

The GOC claims that some producers manufacture only galvanised steel and/or aluminium zinc coated steel while others produce the HRC and the goods. The GOC indicated that there were a large number of business entities producing those goods (Confidential version of the response to GQ (pg. 15) refers).

The GOC stated that it has no incentive to enforce a package of policies designed to depress or suppress prices, or to make them uncompetitive, in their galvanised steel and aluminium zinc coated steel industries, and the relevant upstream industries including iron ore, coking coal, coke and scrap metal industries. The GOC further stated that '… *that it does not control or regulate the price of any of the input materials and certainly does not control or regulate the price of GUC…*' (Response to GQ A-1 refers).

The GOC stated that the steel products are used by a number of sectors. The major consumer of the steel products is the construction sector. The GOC also identified that domestic demand for steel was also driven by other consumers such as nuclear power plants, wind farms, hydro-power facilities, ports, ships, railways, transportation, mining machinery, medical equipment, construction machinery and housing. The GOC stated that the markets for the goods under consideration and HRC are incredibly competitive and that there is a strong demand domestically within China for these goods.

The GOC provided the import and export taxes, tariffs and export quotas for galvanised steel, aluminium zinc coated steel and their major upstream raw materials HRC, coke, coking coal, iron ore and scrap metal as applicable between July 2007 and June 2012. Their effects are analysed and summarised in subsections 4.7 to 4.11 below.

4.4 Value Added Tax

Customs and Border Protection is aware that Value Added Tax (VAT) has been one of the major tax policies used by the GOC to influence the volume of imports and exports. VAT is levied at a rate of 17% in China for purchases and domestic sales.

The GOC refunds some or all of the VAT paid on inputs, referred to as VAT rebates in the following section. Depending on the GOC policy to promote certain goods for the export market different VAT rebate rates are applied. As an example a VAT rebate of 13% was applicable for the export of galvanised steel and aluminium zinc coated steel in the investigation period (refer Table 1 below). This means that while the exporters paid VAT on inputs at a rate of 17%, 13% was refunded (which means effectively they only paid 4% VAT on all exports of those goods). The GOC applies lesser or no VAT rebates on certain goods to restrict or limit exports. The GOC regularly revises its schedule of VAT rebate rates.

4.5 Implication of import and export tax policies

Governments often use import and export tax policies as a tool to control the level of imports and exports of goods into and out of an economy. While there are various benefits and limitations of exports and imports, this appendix focuses on the effect of the government's import and export tax policies and their implications on domestic and international supply that in turn affect the price of the goods under investigation. A detailed discussion of the implication of import and export tax policies is at section 6 of this appendix.

4.6 Omitted data

In SGQ 3 (public record version of SGQ refers), Customs and Border Protection inquired about some omitted import and export data in the GOC response to GQ A-2 (attachments 15,17,18,19, and 20 refers) for the period July 2007 to December 2008.The GOC was asked to provide import data by value and volume for iron ore, HRC, scrap metal, galvanised steel and aluminium zinc coated steel.

In its response, the GOC stated that '*this and other questions regarding data prior to the period of investigations are irrelevant to the investigation…..*' The GOC did not provide any additional data. Customs and Border Protection considers that the GOC did not cooperate fully with this question.

Customs and Border Protection considers this data is relevant to its assessment. The period for which the data was requested was within the injury analysis period. Given that the GOC's major tax policy reform was effected from 2008 (refer section 4.7 to 4.11 below), it is important to analyse the import and export trends of the galvanised steel, aluminium zinc coated steel and the major upstream raw materials before and after the major tax reforms.

4.7 Galvanised steel and aluminium zinc coated steel

The GOC, in response to GQ (GQ A-3 public record Attachments 28, 29, 30, 31 and 32 refers), provided the export VAT rebates, export tariff rates, corporate income tax rates, import tariff rates and export quotas applicable to galvanised steel and aluminium zinc coated steel as summarised in Table 1 below.

Table 1: Import and export tax rates applicable to galvanised steel and aluminium zinc coated steel between July 2007 and June 2012

Export VAT Rebates	Jul 2007 to Dec 2007 (%)	Jan to Dec 2008 (%)	Jan 2009 to Mar 2009 (%)	April 2009 to may 2009 (%)	June 2009 to Dec 2009 (%)	Jan 2010 to mid- July 2010 (%)	mid July 2010 to Dec 2010 (%)	Jan to Dec 2011 (%)	Jan to June 2012 (%)
Galvanised steel	5	5	5	13	13	13	13	13	13
Aluminium zinc coated steel	5	5	5	13	13	13	13	13	13
Export Tariff rates	**Jul 2007 to Dec 2007 (%)**	**Jan to Aug 2008 (%)**	**Aug to Nov 2008 (%)**	**Dec 2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**	
Galvanised steel	0	15	15	0	0	0	0	0	
Aluminium zinc coated steel	0	0	0	0	0	0	0	0	
Corporate Tax Rate	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Galvanised steel	25	25	25	25	25	25			
Aluminium zinc coated steel	25	25	25	25	25	25			
Import Tariff rates	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Galvanised steel	8	8	8	8	8	8			
Aluminium zinc coated steel	8	8	8	8	8	8			
Export Quotas	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Galvanised steel	NA	NA	NA	NA	NA	NA			
Aluminium zinc coated steel	NA	NA	NA	NA	NA	NA			

Based on the information provided in Table 1, Customs and Border Protection considers that the GOC is promoting export of galvanised steel and aluminium zinc coated steel by increasing the VAT rebates from 5% to 13% in April 2009; by abolishing the export tax in November 2008 (after introducing in January 2008); and by not imposing any export quota during the injury analysis period July 2007 to June 2012. The GOC restricts importations of those goods into China by imposing 8% import duty. Upon inquiry, the GOC in its response to SGQ clarified that there was no import quotas applicable on these goods from July 2007 to June 2012.

Customs and Border Protection considers that as the result of changes in the tax rates in mid-2009 (VAT rebates increase from 5% to 13% and export tax was reduced to 0% from 15%), the net effect promoted exportation of those goods from China. It is evident from the confidential data supplied by the GOC in response to GQ A-1, that during the investigation period there has been an increase in the quantity of galvanised steel and aluminium zinc coated steel exported from China. The GOC stated that there was no data available for the quantity produced domestically and quantity imported during the period under review. As such, the proportion of

increase in the exportation of galvanised steel and aluminium zinc coated steel cannot be relatively compared to the increase in production and importation of those goods.

4.8 Hot Rolled Coil (HRC)

As discussed earlier in this appendix, HRC is the major raw material for the production of galvanised steel and aluminium zinc coated steel. HRC's major raw materials are coke, coking coal, iron ore and scrap metal. The GOC in its response to GQ A-3 (public record Attachments 28, 29, 30, 31 and 32 refers), provided the VAT rebates on exports, export tariff rates, corporate income tax rates, import tariff rates and export quotas applicable on imports and exports of HRC, summarised in Table 2 below.

Table 2: Import and export tax rates applicable to HRC between July 2007 and June 2012

Export VAT Rebates	Jul 2007 to Dec 2007 (%)	Jan to Dec 2008 (%)	Jan 2009 to Mar 2009 (%)	April 2009 to may 2009 (%)	June 2009 to Dec 2009 (%)	Jan 2010 to mid- July 2010 (%)	mid July 2010 to Dec 2010 (%)	Jan to Dec 2011 (%)	Jan to June 2012 (%)
HRC	0	0	0	0	9	9	0	0	0
Export Tariff rates	**Jul 2007 to Dec 2007 (%)**	**Jan to Aug 2008 (%)**	**Aug to Nov 2008 (%)**	**Dec 2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**	
HRC	5	5	5	0	0	0	0	0	
Corporate Tax Rate	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
HRC	25	25	25	25	25	25			
Import Tariff rates	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
HRC	3	3	3	3	3	3			
Export Quotas	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
HRC	NA	NA	NA	NA	NA	NA			

The above information indicates that the GOC encourages some importation of HRC by levying an import tax of 3% compared to galvanised steel and aluminium zinc coated steel with import tax of 8%. Having removed the export tax (formerly 5%) in November 2008, the GOC seems to have enabled the international users of HRC to access supply from China. There were no export quotas applicable from July 2007 to June 2012. Upon inquiry, the GOC in its response to SGQ (SGQ 3(iii) refers), clarified that there were no import quotas applicable to HRC during this period.

Customs and Border Protection considers that introducing a VAT rebate on exports (at 9% between June 2009 to mid-July 2010) and then removing it after mid-July 2010 to June 2012 provides an indication of the GOC's intention to restrict export of HRC. It is also evident from the confidential data supplied by the GOC in response to GQA-1, that there has been a negligible volume (less than 1%) of HRC exported

compared to the quantity produced in China during the investigation period. The net effect of the export and import taxes is to increase the supply of HRC domestically which should make it more available and at lower prices to downstream users of HRC. During the course of its investigation Customs and Border Protection found that only one of the four cooperating exporters imported HRC during the investigation period.

4.9 Coking Coal and Coke

Coking coal is mined from open cast or underground mines, washed, and converted into coke (almost pure carbon resulting from conversion of coal without oxygen at high temperatures). The quality of the coking coal, or rather a specific mixture of selected coals, directly influences the final coke quality. The quality of coke is more dependent on the coal mixture than on the production technology[125].

In its response to the GQA-1, the GOC identified a large number of entities that produce coking coal (confidential version of response to the GQ refers). It stated that 504 mega tonnes (MGT) of coking coal was produced in 2011. The GOC stated that due to high demand in China, coking coal is also imported from other countries.[126]

The GOC also identified that other than manufacture of steel products, coke is also used for the following purposes:

- smelting of phosphate rock in the production of elemental phosphorus;
- production of calcium carbide
- ferrochrome production;
- production of manganese alloys;
- production of soda ash;
- production of carbon electrodes; and
- domestic fuel

The GOC, in its response to the GQ A-3 (public record Attachments 28, 29, 30, 31 and 32 refers), provided details of the rates of various tariff and taxes on the coke and coking coal industries provided by the GOC, which are summarised in Table 3.

[125] *Ignacio et al (2011); 'The iron and steel industry: a global market perspective'*

[126] Response to GQ A-1 pages 15-16 refers

Table 3: Summary of taxes and tariff rates applicable to coke and coking coal industries between July 2007 and June 2012

Export VAT Rebates	Jul 2007 to Dec 2007 (%)	Jan to Dec 2008 (%)	Jan 2009 to Mar 2009 (%)	April 2009 to may 2009 (%)	June 2009 to Dec 2009 (%)	Jan 2010 to mid- July 2010 (%)	mid July 2010 to Dec 2010 (%)	Jan to Dec 2011 (%)	Jan to June 2012 (%)
Coke	0	0	0	0	0	0	0	0	0
Coking Coal	0	0	0	0	0	0	0	0	0
Export Tariff rates	**Jul 2007 to Dec 2007 (%)**	**Jan to Aug 2008 (%)**	**Aug to Nov 2008 (%)**	**Dec 2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**	
Coke	5	25	40	40	40	40	40	40	
Coking Coal	5	5	10	10	10	10	10	10	
Import Tariff rates	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Coke	0	0	0	0	0	0			
Coking Coal	0	0	0	0	0	0			
Export Quotas	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Coke	Subject to Export quotas	Subject to Export quotas	Subject to Export quotas	Subject to Export quotas	Subject to Export quotas	Subject to Export quotas			
Coking Coal	Subject to Export quotas	Subject to Export quotas	Subject to Export quotas	Subject to Export quotas	Subject to Export quotas	Subject to Export quotas			

It is to be noted that the GOC, in its response to GQ for INV177 (response to GQ Attachment 43 refers), advised that the import tariff rate for coking coal for 2007 and 2008 was 3% (HSS REP177 page 145 refers). However, in this investigation, the GOC has provided an attachment to GQ A-3(b) (Attachment 29 refers) stating that the import tariff rate for the same period (2007 and 2008) was 0%. On inquiry, the GOC, in its response to SGQ 4, clarified that "*3% is the MFN*[127] *rate, whereas the 'interim rate' of 0*%'' is the actual rate imposed for the same years. The GOC further stated that *"the interim rate prevails over the MFN rate where there is a difference between the two*".

The export tax on coke increased from 5% in 2007 to 25% in 2008 and then spiked to 40% in mid-2008. The export tax continued to remain at 40% in the current investigation period. The GOC also doubled its export tax on coking coal[128] from 5% in 2007 to 10% in mid-2008. The export tax continued to remain at 10% in the current investigation period. Imposing a high export tax and no import tax on coke and coking coal in the period under examination indicates that the GOC continued to strongly restrict exportation of those raw materials from China while promoting importation.

The GOC stated that despite the large number of coking coal mines, the demand for coking coal (and coke) is so high in China that it requires to import from other countries. The GOC provided confidential data on the quantity of imports and

[127] Most Favoured Nation

[128] According to *Ignacio et.al 2011* increasing demand from metallurgical industry resulted in a significant increase in global coking coal, from 480Mt in 2000 to 793.8MT in 2008, by 65%. China was responsible for almost half the world coking coal production in 2008 (response to GQ A-14 (Attachment 7 (pg 16) refers).

exports of coke from January 2009 to June 2012 (confidential appendices 15,16, 22 and 23 refers). It is evident from this data that some coke was imported during this period and that exports, after spiking in 2010, remained stable[129].

It should be noted that there were inconsistencies in the coke import data (GOC response to GQ - confidential attachment 16 refers) provided by the GOC for the investigation period. For example the USD import prices per tonne for the first two quarters were substantially lower than the third and fourth quotas. On further inquiry, the GOC confirmed that the data provided was correct but did not provide any formal response as to why there was a large variance in the prices. While Customs and Border Protection has attempted to draw the conclusions above based on the data provided, it is considered that the coke import data (both volume and prices) provided by the GOC is questionable as to its reliability.

The GOC in response to GQA-1 stated that no data was available for the production of coke during the period under examination. However, on further inquiry, in response to SGQ 5 (public record version refers), the GOC stated that the Chinese coke production in 2010 was 237.57 million MT; in 2011 it was 427.79 million MT; and in 2012 it was 443.23 million MT .Coke production grew by 11.8% in 2011 compared to 2010, and by 5.2% in 2012 compared to 2011.

The GOC imposed export quotas on coke during the period under examination (July 2007 to June 2012). In its response to the SGQ (public record attachment 80 refers), the GOC provided the export quota for coke in 2011 was 8.4 million tonnes and 2012 was 9 million tonnes. This equates to approximately 2% of the total production of coke in China. This is considered to be immaterial and provides further evidence the supply of coke was restricted to domestic market.

In response to GQ, the GOC provided attachment 31 that stated coking coal was subject to export quotas. However, on further inquiry by Customs and Border Protection in SGQ about the value and volume of the export quotas (SGQ 3 (iv) refers), the GOC stated that "*during 2011 and 2012, coking coal was not subject to any form of export quota*". The reliability of the information provided is lessened by such contradictions.

4.9.1 Effects of Export, Import and VAT policies

Coke

Customs and Border Protection understands that China has is the largest producer of coke in the world. As such the GOC's policy of imposing a high export tax; providing no VAT rebates on exports; applying export quotas; and imposing no import taxes; restricted the supply of coke to the international market. Due to these restrictions (controls), the market for Chinese produced coke was mainly limited to downstream users in China. In addition to the export restrictions, the GOC also implemented policies (such as no import tax) that encouraged importation of coke.

[129] It is noted that the data provided by the GOC is stated as being for 'coke and semi-coke' and no further clarification was provided

This led to a reduction of coke availability to the international market. The reduced exports diverted the supply of coke to the domestic market. This increased the supply of coke in the domestic market (leading to excess supply) which in turn led to downward pressure on domestic prices. Through this supply side effect on international and domestic markets, export duties created a differential between the price available to domestic processors and the price charged to foreign processors.

The price differential is evident when comparing the domestic price of coke in China in the investigation period with the export price from China on comparable terms of trade. The domestic price of coke in the investigation period has been found to be approximately 38% lower than export price. The Chinese export price was comparable to the export price of coke by other major exporting countries (Confidential attachment 3 refers).

Coking coal

China is one of the largest producers of coking coal in the world. Customs and Border Protection considers that the GOC's policy of imposing a high export tax; providing no VAT rebates on exports; and imposing no import taxes; restrained the supply of coking coal to the international market. Due to these restrictions, the market for Chinese produced coking was mainly limited to downstream users in China. In addition to the export restrictions, the GOC also implemented policies (such as no import tax) that promoted importation of coking coal.

The effect of these restrictions and discussed above in relation to coke. The domestic price of coking coal in China in the investigation period was around 8% lower than the export price on comparable terms trade in the investigation period (Confidential attachment 4 refers).

Customs and Border Protection considers that as a result, not only was the price of coke and coking coal in China distorted but as key raw materials this had a flow-on effect on the entire steel industry, and thereby on downstream value added industries such as HRC, galvanised steel and aluminium zinc coated steel products.

4.10 Iron Ore

Iron ore is one of the major raw materials used in the production of HRC. The GOC, in its response to GQ (GQ A-1 refers[130]), stated that in addition to its significant production capacity, the volume of iron ore imported into China has been steadily increasing since 2005. By 2012, the GOC claims that China's demand accounted for 60% of the global iron ore imports[131]. The GOC claims that the domestic demand is the major determinant of the price of iron ore in China. The GOC did not provide any data for production and consumption of iron ore in China.

[130] Page 17 of the response to GQ

[131] GOC referred to "the Economist "Iron Ore: the Lore of Ore" 13 October 2012; < http:// www.economist.com/node/21564559 >

The GOC, in its response to GQ A-3 (public record Attachments 28, 29, 30, 31 and 32 refers), provided the export VAT rebates; export tariff rates; corporate income tax rates; import tariff rates; and export quotas applicable on imports and exports of iron ore as summarised in Table 4 below.

Table 4: Import and export tax rates applicable to iron ore between July 2007 and June 2012

Export VAT Rebates	Jul 2007 to Dec 2007 (%)	Jan to Dec 2008 (%)	Jan 2009 to Mar 2009 (%)	April 2009 to may 2009 (%)	June 2009 to Dec 2009 (%)	Jan 2010 to mid- July 2010 (%)	mid July 2010 to Dec 2010 (%)	Jan to Dec 2011 (%)	Jan to June 2012 (%)
Iron Ore	0	0	0	0	0	0	0	0	0
Export Tariff rates	**Jul 2007 to Dec 2007 (%)**	**Jan to Aug 2008 (%)**	**Aug to Nov 2008 (%)**	**Dec 2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**	
Iron Ore	10	10	10	10	10	10	10	10	
Corporate Tax Rate	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Iron Ore	25	25	25	25	25	25			
Import Tariff rates	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Iron Ore	0	0	0	0	0	0			
Export Quotas	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Iron Ore	NA	NA	NA	NA	NA	NA			

On inquiry, the GOC in response to SGQ (SGQ 3(iii) refers), clarified that there were no import quotas applicable for iron ore from July 2007 to June 2012.

The imposition of export tax of 10%, together with no VAT rebate on exports, restricted the export of iron ore. The GOC's application of no import tax also promotes the importation of iron ore into China. All other export and import taxes and tariff remained stable from July 2007 to June 2012.

The confidential data provided by the GOC, in response to GQA-1, further confirms there had been large volumes iron ore imported in 2011. While the GOC stated that data was not available for exports of iron ore from China during the period under review, in response to GQ 2b, the GOC provided confidential attachment 21 containing export data form April 2009 to June 2012.

Customs and Border Protection considers that the net effect of the import and export measures on iron ore promoted importation, increasing the domestic supply of iron ore and providing greater access to the downstream industries for the manufacture and supply of value added products.

Furthermore, based on the assessment of the confidential import and export data[132] provided by the GOC (confidential attachments 14 and 21 refers), Customs and Border Protection considers that imposing export tax of 10% (and no import tax) restricted the export of iron ore from China.. The GOC only provided export data from April 2009 to June 2012. Analysis of this data indicates that only a small quantity of iron ore was exported during this period while a large quantity was imported in the same period. This indicates that there was high demand for iron ore in the domestic market. It was also noted that imports of iron ore gradually increased over the years from 2007-08.

4.11 Scrap Steel

In its response to the GQ (GQ A-1 refers), the GOC claims that 'ferrous scrap' is not a widely traded commodity. It claims that in 2011, 74.6 million tonnes of ferrous scrap was imported globally. The GOC stated that it is likely that the majority of any economy's scrap metal demand is fulfilled domestically by steel producers re-using scrap by-product from their production processes, or recycled and sold by scrap traders. GOC further stated that *"…the GOC does not see it to be necessary to maintain data on such activities…".*

The GOC, in its response to GQ A-3 (public record Attachments 28, 29, 30, 31 and 32 refers), provided the export VAT rebates, export tariff rates, corporate income tax rates, import tariff rates and export quotas applicable on imports and exports of scrap metal, summarised in Table 5 below.

Table 5: Import and export tax rates applicable to scrap metal between July 2007 and June 2012

Export VAT Rebates	Jul 2007 to Dec 2007 (%)	Jan to Dec 2008 (%)	Jan 2009 to Mar 2009 (%)	April 2009 to may 2009 (%)	June 2009 to Dec 2009 (%)	Jan 2010 to mid- July 2010 (%)	mid July 2010 to Dec 2010 (%)	Jan to Dec 2011 (%)	Jan to June 2012 (%)
Scrap Metal	0	0	0	0	0	0	0	0	0
Export Tariff rates	**Jul 2007 to Dec 2007 (%)**	**Jan to Aug 2008 (%)**	**Aug to Nov 2008 (%)**	**Dec 2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**	
Scrap Metal	40	40	40	40	40	40	40	40	
Corporate Tax Rate	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Scrap Metal	25	25	25	25	25	25			
Import Tariff rates	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Scrap Metal	0	0	0	0	0	0			
Export Quotas	**Jul 2007 to Dec 2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Jan to June 2012 (%)**			
Scrap Metal	NA	NA	NA	NA	NA	NA			

The application of high export tax of 40%, together with no VAT rebate on exports and no import taxes indicates that the GOC restricts export of scrap metal. All other export and import taxes and tariff remained stable from July 2007 to June 2012.

[132] Iron ore export and import data provided by the GOC Included Iron ores and concentrates and roasted iron pyrites

Customs and Border Protection considers that the net effect of the import and export measure (such as high export tax of 40%) on scrap metal restricts export of scrap metal during the period under examination. This indicates that there is a high demand and short supply of scrap metal in China. The data provided by the GOC in response to GQ (confidential Appendices 18 and 25 refers) confirms that China imported a large quantity of scrap metal and exported only a small quantity in the investigation period.

4.12 Other Factors

The GOC, in its response to GQ A-4, stated that coke is typically a highly polluting (high emission) and high-energy consuming product. The GOC claims that European countries and United States have strengthened their corresponding environment protection legislations to reduce coke output.

Furthermore the GOC stated that: *"…China has also imposed restrictions on production of highly polluting enterprises. Efforts have been to ensure that the compliance of old technologies are checked against current standards and that if they do not meet these standards they can no longer be operational and therefore must be decommissioned. On this basis, the GOC imposes export quota restrictions on coke in accordance with WTO rules relevant domestic laws and regulations. Domestically, the total capacity of coke producers is restricted because of these environment constraints." "Enterprises failing to conform to environment protection standards, or to honour common practices in promoting social responsibilities, may be denied export quotas".*

The GOC claims that the above 'management approach' has resulted in a number of positive achievements such as growth in coke industry investments; production has slowed down; the industry has reduced its backward capacity; achieved upgrading of its investment and industrial structure. The GOC also claims that in Shanxi province, the dominant province for coke export and production, significant air quality improvements have been researched and documented[133].

China's export tariffs, export quotas and export licensing on coke (and other raw materials) has recently been subject to a WTO dispute before a WTO Panel[134] and then the Appellate Body, the findings of which were handed down in July 2011 and January 2012 respectively. Both the Panel and Appellate Body found that Chinese measures on coke were WTO-inconsistent[135].

Customs and Border Protection is aware that the 40% export tax on coke was abolished with effect from January 2013. Further information and clarifications regarding the abolition of the 40% export tax on coke were sought from the GOC

[133] . In response to SGQ, the GOC clarified that this research report was published by the Asian Development Bank (public record attachment 85 refers)

[134] WTO Dispute DS394, DS395 and DS398 refers

[135] Reports of the Appellate Body, China – Measures Related to the Exportation of Certain Raw Materials (AB201-5) at 363.

through the SGQ. In its response to the SGQ (SGQ 6 refers), the GOC did not provide any explanation. The GOC stated that: *'it does not see how this change in tax rate which took place well after the period of investigation, in respect of a product which is not under investigation, can be relevant to an investigation which is purportedly directed towards deciding the comparability of domestic prices with export prices during the period of investigation'.*

The GOC also did not clarify if the 40% export tax that has been abolished has been replaced by any other form of tax and/or measures that may have similar restrictions on coke exports.

Customs and Border Protection considers that abolishing the export tax on coke is significant and relevant to these investigations. The export tax on coke was imposed in mid-2008 and was effective in the current investigation period. Customs and Border Protection found that high export tax was one of the elements that restricted the supply of coke outside China. Considering China as a major producer of coke, the export restriction let to excess supply in the domestic market, pushing the prices down. This led to short supply of coke outside China which in turn let to an increase in world prices.

The impact of abolishing the export tax on coke may also be considered during future reviews of the current cases to assess if the GOC export and import policies continue to influence and distort prices in the iron and steel industry.

4.13 Changes in the last 5 years in galvanised steel and aluminium zinc coated steel industries (including mergers and acquisitions)

The GOC, in its response to GQ A-1 (C)[136], stated that the GOC does not impose any special regulations on mergers and acquisitions in the steel or input materials, whether to force, or prevent, such mergers and acquisitions. Furthermore, the GOC stated that' *business activities like mergers and acquisition are matters for the individual enterprises to consider and implement if and when it is deemed to be beneficial to their business and that the GOC plays no part in the making of these decisions'*.

Customs and Border Protection assessed the list of changes identified by the GOC in in response GQ A-1 (c) in the last five years. No major changes were identified by the GOC. Only a few changes listed may be considered relevant to the current investigations such as:

- on 16 January 2012 the *China Iron Ore Spot Trading Platform* officially opened for trading;
- on 22 March 2012, the China Securities Regulatory Commission approved the Dalian Commodity Exchange to conduct the trade of coke future;.
- the MIIT of the GOC published the *'Admittance Conditions of Scrap Steel Processing Industry'* on 11 October 2012. These conditions require newly-established scrap steel processing and distributing enterprises to have the ability to process in excess of 150,000 tons per year of scrap steel;

[136] Response to GQ page 18 refers

- in 2012 the State Council published the *12th Five Year Guideline of Energy Conservation and Emission Reduction.* This envisages that by the year 2015 the energy conservation for each ton of steel produced will be reduced to 580 kilograms of coal equivalent at best; and
- in 2012, China's MIIT published the *'Standard Conditions of Production and Operation of the Iron and Steel Industry (amended version 2012)'* in order to further promote the structural adjustments and industrial upgrading of the iron and steel industry.

Customs and Border Protection also examined a recent countervailing investigation by the European Commission (EC). The following subsection details the relevance and findings of the EC case.

5. Relevance of recent EC Findings

In a submission to Customs and Border Protection, BlueScope highlighted the recent findings of an investigation by the European Commission (the "Commission") in respect of an "Anti-dumping proceeding concerning imports into the European Union of certain organic coated steel[137] ("OCS") products originating in the People's Republic of China" (refer Commission Regulation No. 845/2012 of 18 September 2012)[138].

On 22 February 2012, the Commission commenced an anti-subsidy investigation into imports of certain OCS products from China into the EU (refer Initiation Notice No. 2012/C 52/05). The application was made by EUROFER, the European Steel Association, on behalf of its members producing like goods.

The Commission's investigation period into OCS exported from China to EU was the twelve months ending 30 September 2011. The last quarter of the EC's investigation period coincided with the first quarter of the current investigation period of the galvanised steel and aluminium zinc coated steel investigations.

On 15 February 2013, the Commission published a "Proposal for a Council Implementing Regulation imposing a countervailing duty on imports of certain organic coated steel products originating from the People's Republic of China" No. 2013/0052. The document is an explanatory memorandum summarising the findings of the countervailing investigation into exports of OCS from China to the EU. Some of the findings by the Commission are relevant to Customs and Border Protection's current investigations are these are summarised below:

[137] Organic steel are flat rolled products of non-alloy and alloy steel (not including stainless steel) which are painted, varnished and coated with plastic on at least one side (source: EC Regulation no 214/2013)

[138] A copy of the BlueScope's submission and EC report is on Customs and Border Protection website: http://www.customs.gov.au/anti-dumping/cases/EPR193.asp

- At Paragraph 81(p20) of the (Report 2013/0052 the Commission found that the prices of hot rolled steel (HRS) and cold rolled steel (CRS)[139] in China are distorted. Paragraph 81 states that *"…on the basis of the totality of the information on the file it is established that the prices of HRS and CRS sold by SOEs in China are distorted, as a result of the strong predominance of the SOEs in the HRS and CRS market in China. The prices of HRS and CRS of private sectors are aligned with the prices of SOEs. Taking this into account it is concluded that there is no reliable market prices in China for HRS and CRS…"*

  The Commission further stated that: *"… since the whole of the Chinese market is distorted it is considered impractical to adjust cost and prices in China in any meaningful way and import prices would appear to be similarly distorted by the predominance of SOEs…"*

- The Commission concluded that HRS and CRS prices are not determined by market forces free from the GOC's interferences. At paragraph 97 (pg 23) of the report the Commission stated that: *"…it can be concluded the GOC export restriction, government planning and the predominance of SOEs limits the freedom of private suppliers of HRS and CRS, obliging them to act in a non-commercial manner and to accept economically irrational (below-market) prices which they would not do in a free and open market. This confirms that the government policy of supply of HRS and CRS (including to the organic coated steel sector) extends to private supplier." [emphasis added]*

The GOC in its submission dated 11 March 2013, stated its opposition to relating the EC findings to the current investigations. The GOC stated that the EC does not treat China as a market economy and the methodology and tests used to determine normal values for non-market economy is different.

Customs and Border Protection acknowledges that Australia treats China as a market economy for the purpose of anti-dumping and countervailing investigations. Australian Customs and Border Protection conducts all investigations consistent with the approach to like 'market economy' countries in accordance with the Customs Act and WTO Agreement. As such Customs and Border Protection acknowledges that the EC test applied in the above-mentioned investigation is distinctive from that applied by Customs and Border Protection Service in its assessment of whether a 'particular market situation' exists in iron and steel industry for galvanised steel and aluminium zinc coated steel products in China.

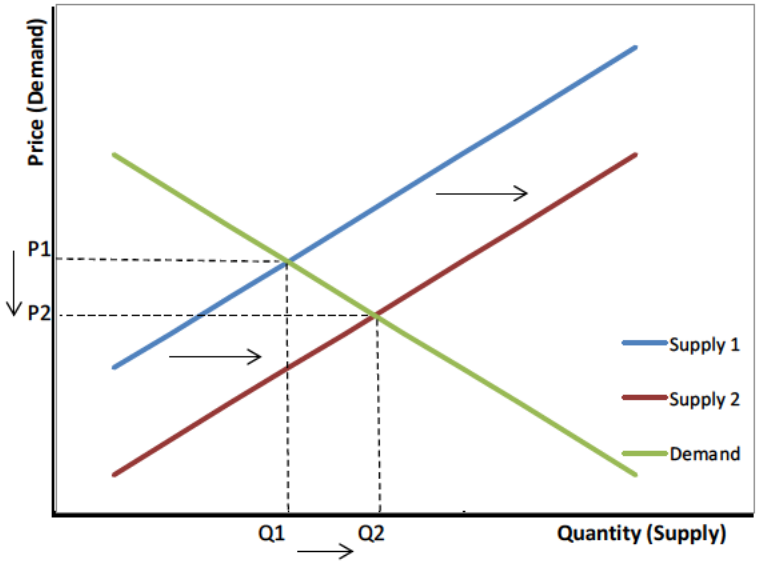
6. Economics of supply

The basic fundamentals of supply theory explain that increasing the supply of a commodity, given all other factors being equal, will lead to lower prices due to excess supply. Figure 1 below illustrates that increasing the supply quantity from Q1 to Q2,

[139] For the purpose of this report, abbreviations (i) HRS and HRC mean the same and are used interchangeably and (ii) CRS and CRC mean the same and are used interchangeably.

exerts downward pressure on the prices moving the prices from P1 to P2. The equilibrium price (intersection where supply equals demand), also moves down (from intersection of P1Q1 to P2Q2).

Figure 1: Shift in Supply



Governments impose high export tax rates and export quotas to restrict the supply of a particular commodity that it considers scarce and vice versa. Restricting exports leads to increase in the supply of those goods in the domestic market. This eventually leads to excess supply, exerting a downward pressure on the prices of those goods. This intention is usually to make such goods easily accessible to the domestic consumers and at lower price.

6.1 What causes shifts in supply curve?

Some of the factors increase the supply of a commodity that leads to shift in the supply curve are summarised below.

(i) *Costs of production* - A fall in the costs of production leads to an increase in the supply of a good as the supply curve shifts downwards and to the right. Lower costs mean that a business can supply more at each price. For example a firm might benefit from a reduction in the cost of raw materials.

(ii) *Changes in production technology* - technology can change very quickly and in industries where the pace of technological change is rapid it is expected to see increases in supply (and therefore lower prices for the consumer)

(iii) *Government taxes and subsidies* -government intervention in a market can have a major effect on supply. For example, a tax on producers causes an

increase in costs and the supply curve to shift upwards to the left – the result is a lesser quantity of goods being supplied after the tax has been introduced.

Alternatively, providing no VAT rebates (as opposed to providing rebates) on exports restricts exports and increases the domestic supply.

A subsidy has an opposite effect to that of an introduction of a tax. A subsidy will increase supply because a guaranteed payment from the Government reduces a firm's costs allowing them to produce more output at a given price. The supply curve shifts outwards and to the right depending on the size of the subsidy.

(v) *The number of producers in the market*- the number of producers in a market will affect total market supply. When new firms enter a market, supply increases (moving the supply curve outward (right)) causing downward pressure on the market price.

However, mergers and acquisitions through government interventions in a closed economy, Will limited number producers. This leads to economies of scale leading to lower costs of production hence increased supply. This will move the supply outward (right) reducing the price of the commodity.

6.2 How has the GOC intervened in the iron and steel industry?

Customs and Border Protection has found that the price of HRC and other major raw material in China was influenced by the GOC throughout the investigation period. Direct intervention by the GOC in the form of imposition of taxes, tariffs, export quotas and other indirect measures including the GOC's overarching macroeconomic policies and plans, such as the National Steel Policy, a Blueprint for Steel Industry Adjustment and Revitalisation Directory Catalogue and 12th Five Year Plan have impacted on the supply and distorted the cost of the raw materials coke, coking coal, iron ore and scrap metal, which in turn has distorted the price of HRC[140].

Customs and Border Protection considers that the most influential factors were the: 40% export tax on coke and scrap metal; and the 0% VAT rebates on HRC, coke, coking coal and iron ore. These factors have led to increase in the domestic supply those goods, moving the supply curve to the right by distorting the costs of upstream raw material raw materials to produce HRC. As such the price of HRC used in the production of galvanised steel and aluminium zinc coated steel in China was also distorted.

[140] Customs and Border Protection understands that to produce 1 tonne of HRC, approximately 1.5 tonne iron ore, 2.9 tonne of coal and 0.2 tonnes of scrap is required.

6.3 Subsidisation

The Australian industry, following its application and successful initiation of the dumping investigations, subsequently lodged two separate applications alleging Chinese producers of galvanised steel and aluminium zinc coated steel are in receipt of countervailable subsidies.

Customs and Border Protection initiated the subsidy investigations on 26 November 2012 (INV193a and 193b) and is concurrently investigating 29 subsidy programmes. The SEFs for the subsidy investigations were due on 18 March 2013. However, the Minister has extended the due date for publishing the SEFs to 15 May 2013. The recommendations and the final report for the subsidy investigations are due to the Minister on 29 June 2013.

During the course of the investigations, Customs and Border Protection has identified an additional 20 potentially countervailable subsidy programs. Customs and Border Protection is now investigating a total of 49 alleged subsidy programs.

Customs and Border Protection has also noted that 27 of the 29 originally alleged subsidy programs were investigated during the recent HSS investigation. Customs and Border Protection in INV177 found that 27 programs were in fact countervailable subsidies provided by the GOC. Therefore, Customs and Border Protection considers it is likely that the 27 identified countervailable subsidy programs in INV177 will also have impacted on the costs of factors of production of galvanised steel and aluminium zinc coated steel in China.

6.4 Comparative analysis of HRC Costs

Customs and Border Protection has undertaken a comparative analysis of the price of domestically produced HRC in China with prices in Korea and Taiwan. (Korea and Taiwan are also subject to current dumping investigations INV 190a and INV 190b). The data was sourced from exporters that are cooperating with the investigations and it was found that the prices for Chinese domestic HRC were substantially lower (by approximately 15%).

Customs and Border Protection considers that this supports the conclusions above that the cost of the raw materials used in the production of HRC in China is lower than what it would be without government influence, which in turn has resulted in the price of HRC in China being lower than what it would be without government influence.

It was also observed that the domestic Chinese prices of galvanised steel and aluminium zinc coated steel were lower than Korean and Taiwanese galvanised steel and aluminium zinc coated steel products.

Customs and Border Protection considers this further supports the conclusion that the prices of galvanised steel and aluminium zinc coated in China are lower than what they would be without the Government's intervention in the upstream raw material product markets.

7. SUBMISSIONS IN RESPONSE TO SEF190

The following interested parties made submissions in response to SEF190 in relation to Customs and Border Protection's findings of a particular market situation in the Chinese galvanised steel and aluminium zinc coated steel markets.

(i) Wuhan Iron and Steel Company Limited
(ii) China Iron and Steel Association(CISA)
(iii) Union Steel China
(iv) GM Holden Limited
(v) The Government of China (GOC)

Matters raised in these submissions have been considered by Customs and Border Protection in arriving at the conclusion within this appendix. The following issues raised in the submissions are discussed below.

(i) All five interested parties identified above stated their disagreement with Customs and Border Protection's finding of a particular market situation in the galvanised steel and aluminium zinc coated steel markets in China.

(ii) The submissions by the above interested parties also highlighted that the Review Officer recommended to the Minister, who in turn directed Customs and Border Protection, to review its earlier decision in INV177 regarding the findings of a particular market situation with regards to HSS. They claimed that it is premature for Customs and Border Protection to determine the existence of a particular market situation in the iron and steel industry in China in regards to the galvanised steel and aluminium zinc coated steel cases while the INV177 reinvestigation continues.

(iii) The GOC and Union Steel China submitted that the analysis of fundamental economic theory was not based on quantitative evidence and also that the graph provided (figure 1 in section 6 of the report refers) did not support the 'law of supply' and 'law of demand'. The submissions also allege that Customs and Border Protection failed to understand the economic theory and its application.

(iv) The GOC submitted that the basis of the finding of a market situation, even if correct, does not affect fair comparison of domestic selling prices to export prices as the factors found by Customs and Border Protection would equally affect sales on both markets.

Customs and Border Protection has considered the submissions and provides the following response.

(i) In response to item (i), none of the five respondents provided any evidence as to how the prices of galvanised steel and aluminium zinc coated steel and the major upstream raw material prices are determined. The interested parties did not demonstrate that the GOC's export and import tax policies, the macroeconomic policies and plans did not impact the costs of major upstream raw materials that distorted the price of HRC.

The GOC's continued influence in the iron and steel industry and the assessment of additional information collated during the course of the current investigations discussed in the report suggests that the cost of the major raw materials used in the production of HRC were distorted. As such the price of HRC used in the production of galvanised steel and aluminium zinc coated steel was also distorted in the current investigation period.

(ii) In response to the issue highlighted in item (ii) above, Customs and Border Protection provided the reinvestigation report to the Minister on 15 April 2013. The Minister has not made a final decision at the time of preparing this report.

While the HSS reinvestigations findings will be relevant to the current investigations, a particular market situation finding in the galvanised steel and aluminium zinc coated steel cannot be solely based on the outcome of the HSS reinvestigation finding due the following reasons:

- The investigation periods for HSS and galvanised steel and aluminium zinc coated steel investigations are different[141].
- The outcome of the HSS reinvestigation, while relevant, is not binding to the current investigations.
- The HSS reinvestigation was limited to the evidence and information that was considered in the original investigation while new information and evidence were obtained for the current investigations. Some of this information includes:

    - the import and export tax rates, export VAT rebates rates and import and export quotas obtained for galvanised steel, aluminium zinc coated steel, HRC, coking coal, coke, iron ore and scrap metal from July 2011 to June 2012[142]. Some information provided by the GOC during the current investigation did not match the information provided during INV177 for the corresponding period (this is discussed in the report where such anomalies have been identified);
    - detailed data (by volume and values) for the production, consumption, importation and exportation of galvanised steel, aluminium zinc coated steel, HRC and the major upstream raw materials used in the production of HRC was sought from the GOC from July 2007 to June 2012. While the GOC provided most of the information from 2009 to 2012, some information for various raw materials in different periods was withheld. The details where the GOC withheld such information and the reasons are discussed in the report;
    - confirmation by the GOC that majority of the major macroeconomic policies and plans identified in INV177 continued

[141] The Investigation period for HSS was from 01 July 2010 to 30 June 2011 while the investigated period for galvanised steel and aluminium zinc coated steel is from 1 July 2011 to 30 June 2012.

[142] Investigation analysis period for the current investigations

in the current investigation period;

- information collated and verified by Custom and Border Protection from the cooperating exporters. Some of the information includes cost of major upstream raw materials, details of the suppliers of raw materials and domestic selling prices of galvanised steel, aluminium zinc coated steel and HRC. For the integrated producers, the upstream raw materials coke, coking coal and iron ore data and details of the suppliers was also obtained;
- numerous tasks identified by the GOC to deepen the reform of economic development in 2010 as detailed in section 3.2 above; and
- HRC prices obtained and verified by the Customs and Border Protection from the cooperating Korean and Taiwanese producers of galvanised steel and aluminium zinc coated steel.

(iii) Union Steel China and the GOC allege that the economic theory and analysis set out in the SEF, and repeated in this report, are potentially misleading and incorrect.

Customs and Border Protection used the fundamental theory of the economics of supply and demand to illustrate the effect of an increase in the supply of a good in an economy. This theory was also used to explain and support the findings of the existence of a particular market situation in the galvanised steel and aluminium zinc coated steel in China as discussed in section 6.2 of this appendix.

The graph in section 6 of this appendix (figure 1 refers[143]) illustrates the effect on increasing the supply of a commodity. It illustrates that at the intersection of the supply and demand curves (P1Q1), the quantity demanded is equal to the quantity supplied. In other words this is an equilibrium position where there is no surplus or shortage.

Increasing the supply of the commodity (from Q1 to Q2) shifts the supply curve outward (right) as shown in figure 1. This means that at this point there is now excess supply over the quantity demanded. It is to be noted that this increase in supply has occurred not as result of change in the price or demand of that commodity. The factors that affect such an increase in supply are discussed in section 6.1 of this appendix.

The excess supply of a commodity in an economy leads to a dis-equilibrium position. This forces the price of that commodity to decrease in order to reach a new (lower) equilibrium level (Q2P2) as shown in figure 1 above.

This theory of economics of supply has been used to illustrate the effect of the GOCs import and restrictive export policies, broad overarching macroeconomic policies and plans on the domestic supply of major

[143] This graph was also published on page 126 of SEF190

upstream raw materials used in the production of HRC. The increased supply of raw materials significantly distorted cost of production of HRC which in turn distorted the price of HRC that was used in the production of galvanised steel and aluminium zinc coated in China.

(iv) In response to item (iv), whilst the relevant provisions of Australia's domestic legislation do not specifically refer to 'proper comparison' as reflected in Article 2.2 of the Anti-Dumping Agreement, Customs and Border Protection accepts that it is an integral concept in the determination of normal values.

This is endorsed by a WTO Panel's view that:

> 'the wording of Article 2:4 made it clear that the test for having any such recourse was not whether or not a "particular market situation" existed per se. A "particular market situation" was only relevant insofar as it had the effect of rendering the sales themselves unfit to permit a proper comparison. In the Panel's view, therefore, Article 2:4 specified that there must be something intrinsic to the nature of the sales themselves that dictates they cannot permit a proper comparison.'[144]

Customs and Border Protection considers that any assessment of whether a situation in the domestic market has rendered those sales unfit for proper comparison should not be limited to individual analysis of the relevant domestic and export prices. More importantly, and ultimately central to that consideration, is an understanding of the characteristics of the respective markets into which those sales are made.

In this case, Customs and Border Protection is of the view that Chinese producers and exporters of galvanised steel and aluminium zinc coated steel are making decisions about their domestic selling prices entirely aware of the GOC's policies and measures for the domestic steel industry and the distorting and suppressing impact on competitor's costs and corresponding selling prices. This compares to prices of Chinese exports of galvanised steel and aluminium zinc coated steel into the Australia market, which are set free of such distortions.

8. Conclusion – A Particular Market Situation

Customs and Border Protection has determined that the GOC has exerted numerous influences on the Chinese iron and steel industry, which have substantially distorted competitive market conditions in the iron and steel industry in China.

[144] ADP/137 – EC Imposition of anti-dumping duties on imports of cotton yarn from Brazil (July 1995)

In the current investigations, based on available information, Customs and Border Protection determined that various GOC's influences identified in INV177 continued to apply in the Chinese iron and steel industry. These were in the form of broad, overarching GOC macroeconomic policies and plans that outline aims and objectives for the Chinese iron and steel industry and more specifically the 'implementing measures' that go towards actively executing the aims and objectives of these policies and plans.

The impact of the GOC's numerous broad and extensive overarching macroeconomic policies and plans, outlining the aims and objectives for the Chinese iron and steel industry, have not been insignificant. Furthermore, the various taxes, tariffs, export and import quotas have influenced the raw materials used in production of the finished goods under investigation, which has led to a distortion in the selling prices of the finished goods themselves.

Customs and Border Protection's assessment and analysis of the available information indicates that prices of galvanised steel and aluminium zinc coated in the Chinese market are not substantially the same as they would have been without the influences by the GOC. Customs and Border Protection considers that GOC influences in the Chinese iron and steel industry have created a 'market situation' in the domestic galvanised steel and aluminium zinc coated markets, such that sales of galvanised steel and aluminium zinc coated steel in China are not suitable for determining normal value under s.269TAC(1) of the Customs Act.

APPENDIX 2 – GOODS RECOMMENDED FOR EXEMPTION

CURRENT TCOs for tariff classification 7210.49.00

TC 1242989

COILS, non-alloy steel, hot rolled, zinc coated, complying with American Society for Testing and Materials Standard ASTM A 653/A 653M - 05a, having ALL of the following:
(a) coil thickness NOT less than 3.5 mm and NOT greater than 6.0 mm;
(b) coil width NOT less than 784 mm and NOT greater than 1 263 mm;
(c) minimum yield strength NOT less than 330 Mpa;
(d) minimum tensile strength NOT less than 430 Mpa;
(e) coil inside diameter NOT less than 711 mm and NOT greater than 813 mm;
(f) zinc coating mass NOT less than 0.080 kg/m2 per side;
(g) each coil weighing NOT less than 14 metric tonnes;
(h) chemical composition by weight of ALL of the following:
(i) carbon content NOT greater than 0.20%;
(ii) manganese content NOT less than 0.30% and NOT greater than 0.90%;
(iii) phosphorus content NOT greater than 0.03%;
(iv) sulphur content NOT greater than 0.03%;
(v) chromium content less than 0.30%;
(vi) molybdenum content less than 0.08%;
(vii) aluminium content NOT greater than 0.10%;
(viii) copper content NOT greater than 0.25%;
(ix) nickel content NOT greater than 0.25%;
(x) titanium content NOT greater than 0.04%;
(xi) vanadium content less than 0.10%;
(xii) silicon content NOT greater than 0.45%

Stated Use:
As raw material for the manufacture of Electric Resistance Welded (ERW) steel pipes and tubes

TC 1243148

COILS, non-alloy steel, hot rolled, zinc coated, complying with American Society for Testing and Materials Standard ASTM A 653/A 653M - 05a, having ALL of the following:
(a) coil thickness NOT less than 1.48 mm and NOT greater than 6.0 mm;
(b) coil width NOT less than 784 mm and NOT greater than 1 263 mm;
(c) minimum yield strength NOT less than 360 Mpa;
(d) minimum tensile strength NOT less than 460 Mpa;

(e) coil inside diameter NOT less than 711 mm and NOT greater than 813 mm;
(f) zinc coating mass NOT less than 0.080 kg/m2 per side;
(g) each coil weighing NOT less than 14 metric tonnes;
(h) chemical composition by weight of ALL of the following:
(i) carbon content NOT greater than 0.20%;
(ii) manganese content NOT less than 0.50% and NOT greater than 1.00%;
(iii) phosphorus content NOT greater than 0.03%;
(iv) sulphur content NOT greater than 0.03%;
(v) chromium content less than 0.30%;
(vi) molybdenum content less than 0.08%;
(vii) aluminium content NOT greater than 0.10%;
(viii) copper content NOT greater than 0.25%;
(ix) nickel content NOT greater than 0.25%;
(x) titanium content NOT greater than 0.04%;
(xi) vanadium content less than 0.1%;
(xii) silicon content NOT greater than 0.45%,

Stated Use:
As raw material for the manufacture of Electric Resistance Welded (ERW) steel pipes and tubes

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/mm2 and NOT greater than 380 N/mm2;
(b) tensile strength NOT less than 440 N/mm2;
(c) elongation NOT less than 29% and NOT greater than 41%;
(d) coating mass NOT less than 45 g/m2 and NOT greater than 65 g/m2;
(e) thickness NOT less than 1.14 mm and NOT greater than 1.26mm;
(f) width NOT less than 1 590 mm and NOT greater than 1 605 mm

Stated Use:
For the manufacture of motor vehicles

TC 1248929

STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following:
(a) yield strength NOT greater than 210 MPa;
(b) tensile strength NOT less than 270 MPa;
(c) total elongation NOT less than 40%;
(d) total coating mass NOT less than 30 g/m2 and NOT greater than 70 g/m2 on each side;
(e) in ANY of the following sizes:
(i) thickness 0.75 mm and width 1 390 mm;

(ii) thickness 0.75 mm and width 1 450 mm;
(iii) thickness 0.75 mm and width 1 475 mm;
(iv) thickness 0.75 mm and width 1 530 mm;
(v) thickness 0.75 mm and width 1 565 mm;
(vi) thickness 0.75 mm and width 1 640 mm;
(vii) thickness 0.76 mm and width 1 220 mm;
(viii) thickness 0.80 mm and width 1 350 mm;
(ix) thickness 0.95 mm and width 820 mm;
(x) thickness 1.00 mm and width 624 mm

For the purposes of this Order, tolerances allowable for specification (e) are:
(a) thickness +/- 10%
(b) width +/- 1%

TC 1248930

STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following:
(a) yield strength NOT less than 190 MPa;
(b) tensile strength NOT less than 340 MPa;
(c) total elongation NOT less than 32%;
(d) total coating mass NOT less than 30 g/m2 and NOT greater than 70 g/m2 on each side;
(e) in ANY of the following sizes:
(i) thickness 0.70 mm and width 865 mm;
(ii) thickness 0.70 mm and width 980 mm;
(iii) thickness 0.70 mm and width 1 225 mm;
(iv) thickness 0.70 mm and width 1 244 mm;
(v) thickness 0.70 mm and width 1 300 mm;
(vi) thickness 0.70 mm and width 1 350 mm;
(vii) thickness 0.70 mm and width 1 370 mm;
(viii) thickness 0.70 mm and width 1 400 mm;
(ix) thickness 0.70 mm and width 1 410 mm;
(x) thickness 0.70 mm and width 1 455 mm;
(xi) thickness 0.70 mm and width 1 500 mm;
(xii) thickness 0.70 mm and width 1 585 mm;
(xiii) thickness 0.70 mm and width 1 710 mm;
(xiv) thickness 0.70 mm and width 1 720 mm;
(xv) thickness 0.65 mm and width 865 mm;
(xvi) thickness 0.65 mm and width 1 800 mm;
(xvii) thickness 1.00 mm and width 1 160 mm

For the purposes of this Order, tolerances allowable for specification (e) are:
(a) thickness +/- 10%
(b) width +/- 1%

TC 1349350

STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following:
(a) yield strength NOT less than 165 MPa and NOT greater than 325 MPa;
(b) tensile strength NOT less than 270 MPa;
(c) total elongation NOT less than 35% and NOT greater than 50%;
(d) total coating mass NOT less than 45 g/m2 and NOT greater than 65 g/m2 on each side;
(e) thickness 2.00 mm and width 1 070 mm

For the purposes of this Order, tolerances allowable for specification (e) are:
(a) thickness +/- 10%
(b) width +/- 1%

TC 1349351

STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following:
(a) yield strength NOT less than 115 MPa and NOT greater than 305 MPa;
(b) tensile strength NOT less than 270 MPa;
(c) total elongation NOT less than 37% and NOT greater than 57%;
(d) total coating mass NOT less than 35 g/m2 and NOT greater than 65 g/m2 on each side;
(e) in ANY of the following sizes:
(i) thickness 0.65 mm and width 870 mm;
(ii) thickness 0.65 mm and width 930 mm;
(iii) thickness 0.65 mm and width 1 150 mm;
(iv) thickness 0.65 mm and width 1 640 mm;
(v) thickness 0.65 mm and width 1 645 mm;
(vi) thickness 0.65 mm and width 1 680 mm;
(vii) thickness 0.65 mm and width 1 710 mm;
(viii) thickness 0.70 mm and width 925 mm;
(ix) thickness 0.70 mm and width 930 mm;
(x) thickness 0.70 mm and width 1 000 mm;
(xi) thickness 0.70 mm and width 1 005 mm;
(xii) thickness 0.70 mm and width 1 010 mm;
(xiii) thickness 0.70 mm and width 1 045 mm;
(xiv) thickness 0.70 mm and width 1 455 mm;
(xv) thickness 0.70 mm and width 1 485 mm;
(xvi) thickness 0.70 mm and width 1 550 mm;
(xvii) thickness 0.75 mm and width 1 135 mm;
(xviii) thickness 0.75 mm and width 1 140 mm;
(xix) thickness 0.75 mm and width 1 625 mm;
(xx) thickness 0.75 mm and width 1 670 mm;
(xxi) thickness 0.80 mm and width 1 060 mm;
(xxii) thickness 0.80 mm and width 1 150 mm;

(xxiii) thickness 0.80 mm and width 1 200 mm;
(xxiv) thickness 1.00 mm and width 1 610 mm;
(xxv) thickness 1.20 mm and width 1 595 mm;
(xxvi) thickness 2.30 mm and width 985 mm

For the purposes of this Order, tolerances allowable for specification (e) are:
(a) thickness +/- 10%
(b) width +/- 1

TC 1349352

STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following:
(a) yield strength NOT less than 155 MPa and NOT greater than 295 MPa;
(b) tensile strength NOT less than 340 MPa;
(c) total elongation NOT less than 34%;
(d) total coating mass NOT less than 35 g/m2 and NOT greater than 65 g/m2 on each side;
(e) in ANY of the following sizes:
(i) thickness 0.70 mm and width 830 mm;
(ii) thickness 0.70 mm and width 855 mm;
(iii) thickness 0.75 mm and width 840 mm;
(iv) thickness 0.75 mm and width 855 mm;
(v) thickness 0.75 mm and width 1 630 mm;
(vi) thickness 0.75 mm and width 1 645 mm;
(vii) thickness 0.75 mm and width 1 683 mm;
(viii) thickness 0.75 mm and width 1 700 mm;
(ix) thickness 1.20 mm and width 1 170 mm;
(x) thickness 1.20 mm and width 1 175 mm;
(xi) thickness 1.20 mm and width 1 198 mm;
(xii) thickness 1.60 mm and width 1 160 mm

For the purposes of this Order, tolerances allowable for specification (e) are:
(a) thickness +/- 10%
(b) width +/- 1%

TC 1349354

STEEL, flat rolled, non-alloy steel, hot dipped galvannealed zinc coated, in coils, having ALL of the following:
(a) yield strength NOT less than 235 MPa and NOT greater than 400 MPa;
(b) tensile strength NOT less than 390 MPa;
(c) total elongation NOT less than 28%;
(d) total coating mass NOT less than 35 g/m2 and NOT greater than 65 g/m2 on each side;
(e) in ANY of the following sizes:

(i) thickness 2.00 mm and width 975 mm;
(ii) thickness 2.30 mm and width 948 mm;
(iii) thickness 2.30 mm and width 1 030 mm;
(iv) thickness 2.30 mm and width 1 190 mm;
(v) thickness 2.60 mm and width 1 230 mm

For the purposes of this Order, tolerances allowable for specification (e) are:
(a) thickness +/- 10%
(b) width +/- 1%