

PUBLIC FILE

PUBLIC  
FILE  
129

ORRCON OPERATIONS PTY LTD

# Orrcon Steel

---

## Submission In Response to Statement of Essential Facts No. 177

*Certain Hollow Structural Sections Exported from People's Republic of China, The Republic of Korea, Malaysia, Taiwan and the Kingdom of Thailand*

Submitted May 14<sup>th</sup>, 2012

**Executive Summary:**

In response to the Statement of Essential Facts No 177 issued April 23<sup>rd</sup> 2012, this submission contains evidence to support the following contentions:

Hot Dipped Galvanised Pipe should not be considered in the current investigation because:

- Hot Dipped Galvanised pipe is not manufactured in Australia.
- Re-commissioning or replacing plants currently “mothballed” in the domestic market is not commercially viable.
- The products named as “like” goods do not resemble the goods in terms of physical likeness, commercial likeness, functional likeness or production likeness and therefore cannot be considered “like” goods under the definition of the Act
- The products named as “like” goods are not accepted by the market as an appropriate substitute.

Large RHS with a nominal wall thickness of not less than 8.0mm and a yield not less than 350 MPa should not be considered in the current investigation because 99% of this product range cannot be made in Australia.

The assertion that the National Steel Policy of China’s central Government has induced a “Market Situation” with respect to Hot Rolled Coil pricing in China, creating an artificially low raw material pricing and therefore lowering the normal value of Hot Dipped Galvanised Pipe market is flawed. The National Steel Policy came to be in 2005. Previous investigations in 2006 and subsequent re-investigations were satisfied the National Steel Plan had not influenced the cost of HDG pipe manufacture.

The calculation used to establish the normal value is inaccurate as the basket of coil prices used were for higher grade raw material than that used for Hot Dipped Galvanised Pipe.

Without prejudice to the above, the non-injurious price calculation in its current form uses profit numbers from a period of unprecedented profit in the Australian market. A more equitable option *[is suggested]* [REDACTED]  
[REDACTED]

In light of market offers received since the PADs were announced and the SEF was released, the dumping margin calculated for [REDACTED] Korea, is counterintuitive and in Orrcon’s view requires further investigation.

## Hot Dipped Galvanised Pipes:

### The Market:

The current estimated market size for Hot Dipped Galvanised (HDG) Pipe in Australia is [REDACTED] metric tonnes. This represents a significant fall from the pre-GFC market estimation of [REDACTED] metric tonnes.

The vast majority of the market is serviced by imports with a small percentage in the size 165 OD, sometimes being manufactured and galvanised under contract in general purpose galvanising plants.

There are no purpose-built pipe galvanising plants operating in Australia.

### Product Attributes:

HDG pipe is manufactured by dipping uncoated pipe into a bath of molten zinc. In a purpose built galvanising plant, the tube is cleaned, rinsed, dipped into molten zinc, after which the pipe passes through an air ring which removes the excess zinc from the external surface of the pipe, leaving it smooth and even. The tube then passes to the steam blow. As the name suggests, a blast of high pressure steam is blown into the tube, removing the excess zinc and leaving a smooth internal surface.

The pipe passes through air cooling, water cooling and passivation after which it can be straightened.

Each tube then has the relevant details printed on it. Then it passes through final inspection and packing.

The key attributes of a tube produced by a purpose built plant are:

- An average coating thickness of 42 microns with min of 30 microns.
- Even & smooth external and internal coating
- Straightness control
- Ends of the pipe are coated
- Each tube is individually marked in line with the product details.

**End Use:**

There are three end use markets for HDG pipe in Australia.

**Fencing:**

Pipes require high corrosion protection due to harsh environments. The pipes are exposed to concrete, soil and weather. The pipe needs to be straight and the surface clean and free from lumps so the external fittings can fit.

**Fluid Conveyance:**

Pipe requires the protection afforded by a coating thickness of 42 microns. It mostly requires product marking and hydrostatic testing. There are currently no tube mills operating in Australia that can hydrostatically test pipes. Each pipe requires an individual product marking for traceability.

**Fire Systems:**

As for Fluid Conveyance but mandated by the relevant standards.

**Alleged "Like" Goods:**

**Pipe from Galvanised Coil:**

Pipe manufactured from galvanised coil (pre-gal pipe) is made and sold in Australia by Onesteel ATM under the brand name "Supagal" and by Orrcon under the brand name "Allgal".

The majority of pre-gal tube in Australia is sold as RHS or SHS and is used for small structural applications where aesthetics is important such as patios and garages. The coating thickness is typically 14 microns.

Pre-gal pipe is not suitable for the fencing applications that typically use HDG pipe. The coating thickness is insufficient to offer protection in harsh environments. The ends of each pre-gal pipe are uncoated as the product is cut after galvanising. While there may be an element of protection afforded by "drag" of the coating across the cut surface, it is not sufficient to provide protection from the elements in the fencing application.

**Black Pipe Galvanised in a General Purpose Plant:**

General Purpose galvanising plants are not designed for galvanising pipe efficiently or effectively. Items are simply dipped, drained and quenched. The process of dipping the pipes into a bath of zinc at 450 degrees Celsius induces bending in the pipe. 165 od in 4.5mm wall and above may be dipped without the bending exceeding the limits in the standard, however care is required in the quenching phase to ensure the bending is controlled. Typically the quenching process is slowed to allow a more gradual rate of cooling.

Small pipes, (sizes with outside diameter of 101.6 and below), are loaded into a cage to be dipped. This is the only way to contain the pipe. However the cage leaves surface imperfections in the coating where the cage contacts the pipe. These are commonly referred to as "touch marks". These plants do not have roller straightener machines, nor is the outer coating air blown or the bore of the pipe steam blown. Pipe of circumference of 165 od can be galvanised with an acceptable outcome provided the drips are removed with files afterwards. The process is slow and inefficient compared to an automated, purpose built plant.

It is estimated that 165mm od pipe would represent less than 2% of the total market in Australia.

There are no purpose-built HDG pipe coating plants operating in Australia. The following table shows the market segments and product attributes for each.

	Product Market Attribute	Imported HDG Pipe from a Purpose Built plant	Pre-galvanised Pipe	Black Pipe Galvanised in a General Purpose Plant
Fencing	Straight	✓	✓	X
	Heavy Coating	✓	X	✓
	Clean Surface	✓	✓	X
Fluid Conveyance	Straight	✓	✓	X
	Heavy Coating	✓	X	✓
	Clean Surface	✓	✓	X
	Product Marking	✓	✓	X
	Hydrostatic Testing	✓	X	X
Fire Systems	Straight	✓	✓	X
	Heavy Coating	✓	X	✓
	Clean Surface	✓	✓	X
	Product Marking	✓	✓	X
	Hydrostatic Testing	✓	X	X

**Restarting "Mothballed" Facilities:**

There are two "mothballed" pipe galvanising facilities in Australia, both owned by Onesteel ATM.

[REDACTED]

[REDACTED]

[REDACTED] [Orrcon provided a view on the dormant manufacturing assets in

Australia]

By comparison, a modern plant, like the one visited by one of our employees in 2006 at [REDACTED] in Thailand is fully automated. The plant is run by three people and pulls up to five pipes out of the pot at a time. The output of such a plant is in the region of 12 to 15 tonnes per hour.

This plant is typical of many in Asia. There has been significant capital invested by Asian mills in new plant and equipment of the last decade.

It is Orrcon's considered view that the plants in Australia could not be upgraded cost effectively. A new plant could be installed, but this would require an investment in the region of AUD 5 million. As this product is considered a commodity by the market, it will not pay a premium for Australian made pipe. At any rate, the return on investment would be well below corporate norms in terms of acceptable payback thresholds.

**Large RHS & SHS.**

For the purposes of this submission, the term Large RHS & SHS refers to any square or rectangular section having an outer diameter not less than 390mm and a wall not less than 8mm.

RHS & SHS is currently manufactured in Australia. Since the closure of the Unanderra mill, Orrcon Steel only manufactures up to 125mm x 125mm x 6.0mm wall and 150 x 100 x 6.0mm wall. Orrcon imports the balance of the range from Japan, China and Korea.

[REDACTED]

[REDACTED]

[Orrcon provided a view on local manufacturing capability]

[REDACTED]

[REDACTED]

[REDACTED]

Clearly if the products are not manufactured in Australia, they should not be considered in this dumping investigation.

**“Market Situation” in China;**

The Statement of Essential Facts correctly states that the National Steel Policy, promulgated by the Chinese central government in 2005 is very broad in scope. However the stated focus of the National Steel Policy was, and still remains, the raw material and steel make sections of the Iron and Steel industry.

This point is recognised in the SEF on page 31, which states “The GOC influence is most pronounced in the parts of the industry that might be described as upstream from HSS production”.

The primary focus of the policy was to achieve economies of scale and control environmental impacts of the large raw material suppliers and force mergers of the smaller mills to create entities manufacturing 30 million tonnes per annum or more.

While it is true the policy exists and has some effect on the larger raw material producers, mainly in the Northern provinces, the influence of the provincial governments has largely been overlooked in Customs and Border Protection’s assessment.

It is in the interests of each provincial government in China to maximise the industry in the province. This provides the growth figures required to attract further investment. Provincial governments have actively resisted the policy. Furthermore the steel mills themselves have resisted the mergers as there is no guarantee they are not going to be the swallowed up by another. Some of the mergers have occurred in name only. A good example of this is [REDACTED] in Liaoning province. Technically they are one business but practically they operate autonomously and compete for business.

Consequently the practical success of the National Steel Plan has been slow to non-existent in many provinces and the effects vary widely from region to region. There is little in the way of hard evidence in the documents to prove the effects of the policy on all parts of the market.

[REDACTED]

[REDACTED] [Orrcon explained the effect of the NSP on the Zhejiang Province]

**Without prejudice to any of the above:**

**Normal Value Calculations:**

Customs and Border Protection have chosen to use a basket of Hot Rolled Coil prices obtained during their investigations in Taiwan, Korea and Malaysia to establish a HRC price for the calculation of the normal value of HDG pipe [REDACTED].

While this may seem reasonable, there has been no recognition of the range of products made and exported to Australia by the selected countries.

The Hot Dipped Galvanised pipe imported to Australia from China usually complies with either AS1074 or BS1387. These standards are manufactured using the Chinese grades Q195 and Q235 which are a commodity or base standard in China.

The vast majority of HSS entering Australia from Taiwan, Korea and Malaysia is RHS and SHS complying with AS/NZS1163 C350. The raw material grades specified by the standards are fine-grained, preferably aluminium killed and have controlled silicon to permit galvanising after fabrication. These grades will attract extras from the raw material suppliers as they are more difficult to make. [REDACTED]

[REDACTED] [Orrcon explained the value of extras that could apply]

Given the evidence it is likely that the average coil price derived from the data is artificially high as it contains width, thickness and grade extras.

**Non-Injurious Price Calculations:**

[REDACTED]



[Redacted]  
*[Orrcon proposed an alternative basis for calculation of Non-Injurious Price]*

**Imposition of Securities:**

[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

[Redacted]  
[Redacted]  
[Redacted]

[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

[Redacted]

[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

[Redacted]  
[Redacted]

[Redacted]  
[Redacted]  
[Redacted]

[Redacted] *[Orrcon explained their offshore procurement policies and the impact of the timing of imposition of securities.]*

In the event of a final decision to impose securities, Orrcon requests that a grace period be applied to allow outstanding orders from existing suppliers to complete.

Dumping Margin - [REDACTED] [Korea]

[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED] (*Orrcon explained the latest offers in the market from Korea and raised questions as to how these offers were possible in light of recommended securities*) Orrcon strongly feels that the Korean market needs further investigation.