



ADRP Conference Summary

Review No. 165 - Hot Rolled Coil Steel exported from Taiwan

Panel Member	Frank Schoneveld
Review type	Review of Minister's continuation decision
Date	1 February 2023
Participants	Four Representatives from the Anti-Dumping Commission (ADC) – two investigators and two legal staff
Time opened	11:30am AEST
Time closed	12.10pm AEST

Purpose

The purpose of this conference was to obtain further information in relation to the review before the Anti-Dumping Review Panel (Review Panel) in relation to Hot Rolled Coil Steel exported from Taiwan.

The conference was held pursuant to section 269ZZHA of the *Customs Act 1901* (the Act).

In the course of the conference, I was able to ask parties to clarify any argument, claim or specific detail contained in their application or submission. The conference was not a formal hearing of the review, and was not an opportunity for parties to argue their case before me.

I have only had regard to information provided at this conference to the extent that it relates to relevant information within the meaning of section 269ZZK of the Act. Any conclusions reached at this conference are based on that relevant information. Information that relates to some new argument not previously put in an application or submission is not something that the Review Panel may have regard to and, therefore, is not reflected in this conference summary.

At the time of the conference, I advised the participants:

- That the conference was being recorded and transcribed by Microsoft Teams, and that the recording would capture everything said during the conference.
- That the conference was being recorded for the Review Panel to have regard to when preparing a conference summary. The conference summary would then be published on the Review Panel's website.



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- Any confidential information discussed during the conference would be redacted from the conference summary prior to publication.

Prior to the conference, participants were provided with a copy of the Review Panel's Privacy Statement. The Privacy Statement outlines who the conference recording and transcript may be disclosed to. The Privacy Statement is available on the Review Panel's website [here](#). The participants indicated that they understood the Privacy Statement and consented to:

- The recording of the conference; and
- The recording being dealt with as set out in the Privacy Statement.

Discussion

The specific information that the Review Panel sought in this conference was:

1. What specific evidence was found or evidence available that the supply chains of hot rolled coil had been disrupted during the inquiry period? Did BlueScope provide any evidence of disruption to their imports of hot rolled coil?

The evidence the ADC relied upon to conclude that supply chains had been impacted is primarily contained in Chapter 5 and Chapter 8 of Report 594. Chapter 5 discusses the Australian market for hot rolled coil including its end use applications, supply and demand for hot rolled coil and in particular sections 5.2.4 and section 5.2.6 of Report 594 discusses the supply and demand effects of the Covid-19 pandemic on supply chains. The disruptions mostly relate to availability of shipping services and increasing costs of shipping which ultimately affected the supply and final price of hot rolled coil. This can also be seen by the increase in landed prices of imported goods (as shown in Figure 11 in Report 594).

In terms of the specific evidence, some of the hot rolled coil importers the ADC visited and verified during the inquiry also disclosed to the ADC that the Covid-19 pandemic impacted steel supply chains and that sales orders for goods from Taiwan were impacted due to conditions within the global steel market. There were disruptions or shortages of available shipping which resulted in certain Taiwanese exporters not having enough volumes available for export in some months or only offering limited volumes. All these claims that the importers made are contained in the confidential importer work programs that were prepared as part of the verification.



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These verification work programs were not included as part of the documents provided to the Panel, but the ADC can provide these following this Conference.

In BlueScope's response to the Australian industry questionnaire (available as item number 3 on the public record), BlueScope submitted that the lack of predictability, especially around shipping availability and reliability, adversely impacted imported steel supply. That includes hot rolled coil and BlueScope noted that this consequently led to domestic customers replacing their traditional import supply volumes with domestic supply. That information is contained on page 3 of BlueScope's response to the Australian industry questionnaire. BlueScope didn't give any specific instances of where the lack of predictability, especially around shipping availability and reliability, adversely impacted imported steel supply.

2. Concerning the investigation and conclusion that there was more volatile comparative pricing during 2020 and 2021 and it was likely due to the supply constraints associated with the Covid-19 pandemic affecting suppliers differently, did the ADC only look at or collect evidence about the Taiwanese suppliers being affected and their supply constraints or did the ADC collect any evidence about other suppliers (other than Taiwan suppliers) being constrained?

The data and analysis are included in confidential attachment 19 to the final report. In that assessment the ADC compared the prices of the three countries Taiwan, South Korea and China, that exported the greatest proportion, or contributed the greatest proportion, to the hot rolled coil that was imported into Australia.

The ADC compared those prices and observed increased price variations during 2020 and 2021. Based on that, the ADC inferred that this volatility was likely due to the supply constraints associated with the Covid-19 pandemic. The ADC notes that interested parties did not dispute this. This was included in the statement of essential facts. Interested parties had the opportunity to review the statement of essential facts and make submissions following the statement of essential facts. Interested parties did not dispute the ADC's preliminary findings on this point or put forward other explanations for this volatility.

3. This question concerns the assessment and conclusion that there was a connection between Australian industry growth in sales and in the market, and an increase in construction activity driven by government incentives during the Covid-19 pandemic. If government incentives were provided during a certain period and those incentives then finished, what was the period over which the assessment was made that growth



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in sales and of the market was driven by government incentives during the Covid-19 pandemic?

The ADC made a connection between Australian industry growth and the increase in construction activity in its assessment which is mostly contained in section 5.2.6 of Report 594. The incentives referred to relate to government incentives aimed at supporting confidence in the building and construction industry, and to mitigate uncertainty caused by the Covid-19 pandemic.

The period the ADC considered is the period affected by the pandemic, which also includes the inquiry period, being 2021. In terms of the assessment, this is stepped out in chapter 5 of the final report.

Given that the primary user or consumer of hot rolled coil is the residential and commercial building industry, any factors that affect residential and commercial activity can also indirectly affect the demand for hot rolled coil. This is because hot rolled coil is used as an input in many different applications in the commercial and residential construction industry. Therefore, it follows that the Australian industry (BlueScope) will also be affected in terms of the volume of hot rolled coil that it sells and produces.

In terms of specific evidence, in BlueScope's response to the Australian industry questionnaire (public record item number 3) BlueScope links the increase in demand for hot rolled coil and also the increase in sales to government stimulus aimed at the building and construction industry. The ADC highlighted this in the verification report which was prepared following verification of BlueScope's data and that verification report is also available on the public record (item number 6). This information is also contained in BlueScope's annual reports, which are publicly available on its website for financial years 2021 and 2022. It is highlighted that BlueScope's sales volumes increased during these two financial years and BlueScope claims that this was driven by record activity across the building and construction industry which was supported in part by government stimulus such as the Australian government's 'Home Builder' grant program. This program provided owner occupiers with a grant to either build a new home or renovate an existing home, as discussed in chapter 5 of the final report. Given the link between the demand for and sales of HRC, and government incentives, the ADC assessed ABS data relating to residential construction activity over a number of years, from the March 2017 quarter to the December 2021 quarter. The ADC observed that there was a notable increase in building commencements during the inquiry period which is 2021.



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In the final report the ADC notes that the Home Builder program in particular appears to have driven the increase in building activity, and BlueScope's sales increased on the back of this increase in building activity. This is also consistent with BlueScope's comments made in its annual reports for financial years 2021 and 2022.

4. Was any assessment made of the commercial building sector or of other uses of hot rolled coil? Did the ADC consider that because of the Covid-19 pandemic there might have been a decline in other uses of hot rolled coil? Or any evidence collected about that?

The ADC focused on private dwellings because the Home Builder scheme was targeted at owner occupiers of private dwellings. The ADC did not collect evidence on the effect on the commercial building sector.

Referring back to the annual reports by BlueScope, they also mention that there was an increase in activity not only in the private dwelling sector but also in the commercial construction industry. But the ADC didn't specifically assess that sector. The ADC focused on the private dwelling industry because it could be linked back to the Home Builder government program.

The ADC's analysis of the effects of the Covid-19 pandemic on supply and demand was primarily in connection with the residential building sector because this was the sector that the evidence indicated had been impacted by temporary Covid-19 related government stimulus measures (the Home Builder Program). All the programs and things that were considered in detail were mentioned in submissions and were around residential construction.

5. At point 8.613 of Report 594 it indicates the Australian industry is more vulnerable to price competition from dumped exports from Taiwan sold to common customers, 'noting that common customers only account for 13% of BlueScope's sales.' When it states 'common customers' did this mean customers who in the past bought both from BlueScope and from Taiwan exporters?

That is correct - customers of BlueScope and of importers that import from Taiwan. There's no particular significance on the word 'only' as something that the ADC has put weight on. The fact that BlueScope's sales to common customers account for 13% of its total sales is significant in the sense that it highlights the direct competition between BlueScope and suppliers of imports. The same customers purchase from either source, and to the extent that it says 'only' there is no particular significance put on that word.



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To clarify, the ADC does consider that 13% of BlueScope's sales is material, and when we consider this specific fact along with all the other facts and findings outlined in the report, the ADC considers that this is noteworthy because the fact that common customers account for 13% of BlueScope's sales highlights that there is direct competition between BlueScope and suppliers of the imports for a material volume of BlueScope's sales and the same customers can purchase from either source. It also highlights that these customers have established trade relationships with HRC suppliers other than BlueScope, indicating that BlueScope remains susceptible to injury caused by dumped goods.

6. In a number of points in Report 594 there is reference to a 'normal' market situation or a normalizing of the market, and coming back to a normal position. What is meant by a 'normal' market and does that equate to a specific period?

The report does not specifically refer to a specific period when referring to a 'normal' market. In the final report the ADC mostly discusses what occurred during the inquiry period, which is 2021. There were disruptions in the market in terms of the effect of the Covid-19 pandemic and also disruptions in shipping which made imported goods expensive relative to domestically produced goods during the inquiry period. In the final report there are some graphs that show that prices spiked considerably in 2021, in particular in the latter half of 2021. So, when the final report talks about the market normalizing it is meant that after the inquiry period the ADC expects that prices will decrease and will return towards their long term average. The ADC also expects that shipping costs will decrease, and they have in fact already decreased. This is shown in Figure 14 in chapter 8 showing that subsequent to 2021, shipping costs have already decreased, which will have implications for final importer prices of hot rolled coil. The ADC expects prices will start normalizing and shipping costs decrease.

During the inquiry period (2021), the ADC found that due to a culmination of things including high shipping costs and high prices, BlueScope moved to a position of price advantage relative to Taiwanese exports but the ADC expects that those conditions will not persist into the future. That is what the ADC means when the final report talks about 'normalizing'.

7. Was there specific evidence or an assessment made of prices returning to a long term average and the shipping costs would also return to a long term average?

The ADC considers that prices are likely to return towards the long-term average price based on a number of factors that have been assessed, and the conditions of competition between the Australian industry and imports. The ADC expects the



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Australian industry will lose its price competitiveness relative to imported goods because shipping costs will decrease, resulting in imported goods no longer being as expensive as during the inquiry period.

Where the final report says the pricing will go back to a long-term average, this refers to prices in a market where there is a more constant supply and more suppliers being able to compete month to month, unlike where there had been volatility during the Covid-19 pandemic with some countries in lockdown not producing as much and importers not being able to source the product from certain countries. To a large degree, the average price in the market at any one time is set by iron ore prices, and what's happening with iron ore prices; but that's a global price and thus everyone will be competing starting from the same place, unlike the disruption during the Covid-19 pandemic where there were other things causing variability in prices and some suppliers were unable to compete. The ADC expects these unusual market conditions present during the Covid-19 pandemic to recede to the long term average. What the ADC expects to see normalize is the relationship between Australian industry prices and export prices and the competition between them.

8. Was consideration given to other countries exports and whether they would be likely to change also at the same time as Taiwanese exports were likely to change?

The ADC considers that it would affect all imports equally, but Taiwan remains and has consistently been the largest source of imports in terms of the total import volume into Australia. This hasn't changed since the measures were imposed. Taiwanese exports were generally the lowest priced as well, as shown in confidential attachment 19, and mentioned in chapter 8 of report 594. That is even more evident when you go back to the pre-Covid-19 pandemic period.

9. Report 594 at chapter 9 point 9.4, doesn't state unequivocally that the ADC established that the non-injurious price is the normal value. To clarify my understanding, does the ADC consider that it did calculate a reasonable estimate of the Non-Injurious Price (NIP)?

The NIP was set equal to the normal value for each exporter. The ADC set the NIP equal to the normal value because the normal value is effectively an undumped price, meaning that if exporters had exported the goods at prices equivalent to their normal values, then those goods would not have been dumped. By setting the NIP equal to the normal value, the ADC considers that this is the minimum price necessary to prevent injury or recurrence of the injury caused by dumping. The ADC has set out in chapter 9 (which discusses the NIP) why a NIP determined any other



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way or using any other method would not be effective in preventing the injury caused by dumping. The NIP determined in the final report is determined the same way as the NIP was determined in the original investigation for these measures (see Report 188).