BlueScope Steel Limited

APPLICATION FOR ANTI-DUMPING DUTIES

PLATE STEEL

exported from

the People’s Republic of China, Indonesia, Japan, the Republic of Korea and Taiwan

and

APPLICATION FOR COUNTERVAILING DUTIES

PLATE STEEL

exported from

the People’s Republic of China

PUBLIC FILE VERSION

December 2012

AUSTRALIAN CUSTOMS SERVICE

Application for Dumping and Countervailing Duties

DECLARATION

I request in accordance with Section 269TB of the Customs Act 1901 that the Minister publish in respect of goods the subject of this application:

☐ a dumping duty notice for plate steel exported from Indonesia, Japan, Korea and Taiwan;

☐ a countervailing duty notice, or

☐ a dumping and a countervailing duty notice for plate steel exported from the People's Republic of China

This application is made on behalf of the Australian industry producing like goods to the imported goods the subject of this application. The application is supported by Australian producers whose collective output comprises:

- 25% or more of the total Australian production of the like goods; and
- more than 50% of the total production of like goods by those Australian producers that have expressed either support for, or opposition to, this application.

I believe that the information contained in this application:

- provides reasonable grounds for the publication of the notice(s) requested; and
- is complete and correct.

Signature:..

Name: Alan Gibbs

Position: Development Manager – International Trade

Company: BlueScope Steel Limited

ABN: 19 000 019 625

Date: / /

PART A

INJURY

TO AN AUSTRALIAN INDUSTRY

IMPORTANT

All questions in Part A should be answered even if the answer is 'Not applicable' or 'None'. If an Australian industry comprises more than one company/entity, each should separately complete Part A.

For advice about completing this part please contact the Customs Dumping Liaison Unit on:

☎ **(02) 6275-6066** **Fax** **(02) 6275-6990**

A-1 Identity and communication.

Please nominate a person in your company for contact about the application:

This application is made on behalf of BlueScope Steel Limited ("BlueScope") the sole Australian manufacturer of plate steel products.

Relevant contact details for personnel within BlueScope that will assist with enquiries concerning this application are as follows:

Contact Name:	Alan Gibbs
Company and position:	Development Manager – International Trade
Address:	Five Islands Road, Port Kembla, NSW 2500
Telephone:	(02) 4275 3859
Facsimile:	(02) 4275 7810
E-mail address:	Alan.Gibbs@bluescopesteel.com
ABN:	16 000 011 058

Alternative contact:

Contact Name:	Stuart Bell
Company and position:	Finance Manager – BANZ Sales and Marketing
Address:	Five Islands Road, Port Kembla, NSW 2500
Telephone:	(02) 4275 4189
Facsimile:	(02) 4275 7810
E-mail address:	Stuart Bell@bluescopesteel.com

If you have appointed a representative to assist with your application, provide the following details and complete Appendix A8 (Representation).

The applicants have engaged the following consultant to assist with this application:

Name:	Mr John O'Connor
Representative's business name:	John O'Connor & Associates Pty Ltd
Address:	P.O. Box 329, Coorparoo Qld 4151
Telephone:	(07) 3342 1921
Facsimile:	(07) 3342 1931
E-mail address:	jmoconnor@optusnet.com.au
ABN:	39 098 650 241

A-2 Company information.

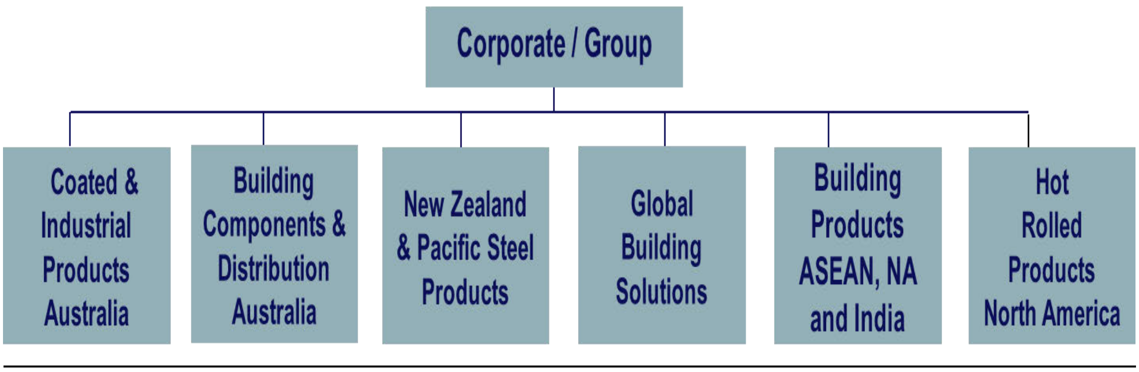
1. State the legal name of your business and its type (eg. company, partnership, sole trader, joint venture). Please provide details of any other business names you use to manufacture/produce/sell the goods that are the subject of your application.

The company seeking the imposition of anti-dumping measures is BlueScope Steel Limited (ABN 19 000 019 625).

BlueScope Steel Limited (hereafter referred to as "BlueScope" or "BSL") is an Australian manufacturer of flat steel products. BlueScope produces the goods that are the subject of this application which is plate steel that is marketed under the following trade names "XLERPLATE" and "XLERPLATE LITE" steel. These products are sold into the Australian market direct to manufacturing customers and via distributors.

2. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

An internal group organisation chart for BlueScope is set out below (as at 01 July 2012):



<u>Functions performed by each group within the organization</u>

1. Coated & Industrial Products Australia

- Supplier of flat steel products (including the goods under consideration "GUC");
- Supplier of metal coated and painted steel, with operations at the following sites:
  - Port Kembla Steel Works, NSW;
  - Springhill, NSW;
  - Western Port, Victoria;
  - Western Sydney (NSW) and Acacia Ridge (QLD) COLORBOND® steel painting facilities; and
  - North America, Europe and Asia export trading offices

2. Building components and Distribution Australia

Supplier of flat steel solutions in Australia made up of the following businesses:

- BlueScope Distribution;
- BlueScope Lysaght

3. *New Zealand & Pacific Steel Products*

   A fully integrated, flat steel products manufacturer in New Zealand.
   Supplier of flat products;
   Growing iron sands export business
   operating in:

   - Glenbrook, NZ;
   - Taharoa NZ; and
   - Lysaght Pacific Island .(Fiji, New Caledonia, Vanuatu)

4. *Global Building Solutions*

   Global designer / supplier of pre-engineered buildings, with the following business operations:

   - Buildings North America;
   - China –Building Solutions, Lysaght and Building Products;
   - Buildings Asia;
   - Buildings and Ranbuild Australia; and
   - Saudi Building Systems.

5. *Building Products ASEAN, North America and India*

   Seller of branded steel in Asia.
   Metallic coating, painting and Rollforming operations include:
   JV (completion pending)

   - Asean coating lines (Indonesia, Malaysia, Thailand and Vietnam);
   - ASEAN Lysaght and Ranbuild (Indonesia, Malaysia, Thailand, Vietnam, Singapore and Brunei);
   - Steelscape (U.S.A);
   - ASC Profile (U.S.A); and
   - India – Tata BlueScope JV

6. *Hot Rolled Products North America*

   A 50:50 Joint Venture with Cargill Incorporated.
   In Delta, Ohio

3. List the major shareholders of your company. Provide the shareholding percentages for joint owners and/or major shareholders.

BlueScope Steel Limited is a publicly listed company. The Major (Top 20) shareholders within BlueScope as at 13 August 2012 include:

SHAREHOLDER INFORMATION
As at 13 August 2012

Twenty Largest Registered Shareholders

Rank	Name of shareholder	Total Units	% Issued Capital
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	538,492,229	16.08%
2	NATIONAL NOMINEES LIMITED	520,935,825	15.55%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	503,916,874	15.05%
4	CITICORP NOMINEES PTY LIMITED	357,546,050	10.68%
5	BNP PARIBAS NOMS PTY LTD	139,702,332	4.17%
6	CITICORP NOMINEES PTY LIMITED	94,262,038	2.81%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	43,593,681	1.30%
8	JP MORGAN NOMINEES AUSTRALIA LIMITED	42,669,965	1.27%
9	QUEENSLAND INVESTMENT CORPORATION	16,308,020	0.49%
10	AMP LIFE LIMITED	14,180,882	0.42%
11	PACIFIC CUSTODIANS PTY LIMITED	10,122,041	0.30%
12	SHARE DIRECT NOMINEES PTY LTD	10,000,000	0.30%
13	IQ RENTAL & FINANCE PTY LTD	9,000,004	0.27%
14	BOND STREET CUSTODIANS LIMITED	8,101,661	0.24%
15	Y S CHAINS PTY LTD	7,900,000	0.24%
16	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	7,707,888	0.23%
17	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	7,163,039	0.21%
18	BLUESCOPE STEEL EMPLOYEE SHARE PLAN PTY LTD	6,935,600	0.21%
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	6,893,351	0.21%
20	BNP PARIBAS NOMS PTY LTD	4,181,500	0.12%
	TOTAL	**2,349,612,980**	**70.15%**
	Balance of Register	**999,572,267**	**29.85%**
	Grand TOTAL	**3,349,185,247**	**100.00%**

4. If your company is a subsidiary of another company list the major shareholders of that company.

BlueScope is not a subsidiary of another company.

5. If your parent company is a subsidiary of another company, list the major shareholders of that company.

This question is not applicable to BlueScope.

6. Provide an outline diagram showing major associated or affiliated companies and your company's place within that structure (include the ABNs of each company).

Major Associated or affiliated companies

BlueScope is a publicly listed company, limited by shares. It has a number of subsidiaries and joint ventures both in Australia and overseas, which are included in Confidential Attachment A-2.6. A detailed listing of BlueScope's subsidiaries is also located in its Annual Full Financial Report, including the level of equity holding in each subsidiary company.

The following is a summary of the activities of the major affiliates:

Affiliated Company	**Activities of affiliate**
Australian Affiliates	
Lysaght Building Solutions Pty Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.

BlueScope Water Pty Ltd	Manufacturer of rainwater tanks (Melbourne, Sydney, Brisbane) ranging from 1,000 ltrs to 5,000 ltrs for use in small residential and medium commercial applications.
Pioneer Water Tanks (Australia) Pty Ltd	Manufacturer of large rural water storage tanks up to 35,000 ltrs.
Highline Limited	Manufacturer of steel buildings and associated products for both the domestic and commercial markets.
BlueScope Steel (AIS) Pty Ltd	BlueScope Steel manufacturing - is the Australian (Port Kembla) integrated Steelworks where all major phases of production, including iron making and slab making (5.3 million tpa), is undertaken.
BlueScope Distribution Pty Ltd	BlueScope Steel's reselling (distribution) business which purchases coated steel in volume and resells to smaller manufacturers across Australia. Some facilities process steel into slit coil or sheet for resale.
BlueScope Building Solutions Pty Ltd	Designs, supplies and constructs commercial and industrial buildings for the Australian market.
International Affiliates	
BlueScope Steel (Suzhou) Ltd	Coating lines - coating of cold rolled steel products with zinc and / or zinc and aluminium to provide corrosion protection.
BlueScope Lysaght (Brunei) Sdn Bhd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Acier Nouvelle - Caledonie SA	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Lysaght (Singapore) Pte Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Lysaght Fiji Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Lysaght (Thailand) Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Steel Vietnam LLC	Coating lines - coating of cold rolled steel products with zinc and / or zinc and aluminium to provide corrosion protection.
BlueScope Steel Asia Pte Ltd	Service centre for the processing of coiled steel into shapes and sizes per customer requirements
BlueScope Steel International Limited	Sales office
BlueScope Steel Southern Africa Pty Ltd	Sales office
BlueScope Steel (Thailand) Ltd	Cold rolling mill and pickle line, which converts hot rolled coil into cold rolled coil. Coating lines - coating of cold rolled steel products with zinc and / or zinc and aluminium to provide corrosion protection.

BlueScope Steel North America	Sales office
BlueScope Steel (Malaysia) Sdn Bhd	Coating lines - coating of cold rolled steel products with zinc and / or zinc and aluminium to provide corrosion protection.
Tasman Steel Holdings Ltd	The New Zealand integrated Steelworks where all major phases of production, including iron making and slab making is undertaken. Coating of cold rolled steel products with zinc and / or zinc aluminium to provide corrosion protection.
BlueScope Buildings Vietnam Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Lysaght (Guangzhou) Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Lysaght (Shanghai) Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Lysaght (Langfang) Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Lysaght (Chengdu) Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
PT BlueScope Steel Indonesia	Coating lines - coating of cold rolled steel products with zinc and / or zinc and aluminium to provide corrosion protection.
PT BlueScope Steel (Lysaght) Indonesia	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.

7. Are any management fees/corporate allocations charged to your company by your parent or related company?

As BlueScope does not have a parent company, this question is not applicable to BlueScope.

8. Identify and provide details of any relationship you have with an exporter to Australia or Australian importer of the goods.

BlueScope Steel's International Affiliate, Tasman Steel Holdings ltd (known as New Zealand steel) exports a range of flat steel products from New Zealand into Australia via their local sales arm – New Zealand Steel Australia (NZSA).

BlueScope does have an arm's length relationship via its Distribution business with importers of the Goods Under Consideration ("GUC") – namely *[companies]*.

9. Provide a copy of all annual reports applicable to the data supplied in Appendix A3 (Sales Turnover). Any relevant brochures or pamphlets on your business activities should also be supplied.

BlueScope's 2012 Annual Report and Full Financials are included with this application (Non-Confidential Attachment A-2.9). BlueScope's Annual Reports from 2003 to 2012 are available from its website at www.bluescopesteel.com.

10. Provide details of any relevant industry association.

BlueScope is a member of the Australian Steel Institute – refer www.steel.org.au.

A-3 The imported and locally produced goods.

1. Fully describe the imported product(s) the subject of your application:

- **Include physical, technical or other properties.**
- **Where the application covers a range of products, list this information for each make and model in the range.**
- **Supply technical documentation where appropriate.**

The imported goods the subject to this application are:

'Flat rolled products of:

- *iron;*
- *non-alloy steel; or*
- *non-heat treated alloy steel of a kind commonly referred to as Quench and Tempered (Q&T) Green Feed;*

of a width greater than 600mm, with a thickness equal to or greater than 4.75mm, not further worked than hot rolled, not in coils, with or without patterns in relief.

Goods excluded from this application are:

- *250 grades of plate steel with a thickness greater than 150mm*
- *350 grades of plate steel with a thickness greater than 100mm*
- *Q & T Green Feed grades of plate steel with a thickness greater than 105mm*
- *Heat treated Q & T grades of plate steel.'*

It is understood that the standard dimensions of imported plate product ranges within 1500mm – 3200mm in width, 5mm – 150mm in thickness and 6 – 12 metres in length.

Imported non-alloy steel plate product is most commonly offered in nominal yield strengths of 250 MPa and 350 Mpa, depending on application and end use.

Imported alloy steel plate product grades that are made by BlueScope steel and also imported into Australia are generically called Q & T Green Feed. Q & T Green Feed is supplied only in 'non heat-treated' condition. Q & T Green Feed steel grades possess a higher hardenability, which (on heat treating) results in higher strength and hardness properties over 250 Mpa and 350 Mpa non alloy steel grades. To achieve this higher hardenability, additional specific alloys are added during the steelmaking process (i.e. thereby incurring a higher cost of production).

Q & T Green Feed grades of steel have chemical compositions that typically fall within the following range:-

- Carbon Max – 0.40%
- Manganese Max – 1.6%
- Silicon Max – 0.65%
- Sulphur Max – 0.035%
- Phosphorous Max – 0.035%

- Nickel Max – 2.5%
- Chrome Max – 2.0%
- Molybdenum Max – 1.0%
- Vanadium Max – 0.15%
- Boron Max – 0.006%

It is noted that the % of individual alloying elements will vary in accordance with each manufacturer's grade specifications and that not all elements may be utilised in all Q & T Green Feed steel grades.

Q&T Green Feed products are normally 'negotiated mill to customer' chemistry grades of plate steel.

Q & T Green Feed is only supplied in the non heat-treated condition. (ie the heat treatment process to achieve the higher hardenability is undertaken by BlueScope steel's customer(s)).

The GUC are generically called hot rolled plate steel, plate steel, coil plate steel or Q&T Green Feed (used interchangeably with GUC in this application).

Trade or further generic names often used to describe these Goods include:

- "XLERPLATE" steel
- "XLERPLATE LITE" steel
- Plate
- Pattern Plate
- Coil Plate
- Checker Plate
- Floor Plate
- Q&T Green Feed

There are a number of relevant International Standards for plate steel products that cover their own range of products via specific grade designations, including the recommended or guaranteed properties of each of these product grades.

Q&T Green Feed products are 'negotiated mill to customer' chemistry grades of plate steel.

These relevant standards are noted below in Table A-3.1a and A-3.1b "Relevant International Standards for Plate Steel". Refer to Non-Confidential Attachment A-3.1 for Australia/New Zealand standards for plate steel.

Table A-3.1a - Relevant International Standards for Plate steel – Structural Grades

Australian and International Standards:- Structural Grades			
AS/NZS 3678	**ASTM**	**JIS**	**China**
Grade	**Grade**	**Grade**	**Grade**
250	A36	G3101-SS400	GB/T 700 - Q275
250L15			
250L20			
250Y20			
250L40			
250Y40			
300			
300L15			
300L20			
300Y20			
300L40			
300Y40			
350	A572 -345 (50)	G3101-SS490	GB/T 1591 - Q345
350L15			
350L20			
350Y20			
350L40			
350Y40			
400	A572 -415 (60)		GB/T 1591 - Q390
400L15			
400L20			
400Y20			
400L40			
400Y40			
450	A572 -450 (65)		GB/T 1591 - Q420
450L15			GB/T 1591 - Q460
450L20			
450Y20			
450L40			
450Y40			

Table A-3.1b - Relevant International Standards for Plate steel – PV Grades

Australian and International Standards:- Pressure Vessel and Boiler Grades	
AS 1548	**ASTM**
Grade	**Grade**
PT 430	A516 - 415 (60)
PT 460	A516 - 450 (65)
PT 490	A516 - 485 (70)
PT 490	A516 - 485 (70)
PT 490 N	A516 - 485 (70) N

2. What is the tariff classification and statistical code of the imported goods.

The GUC are classified within tariff sub-headings:

- 7208.40.00 statistical code 39;
- 7208.51.00 statistical code 40;
- 7208.52.00 statistical code 41; and
- 7225.40.00 statistical codes 22 and 24.

The GUC imported from China, Korea, Indonesia and Taiwan classified to 7208.40.00, 7208.51.00, 7208.52.00 attract a rate of duty applicable to "DCS" countries (i.e. a Free rate of duty). Imports of the GUC from Japan and Taiwan classified to the same headings attract a 5 per cent rate of duty.

The GUC imported from China and Indonesia classified to 7225.40.00 attracts a 4 per cent rate of duty (i.e. the DCS rate) and imports from Japan, Korea and Taiwan under this classification attract a 5 per cent rate of duty.

Please refer to Non-Confidential Attachment A-3.2 for a copy of the Customs Tariff Schedule 3 extract.

BlueScope highlights with the Australian Customs and Border Protection Service ("Customs and Border Protection") that published Australian Bureau of Statistics ("ABS") import clearance data for the GUC do not disclose "country of import" details due to current suppression orders. BlueScope has therefore relied upon export data from the nominated countries to determine volumes of the GUC. Please refer to Section B-1.2 below for further information concerning source data for exports of the GUC to Australia.

3. Fully describe your product(s) that are 'like' to the imported product:

- **Include physical, technical or other properties.**
- **Where the application covers a range of products, list this information for each make and model in the range.**
- **Supply technical documentation where appropriate.**
- **Indicate which of your product types or models are comparable to each of the imported product types or models. If appropriate, the comparison can be done in a table.**

Locally produced goods

BlueScope manufactures flat rolled products of 'non-alloy' steel and 'other alloy' steel of widths greater than 600mm, not further worked than hot rolled, not in coils, whether or not with 'patterns in relief'.

The locally produced goods are considered like goods to the imported flat rolled products of 'non-alloy' steel and 'other alloy' steel the subject of this application.

Physical properties

Plate products have been produced by BlueScope since 1962. Hot rolled plate products made by BlueScope steel are required to meet AS/NZS 3678 for structural and analysis plate steel grades, and AS/NZS 1548 for pressure vessel plate steel grades. Q&T green feed plate steel grades are most commonly a result of direct mill and customer negotiation around the chemistry specification to be supplied.

The steel chemistry, percent hot reduction and cooling process, are used to produce the required mechanical properties, as designated by Australian and International Standards.

BlueScope produces a wide variety of 250 and 350 type structural and pressure vessel plate steel grades with differing chemical and physical properties. The 250 and 350 grades of plate steel represent the majority of production and sales of plate steels manufactured by BlueScope. The 250 and 350 grade steel is the 'like' of the 250 and 350 imported grades.

BlueScope produces 250 and 350 in the following dimensions:

Yield Strength (MPa)	Width Range (mm)	Thickness Range (mm)	Length Range (m)
250	1250 – 3300	5 – 150	2.4 – 22
350	1250 – 3300	5 – 100	2.4 – 22

Copies of BlueScope's Product Brochures for the common grades of plate steel products are included at Non-Confidential Attachments A-3.3.1 to A 3.3.5

More information can be found at:

http://steelproducts.bluescopesteel.com.au/home/steel-products/plate

4. Describe the ways in which the essential characteristics of the imported goods are alike to the goods produced by the Australian industry.

BlueScope submits that the GUC manufactured in Australia by BlueScope are like goods to the imported goods on the following grounds:

(i) Physical likeness

- Products made locally by BlueScope have a physical likeness to the goods exported from China, Japan, Indonesia, Korea and Taiwan (the countries under reference);
- BlueScope's locally produced plate steel and the imported goods are manufactured to the requirements of Australian and International Standards, or in the case of Q&T green feed plate steel grades, are customer negotiated chemistry specifications.

(ii) Commercial likeness

- Australian industry plate steel competes directly with imported plate steel in the Australian market; and
- The locally produced goods and the imported goods are produced via similar manufacturing processes.

(iii) Functional likeness

- Both the locally produced and imported plate steel have comparable or identical end-uses.

(iv) Production likeness

- Locally produced and imported plate steel are manufactured in a similar manner and via similar production processes.

On this basis, BlueScope considers its locally-produced plate steel is "alike" to the imported goods, and possesses the same essential characteristics as the imported plate steel.

5. What is the Australian and New Zealand Standard Industrial Classification Code (ANZSIC) applicable to your product.

The ANZSIC code applicable to plate steel product is category 2711.

6. Provide a summary and a diagram of your production process.

Summary of Plate manufacturing process

Plate steel product is produced from slab steel in either of two ways:

1/. via a Plate Mill (XLERPLATE®) or

2/. via a Hot Strip Mill and cut to length line – (XLERPLATE® LITE)

The input steel product starts as a slab of steel for both methods of manufacture.

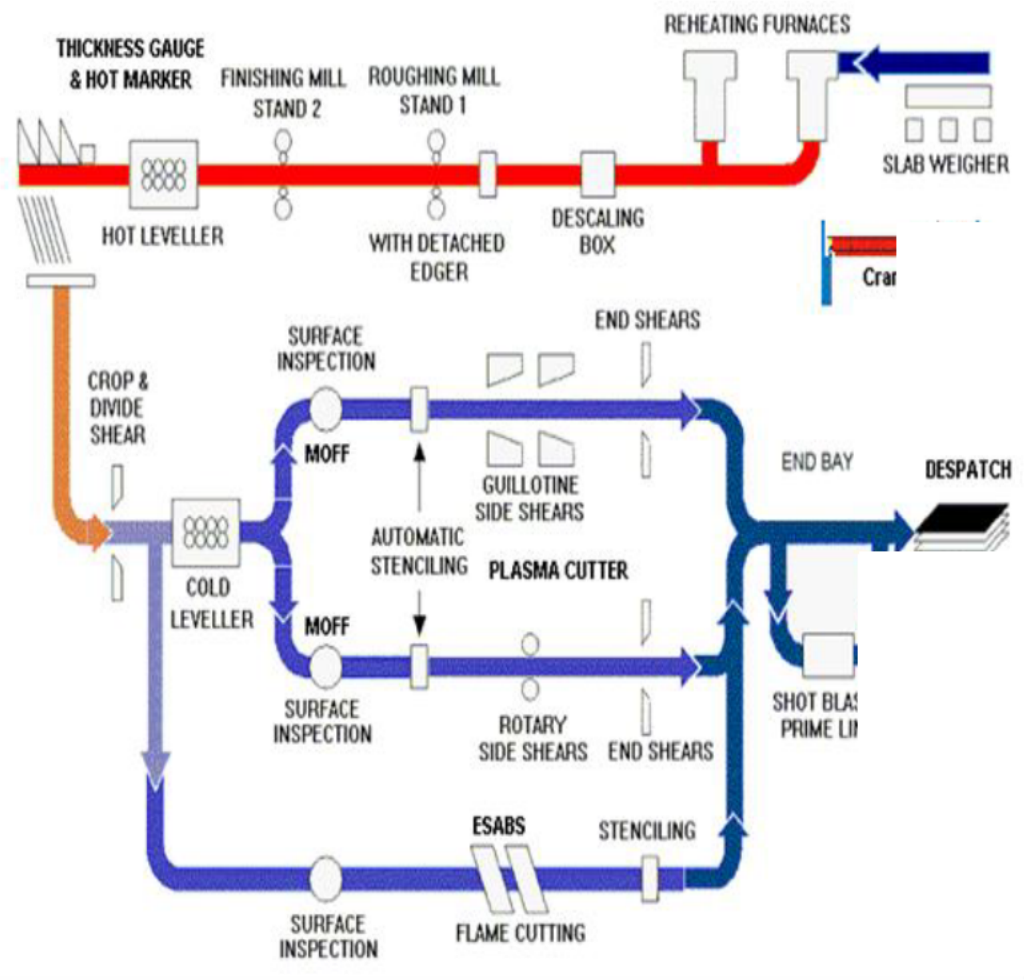
1/. XLERPLATE®

Slab is heated in a furnace to around 1200 degrees Celsius then reduced in thickness from 230mm to the required thickness by passing through a series of rollers at great pressure, and then passing through a hot leveller to achieve the required flatness. After cooling, this 'pattern' plate is transferred to the processing area where the 'pattern' is then cut to the required XLERPLATE® size. (size range is 5mm – 150mm thick, up to 3300mm wide and up to 22m long)

2/. XLERPLATE® LITE

Slab is heated in a furnace to around 1200 deg Celsius then reduced in thickness from 230mm to the required thickness by passing through a series of rollers at great pressure, is then control cooled, and wound up as a coil of steel, now known at hot rolled coil ("HRC"). The HRC is then sheared to length and leveled flat at a secondary processing facility to make XLERPLATE® LITE product. (size range is 1.5mm – 12.7mm thick, up to 1550mm wide and 12m long)

Diagrammatic representation of Slab conversion to XLERPLATE® product



7. If your product is manufactured from both Australian and imported inputs:

- **describe the use of the imported inputs; and**
- **identify that at least one substantial process of manufacture occurs in Australia (for example by reference to the value added, complexity of process, or investment in capital).**

BlueScope manufactures steel plate in Australia from liquid steel, via flat steel production. The steel production process is a capital intensive one that converts raw material iron ore and coal into liquid steel, followed by casting into slab steel that is then converted into steel plate.

BlueScope is a fully-integrated flat steel product manufacturer with large capital intensive manufacturing operations at Port Kembla in NSW.

BlueScope submits that it undertakes more than one substantial process of manufacture in the production of the GUC.

BlueScope does not use imported steel in the manufacture of the GUC.

8. If your product is a processed agricultural good, you may need to complete Part C.3 (close processed agricultural goods).

The GUC are not close processed agricultural goods.

9. Supply a list of the names and contact details of all other Australian producers of the product.

BlueScope is the sole Australian manufacturer of the goods the subject of this application.

A-4 The Australian market.

1. Describe the end uses of both your product and the imported goods.

BlueScope's main products, the markets for those products and their applications are shown below:

Table A-4.1 – Primary end-use applications

Product	Primary end use markets	Applications
Plate products	**1. Mining, Oil & Gas**	**Tanks for oil and gas storage (incl. LNG), pipe racks, ore/coal shuttle cars, other materials handling including conveyor system supports, stacker reclaimers, coal loaders plus underground mining equipment & transport etc**
	2. Engineering Construction	**Bridge beams, tubular piles for bridges, ports, rail etc, culverts, heavy structural members for large plant & equipment (e.g. power stations, desalination plants etc) tanks for water storage, wind towers**
	3. Transport & Equipment and general manufacturing	**Truck trailers & bodies incl. mining dump trucks, ships & other marine (except for Oil & Gas)incl. mining trucks, earth moving equipment, sundry manufacturing incl. underground fuel tanks.**
	4. General Construction	**Structural sections for commercial and industrial buildings, sundry cleats,, base plates end plates for steel stick construction etc**

The locally produced and imported Goods are used interchangeably across a variety of applications in the Australian market, including the main end-use applications identified in Table A-4.1 above.

2. Generally describe the Australian market for the Australian and imported product and the conditions of competition within the overall market. Your description could include information about:

- **sources of product demand;**
- **marketing and distribution arrangements;**
- **typical customers/users/consumers of the product;**
- **the presence of market segmentation, such as geographic or product segmentation;**
- **causes of demand variability, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production;**
- **the way in which the imported and Australian product compete; and**
- **any other factors influencing the market.**

(i) Market Segmentation

The Australian market for plate steel products is dominated by three large segments. These are:

- Mining, Oil & Gas (that is the construction of new plant and the maintenance of that plant) including bulk commodities materials handling;
- Infrastructure including ports, wharves, bridges, wind towers, water storage; and
- Transport & equipment manufacture including marine, road transport, earth moving, general manufacture.

(ii) Sources of demand

Key sources of demand in the Australian market for the GUC include:

- Mining Oil & Gas plant construction and operation plus the movement and storage of bulk commodities. Driven by Fixed Asset Investment & operations in the mining commodities markets;

- Infrastructure - Fixed asset investment or maintenance of existing infrastructure. Can be driven by need for assets to support Fixed Asset Investment in Mining, Oil and Gas, population growth, expansion of trade (port facilities); and

- Transport & Equipment & general Manufacturing - Fixed asset investment and or repairs in road & rail haulage, agricultural equipment, earth moving equipment including wear surfaces. Demand for earth moving equipment can come from general construction, mining and infrastructure FIA.

(iii) Distribution arrangements

BlueScope sells over 70% of its steel plate via a network of distribution companies via distributor/resellers such as *[companies]*. These distribution companies offer plate processing which includes the cutting, drilling, shaping of steel for customers who will incorporate these “components” into a finished article. Distributors hold stock, provide credit terms and can combine deliveries with other steel products e.g. pipe & tube and structural “I” beams and “H” columns.

BlueScope sells the balance of approximately 30% directly to larger end-users or “converters”. These larger end-users will mostly direct procure for large projects or they are manufacturers with regular off-take such as manufacturers that make proprietary products e.g. underground mining equipment.

The “converters” are generally large fabricators that will fabricate structures or items to a design e.g. a specific pressure vessel or a particular stacker reclaimer. As well as this, there are fabricators/maintenance companies that are drawing down steel from distributors for regular repairs & maintenance.

Both BlueScope and importers of the GUC compete in all States and Territories in Australia and across each segment via the same distribution channels in order to sell product directly to the larger "converters" or manufacturing companies in Australia, and to distributors/resellers that on-sell the product into the market.

(iv) Typical Customers

BlueScope's major customers can be described as the four main distributors in Australia as mentioned above.

Large fabricators/converters include *[companies]*.

Manufacturers include *[companies]*.

(v) Causes of demand variability

There are a variety of factors that influence demand variability for plate steel products within the Australian market, including:

- **Seasonal fluctuations**

  - Some variation in part due to Distribution customers reducing off-take toward the end of the year due to reduced fabrication/manufacturing activity and end of fiscal year stock management.

- **Factors contributing to overall market growth or decline**

  - Availability of capital for infrastructure spending – government and private;
  - Global and domestic business and consumer confidence economic conditions (GDP, unemployment, inflation, interest rates);
  - Demand for Australian minerals, gas; and
  - Trend to off-shore fabrication of large mining/oil & gas project modules to off-shore – low cost labour countries.

- **Government regulation**

  - Standards – international manufacturers do not always manufacture to the same standards as Australian manufacturers; this is commonly not understood until installation;
  - Policy – major government spending on infrastructure such as roads ports; and
  - Incentives to develop renewable energy sources (wind power generation – 150t of steel in each tower).

- **Developments in technology affecting either demand or production;**

  - Not significant.

- **Short Term Pricing Volatility**

  - Pressure on Australian manufacturing to compete with imported finished products;
  - Can influence purchasing decision on inventory levels;
  - More evident in the indirect distribution channel; and
  - Influenced via global steel capacity utilisation.

(vi) The way in which the imported and Australian products compete

All customers have the opportunity to purchase imported material either

- Direct from the overseas mill;

- via an international trader; and/or
- via an aligned / non-aligned Australian based distributor / reseller.

2. Identify if there are any commercially significant market substitutes for the Australian and imported product.

No, generally plate steels are not substitutable to any significant degree. Aluminium in some instances is substitutable but due to a quite different weight/cost proposition, generally these two products do not compete.

3. Complete appendix A1 (Australian production). This data is used to support your declaration at the beginning of this application.

BlueScope has completed Confidential Appendix A1 for the twelve months to 30 September 2012. Please refer to Confidential Appendix A1.

4. Complete appendix A2 (Australian market).

BlueScope has completed Confidential Appendix A2 for the period October 2007 to September 2012 inclusive. Please refer to Confidential Appendix A2.

5. Use the data from appendix A2 (Australian market) to complete this table:

*Indexed table of sales quantities**

Financial Year	(a) **Your Sales**	(b) **Other Aust^n Sales**	(c) **Total Aust^n Sales** (a+b)	(d) **Dumped Imports**	(e) **Other Imports**	(f) **Total Imports** (d+e)	**(g) Total Market** (c+f)
2007/08	100	100	100	100	100	100	100
2008/09	49.4	100	49.4	53.92	71.87	56.57	51.71
2009/10	67.29	100	67.29	66.04	88.38	67.34	67.95
2010/11	76.83	100	76.83	57.45	106.67	64.72	72.93
2011/12	75.18	100	75.18	86.06	120.61	91.16	80.31

Notes:

1. BlueScope is the sole Australian manufacturer of the GUC.
2. 2011 / 2012 data is incomplete due to a lag in Country of Origin data supply, there are no import volumes recorded for September 2012.

The Table of indexed sales quantities confirms that the exports of the GUC from China, Korea, Indonesia, Japan and Taiwan have increased substantially in 2011/12 – by approximately 50 per cent on the volumes of 2010/11.

A-5 Applicant's sales.

1. Complete appendix A3 (sales turnover).

BlueScope has completed Confidential Appendix A3.

Indexed data from Confidential Appendix A3 for the Like Goods (quantity and value) has been included below.

2. Use the data from appendix A3 (sales turnover) to complete these tables.

BlueScope has completed the tables below from data included in its Confidential Appendix A3.

Indexed table of Applicant's sales quantities (metric tonnes) for like goods

Quantity	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Like goods					
Australian market	100	49.4	67.29	76.83	75.18
Export market	100	100.76	177.64	202.15	94.54
Total	100	53.78	76.69	87.51	76.83

Notes:
1. Refer to Confidential Appendix A3 for BlueScope sales data.

Indexed table of Applicant's sales values for like goods

Values	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Like goods					
Australian market	100	55.21	52.35	61.59	55.97
Export market	100	84.39	126.54	146.93	73.80
Total	100	57.24	57.53	67.56	57.22

Notes:
1. Refer to Confidential Appendix A3 for BlueScope sales data

BlueScope's domestic sales quantities of steel plate have declined in 2011/12 as imports from the countries the subject of this application increased by 40 per cent in 2011/12.

BlueScope's domestic sales of steel plate had improved in successive years following the global financial crisis ("GFC") evident in the 2008/09 year. The 40 per cent growth in imports of the GUC in 2011/12 from China, Japan, Indonesia, Korea and Taiwan stalled BlueScope's recovery from the GFC.

BlueScope's sales revenues in 2011/12 for the GUC reflect a larger decline than is evident for sales quantities. Domestic sales revenue for the GUC has deteriorated by approximately X per cent in 2011/12, indicating increased price competition from dumped imports during the year.

Indexed table of Applicant's sales quantities (metric tonnes) for All Products

Quantity	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
All Products					
Australian market	100	61.21	84.71	77.17	60.91
Export market	100	66.71	121.45	126.70	39.26
Total	100	63.02	96.84	93.52	53.77

Notes:

2. Refer to Confidential Appendix A3 for BlueScope sales data.

Indexed table of Applicant's sales values for All Products

Values	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
All Products					
Australian market	100	63.43	71.19	67.74	55.09
Export market	100	53.95	93.33	101.84	31.30
Total	100	60.45	78.16	78.47	47.61

Notes:

2. Refer to Confidential Appendix A3 for BlueScope sales data;

BlueScope's sales of all steel products are reflected in the above index tables. BlueScope's announced withdrawal from global export markets is evident in the 2011/12 data for "All Products".

3. Complete appendix A5 (sales of other production) if you have made any:

- **internal transfers; or**
- **domestic sales of like goods that you have not produced, for example if you have imported the product or on-sold purchases from another Australian manufacturer.**

Confidential Appendix A5 has been completed by BlueScope for the GUC. Please refer Confidential Appendix A5.

4. Complete appendix A4 (domestic sales).

BlueScope has completed Confidential Appendix A4 for the twelve months to 30 September 2012. Please refer to confidential sales data provided by BlueScope.

5. If any of the customers listed at appendix A4 (domestic sales) are associated with your business, provide details of the association. Describe the price effect of the association.

BlueScope sells the GUC through owned, related and unrelated parties in the Australian domestic market. Owned or related domestic customers for plate steel include BlueScope Distribution Pty Ltd.

The approach to price setting for these owned or related companies *[pricing strategy]*.

6. Attach a copy of distributor or agency agreements/contracts.

BlueScope has supply agreements in place with many of its domestic customers which detail the terms of trade including supply arrangements, rebate structure, supply terms and conditions, etc.

An example of BlueScope's Standard Terms and Conditions for domestic customers is included at Confidential Attachment A-5.6.1, and a copy of a customer supply agreement is at Confidential Attachment A-5.6.2.

7. Provide copies of any price lists.

BlueScope has both customer and product specific price lists. This is due to the differing product purchase mix and differing service offers which exist across the customer base. Please find attached an example of a BlueScope customer price list at Confidential Attachment A-5.7.1 and A5-7.2.

8. If any price reductions (for example commissions, discounts, rebates, allowances and credit notes) have been made on your Australian sales of like goods provide a description and explain the terms and conditions that must be met by the customer to qualify.

- **Where the reduction is not identified on the sales invoice, explain how you calculated the amounts shown in appendix A4 (domestic sales).**

- **If you have issued credit notes (directly or indirectly) provide details if the credited amount has not been reported appendix A4 (domestic sales) as a discount or rebate.**

BlueScope provides discounts and rebates for some sales identified in Confidential Appendix A4. Discounts and rebates are separately identified. There *[commercially sensitive pricing information]*.

9. Select two domestic sales in each quarter of the data supplied in appendix A4 (domestic sales). Provide a complete set of commercial documentation for these sales. Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, and bank documentation showing proof of payment.

BlueScope has included two complete sets of commercial documentation in each of the four quarters to 30 September 2012. Please refer to Confidential Attachment A-5.9.1 – A-5.9.8 for BlueScope commercial documentation.

A-6 General accounting/administration information.

1. Specify your accounting period.

BlueScope's financial year is 1 July to 30 June.

2. Provide details of the address(es) where your financial records are held.

BlueScope's financial records for the goods the subject of this application, are located at its Five Islands Road, Port Kembla premises.

3. To the extent relevant to the application, please provide the following financial documents for the two most recently completed financial years plus any subsequent statements:

- **chart of accounts;**

  BlueScope's Chart of Accounts has been provided electronically with this application.

- **audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);**

  BlueScope's audited consolidated accounts are included in the company's annual report. These are available from BlueScope's website at www.bluescopesteel.com

- **internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods.**
  These documents should relate to:

  1. **the division or section/s of your business responsible for the production and sale of the goods covered by the application, and**
  2. **the company overall.**

BlueScope has also included monthly management report extracts at Confidential Attachment A-6.3.1 to A-6.3.2

4. If your accounts are not audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

BlueScope's accounts are audited annually. This question is therefore not applicable.

5. If your accounting practices, or aspects of your practices, differ from Australian generally accepted accounting principles, provide details.

The accounting practices of BlueScope are maintained in accordance with Australia's generally accepted accounting principles.

6. Describe your accounting methodology, where applicable, for:

BlueScope's accounting methodology complies with the Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Further detailed information can be sourced from BlueScope's full financial report that can be accessed on the internet at www.bluescopesteel.com

- **The recognition/timing of income, and the impact of discounts, rebates, sales returns warranty claims and intercompany transfers;**

  Revenue is recognised by BlueScope when the significant risks and reward of the ownership of the goods have passed to the buyer. This is considered to have occurred when the legal title of the product is transferred to the customer and BlueScope is no longer responsible for the product. The point at which title is transferred is dependent upon the specific terms and conditions of the contract under the sale.

Sales discounts are recognised at invoice date. Rebates and warranty claims are provided for on a monthly basis. Sales returns are recognised once the goods have been receipted into BlueScope inventory.

- **provisions for bad or doubtful debts;**

  Collectability of trade receivables are reviewed regularly. Debts which are known to be uncollectable are written off by reducing the carrying amount directly.

- **the accounting treatment of general expenses and/or interest and the extent to which these are allocated to the cost of goods;**

  General expenses are allocated on an absorption cost basis.

- **costing methods (eg by tonnes, units, revenue, activity, direct costs etc) and allocation of costs shared with other goods or processes;**

  BlueScope's mainstream costing system is designed to enable:

  - Actual process costs to be reported monthly;
  - Cost detail as low as the cost element level;
  - Actual fully absorbed product cost per unit of output (e.g. per tonne) at a minimum of product group level. Where a standard costing system is adopted, standard product costs updated for significant changes in process cost are utilised;
  - Product costs to be broken down into components such as feed, conversion costs, yield, depreciation, support costs, etc; as well as
  - The distinguishing of the underlying behavior of costs (e.g. fixed, variable, cash, non-cash).

- **the method of valuation for inventories of raw material, work-in-process, and finished goods (eg FIFO, weighted average cost);**

  Raw materials and stores, work in progress and finished goods, are stated at the lower of cost and net realisable value.

- **valuation methods for scrap, by-products, or joint products;**

  The lower of cost and net realisable value.

- **valuation methods for damaged or sub-standard goods generated at the various stages of production**;

  The lower of cost and net realisable value.

- **valuation and revaluation of fixed assets;**

  Regular purchases and sales of financial assets are recognised on trade-date - the date on which BlueScope commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and BlueScope has transferred substantially all the risks and rewards of ownership.

- **average useful life for each class of production equipment, the depreciation method and depreciation rate used for each;**

  Depreciation on assets other than land is calculated on a straight-line basis to allocate their cost over their estimated useful lives. The estimated useful lives of property, plant and equipment are as follows:

  Buildings - up to 40 years.
  Plant, machinery and equipment – up to 40 years.

- **treatment of foreign exchange gains and losses arising from transactions and from the translation of balance sheet items; and**

  Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

  Translation differences on available-for-sale financial assets are included in equity until such time as the available-for-sale asset is sold and the translated amount is reported in the profit and loss.

- **restructuring costs, costs of plant closure, expenses for idle equipment and/or plant shut-downs.**

  Liabilities arising directly from undertaking a restructuring program, defined as the closure of an operation, are recognised when a detailed plan of the restructuring activity has been developed and implementation of the restructuring program as planned has commenced.

7. If the accounting methods used by your company have changed over the period covered by your application please provide an explanation of the changes, the date of change, and the reasons.

The accounting and financial practices/principles of BlueScope complies with the Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

BlueScope’s 2010 Annual Report included a note in relation to a change in accounting policy following the introduction of revised *AASB 127 Consolidated and Separate Financial Statements*, became operative on 1 July 2009.

Please refer to Note 1 (v) of Summary of Significant Accounting Policies in the BlueScope 2010 Annual Report.

A-7 Cost information

1. Complete <u>appendices A6.1</u> and <u>A6.2</u> (cost to make and sell) for domestic and export sales.

BlueScope has completed Confidential Appendices A6.1 (for domestic sales) and A6.2 (for export sales) for the period 2007/08 to 2011/12 (years ending September). Please refer to Confidential Appendices A6.1 and A6.2.

A-8 Injury

1. **Estimate the date when the material injury from dumped imports commenced.**

BlueScope estimates that material injury from exports of plate from China, Indonesia, Japan, Korea and Taiwan commenced to impact profit and profitability in 2009/10 as the market recovered from the effects of the global economic downturn.

For the purposes of this application, BlueScope can demonstrate that its sales volumes declined in the twelve month period to September 2012 and that dumped exports from China, Indonesia, Japan, Korea and Taiwan (and subsidized exports from China) increased by more than 40 per cent, resulting in material injury to the Australian industry producing like goods.

2. Using the data from <u>appendix A6</u> (cost to make and sell), complete the following tables for each model and grade of your production.

Index of production variations (metric tonnes)

Year	2007/08	2008/09	2009/10	2010/11	2011/12
Index	100	53.8	76.7	87.5	76.8

Notes:
1. Production rates based upon Appendix A6.1 and Appendix A6.2 data sourced from “Plate steel”.

BlueScope’s production of the GUC for the combined domestic and export markets has declined in BlueScope’s 2011/12 year as dumped exports from the nominated countries increased by more than 40 per cent.

Index of cost variations (based on A$ per metric tonne)

Year	2007/08	2008/09	2009/10	2010/11	2011/12
Index	100	124.14	101.95	111.18	116.06

Notes:
1. Unit cost variations based upon Appendix A6.1 data sourced for ““Plate steel”.

BlueScope experienced cost increases in the manufacture of the GUC in both the 2010/11 and 2011/12 years.

Index of price variations (based on A$ per metric tonne)

Year	2007/08	2008/09	2009/10	2010/11	2011/12
Index	100	111.75	77.80	80.17	74.45

Notes:
1. Unit price variations based upon Appendix A6.1 data sourced for "Plate steel".

BlueScope was unable to recover all cost increases experienced in 2010/11, and encountered price depression in 2011/12 in its Australian sales of plate steel. BlueScope's indices data confirms that it experienced prices suppression in 2011/12.

Index of profit variations (based on A$ per metric tonne)

Year	2007/08	2008/09	2009/10	2010/11	2011/12
Index	100	91.22	37.76	28.76	5.48

Notes:
1. Unit profit variations based upon Appendix A6.1 data (Line M) sourced for "Plate steel".

BlueScope's profit variations for domestic sales of plate steel confirm that its selling prices declined at a far greater rate than costs in 2009/10, and that further margin erosion was evident in 2010/11 and 2011/12. The reduction in profit in 2011/12 reflects the increase in costs and coinciding price reductions for domestic sales of plate steel.

Index of Profitability variations (based on unit profit as a % of unit selling price)

Year	2007/08	2008/09	2009/10	2010/11	2011/12
Index	100	81.63	48.54	35.88	7.36

Notes:
1. Unit profitability variations based upon Appendix A6.1 (Line 0) data sourced for "Plate steel".

The diminution in BlueScope's profitability in 2011/12 reflects the company's reduction in profit caused by increases in costs of production and coinciding declining prices for plate steel.

3. Complete <u>appendix A7</u> (other economic factors).

Index of Revenue variations ($)

Year	2007/08	2008/09	2009/10	2010/11	2011/12
Index	100	55.21	52.35	61.59	55.97

Notes:
1. Revenues sourced from Appendix A3 for domestic sales of like goods only.

BlueScope's revenues have declined in 2011/12 by approximately 5.5 percentage points on 2010/11 as sales volumes and unit prices have deteriorated. It is evident from the above data that BlueScope has experienced injury in the form of declining domestic sales revenue in 2011/12 for the GUC.

Index of Employment numbers (number)

Year	2009	2010	2011	2012
Index	100	96.7	95.3	85.5

Notes:
1. Employment numbers sourced from Appendix A7 and are for BlueScope financial year ending June only. As at date of lodgement of this application only the first quarter of the 2013 is complete and hence data has not been included.

BlueScope's employment indices reflect a reduction in the number of employees directly involved in the manufacture of the GUC in the twelve months to June 2012.

Index of Capacity Utilisation (metric tonnes per annum)

Year	2009	2010	2011	2012
Index	100	110.3	127.0	122.8

Notes:
1. Production data for both domestic and export, sourced from Appendix A7. Data presented on an annual year basis only.

BlueScope has reflected actual production (domestic and export) for like goods in above table. It is evident that there has been a reduction in BlueScope's production utilisation capacity for plate steel in the twelve months to June 2012.

Index of Return On Investment (return on assets employed)

Year	2009	2010	2011	2012
Index	100	48.8	21.1	-99.4

Notes:
1. ROI data for domestic, sourced from Appendix A7. Data presented on an annual year basis only.

BlueScope's return on investment for plate steel has been impacted in the 12 months to June 2012 as its profit and profitability on domestic sales has fallen.

A-9 Link between injury and dumped imports.

To establish grounds to initiate an investigation there must be evidence of a relationship between the injury and the alleged dumping. This section provides for an applicant to analyse the data provided in the application to establish this link. It is not necessary that injury be shown for each economic indicator.

1. Identify from the data at <u>appendix A2</u> (Australian market) the influence of the volume of dumped imports on your quarterly sales volume and market share.

In the twelve months to September 2012 (shown as 2011/12 in Section A-5 above) the Australian steel plate market experienced an approximate 10.1 per cent growth on the previous twelve-month period. This followed previous expansions of the plate steel market of approximately 31 per cent and 7.3 per cent in the previous two years (2009/10 and 2010/11).

However, the Australian plate steel market in 2011/12 remained almost 20 per cent below the level of the market in 2007/08.

The plate steel market contracted by almost 50 per cent during the global economic downturn of late 2008 and early 2009 (the 2008/09 year). In the following years, the market commenced to recover – although not to the same level of 2007/08 that occurred immediately prior to the downturn.

Exports of dumped plate steel from China, Indonesia, Japan, Korea and Taiwan have increased by more than 50 per cent in 2011/12 accounting for the 10.1 per cent market expansion in that year. BlueScope's sales in this year declined by X per cent – a sharp contrast to the 50 per cent increase in dumped exports.

It is apparent that BlueScope has not benefited from increased demand in the Australian market during 2011/12 – the growth has been primarily supplied with dumped exports. BlueScope contends that the dumped exports from the nominated countries have displaced its domestic sales and accounted for the majority of market growth sales in 2011/12 for plate steel.

2. Use the data at <u>appendix A2</u> (Australian market) to show the influence of the price of dumped imports on your quarterly prices, profits and profitability provided at <u>appendix A6.1</u> (costs to make and sell). If appropriate, refer to any price undercutting and price depression evident in the market.

BlueScope has demonstrated that the dumped exports have increased by 50 per cent 2011/12 in an expanding market. BlueScope's domestic sales, however, have contracted. BlueScope attributes its inability to capture the growth in the market (and its lost sales volumes) to price undercutting from the dumped (and subsidized) exports.

This application includes evidence of market offers for imported plate steel from exporters in each of the nominated countries (please refer to Summary of offers at Confidential Attachment A-9.2.1). Some of the offers have been provided in written form, with the remainder being verbal offers that have been documented by BlueScope. The hardcopy offers are included at Confidential Attachment (A-9.2.2). Where available, BlueScope has identified the supplying mill in the country of export, along with the FIS price offer into the Australian market.

The price undercutting information at Confidential Attachments A-9.2.1 (summary) and A-9.2.2 (supporting documentation) support BlueScope's viewpoint that it has lost sales volume and market share to imported plate steel sourced from China, Indonesia, Japan, Korea and Taiwan, at prices that have been below BlueScope's prevailing price at the time of the offer. BlueScope's response to the dumped (and subsidized) imported products is evident in its approximate X per cent selling price decline evident from 2010/11 to 2011/12 (i.e. from an average selling price in 2010/11 of $XXXX per metric tonne to $XXXX per metric tonne in 2011/12).

BlueScope has previously provided information to Customs and Border Protection highlighting that it is a price taker on the Australian market and that prices in Australia are driven by import parity. BlueScope monitors competitive import offers as it seeks to maximise sales volumes at competitive prices.

For the purposes of this application, BlueScope has also included its commercially sensitive Import Parity Pricing Policy at Confidential Attachment A-9.2.3.

BlueScope (where appropriate) responds to IPP offers to maintain domestic volumes of the GUC. The dumped and subsidised exports the subject of this application, however, are at price levels that significantly undercut BlueScope's selling prices.

BlueScope considers that it is appropriate to include in this application a number of Examples of price undercutting experienced by it in the domestic plate steel market. The examples are tabulated below.

Example 1 – *[Company]* (Confidential Attachment No.1)

In competition with import offers, BlueScope Steel Limited ("BSL") provided a price offer to one of its *[type]* customers, *[company]*, for XXX tonnes of 250 grade plate product at weighted average selling price of A$XXXX/t FIS (including two custom size 250 grade items). The customer then advised that they could source import material for A$XXX/t FIS, and that they would move to imported supply if BSL did not match the reported offer.

BSL returned with a counter-offer (across all grades quoted) against the imported product of A$XXX/t FIS.

Example 2 – *[Company]* (Confidential Attachment No. A-9.2-4)

[Company] was the prime contractor for *[project]* to *[company]* for a *[type]* development during 2012. The *[project]* was being developed by *[company]*.

BSL provided an offer of A$XXXX/t FIS for supply of XXXX tonnes through to April 2012. The customer advised they had received competitive import offers in the range of A$XXX/t from *[countries]* mills; and that they would move to imported supply if BSL did not match the price (refer Confidential Attachment No.9-2.4).

As per Confidential Attachment A-9.2.4, BSL agreed to settle at A$XXX/t to secure the order.

Example 3 – *[Company]* (Confidential Attachment No. A-9.2.5)

BSL was approached by its *[customer]* to provide a competitive plate pricing quote (for XXXX tonnes) for the 12 months to Jun 2012 for a *[type]* project.

The customer advised they could source equivalent imported product from *[mills]* at A$XXX/t FIS. BSL provided a benchmark counter-offer of A$XXX/t FIS to secure the project (refer Confidential Attachment No. A-9.2.5).

Example 4 - *[Company]* (Confidential Attachment No. A-9.2.6)

BSL entered price negotiations with its customer *[name]* for the supply of XXXX tonnes of plate product for *[time period and project name]*.

BSL was required to compete aggressively with imported *[mills]* plate steel product in this case. The customer was provided with a *[type]* import offer of A$XXXX FIS (refer Confidential Attachment No. A-9.2.6); BSL provided a counter-offer equivalent of A$XXX/t which the customer accepted.

Example 5 – *[Company]* (Confidential Attachment No. A-9.2.7)

[Company] is involved in the manufacture of *[product]*. In competition with import offers, BSL were requested to quote for an *[location]* based project for *[product]*.

The 250 grade plate material quoted for the project ranged in thickness from 5mm-50mm. BSL's *[confidential pricing strategy]* (refer Confidential Attachment No. 5). In the absence of an import offer, BSL would have otherwise quoted an average price/tonne for the project of A$XXXX FIS. A base import offer of A$XXX/t FIS (10mm-50mm material) was provided by *[mill]*, and BSL was requested to provide a competitive counter-offer.

At a XX% premium to the base import offer, the customer accepted BSL's second round quote of A$XXXX/t FIS (weighted across all thickness grades). This represented a X% price reduction from the *[confidential pricing strategy]* (refer Confidential Attachment No. A-9.2.7).

Comments – Price Undercutting examples

The foregoing highlights BlueScope's response to import offers for plate steel from countries included as the source of dumped (and subsidized) product, with price undercutting margins of up to XX per cent evident. The examples also demonstrate that BlueScope has responded with reduced prices (resulting in price depression) during 2011/12.

BlueScope strongly asserts that it has experienced injury in the form of price undercutting from dumped plate steel exported from China, Indonesia, Japan, Korea and Taiwan during 2011/12.

3. Compare the data at <u>appendix A2</u> (Australian market) to identify the influence of dumped imports on your quarterly costs to make and sell at <u>appendix A6.1</u> (for example refer to changes in unit fixed costs or the ability to raise prices in response to material cost increases).

It is evident from "Confidential Appendix A2 – Australian Market" that the plate steel market in Australia expanded in 2011/12 by approximately 10.1 per cent. The market growth was captured primarily by an increase in imports from the five nominated exporting countries in this application. Of particular concern was the growth in export volumes for Korea, Japan and Taiwan as follows:

- for Korea – an increase of 77 per cent to 63,168 tonnes;
- for Japan – an increase of 178 per cent to 9,530 tonnes; and
- for Taiwan – an increase of 352 per cent to 17,021 tonnes.

.

The rapid and substantial growth in export volumes from Japan, Korea and Taiwan in 2011/12, combined with the large dumping margins evident for exports from Indonesia, and the consistent volumes exported from China over recent years, have contributed to pricing pressures experienced by the Australian industry. BlueScope experienced cost increases in 2011/12 that it was unable to pass on through increased selling prices – due to price undercutting from the dumped (and subsidized) imports of plate steel. In 2011/12, BlueScope experienced cost increases at a time when selling prices declined by approximately X per cent.

In 2011/12 BlueScope experienced price depression and price suppression as its margin over costs were eroded substantially.

The price undercutting evident from exports of plate steel from China, Indonesia, Japan, Korea and Taiwan by margins up to XX per cent have contributed to BlueScope responding with reduced selling prices, in order to maintain domestic sales volumes for plate steel. In parallel, BlueScope has encountered increases in production and selling costs in 2011/12[1]. The declining selling prices and increasing costs that have not been able to be passed on to customers has

[1] BlueScope has removed from Confidential Appendix A6.1 the costs associated with the closure of its blast furnace in October 2011.

resulted in an erosion of BlueScope's selling price margin over costs (i.e. price suppression).

The price suppression experienced by BlueScope in 2011/12 (as exports from the five countries increased by a rapid 50 per cent) contributed to a diminution in BlueScope's profit and profitability. In 2011/12, BlueScope's profit deteriorated by approximately XX per cent and the plate steel business' profitability by approximately a similar proportion. BlueScope contends that the reductions in profit and profitability can be attributed to rapid and substantial increase in the dumped exports from the nominated countries in 2011/12.

4. The quantity and prices of dumped imported goods may affect various economic factors relevant to an Australian industry. These include, amongst other things, the return on investment in an industry, cash flow, the number of persons employed and their wages, the ability to raise capital, and the level of investment in the industry. Describe, as appropriate, the effect of dumped imports on these factors and where applicable use references to the data you have provided at <u>appendix A7</u> (other economic factors). If factors other than those listed at <u>appendix A7</u> (other economic factors) are relevant, include discussion of those in response to this question.

BlueScope has completed Confidential Appendix A7 detailing "other economic factors" for this application. The relevant data demonstrates that BlueScope has experienced injury in its 2011/12 financial year (annual reporting periods to June) in each of the following economic indicators:

- reduced domestic revenues;
- declining return on investment; and
- reduction in employment levels.

The reductions in profit and profitability, combined with reduced returns on investment, will also impact the plate steel business's ability to attract capital for re-investment in 2012/13.

BlueScope submits that the dumping and subsidization of exported plate steel from China and the dumping of exports from Indonesia, Japan, Korea and Taiwan has contributed to injury experienced by the Australian industry that is identifiable in the nominated economic indicators of reduced revenues, reduced return on investment, and lower employment levels. In addition, the reduced profits and profitability of 2011/12 will impact BlueScope's ability to attract capital for re-investment purposes in 2012/13, unless remedies are applied to the injurious exports.

5. Describe how the injury factors caused by dumping and suffered by the Australian industry are considered to be 'material'.

The Australian plate steel market contracted as a consequence of the global economic downturn in 2008/09. In the subsequent years to the downturn, the plate steel market has continued to recover, expanding in successive years. In each of 2009/10 and 2010/11, BlueScope's sales volumes also recovered. In 2011/12, BlueScope's sales volumes contracted by approximately X per cent as the market expanded by approximately 8.8 per cent and exports from the nominated countries increased by 40 per cent.

The dumped and subsidized exports have been at injurious prices that have undercut BlueScope's selling prices (refer Section A-9.2 above). The price undercutting has resulted in BlueScope reducing its selling prices for plate steel, despite cost increases evident in 2011/12. The approximate XX per cent reduction in BlueScope's profit in its domestic plate steel business from $XX M in 2010/11 to $XX M in 2011/12 is considered to be material in the context of BlueScope's annual turnover in domestic sales of plate steel.

6. Discuss factors other than dumped imports that may have caused injury to the industry. This may be relevant to the application in that an industry weakened by other events may be more susceptible to injury from dumping.

The Australian steel market is aware of BlueScope's announcement in 2011 to close one blast furnace and associated plant in Port Kembla, and the Hot Strip Mill in Victoria. BlueScope has removed the costs associated with this closure from the cost data as presented in Confidential Appendix A6.1 and A6.2 included with this application.

BlueScope recognises that there has been a softening of the global demand for steel and steel products in 2012, however, the available data included in this application demonstrates that the Australian market for plate steel has experienced growth in 2011/12 of approximately 8.8 per cent. BlueScope, however, has not participated in this growth as dumped and subsidized exports from China, and dumped exports from Indonesia, Japan, Korea and Taiwan have undercut BlueScope's selling prices to secure increased volumes in 2011/12.

The Australian dollar has remained above USD $1.000 for a significant proportion of the twelve month period to 30 September 2012, and is considered to have had an approximate X per cent impact on BlueScope profitability for Plate steel over this period (refer Confidential Attachment A-9.6 (electronic version)). The *prima facie* dumping margins for the exports of plate steel from the nominated countries far exceed these levels.

It is therefore apparent that the Australian market for plate steel in 2011/12 has not been weakened by any other events and that there has been a substantial rise in the sale of increased dumped (and subsidized) exports of plate steel to Australia in 2011/12.

7. This question is not mandatory, but may support your application. Where trends are evident in your estimate of the volume and prices of dumped imports, forecast their impact on your industry's economic condition. Use the data at appendix A2 (Australian market), appendix A6 (cost to make and sell), and appendix A7 (other economic factors) to support your analysis.

Demand for plate steel in Australia has increased year-on-year following the global economic downturn of 2008/09. BlueScope experienced improving sales volumes in each of 2009/10 and 2010/11 years. However, despite an 8.8 per cent growth in plate steel demand in 2011/12, BlueScope's sales volumes have deteriorated and its market share has retreated X per cent.

Exports of plate steel from China, Indonesia, Japan, Korea and Taiwan (in aggregate) increased by more than 40 per cent in 2011/12 securing the majority of the market expansion. Exports in 2010/11 from the five countries were 104,209 tonnes, increasing to 146,515 tonnes in 2011/12.

BlueScope attributes the rapid and significant increase in exports from the nominated countries to the export prices for the GUC being at dumped (and, in the case of Chinese exports, at subsidized) prices. BlueScope has demonstrated that certain exports from the nominated countries have undercut the Australian industry's selling prices by up to XX per cent (refer Section A-9.2 above) and that the undercutting has aided the growth in export volumes from the nominated countries.

Export volumes to Australia from Korea – the largest source of the dumped exports in 2011/12 – increased by approximately 80 per cent on the levels of 2010/11. Korean exports accounted for approximately 45 per cent of the injurious exports in 2011/12.

BlueScope's production of flat steel at Port Kembla is an integrated process that adds value to its slab steel production in downstream activities including plate steel. The integrated process is capital intensive (assets of approximately $XXX Million) and employs more than 3,100 personnel.

As BlueScope's production process is fully integrated, there is also a downstream impact from the dumped (and subsidized) goods and the injury experienced from the dumped exports from China, Korea, Indonesia, Japan and Taiwan (with Chinese exports also subsidised) is not limited to BlueScope's investment in plate steel.

This application demonstrates that BlueScope has suffered injury from the dumped exports from China, Indonesia, Japan, Korea and Taiwan in the following forms:

- lost sales volumes;
- lost market share;
- price depression;
- price suppression; and
- reduced profits and profitability.

BlueScope has also suffered injury in the form of reduced revenues, reduced return on investment, lower employment levels and a reduced attractiveness for reinvestment in the plate steel business.

BlueScope submits that the exports from China, Indonesia, Japan, Korea and Taiwan at margins of dumping in the range 2 per cent to 25 per cent have contributed to an uptake in exports from these countries by customers of steel plate in Australia in an expanding market. It is BlueScope's view that the 40 per cent increase in exports from the nominated five countries would not likely have occurred in the absence of those exports being made at dumped (and injurious) prices.

This application demonstrates that the level of price undercutting from the injurious exports was at margins of up to XX per cent in certain instances, and that BlueScope was required to reduce its selling prices to secure sales volumes at certain accounts. Overall, BlueScope's selling prices in 2011/12 declined by approximately X per cent (as costs increased), contributing to reductions in profit and profitability of approximately XX per cent. The injury experienced by BlueScope from the dumped (and subsidized) exports from China, Indonesia, Japan, Korea and Taiwan is material and is considered likely to continue in the absence of anti-dumping (and countervailing) measures.

BlueScope requests Customs and Border Protection to commence an investigation into the dumping of plate steel exported from Indonesia, Japan, Korea and Taiwan, and the dumping and subsidization of plate steel exported from China, as soon as practicable following an initial analysis of the claims contained in this application. Additionally, BlueScope requests that following initiation of a formal investigation into this application, Customs and Border Protection take steps to impose provisional measures on the injurious exports from the nominated countries from Day 60 of the investigation so that future material injury to BlueScope is limited and does not continue.

PART B

DUMPING

IMPORTANT

All questions in Part B should be answered even if the answer is 'Not applicable' or 'None' (unless the application is for countervailing duty only: refer Part C). If an Australian industry comprises more than one company/entity, Part B need only be completed once.

For advice about completing this part please contact the Customs Dumping Liaison Unit on:

☎ **(02) 6275-6066 Fax (02) 6275-6990**

B-1 Source of exports.

1. Identify the country(ies) of export of the dumped goods.

The countries of export of the goods the subject of this application are the People's Republic of China ("China"), Indonesia, Japan, the Republic of Korea ("Korea") and Taiwan.

2. Identify whether each country is also the country of origin of the imported goods. If not, provide details.

BlueScope understands that the country of export of the goods the subject of this application is also the country of origin of the GUC.

3. If the source of the exports is a non market economy, or an 'economy in transition' refer to Part C.4 and Part C.5 of the application.

China, Indonesia, Japan, Korea and Taiwan are not considered 'non-market economies' or 'economies-in-transition' countries under Australia's Anti-Dumping and Countervailing provisions.

4. Where possible, provide the names, addresses and contact details of:

- **producers of the goods exported to Australia;**

  BlueScope has identified a number of plate producers that export the GUC to Australia.

- **exporters to Australia; and**

  BlueScope understands the following nominated companies are both producers and exporters of the GUC to Australia:

<u>China</u>

(i) ANGANG Steel
No.1, Huangang Road, Tiexi district,
Anshan City, Liaoning Province, P.R. China
Tel: 86 510 86032308,
Fax: 86 510 82400522

(ii) BAOSHAN STEEL STOCK CO LTD
(otherwise known as Baosteel)
Baosteel Tower, Pu Dian Road 370,
Pudong New District, Shanghai, China. 200122

(iii) Xinyu Iron & Steel Co. Ltd
XInyu city, jiangxi province 338001
Tel: 0790-6292925
Fax: 0790-6294999

(iv) Jinan Iron and Steel Company Ltd
(also known as Shandong iron and Steel company Ltd.
21 Gongyebeilu Road, Jinan,
Shandong Province, P.R.China
www.jigang.com.cn/en/

Indonesia

(i) Gunawan Dianjaya Steel, PT (GDS)
Jl Margomulyo No.29 A,
Surabaya, Jawa Timur,
60183, Indonesia
Tel: +62 31 7490598
Fax: +6231 7482109
Web: www.gunawansteel.com/eng/

(ii) GS Global Indonesia
Rukan Multiguna Kemayoran Blok 2-G
Jl. Rajawali Selatan Raya C5 No. 2
Jakarta, 14410, Indonesia
Tel: +62 21 6412887
Fax: +6221 6412885
Web: http://gsglobalindonesia.com

(iii) Gunung Raja Paksi, PT
Jl. Imam Bonjol 4,Warung
Bongkok, Suku Danau, Cibitung Bekasi,
Jawa Barat, 17520,Indonesia
Tel: +62 21 890 0222
Fax: +62 21 890 1588
Web: www.grdsteel.com

(iv) Krakatau Steel, PT
Krakatau Steel Building
5th Floor, Jl. Jend. Gatot Subroto
Kav. 54, Jakarta Selatan,
12950,Indonesia
Tel: +66 21 5221255
Fax: +66 21 5200876
Web: http://www.krakatausteel.com

Japan

(i) JFE Steel Corporation
Head Office: 2-2-3 Uchisaiwaicho,
Chiyoda-ku, Tokyo
Tel: +81-3-3597-3111
Web: www.jfe-steel.co.jp

Korea

(i) Hyundai Iron & Steel Co Ltd
1 songhyun-Dong Dong-Ku
Inchon 401-712 South Korea
Tel: +82 2 3464 6021
Fax: +82 2 3464 6460
Web: http://www.hyundai-steel.com

(i) Dongkuk Steel
50 Suha-dong Chung-gu, Seoul,
110-210 South Korea
Tel: +82 2 3171 261
Fax: +82 2 3171397
Web: www.dongkuk.co.kr/eng/

Taiwan

(i) Shang Shing Steel Industrial Co., Ltd
No. 19, Chu-Kung 2 Lane, Chuhou Village,
Jen-Wu Country, Kaohsiung,
81448, Taiwan
Tel: +88 67 3711845
Fax: +88 67 3710008
Web: http://www.sssteel.com.tw/

Importers of the GUC into Australia.

The following companies are understood to be importers of plate steel into Australia from the nominated exporting countries:

(i) MinMetals Australia Pty Ltd
580 St Kilda Road
Melbourne Victoria 3001
Tel: (03) 9520 6810
Fax: (03) 9521 1815
Web: www.minmetals.com.au

(ii) Stemcor Australia Pty Ltd
Level 13, 15 Blue Street
North Sydney NSW 2060
Phone - 02-9959 3088
Fax - 02-9925 0844

(iii) GS Global Australia Pty Ltd
Lvl 38, 100 Miller Street
North Sydney, NSW. 2060
Phone – 02-9954 0911
Fax – 02-9954 0919

(iv) CMC Australia Pty Ltd
118 Dowd Street
Welshpool, WA 6986
Phone – 08-9258 6066
Fax – 08-9258 6366

(v) Sanwa Pty Ltd
Suite 201, 2nd Floor
100 New South Head Road
Edgecliff NSW 2027 Australia
Phone 61 2 9362 4088
Fax: 61 2 9362 3622
Web Site www.sanwa.com.au

5. If the import volume from each nominated country at Appendix A.2 (Australian Market) does not exceed 3% of all imports of the product into Australia refer to Part C.6 of the application.

Australian Bureau of Statistics ("ABS") import data for plate are the subject of 'No Country Declared' ("NCD") suppression orders. As such, import data from each of the countries nominated in this application are not available from ABS.

BlueScope has obtained export data from ISSB[2], a reputable European agency that specialises in the supply of import and export trade data. BlueScope has identified the following volumes of the GUC exported to Australia from 2008/09 to September 2012/13 (inclusive), using the ISSB data

Table B-1.5 – Total Export tonnes of plate steel to Australia

Country	2007/08	2008/09	2009/10	2010/11	2011/12	As % of Total Imports in 2011/12
China	32,061	22,526	28,111	22,341	18,811	10.4%
Korea	24,571	10,403	21,401	35,682	63,168	34.9%
Indonesia	107,704	51,356	51.865	32,119	37,279	20.6%
Japan	2,161	2,552	4,336	3,430	9,530	5.3%
Taiwan	2,938	4,517	6,178	3,765	17,021	9.4%
Other	29,366	21,106	25,995	31,324	35,420	19.5%
Total	198,801	112,461	137,846	128,662	181,228	100%

Source: ISSB.
Notes:

1. 2011/12 data is incomplete due to lag in Country of Origin data supply, there is no export volumes included for September 2012.

As ABS data for the GUC does not disclose country of export details, BlueScope has relied upon published export data for determining the import shares held by exporting countries (export data to Australia will only be slightly different to import data, due to timing differences). Each of the exporting countries named in this application – China, Indonesia, Japan, Korea and Taiwan– have exported volumes that exceed the 3 per cent negligible volume levels in 2011/12.

2. **In the case of an application for countervailing measures against exports from a developing country, if the import volume from each nominated country at Appendix A.2 (Australian Market) does not exceed 4% of all imports of the product into Australia refer to Part C.6 of the application.**

This application also involves an application for countervailing measures for exports of plate steel exported from China. Table B-1.5 highlights that exports to Australia from China in 2011/12 exceeded the 4 per cent negligible volume threshold.

[2] ISSB Ltd. Is a European company involved in the publication of reports covering UK, European and Global trade in steel and raw materials. The following extract has been obtained from ISSB's website www.issb.co.uk

> "The company also maintains a database of the imports and exports of steel and steelmaking raw materials for more than 50 major steel producing nations, collectively accounting for 97% of global steel output. This high level of coverage also allows an accurate assessment of the trade flows for those countries where national trade data is not readily available and enables ISSB Ltd. to map the worlds movements of steel and steelmaking raw materials.
>
> ISSB holds trade data at 6-digit HS tariff code level (and to 8-digit level for EU countries) and can analyse the international movements of steel and steelmaking raw materials using any combination of tariffs and any combination of countries."

B-2 Export price

1. Indicate the FOB export price(s) of the imported goods. Where there are different grades, levels of trade, models or types involved, an export price should be supplied for each.

As indicated above, ABS import data by country for the GUC is not available due to the NCD suppression order.

BlueScope has included FOB values for the GUC in Confidential Appendix A2 sourced from ISSB. An average FOB price for plate steel imported from the nominated countries has been calculated from the identified Tariff Sub-Heading categories for the GUC.

For the non-alloy steel grades:

- BlueScope has used the ISSB FOB prices for Indonesia, Korea and Taiwan as the basis for determining prima facie dumping margins; and

- In the case of China and Japan, BlueScope has used deductive export prices when calculating prime facie dumping margins.

For non heat-treated alloy steel grades:

- For China and Korea, BlueScope has used the ABS FOB prices when calculating prime facie dumping margins.

It is noted that China plate imports are predominately the alloy Q&T Greenfeed plate grades, and the Korean plate imports are predominately non-alloy plate grades.

2. Specify the terms and conditions of the sale, where known.

The ABS export prices are determined at the Free-on-Board ("FOB") point in the country of export. The ISSB export prices are also understood to be determined at the Free-on-Board ("FOB") point in the country of export. Details of FOB export prices for Indonesia, Korea and Taiwan are included in Confidential Attachment B-6.1 (provided in soft copy).

3. If you consider published export prices are inadequate, or do not appropriately reflect actual prices, please calculate a deductive export price for the goods. <u>Appendix B1</u> (Deductive Export Price) can be used to assist your estimation.

As indicated above, BlueScope considers the published ISSB export volumes and pricing information for plate steel exports from the countries included in this application to be reliable for Indonesia, Korea and Taiwan.

In the case of China and Japan, BlueScope has used deductive export prices when calculating prime facie dumping margins.

Refer Confidential Attachment B-2 (deductive export pricing worksheet)

It should be noted that consistent with the negotiation process common in the steel industry, the price of steel imports to the Australian market is negotiated approximately 8 to 12 weeks in advance of delivery. Prices quoted to domestic customers by importers are in Australian dollars, but reflect a US dollar price hedged at the Australian dollar exchange rate on the day of offer. The final reported Customs value for the import shipment reflects the agreed US dollar price, converted into Australian dollar at the prevailing exchange rate. The price paid by the domestic customer of the importer reflects the originally negotiated Australian dollar offer, which is not further impacted by exchange rate movements.

4. It is important that the application be supported by evidence to show how export price(s) have been calculated or estimated. The evidence should identify the source(s) of data.

BlueScope has relied on deductive export prices for China and Japan when calculating *prima facie* dumping margins for non-alloy plate steel. Evidence to show how these export prices were calculated and the sources of data have been included at Confidential Appendix B-6.1.

B-3 Selling price (normal value) in the exporter's domestic market.

1. State the selling price for each grade, model or type of like goods sold by the exporter, or other sellers, on the domestic market of the country of export.

Indonesia, Japan, Korea and Taiwan

BlueScope has obtained domestic selling prices for Plate steel sold in Indonesia, Japan, Korea and Taiwan from recognised published information sources for steel prices in the respective country. The Plate steel selling price information has been sourced for each country as follows:

- Indonesia – from *[confidential source]* (Confidential Attachment B-3.1.1);
- Japan – from *[confidential source]* (Confidential Attachment B-3.1.2);
- Korea – from *[confidential source]* (Confidential Attachment B-3.1.3); and
- Taiwan – from *[confidential source]* (Confidential Attachment B-3.1.4).

Domestic selling prices relied upon for *prima facie* normal value purposes for Plate steel sold in Indonesia, Japan, Korea and Taiwan are summarised in Table B-3.1 below.

Table B-3.1 – Prima facie normal values for Plate steel (A$/MT)

Country	Oct-Dec 2011	Jan-Mar 2012	Apr-Jun 2012	Jul-Sep 2012
Indonesia	$875	$844	$870	$830
Japan	$1054	$926	$955	$857
Korea	$904	$851	$858	$833
Taiwan	$903	$846	$887	$842

Notes:

1. Taiwanese Plate steel prices sourced from *[confidential source]*.
2. Korean Plate steel prices sourced from *[confidential source]*.
3. Japanese Plate steel prices sourced from *[confidential source]*.
4. Indonesian Plate steel prices are sourced from *[confidential source]*.

The domestic prices obtained over the period 1 October 2011 to 30 September 2012 for Indonesia, Japan and Taiwan are based upon Plate steel for the "base product" Plate that is then adjusted for the common mix of Plate grades (refer "extras" schedule for each supplier) supplied to the Australian Plate steel market.

It is understood by BlueScope that *[country]* exports of plate steel to Australia during the investigation period include some Q&T Feed that sells at a premium to base plate steel (due to higher costs associated with the Quench and Tempered process employed). It is estimated that the volume of Q&T feed Plate steel exported from *[country]* accounts for up to X per cent of total *[country]* exports during the 2011/12 period.

The domestic prices for Plate steel sold in *[country]* are understood to be exclusive of domestic freight (i.e. are ex-works prices). The domestic prices for Plate steel sold in *[countries]* are FIS prices.

China

BlueScope considers that domestic selling prices for plate steel sold in China are artificially low and cannot be relied upon for demonstrating *prima facie* dumping margins (See further below under Section B-4.1).

BlueScope is familiar with the recently completed Customs and Border Protection investigation in respect of Certain Hollow Structural Sections ("HSS") exported from China[3]. Trade Measures Report No. 177 concluded that the selling prices for HSS sold in China were not suitable for the purposes of determining normal values. Customs and Border Protection determined that a "particular market situation" for HSS sold in China was determined.

It is BlueScope's understanding that plate steel prices in China are significantly lower than global Plate steel prices. BlueScope has examined Chinese domestic prices for plate steel (exclusive of VAT) over the 2011/12 year and contrasted these with available domestic prices published for Plate steel sold in *[countries]*.

During 2011/12, Chinese domestic Plate prices (exclusive of VAT) were on average $US XXX per metric tonne below the average *[source and countries]* domestic Plate prices (US$/MT). Details of this analysis are included in Confidential Attachment B-3.1.

2. Specify the terms and conditions of the sale, where known.

Please refer to Section B-4.1 below.

3. Provide supporting documentary evidence.

Please refer to Section B-4.1 below.

4. List the names and contact details of other known sellers of like goods in the domestic market of the exporting country.

BlueScope has identified some known manufacturers of plate steel products in China, Indonesia, Japan, Korea and Taiwan in B-1.4 above.

B-4 Estimate of normal value using another method.

1. Indicate the normal value of the like goods in the country of export using another method (if applicable, use <u>appendix B2</u> Constructed Normal Value).

B-4.1 China

Background

As indicated at B-3.1 above, BlueScope considers that domestic selling prices for plate steel in China are artificially low due to government influence on raw material prices (i.e. in particular, plate product produced from HRC, coking coal and/or coke and scrap steel) and that the selling prices for plate steel are therefore unsuitable for establishing normal values under s.269TAC(1) of the Customs Act.

BlueScope has also evidenced in this application that Chinese producers of the plate steel have received countervailable benefits in the form of subsidies received from the Government of China ("GOC") that have contributed to the GUC being sold in China at prices lower than they otherwise would be in the absence of the GOC influence.

[3] Refer Trade Measures Report No. 177 dated 7 June 2012.

BlueScope submits that a particular market situation exists on the domestic market in China for plate steel, and that normal values for the GUC cannot be assessed under the provisions of s.269TAC(1).

BlueScope notes that Customs and Border Protection has recently published Trade Measures Report No. 177 ("Report No. 177") on HSS exported from China, Korea, Malaysia, Thailand and Taiwan. In Report No. 177 the Minister concurred with Customs and Border Protection's assessment that a market situation existed for HSS sold in China and that normal values for HSS in China could not be determined under s.269TAC(1).

Specifically, Customs and Border Protection concluded[4]:

> *"...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 these GOC influences on supply are extensive, complex and manifold, and their resulting impact on the prices of HSS is not able to be easily quantified."*
>
> *"Customs and Border Protection's analysis of 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. Customs and Border Protection considers that 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 values under s.269TAC(1)."*

BlueScope notes the reference by Customs and Border Protection to the GOC influences that "*have materially distorted competitive conditions within that industry and have affected the supply of HSS, **HRC**, narrow strip, and **upstream products** and materials*." (emphasis added). The goods the subject of this application – plate steel – is also a product affected by the GOC distortions (i.e. it is an "upstream product"), similar to HSS. The Customs and Border Protection's findings on the impact of GOC influences on domestic HSS selling prices in China apply equally (and even more directly) to the Chinese domestic selling prices for plate steel, as the producer of the GUC in China is also likely a HRC manufacturer.

BlueScope submits that the GOC has heavily influenced the Chinese domestic market for plate steel through:

- the provision of steel raw material products in the production of steel plate at less than adequate remuneration (Program 1);
- the prevalence of State Owned Enterprises (also known as State-Invested Enterprises) involved in the manufacture of plate steel in China that receive benefits for the production of plate resulting in artificially low raw material input prices for plate steel producers (in most circumstances the steel plate producer also manufactures HRC); and
- certain benefits received by producers of the GUC from the GOC including reductions in taxes, exemptions on duties and VAT, the provision of grants, and concessional interest payments (i.e. government subsidies that impact the selling prices for plate steel manufactured in China).

<u>Australia's Anti-Dumping provisions – suitability of domestic prices</u>

China is treated as a market economy country under Australia's Anti-Dumping provisions. Australia's provisions are in accordance with the WTO Anti-Dumping Agreement and allow for the rejection of domestic selling prices in market economy countries where it can be established that the situation in the exporting country renders domestic selling prices unsuitable for normal value purposes.

[4] Trade Measures Report No.177, P.166.

The normal value for goods exported to Australia may be determined under s.269TAC(1) of the Customs Act on the basis of a price paid or payable for like goods sold on the home market in the ordinary course of trade in arm's length transactions. S.269TAC(2)(a)(ii) limits the normal value for goods exported to Australia under sub-section 269TAC(1) where the Minister is satisfied that:

> *"..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)"* (emphasis added).

Where it is established that domestic selling prices are not suitable for determining normal values because of the existence of a particular market situation, the normal values may be determined on the basis of a constructed normal value (incorporating what the Minister determines as the cost of production, relevant selling and general administration expenses, and an amount for profit) or, on the basis of export prices to third countries.

The Dumping and Subsidy Manual also provides some clarity concerning what constitutes a market situation. The Manual states[5]:

> *"Sales that would otherwise be relevant for determination of normal value may be unsuitable because the price does not reflect a fair price in normal market conditions. The legislation does not define market situations that would render domestic sales as unsuitable. The investigation and analysis of each case must fully set out the reasons for the unsuitability of sales before determining normal value under succeeding provisions of s.269TAC of the Act.*
>
> *In considering whether sales are not suitable for use in determining a normal value under s.269TAC(1) of the Act because of the situation in the market of the country of export, Customs and Border Protection may have regard to factors such as:*
>
> - *whether the prices are artificially low; or*
> - *whether there is significant barter trade; or*
> - *whether there are other conditions in the market which render sales in that market not suitable for use in determining prices under s.269TAC(1) of the Act.*
>
> *Government influence on prices or costs could be one cause of 'artificially low pricing'. Government influence means influence from any level of government.*
>
> *In investigating whether a market situation exists due to government influence, Customs and Border Protection will seek to determine whether the impact of the government's involvement in the domestic market has materially distorted competitive conditions. A finding that competitive conditions have been materially distorted may give rise to a finding that domestic prices are artificially low or not substantially the same as they would be if they were determined in a competitive market."*

Report No.177 details Customs and Border Protection's assessment of the Chinese HSS market and how it concluded that government influence of raw material costs (i.e. HRC, narrow strip, etc), and the range of subsidy programs available to Chinese raw material and HSS manufacturers, resulted in a "positive" assessment of the existence of a market situation for HSS sold in China.

It is BlueScope's view that Customs and Border Protection's conclusions contained in Report No. 177 are equally applicable to plate steel sold in China as they are in HSS. Customs and Border Protection's analysis in Report No. 177 commences with the GOC influence on the Chinese Iron and Steel Industry. Whilst BlueScope does not intend to reproduce all of Customs and Border Protection's commentary on the Chinese Iron and Steel Industry, it is appropriate to highlight the main findings.

Customs and Border Protection's investigations of the Chinese HSS industry identified various

[5] Dumping and Subsidy Manual June 2009, P 26-27.

forms of GOC influences on the Chinese Iron and Steel Industry, including[6]:

1. Broad, overarching GOC macroeconomic policies and plans that outline aims and objectives for the Chinese Iron and Steel Industry; and
2. *More specific 'implementing measures' that go towards actively executing the aims and objectives of these policies and plans.*

Customs and Border Protection's analysis of the macroeconomic policies applied by the GOC to the Chinese domestic Iron and Steel Industry identified overarching policy objectives for the industry contained in:

- the National Steel Policy;
- National and regional five year plans and guidelines;
- a BluePrint for Steel Industry Adjustment and Revitalisation; and
- the alignment of the GOC policies.

The National Steel Policy outlines the GOC's aims and plans for the Chinese Iron and Steel Industry. It further details the methodology and means by which the GOC's objectives will be met. Further, non-adherence to the aims and plans were also examined by Customs and Border Protection[7].

The National Five-Year plans detail the GOC's "*desire to re-structure, develop and in some cases 'control' aspects of the domestic iron and steel industry, and display the importance placed by the GOC on the development of its iron and steel industries*[8]."

The National Five-Year Plans are disseminated into provincial and sometimes regional plans. Customs and Border Protection identified a number of provincial plans for the Iron and Steel Industry in operation in a number of provinces where HSS producers of goods exported to Australia were operating. The programs and provinces identified included[9]:

- Outline of the Eleventh Five-Year Plan for the Economic and Social Development of Hebei Province;
- Outline of the Eleventh Five-Year Plan for the Economic and Social Development of Shandong Province;
- Outline of the Eleventh Five-Year Plan for the Economic and Social Development of Jilin Province (2006-2010);
- Outline of the Eleventh Five-Year Plan for the Economic and Social Development of Tianjin City.

Customs and Border Protection concluded that the provincial and regional Five-Year Plans closely aligned with the GOC's National Five-Year Plan in relation to the Iron and Steel Industry.

In May 2009, the GOC introduced a plan for the Iron and Steel industry titled "*Blueprint for Steel Industry Adjustment and Revitalization*". Customs and Border Protection considered that many of the aims and objectives of the Revitalization Plan were aligned with the National Steel Policy and the Eleventh National Five-Year Plan.

The 'Revitalization plan" identified the challenges faced by the Chinese Steel Industry. These include[10]:

- production capacity exceeding demand;
- weak innovation (with high-end products being imported rather than made domestically);
- poor geographical location certain enterprises (restricted as to resource access);

[6] Report No. 177, P.118.
[7] Report No. 177, P 118-119.
[8] Report No. 177, P. 121.
[9] Report No. 177, P. 122-123.
[10] Report No. 177, P 124.

- low concentration in the industry with major producers accounting for less than 30 per cent of total production; and
- 'weak' domestic resources (in particular, limited domestic sources of iron ore).

To address the limitations facing the Chinese Steel industry, the GOC outlined eight broad tasks to be carried out as part of the Revitalization Plan. These were[11]:

1. stabilising the domestic market and improving climate for export;
2. speeding up the dismantling of 'backward capacity' while 'strictly keeping the total standstill" (controlling production levels);
3. increasing industry concentration and 'enhance' reorganisation (through promoting mergers and acquisitions including promoting specifically-named mergers);
4. encouraging technical innovation and progress;
5. rationalising the location of capacity (including building a 'coastal steelbase' and ensuring the Shougang and Caofeidian Steel projects are finalised;
6. raising product quality and changing product types produced (e.g. developing 'key steel products (high-speed railway, high-strength automotive, etc) and raising the 'certificate standard' to promote steel quality to 'reach advanced international level');
7. stabilising the import of iron ore (including 'normalize' the market order – including building an 'import pricing mechanism'; and
8. developing resources domestically and internationally (increasing the level of iron ore exploitation, encourage ore exploitation abroad, etc.).

The Revitalization Plan also detailed the policy options for enacting the tasks including the alteration of policy measures (import and export tariff rates, VAT rates, grants, etc).

The alignment of the Revitalization Plan, the National Five-Year Plans and the National Steel policy provided the means by which the GOC implemented its policy objectives for the Chinese Iron and Steel Industry.

Customs and Border Protection considered that the Chinese iron and Steel Industry had been an important focus for the GOC for 'over a decade'. It referred to the Revitalization plan that described the Iron and Steel Industry as a 'pillar industry' stating[12]:

> *"Steel industry is an important mainstay industry for national economy, which is widely influenced to the whole society, highly interrelated between industries, and significantly stimulated the consumption, and plays a crucial role in the economy, social development, finance and taxation, national defence construction and employment stability*."

In assessing the importance of the identified plans to the Chinese Iron and Steel industry, Customs and Border Protection examined the measures applied by the GOC to implement the stated policies. The measures implemented were considered to be the means by which the GOC was able to enact its stated macroeconomic policies for the industry. The main measures identified by Customs and Border Protection included:

- 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; and
- subsidies in the iron and steel industry.

It is appropriate to examine each of the above-identified measures of the GOC that impact China's Iron and Steel Industry. This enables an understanding of the extent of government influence on the sector and what Customs and Border Protection considers "*go towards meeting at least some of the objectives of the GOC's......macroeconomic policies in relation to the*

[11] Report No. 177, P. 124.
[12] Report No. 177, p. 126.

domestic iron and steel industry.[13]"

(i) Measures to eliminate backwards production capacity and to encourage technical and environmental improvement

Measures identified by Customs and Border Protection that are promulgated by the GOC include:

- *The Directory Catalogue on Readjustment of Industrial Structure and the Interim Provisions on Promotion Industrial Structure Adjustment*

  Details certain industry activities as either 'encouraged, restricted or eliminated' investment industries. Customs and Border Protection established that "*it appears as though there is a desire to discourage and/or eliminate the manufacture of narrow strip in China …as well as restrict the investment in smaller-scale galvanised hot rolled steel*"[14].

  Further, the Interim Provisions require that[15]:

  - financial institutions shall provide credit support to encouraged investment industries; and
  - investments are prohibited toward projects in the restricted and eliminated categories.

- *Notice of the State Council on Further Strengthening the Elimination of Backward Production Capacities*

The Notice details the restructuring and revitalising the iron and steel industry via the NSP, the 11th National FYP and the Revitalization Plan and encourages the backward elimination of inefficient steel capacities.

Customs and Border Protection concluded that the measures to eliminate backward production capacity could not be solely based upon environmental grounds (as was argued by the GOC).

(ii) Market entry criteria and Industry operating conditions

Customs and Border Protection's analysis of the Standard Conditions of Production and Operation of the Iron and Steel Industry (the Steel Standard Conditions) dated 21 June 2010 confirmed certain operating conditions for industry participants including volume and capacity minimum standards, the requirement to eliminate backward production facilities in accordance with the NSP, the Revitalization Plan and the Revised Directory Catalogue, and the minimum standards for crude steel production outputs.

The industry operating conditions (including the criteria applicable for operation in the Coking Industry) indicate that enterprises in the Chinese iron and steel industry may be required to upgrade facilities above the minimum thresholds, or face potential closure by the GOC.

(iii) Measures to curb production capacity redundancy

The further restrictions on production capacity in the Chinese Iron and Steel Industry were observed via the *Circular of the State Council on Accelerating the restructuring of the Sectors with production Capacity Redundancy*, the *Circular on Controlling Total (Capacity), Eliminating the Obsolete (Capacity) and Accelerating Structure Adjustment of Iron and Steel Industry*, and the *2009 Overcapacity Notice*, were inconsistent with principles of permitting the market to fairly allocate resources.

[13] Report No. 177, P.129.
[14] Report No. 177, P.131.
[15] Report No. 177, P.32.

(iv) Guiding industry mergers and restructuring

BlueScope notes Customs and Border Protection's observance of the improved concentration of Chinese iron and steel producers through mergers and acquisitions that are aimed at achieving the GOC's objective of top 10 producers accounting for 70 per cent of production by 2020. In particular, BlueScope refers to Customs and Border Protection's comments attributed to BaoSteel, a company involved in the exportation of plate steel to Australia[16]:

> "*As one of the engines of domestic iron and steel industry, Baosteel has been taking an active part in the reorganization of the industry in accordance with the national policies on iron and steel industry by way of various capital operation including acquisition, merging and transfer for free. Baosteel has quickly enlarged its production scale, and strengthened its comprehensive power, enhancing its core competitive power.*"

The consolidation of China's Iron and Steel industry into a few large producers (i.e. 10 producers accounting for 70 per cent of production) under the guidance of the GOC raises considerable concern for industries external to China. With China already producing above domestic demand levels, further consolidation by the industry with GOC support, will likely result in increased exports of iron and steel products that benefit from GOC subsidies received as incentives for industry consolidation.

BlueScope's concerns are equally reflected in the comments of Customs and Border Protection[17]:

> *"…there is evidence to determine that significant restructuring of the Chinese iron and steel industry has been (**an is still**) occurring, and that this is led by, monitored and encouraged by the GOC (and certain evidence exists to display that this restructuring is in fact GOC-mandated and directed). **It is considered that this restructuring has occurred as a result of factors other than basic market forces (i.e. government influence)." (***emphasis added)

It is clear from Report No. 177 that the GOC has directed the restructuring of the Chinese Iron and Steel Industry via the implementation of its Eleventh and Twelfth Five Year Plans, the National Steel Policy and the Revitalization Program.

(v) Export measures on coal

In Report No. 177 Customs and Border Protection examined export tariffs, export quotas and tariffs and certain export measures, applicable to coal. Customs and Border Protection also reflected on the recent Reports of the WTO Appellate Body, China – Measures Related to the Exportation of Certain Raw Materials (DS394, 395 and 398).

Customs and Border Protection commented that the measures on coke "*that appear to be consistent with the aims of the NSP to restrict exports of coke and the aim of the 2009 Revitalization Plan to Continue on policy orientation of controlling export of 'two high, one resource' and low value-added goods.*[18]"

BlueScope concurs with the conclusion of Customs and Border Protection that the GOC's export restrictions on coke do have a significant impact on the domestic iron and steel industry (including in the production of plate steel products).

(vi) Subsidies in the iron and steel industry

In Customs and Border Protection's Report No. 177 (i.e. the HSS investigation) a total of 28 countervailable subsidy programs were identified as having been received by steel producers in the Chinese steel industry.

[16] Report No. 177, P.147.
[17] Report No. 177, P.148.
[18] Report No. 177, P.152.

The program that was identified as having the single largest benefit for Chinese HSS exporters was Program 20, which related to the provision of steel raw materials (including Hot Rolled Coil (HRC) and narrow strip) to HSS producers by SIEs (State Invested Enterprises or formerly, State-Owned Enterprises (SOEs)) at a price that was considered by Customs and Border Protection to have been less than adequate remuneration.

As HRC is a principle raw material used in one method of manufacture of plate steel – the goods the subject of this application – BlueScope submits that the findings applicable in Report No. 177 to HSS apply equally to this application involving plate steel exported from China.

BlueScope further submits that as Baosteel (or a subsidiary entity within the Baosteel Group of companies) is an exporter of plate steel to Australia, there exists a more direct link between the HRC sold at less than adequate remuneration to producers of the exported goods than in the HSS case where there was (in most instances) an independent of HRC by the producer to the HSS producer.

It is also noted that Customs and Border Protection identified subsidies (i.e. the remaining 27 programs) that were countervailable and provided benefits to iron and steel producers including:

- grants for research and development, brand excellence, hi-tech industry investment, and the holding of specific patents;
- taxation benefits based upon location and enterprise type.

It was concluded by Customs and Border Protection that "*at least some of the subsidies will assist with the implementation of the GOC's macro-economic plans for the steel industry*[19]".

BlueScope similarly considers that the evidence cited by Customs and Border Protection in Report No. 177 (and reflected at Section C.1 of this application) supports a conclusion that a broad range of countervailable subsidies are available to members of the Chinese iron and steel industry that aid or contribute to reductions in the cost of production of the goods the subject of this application as exported to Australia.

Additional evidence referred to by Customs and Border Protection in Report No.177

Further to the measures identified in (i) to (vi) above, Customs and Border Protection also referenced additional information concerning the implementation and impact of GOC policies on the Chinese Iron and Steel Industry. In referring to the Law of the People's Republic of China on the State-Owned Asset Enterprises, the following was observed[20]:

> "*A state-invested enterprise making investment shall comply with the national industrial policies, and conduct feasibility studies according to state provisions; and shall conduct a transaction on a fair and paid basis, and obtain a reasonable consideration*".

In support of its finding that large Chinese SIEs complied with the requirements of the Article, Customs and Border Protection identified that Baosteel in each of its 2006, 2008 and 2010 Annual reports had commented on compliance with the GOC's policies for the Iron and Steel Industry (refer also to Wuhan Iron and Steel Group compliance with 12th Five year Plan referred to below).

Customs and Border Protection's Conclusions on GOC's influence on domestic Iron and Steel Industry

Customs and Border Protection's conclusion that the GOC plays a significant role in influencing the domestic Iron and Steel Industry via its numerous macroeconomic policies and implementation measures is well supported with referenced material in Report No. 177. BlueScope submits that the same GOC influences on the domestic Iron and Steel Industry are also of consideration in this application involving plate steel (as HRC is also a key input into plate steel production).

[19] Report No. 177, P.153.
[20] Report No. 177, P.154.

BlueScope agrees with Customs and Border Protection's assessment of the GOC influences on the Chinese Iron and Steel Industry that are categorised as[21]:

1. measures to drive structural adjustment;
2. technological, efficiency and environmental development measures;
3. export restrictions on coke; and
4. subsidisation of encouraged practices and products.

For China, BlueScope has used average quarterly domestic selling prices for base-grade plate sold domestically in Korea and Taiwan. These prices were adjusted based on BlueScope's overall conversion costs to produce plate steel (also taking account of an adjustment factor for Chinese energy and labour rate costs). SG&A costs were also based upon BlueScope's SG&A expenses, again adjusted for Chinese labour rate costs. For non alloy plate a five percent profit margin was applied (which is well below the industry's return for adequate re-investment purposes) and for alloy plate a price extra for covering alloy costs and profit was applied.

This process applies to both the non-alloy grades of plate steel imported and for the alloy grades (Q&T green feed) of Plate steel imported.

The resulting price is considered to be representative of a market price for steel plate sold in China unaffected by government influence.

Does a Market Situation exist in China for Plate Steel?

It is noted from Report No. 177 that Customs and Border Protection focused on the economic impact of the "*GOC influences on the determinants of supply of HSS, and the resulting impact on the price of HSS in China*.[22]"

Customs and Border Protection then examined the impact of the GOC influences on the determinants of HSS supply for each of the four categories identified (i.e. measures to drive structural adjustment, technological efficiency and environmental measures, export restrictions on coke, and subsidisation). The determinants of supply likely impacted included:

- the cost of the factors of production (i.e. reduced cost results in increased production);
- technology (enhanced technologies contribute to lower costs and higher production volumes); and
- the number of suppliers in the market (the GOC influences have contributed to a reduction in the number of industry participants but <u>not</u> a reduction in production).

As the determinants of supply applicable to HSS supply are also the same determinants of supply for plate steel, BlueScope considers that Customs and Border Protection's conclusions on the GOC's influence on the four identified categories apply equally to the goods the subject of this application. Customs and Border Protection's assessments for each category are therefore relevant to this application and are therefore repeated.

The findings in respect of the relevant categories were as follows:

1. <u>Structural Adjustment</u>

Customs and Border Protection concluded that the elimination of production capacity as directed by the GOC was a key consideration. It observed[23]:

> *"..significant evidence of the implementation of the GOC policy of restructuring, re-locating and consolidation of the Chinese iron and steel industry into larger, more favourably located enterprises has been observed. Further, evidence that the GOC has*

[21] Report No. 177, P.158.
[22] Report No. 177, P.159.
[23] Report No. 177, P. 161.

implemented measures to eliminate redundant capacity in the iron and steel industry has been observed.

Consequently, structural adjustment has been seen both in 'upstream' producers of HSS raw materials (and the upstream inputs of the raw materials as well), but also in the Chinese pipe and tube sector and amongst enterprises that themselves produce HSS and other pipe and tube products.

Furthermore, it is considered that the merging and consolidation of the iron and steel industry ***is likely to be more widespread than those materials listed in this appendix****,* ***which are non-exhaustive listings. It is therefore considered likely that numerous other iron and steel enterprises*** *(including HSS manufacturers and other pipe and tube producers) have undergone mergers and restructuring in line with these GOC policies (*emphasis added*).*

It is considered that the effects of this structural adjustment for enterprises are likely to include:

- *greater cost efficiency through the creation of economies of scale;*
- *shifts in market share;*
- *improved profitability;*
- *improved research and development through consolidated efforts (and a resulting improvement in production processes and efficiency, as well as product quality and output levels);*
- *increased administrative efficiency;*
- *improved ease of access to funds; and*
- *reduced numbers of competitors.*"

BlueScope notes Customs and Border Protection's comments that the likely impact of the GOC's influences on structural adjustment extends beyond the materials identified in the HSS inquiry (raw materials and HSS itself). BlueScope contends that the raw materials used in plate steel manufacture (i.e. liquid steel to steel slab) are similarly impacted by the GOC's structural adjustment influences (as was evidenced with HSS).

BlueScope has also observed that the Wuhan Iron and Steel Group has merged its operations with two steel groups (Echeng iron and Steel Company, and Liuzhou Iron and Steel Company) and moved from the fifth largest steel group in China to the third largest in 2011. The State-Owned Wuhan Group website confirms that the group has completed its mergers in accordance with the GOC's Eleventh Five-Year Plan that required the elimination of production capacities via industry mergers and rationalisation, and is "striving" to meet the targets of the GOC's Twelfth Five Year Plan.

2. <u>Technological, operating efficiency and environmental development measures</u>

The impact of the GOC's macroeconomic policies on the Iron and Steel Industry's technological, operational efficiency and environmental measures was varied. Customs and Border Protection considered that the influence could be evidenced via[24]:

- enhanced efficiency through modern equipment and manufacturing processes;
- decreased supply of certain materials and the need to use alternatives;
- increased capital expenditure;
- further consolidation of industry participants;
- improved product quality; and
- impact on decision-making.

Customs and Border Protection particularly observed that the impact of the GOC's measures involving technology advancements, etc. "*…likely directly impact the operations and business decisions of enterprises, the costs incurred by these businesses, and subsequently their profits*

[24] Report No. 177, P.162.

and/or selling prices"[25].

The same technological advancements that have resulted in improved production cost efficiencies for the manufacture of HRC and HSS in China would similarly benefit Chinese manufacturers of plate steel.

3. Export restrictions on coke

The export restrictions on coke were found to have limited China's coke exports and increased the supply of coke in China. Customs and Border Protection concluded that the increased supply of coke in China "*could reasonable be considered to have resulted in decreased prices*" for coke in China.

Customs and Border Protection referred to publicly available information that confirmed[26]:

- coke represents a significant proportion (over 20 per cent) of the cost of cast steel (being first used to smelt iron, and this iron is then used to produce steel);
- steel represents the major cost of HRC; and
- verified information of Chinese exporters shows that HRC and/or narrow strip represents in excess of 90 per cent of the total cost to make HSS.

It was determined that the cost of coke represented a significant proportion of the cost of the HRC or narrow strip, and therefore the HSS.

For plate steel manufactured in China, the steel slab accounts for approximately 80 per cent of the production costs (although it is likely this percentage may be higher).

4. Subsidisation

BlueScope has identified subsidy programs that it considers are likely to have afforded benefits to steel slab and/or plate steel producers in China (refer Section C.1 below). As with Customs and Border Protection's findings in the HSS inquiry, it is likely that Chinese producers of plate steel have received countervailable subsidies from the GOC (in this case the steel slab producer is in most cases also the producer of the plate steel exported to Australia).

The effect of the subsidies on enterprises as identified by Customs and Border Protection included:

- lower costs of production;
- grants for research and development would lead to increased operating efficiencies; and
- GOC funds would aid consolidation and mergers to achieve structural adjustment.

Impact of GOC measures on supply and price of plate steel

Having examined Report No. 177 that identified the GOC measures that apply to the Chinese Iron and Steel Industry, BlueScope has formed a view that the impact of the GOC measures on the supply and price of HSS in China, similarly applies to the supply and price of plate steel in China (and likely to an even higher degree due to, in most instances, the steel slab/HRC producer also involved in the plate production process).

An examination of the GOC influences on the four categories and how this impacts the supply and pricing for plate steel follows.

Structural adjustment – the supply and price of plate steel would have been influenced by:

[25] Report No. 177, P.162.
[26] Report No. 177, P.163.

- reducing the prices of the factors of production of plate steel including the price of raw material steel slab/HRC (as well as changes in supply of upstream steel, iron and other raw material manufacturers);
- improved technology used by consolidated enterprises;
- eliminating redundant capacity and consolidating production into larger, merged steel enterprises (although not reducing production capacity as in GOC's objectives); and
- increasing compliance costs for new environmental standards.

Technological, and operating efficiency measures – would have caused an increase in supply, and reductions in price, of plate steel products through the elimination of backwards capacity and adoption of more technologically-advanced production techniques (with similar principles applying to steel slab manufacturers).

Export restrictions on coke – contributed to lower costs for inputs in the steel-making, steel slab and plate steel manufacturing processes, resulting in lower selling prices for the identified products.

Subsidisation – influences the prices of factors of production and therefore the price of plate steel by:

- improving the technology used by plate steel producers, decreasing the cost of production, as well as affecting the supply and price of the raw material steel slab (and the prices for raw material inputs for upstream producers);
- reducing the cost of raw materials used in steel slab production inputs through the GOC's encouraged structural adjustment program; and
- directly reducing the input prices of products at each stage of production where the subsidies are passed on by recipient enterprises.

BlueScope submits that the price of plate steel in China is influenced by changes in the determinants of supply, that have caused an increase in supply and reduced prices in the plate steel and upstream industries.

In support of the position that the GOC's influence via the determinants of supply has contributed to reduced selling prices for plate steel in China, BlueScope has contrasted 2012/13 domestic Chinese plate steel prices (excluding VAT) with average domestic selling prices for Plate in Western Europe, USA and Japan and confirmed that the Chinese price was US$ 346MT (or approximately 38 per cent) below average Western Europe, USA and Japan domestic prices.

Conclusion on Market Situation for Plate steel in China

It is BlueScope's view that the GOC has exercised influence over the Chinese Iron and Steel Industry through its macroeconomic policies of the NSP, the Eleventh and Twelfth Five-Year Plans, and the Revitalization Plan, to impact the competitive conditions of the industry that has impacted the supply of products including steel slab and plate steel.

BlueScope asserts that the information available (and supported by the findings of Report No.177) demonstrates that prices of plate steel in the Chinese market are not substantially the same (considered to be artificially low) as they would have been without the GOC influence. BlueScope considers that that the GOC influences in the Chinese Iron and Steel Industry have created a 'market situation' in the domestic plate steel market, and that sales of plate steel in China are not suitable for determining normal values under s.269TAC(1).

Normal value for Chinese plate steel producers

BlueScope does not have access to the costs of production for Chinese plate steel producers and therefore cannot assess normal values under s.269TAC(2)(c) using such costs, with a surrogate raw material steel cost. BlueScope considers that Chinese export prices to third countries similarly cannot be used as the basis for normal values as these export prices are also influenced by the GOC's policies.

In determining Chinese normal values for plate steel, BlueScope has used average quarterly domestic selling prices for base-grade plate sold domestically in Korea and Taiwan. These prices were adjusted based on BlueScope's overall conversion costs to produce plate steel (also taking account of an adjustment factor for Chinese energy and labour rate costs). SG&A costs were also based upon BlueScope's SG&A expenses, again adjusted for Chinese labour rate costs. For non alloy plate a five percent profit margin was applied (which is well below the industry's return for adequate re-investment purposes) and for alloy plate a price extra for covering alloy costs and profit was applied..

2. Provide supporting documentary evidence.

Please refer to Confidential appendix B-2 for supporting documentation evidencing constructed selling prices for the GUC sold in China, Indonesia, Japan, Korea and Taiwan.

B-5 Adjustments.

1. Provide details of any known differences between the export price and the normal value. Include supporting information, including the basis of estimates.

The constructed selling prices for the GUC in China, Indonesia, Japan, Korea and Taiwan have been determined at the ex-factory level.

Export prices sourced from ISSB are at the FOB level. The FOB export prices are therefore likely to include domestic inland freight in the country of export. BlueScope does not have access to inland freight charges from the manufacturer in the exporting country to place of export.

Normal values for plate in China, Indonesia, Japan, Korea and Taiwan therefore require an uplift to take account of the inland freight included in ISSB export prices (at FOB point). The uplift to normal values for China, Indonesia, Japan, Korea and Taiwan will result in greater dumping margins than determined at Section B-6 below. In the absence of actual inland freight charges in the exporting country, BlueScope has <u>not</u> adjusted normal values to reflect the relevant charge.

2. State the amount of adjustment required for each and apply the adjustments to the domestic prices to calculate normal values. Include supporting information, including the basis of estimates.

No further adjustments other than those stated above in B-5.1 have been made.

B-6 Dumping margin

1. Subtract the export price from the normal value for each grade, model or type of the goods (after adjusting for any differences affecting price comparability).

	Oct-Dec 2011 Qtr	**Jan-Mar 2012 Qtr**	**Apr-Jun 2012 Qtr**	**Jul-Sep 2012 Qtr**
China				
Normal value	1094	1016	851	948
Export price	933	918	723	864
Dumping Margin	162	98	129	84
% of Export price	17.4%	10.6%	17.8%	9.7%
Indonesia				
Normal Value	875	844	870	830
Export price	794	709	732	770
Dumping Margin	80	135	139	60
% of Export price	10.1%	19.1%	19.0%	7.8
Japan				
Normal Value	1054	926	955	857
Export Price	879	861	861	843
Dumping Margin	175	65	94	14
% of Export Price	19.9%	7.5%	10.9%	1.6%
Korea				
Normal Value	904	851	858	833
Export Price	848	768	763	759
Dumping Margin	56	83	95	74
% of Export Price	6.6%	10.9%	12.4%	9.8%
Taiwan				
Normal Value	903	846	887	842
Export Price	754	721	707	711
Dumping Margin	149	124	178	131
% of Export Price	19.8%	17.3%	25.1%	18.5%

Notes:
1. China, Indonesia, Japan, Korea and Taiwan normal values, export prices and dumping margin calculations are included at Confidential Appendix B-2.

2. Show dumping margins as a percentage of the export price.

The dumping margins over the 2011/12 year (shown on a quarterly basis) as a percentage of export price have been determined as follows:

- China – in the range 9.7 per cent to 17.8 per cent;
- Indonesia – in the range 7.8 per cent to 19.1 per cent;
- Japan – in the range 1.6 per cent to 19.9 per cent;
- Korea – in the range 6.6 per cent to 12.4 per cent and
- Taiwan – in the range 17.3 per cent to 25.1 per cent.

PART C

SUPPLEMENTARY SECTION

IMPORTANT

Replies to questions in Part C are not mandatory in all instances, but may be essential for certain applications.

You should contact the Customs Dumping Liaison Unit before answering any question in this part:

☎ (02) 6275-6066 Fax (02) 6275-6990

C-1 Subsidy

1. Identify the subsidy paid in the country of export or origin. Provide supporting evidence including details of:
- **(i) the nature and title of the subsidy;**
- **(ii) the government agency responsible for administering the subsidy;**
- **(iii) the recipients of the subsidy; and**
- **(iv) the amount of the subsidy.**

C-1.1 Introduction

BlueScope is seeking the publication of countervailing notices in respect of subsidies that have provided benefits, whether directly or indirectly, to Chinese exporters of plate steel.

BlueScope's recent countervailing application on coated steel products exported from China (i.e. aluminium zinc coated steel and galvanized steel) identifies countervailing programs that are considered to have provided benefits to Chinese exporters of coated steel products. The countervailable subsidy programs identified in BlueScope's coated steel applications identifies subsidy programs previously investigated by Customs and Border Protection in Trade Measures Report No. 177, as well as additional programs including coke and coking coal at less than adequate remuneration.

BlueScope has referred to the 'market situation' findings in Report No. 177 at Section B-4.1 above. Report No. 177 also identifies the countervailable subsidy programs that Customs and Border Protection identified as having afforded benefits to Chinese steel industry participants (whether HSS producers or, upstream iron and steel industry producers). Report No. 177 identifies a total of 28 programs as having provided "countervailable" subsidies to Iron and Steel Industry participants.

Chinese Manufacturers of the goods exported to Australia that are the subject of this application are considered to be primarily integrated steel producers. An integrated producer is predominantly also a producer of hot rolled coil ("HRC") – one intermediate steel product that is cut to length and sold as plate steel. The integrated producer will commonly manufacture HRC from steel slab, which in turn is produced from liquid steel, where the raw material ingredients are coke, iron ore and limestone. Some integrated producers manufacture their own coke from coking coal, while others purchase coke from one of the approximate 800 producers in China. For plate steel of larger thicknesses, the product may be made directly from steel slab (and not from HRC).

This application for countervailing duties identifies subsidies received by the Chinese plate steel producer/exporter that is likely an integrated producer and therefore receives benefits from subsidised raw material inputs including coke (or coking coal) and scrap steel in liquid steel manufacture that pass through to a benefit received in the production of the plate steel. Where the plate steel producer is not integrated, it is likely that the producer purchases steel slab and/or HRC for use in the manufacture of plate steel (and the slab steel and/or HRC is purchased at artificially low prices in China).

The programs investigated by Customs and Border Protection in Report No. 177 must also be viewed as providing benefits to producers in the Chinese Iron and Steel Industry in that they enable the producers and exporters of plate steel to sell at prices lower than they otherwise would in the absence of the benefit(s) received.

For ease of reference purposes, BlueScope has identified the countervailable subsidy programs in the same numeric order as they appear in Report No. 177 (with the exception of Program No 34 "*Baildon Town Public Listing Award*").

In addition to the countervailable subsidies identified in Report No.177, BlueScope considers that integrated Chinese exporters of the GUC have received benefits associated with reduced raw material prices for coke and/or coking coal (if integrated to coke production). The cost of these raw materials at levels that are less than comparative prices on the global market, have contributed to reduced production costs for the GUC than would be the case in the absence of

GOC influence. The reduced costs of inputs used in the production for plate steel in China are passed through to the selling prices for the GUC via the GOC's ownership and control of SIEs in the steel-making industry.

Integrated steel manufacturers of plate steel in China that export to Australia include Angang Steel, Hebei Iron and Steel Group, Wuhan Steel, Baoshan Steel Stock Co., Ltd, and Jinan Iron and Steel.

It is BlueScope's understanding that the input costs for liquid steel manufacture in China are at comparatively lower prices than global prices as a consequence of:

- the GOC's 40 per cent export tax on coke that contributes to an oversupply of coke in China and lower domestic prices; and
- the GOC's 10 per cent export tax on coking coal that also contributes to reduced domestic prices for coke in China.

It is therefore asserted that there are two additional programs of the GOC that provide integrated Chinese plate steel producers with reduced costs of production. These two additional programs are:

1. Coke at less than adequate remuneration; and
2. Coking coal at less than adequate remuneration.

C-1.2 Identification of Subsidy Programs

The following details the subsidy programs that BlueScope understands also apply to Chinese producers/exporters of the GUC, whether on a direct or indirect basis. The full detail of each program is included in Report No. 177. BlueScope has detailed the key information requirements of the relevant programs for ease of reference hereunder.

C-1.2.1 <u>Programs that provide for the Exemption/Reduction of Taxation</u>

Program 10: Preferential Tax Policies for Foreign Invested Enterprises (FIEs) – Reduced Tax Rate for productive FIEs scheduled to operate for a period of not less than 10 years.

Legal Basis: the income tax reduction and exemption for FIEs under this program is provided for in Article 8 of the FIE Income Tax Law.

Agency responsible for administering the subsidy: The State Administration of Taxation (SAT) and local branch offices of Bureaus. The program is administered in accordance with the Implementing Rules of the Foreign investment Enterprise and Foreign Enterprise Income Tax Law (the FIE Tax Regulations). The FIE Income Tax Law and the FIE Tax Regulations were repealed with the introduction of the *Enterprise Income Tax Law 2008* (the EITL) with transitional arrangements extending the operation of the program.

The recipients of the subsidy: FIEs that are production-oriented, with an anticipated term of operation of at least 10 years, and where the enterprise has a financial year in which a profit was made.

The amount of the subsidy: Under this program, from the year an FIE begins to make a profit, it may receive a full exemption from income tax in the first and second years and a 50% reduction in income tax in the third, fourth and fifth years.

Programs 1, 11 and 12: Income Tax reduction for Foreign-Invested Enterprises (FIEs) based on location

Legal Basis: The income tax reductions under Programs 1, 11 and 12 are provided for in the Fie Income Tax Law, Article 7. The FIE Income Tax Law and the FIE Tax Regulations were replaced by the EITL in 2008. Transitional arrangements for these programs until the end of 2012 are in place under State Council Notice No. 39 of 2007.

Agency responsible for administering the subsidy: the income tax reductions under programs 1, 11, and 12 are provided for in the FIE Income Tax Law, Article 7.

The programs are national programs and are administered by the SAT and its local Branch Offices or Bureaus, in accordance with the FIE Tax Regulations.

The recipients of the subsidy:

Program 1: Only FIEs located in Economic and Technological Development Zones (ETDZs) or the coastal Economic Open Areas are eligible for the subsidy.

Program 11: Only FIEs located in Special Economic Zones (SEZs) designated geographical region are eligible for the subsidy.

Program 12: Only FIEs located in a Special Economic Zone (SEZs) designated geographical region are eligible for the subsidy.

The amount of the subsidy: The programs apply to certain industries with operations in certain designated zones or certain specific geographic locations. The programs reduce the normal FIE tax payable rate of 25 per cent to various levels, dependent upon the particular location.

Program 13: Preferential Tax Policies in the Western Regions

Legal Basis & Agency responsible for administering the subsidy: The program is administered by the SAT and its local Branch Offices or Bureaus pursuant to the *Circular of the State Council Concerning Several Policies on Carrying on the development of China's Vast Wester Regions*, State Council Circular Fa No. 33 of 2000; the *Implementing Some Policies and Measures for the Development of Western Regions*, General office of State Council Circular Guo Ban Fa No. 73 of 2001; The *Circular of the Ministry of Finance, the State Administration of Taxation, the General Administration of Customs on Issues of Incentive Policies on Taxation for the Strategy of the Development in the Western Areas* (Cai Shui 2001 No. 202); the *Circular on the Deepening the Implementation of Tax Policy concerning Development of Western Regions* (Cai Shui 2011 No. 58).

The recipients of the subsidy: The program is available to enterprises established in the Western regions which are engaged in industries encouraged by the State as defined in the:

- *Catalogue of the Industries, Products and Technologies Particularly Encouraged by the State;*
- *Guiding Catalogue for Industry Restructuring;*
- *Circular on the Preferential Tax policy of the Western Regions;*
- *Catalogue for the Guidance of the Foreign Investment Industries;*
- *Catalogue for the Guidance of the Advantageous industries in Central and Western Regions for Foreign Investment*.

The amount of the subsidy: Under this program, enterprises established in the Western Regions engaged in industries encouraged by the State are eligible for a reduced tax rate of 15 per cent (as opposed to the standard 25 per cent rate).

Program 35: Preferential Tax Policies for High and New Technology Enterprises

Legal Basis: this program is provided for under Article 26 of the EITL.

Agency responsible for administering the subsidy: This is a national program administered by SAT.

The recipients of the subsidy: According to the EITL, it is understood that all high and new technology enterprises are eligible under this program.

The amount of the subsidy: This program reduces the income tax paid by high and new technology enterprises to 15 per cent (from the 25 per cent company tax rate).

Program 14: Tariff and VAT Exemptions on Imported Materials and Equipment

Legal Basis: This program is provided for under:

- Notice of the State Council Concerning the Adjustment of Taxation Policies for Imported Equipment (Guo Fa 1997 No.37);
- Catalogue of Industries for guiding Foreign Investment;
- Catalogue of Industry, Product and Technology Key Supported by the State at Present (2004);
- State Council's Import goods Note Exempted from Taxation for Foreign Investment Projects Catalogue; and
- Import Goods Not Exempted from Taxation for Domestic Investment Projects Catalogue.

Agency responsible for administering the subsidy: The National Development and Reform Commission ("NDRC") or its provincial branches issue certificates under this program, while local customs authorities administer the VAT and tariff exemptions.

The recipients of the subsidy: To be eligible for this program, the recipients:

- must be an FIE which falls under the 'encouraged' or 'restricted' categories of the *Catalogue of Industries for Guiding Foreign Investment* (2004 to November 2007) or the *Catalogue of Industries for Guiding Foreign Investment* (2007) post 1 December 2007;
- of the imported equipment which is sought to be exempt from tariff and/or VAT must be for the enterprise's own use and not fall in the State Council's *Import Goods not Exempted from Taxation for Foreign Investment Projects Catalogue*; and
- the total value of the purchase must not exceed the investment 'cap';

or,

- the enterprise must be domestic invested enterprise (DIE) which falls in the Catalogue of Industry, Product and Technology Key Supported by the State at present (2004) and the imported equipment must be for the enterprise's own use and not fall in the *Import Goods not Exempted from Taxation for Foreign Investment Projects Catalogue*; and
- the total value of the purchase must not exceed the investment 'cap'.

The amount of the subsidy: VAT and tariff exemptions.

Program 29: Land Use Tax Deduction

Legal Basis: Approval of Tax (Expense) Deduction 2010 No. 1581.

Agency responsible for administering the subsidy: Administered by the Huzhou City Local Taxation Bureau and Wuxing Sub-Bureau.

The recipients of the subsidy: High and new technology enterprises.

The amount of the subsidy: Reduced land tax liability.

Conclusion on taxation programs

Customs and Border Protection determined in Report No. 177 that Programs 1, 10, 11, 12, 13, 14, 29, and 35 provided for a benefit to the appropriate enterprise by the GOC in the form of taxation forgone and were assessed as countervailable subsidies.

C-1.2.2 Programs that provide Financial Grants – Programs 2, 5, 6, 7, 8, 15, 16, 17, 18, 19, 21, 22, 23, 27, 28, 30, 31, and 32.

Program 2: One-Time Awards to Enterprises Whose Products Qualify for 'Well-Known TradeMarks of China' and 'Famous Brands of China'

Legal Basis: Decision concerning Commending and/or Awarding to Enterprises in Guangdong Province Whose Products qualify for the Title of 'China Worldwide Famous Brand', 'China Famous Brand', or 'China Well-Known Brand'.

Agency responsible for administering the subsidy: Government of Guangdong Province.

The recipients of the subsidy: Enterprises who's products qualify for 'Well-Known' and 'Famous Brand' titles.

The amount of the subsidy: Not specified.

Program 5: Matching Funds for International Market Development for SMEs

Legal Basis: Measures for Administration of International Market Developing Funds of Small and Medium Sized Enterprises.

Agency responsible for administering the subsidy: Ministry of Finance and Ministry of Commerce; Implemented by local finance and trade authorities.

The recipients of the subsidy: SME Enterprises that have:

- a legal personality according to law;
- the capacity to manage an import or export business;
- made exports in the previous year of US$15M (before 201) or US$45M (after 2010);
- sound financial management systems and records;
- employees who specialise in foreign trade and economic business who possess the skills of foreign trade and economics; and
- a solid market development plan.

The amount of the subsidy: Varies according to expenditure.

Program 6: Superstar Enterprise Grant

Legal Basis:

- Measures for Assessment and Encouragement of Superstar Enterprises and Excellent Enterprise; and
- Notice of Huzhou Government Office Concerning Announcement of Criteria for Superstar Enterprises, Excellent Enterprises and Backbone Enterprises.

Agency responsible for administering the subsidy: Administered by the Huzhou Economic Committee

The recipients of the subsidy: Enterprises located in the Huzhou city that satisfy the following criteria:

(a) The 'output scale' of the enterprise must meet one of the following criteria:

- business income of the current year not exceeding RMB 3.5 billion;
- revenue within the city exceeding RMB 2 billion;
- sales revenue within the city exceeding RMB 2.5 billion;
- sales revenue within the city exceeding RMB 1.5 billion where the increase of sales revenue between 2007 and 2008 was more than 30% and the increased paid up tax between 2007 and 2008 was more than RMB 10 million; or
- revenue from self-export of current year is more than USD150 million.

(b) The enterprise's accumulated industrial input between 2006 to 2008 must have exceeded RMB 150 million.
(c) The enterprise must be profitable, and its VAT 'paid up', while its

- consumption tax;
- income tax;
- business tax;
- city construction tax; and
- education supplementary tax,

must exceed RMB 30 million.

The amount of the subsidy: Various.

Program 7: Research & Development (R&D) Assistance Grant

Legal Basis: Notice of the Office of People's Government of Wuxing District on Publishing and Issuing the Management Measures on Three Types of Science and Technology Expenses of Wuxing District.

Agency responsible for administering the subsidy: The government of Wuxing district and the Science and Technology of Wuxing District ('STB') are jointly responsible for the administration of this program.

The recipients of the subsidy: Emphasis is placed on selecting enterprises with:

- research projects addressing scientific and technological problems;
- technology innovation projects; or
- projects aimed at innovation in science and technology in the agricultural sector,

as well as some high and new technology industries.

The amount of the subsidy: Various.

Program 8: Patent Award for Guangdong Province

Legal Basis: Guangdong Patent Award Implementation Proposal.

Agency responsible for administering the subsidy: Administered by the Guangdong Province Department of intellectual Property and Department of Personnel.

The recipients of the subsidy: The award is granted to enterprises that have an 'innovations and utility models' or an 'industrial design' patent.

The amount of the subsidy: Various.

Program 15: Innovative Experimental Enterprise Grant

Legal Basis: Work Implementation Scheme of Zhejiang Province on Setting Up Innovative Enterprises.

Agency responsible for administering the subsidy: Administered by the administrative office of Science and Technology Bureau of Zhejiang province.

The recipients of the subsidy: Enterprises located in Zhejiang province, and are:

- independent economic entities with 'reasonable asset-liability ratios' demonstrated earnings over the last three years, and an increasing market share;

- well-placed to undertake research and development activities with a provincial or new and high-tech technology centre available, and proven relationships with colleges and scientific research centres;
- investing at least 5 per cent of annual sales income; and
- strongly committed to technological innovation and Protection with previous technological achievements.

The amount of the subsidy: Various

Program 16: Special Support Fund for Non State-Owned Enterprises

Legal Basis: Notion concerning accelerating the growth of the non-state economy.

Agency responsible for administering the subsidy: Yunnan Province local government.

The recipients of the subsidy: Non-SOEs located in Yunnan Province.

The amount of the subsidy: Various.

Program 17: Venture Investment Fund of Hi-Tech Industry

Legal Basis: Circular of Chongqing People's Government Office on Temporary Administration Measures on Venture Investment Fund of Hi-Tech Industry in Chongqing.

Agency responsible for administering the subsidy: Chongqing Venture Investment Fund

The recipients of the subsidy: Enterprises with 'high-tech' programs located in the High-tech Zone or the High-Tech Park of the new Northern District. Eligibility is also based on:

- the program must have a leading technological position in its field, and sufficient experience to enter the industrialisation development phase (industrialisation programs with intellectual property rights are given priority);
- the product must be of high quality and have potential economic benefit to the collective development of the Chongqing High-Tech Industry Zone;
- the department supporting the program must have good credit;
- the enterprise must have good legal standing; and
- the total investment in the program must be RMB 100 million or more.

The amount of the subsidy: Various.

Program 18: Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment

Legal Basis: Provisions of Guangzhou Municipality on Encouraging Foreign Investors to Set up Headquarters and Regional Headquarters.

Agency responsible for administering the subsidy: Administered by the local commerce authority of Guangzhou Municipality.

The recipients of the subsidy: The program is available to enterprises whose headquarters are established in the Guangzhou Municipality by a foreign investor. To qualify as 'Headquarters' the facility must control all the operations and the management of any enterprises it is invested in, both in China and internationally. Only one enterprise Headquarters is permitted in the Guangzhou Municipality. To qualify as 'Regional Headquarters' the facility must control the operations and management of some or all enterprises it is invested in a certain area of China.

The amount of the subsidy: Various.

Program 19: Grant for Key Enterprises in Equipment Manufacturing Industry of Zhongshan

Legal Basis: Notice of Issuing 'Method for Determination of Key Enterprises in Equipment Manufacturing Industry of Zhongshan' Zhongshu (2005) No.127.

Agency responsible for administering the subsidy: The program is administered by the local economic and trade office, by the Municipal Economic and Trade Bureau ('METB') and the Municipal Leading Group of Accelerating Development of Equipment Manufacturing Industry of Zhongshan City ('MLG').

The recipients of the subsidy: To be eligible for this program, the entity must:

- be established, registered and carrying out business in Zhongshan City;
- its primary product is part of the equipment manufacturing industry and comply with the relevant industrial policies;
- have assets over RMB 30 million, annual sales income of over RMB 50 million and annual paid-in tax of over RMB 3 million or, alternatively, the enterprise's main economic and technical indices must be at the forefront of the equipment manufacturing industry in the country or province, and have potential for additional development;
- have implemented a brand strategy, established a technical centre for research and development and be comparatively strong in its capacity for independent development and technical innovation; and
- have a good credit standing.

The amount of the subsidy: Various

Program 21: Water Conservancy Fund Deduction

Legal Basis: Notification of Relevant problems of Further Strengthening Water Conservancy Fund Deduction Administration of Zhejiang Province Local Taxation Bureau (ZheDiShuiFa (2007) No. 63).

Agency responsible for administering the subsidy: This program is administered by the Local Taxation Bureau of Zhejiang Province and it is implemented by the competent local taxation authorities of the municipal and county levels in Zhejiang Province.

The recipients of the subsidy: Enterprises must satisfy one of the following criteria:

- provide job opportunities to laid-off workers, the disabled and retired soldiers searching for jobs;
- enterprises that 'utilise resource comprehensively as designated by government department above municipal level';
- trading enterprises of commodities with annual gross profit rates of less than 5 per cent;
- enterprises undertaking 'State reserve and sale, the portion of revenues incurred from that undertaking may qualify for an exemption of the fee';
- 'advanced manufacturing enterprises' or enterprises as designated by the municipal government, which are undertaking technology development projects and investing development expenditure at an amount above RMB 1 million;
- 'insurance company's revenue from sales which are subject to exemption of excise tax';
- 'bank's revenue from turnover's between banks';
- 'revenue from sales between members of an enterprise group subject to same consolidated financial statement'.

The amount of the subsidy: Various.

Program 22: Wuxing District Freight Assistance

Legal Basis: Several opinions on Further Supporting Industrial Sector to Separate And Develop Producer-Service Industry (HuZhengBanFa (2008) 109).

Agency responsible for administering the subsidy: This program is administered by the Finance Bureau of Huzhou City.

The recipients of the subsidy: For enterprises who's annual freight cost is RMB 3 million or above, will be refunded 50% of the increase in the annual turnover tax which is paid locally by the transportation business and which is retained by the city. This increase is measured over the amount of tax paid in 2007.

For enterprises who's annually paid income tax is RMB 100,000 or above:

- 100% of the income tax paid by the 'separated enterprise' and retained by the city will be granted as assistance in each of the three years after the establishment date of the separated enterprise; and
- 50% of the turnover tax paid by the separated enterprise and retained by the city will be granted as assistance in each of the three years after the establishment date of the separated enterprise.

The amount of the subsidy: As above.

Program 23: Huzhou City Public Listing Grant

Legal Basis: Notification of Government of Huzhou City (HuBan No. 160).

Agency responsible for administering the subsidy: This program is administered by the Finance Bureau of Huzhou City.

The recipients of the subsidy: Enterprises that successfully completed listing of shares.

The amount of the subsidy: Various.

Program 27: Huzhou Industry Enterprise Transformation & Upgrade Development Fund

Legal Basis: Notification of the Office of People's Government of Huzhou City (HuZhengBanFa No. 60).

Agency responsible for administering the subsidy: The Government of Huzhou City and the Bureau for Quality and Technical Supervision are jointly responsible for the administration of this program.

The recipients of the subsidy: The award is granted to no more than three enterprises each year that are registered in Huzhou City and have been in operation for more than 3 years and that have:

- enjoyed excellent performance;
- implemented quality management; and
- obtained a leading position in industry with significant economic benefits and social benefits.

The products of an applicant must also meet the standards provided by laws and regulations regarding product safety, environmental protection, field safety, as well as relevant industrial policy.

The amount of the subsidy: Various

Program 28: Huzhou Industry Enterprise Transformation & Upgrade Development Fund

Legal Basis: GOC advised there is no single purpose legal document directly related to any benefit for this program.

Agency responsible for administering the subsidy: The Bureau of Finance and the Economic and Information Committee of Huzhou City are jointly responsible for the administration of this program.

The recipients of the subsidy: The program is limited to enterprises registered in Huzhou and encourages the transformation and upgrade of enterprises, 'including but not limited to industry upgrades, and to promote equipment manufacturing industry, high and new technology industry and new industry'.

The amount of the subsidy: Various.

Program 30: Wuxing District Public List Grant

Legal Basis: Notification on Awarding Advanced Individuals and Advanced Entities of Industrial Economy and Open Economy for the Year of 2010 (WuWeiFa (2011) No. 14).

Agency responsible for administering the subsidy: The Government of Wuxing District administers the program.

The recipients of the subsidy: A grant is available to eligible advanced publicly listed companies.

The amount of the subsidy: Not specified.

Program 31: Anti-Dumping Respondent Assistance

Legal Basis: Notification of Reclaiming Fair Trade Assistance by Wuxing Foreign Economic and Trade Bureau.

Agency responsible for administering the subsidy: This program is administered by Wuxing District Foreign Economic and Trade Bureau.

The recipients of the subsidy: Enterprises that have incurred expenses in defending an anti-dumping claim may seek assistance under this program.

The amount of the subsidy: Not specified.

Program 32: Technology Project Assistance

Legal Basis: Interim Measure for Administration of Post-completion Assistance or Loan Interest Grant for Industrialization of Science and Technology Achievements Sponsored by Zhejiang Province (2008).

Agency responsible for administering the subsidy: The Bureau of Finance and the Science and Technology Bureau of Huzhou City are jointly responsible for the administration of this program.

The recipients of the subsidy: The program is available to eligible enterprises that undertake a scientific research project that meets the scope of the projects encouraged under this program.

The amount of the subsidy: Various.

Conclusion on grants programs

Customs and Border Protection evidenced the existence of the identified grants programs (i.e. Programs 2, 5, 6, 7, 8, 15, 16, 17, 18, 19, 21, 22, 23, 27, 28, 30, 31, and 32) and concluded that the grants provided under the programs are financial contributions by the GOC, that involved the direct transfer of funds by the GOC to the recipient enterprises in China.

It is further acknowledged by Customs and Border Protection that *"…a financial contribution under each program would be made in connection to the production, manufacture or export of all goods of the recipient enterprise*"[27].

It is noted by BlueScope that some of the program identified by Customs and Border Protection in Report No. 177 are received by enterprises located in particular provinces of China and operate under criteria administered at the local government level. BlueScope has included all of the Programs identified in Report No. 177 as it does not know whether an exporter of the goods under consideration (or a Chinese producer of liquid steel) unknown to BlueScope has received a benefit because of that entity's location in a particular Chinese province. It is further observed that certain identified producers of the GUC are located in provinces (i.e. Hebei, Pudong and Jiangsu) that provide benefits to entity's under programs because of their location in a relevant industrial park/economic zone.

BlueScope submits that the identified taxation and grant programs detailed in Report No. 177 as countervailable subsidies in the HSS investigation would similarly apply to enterprises involved in the manufacture of plate steel.

BlueScope is aware that Wuhan Iron and Steel Group acknowledges on its website that it has received the following national awards:

- National Technology Innovation Award;
- National Quality Management Award;
- National Model Enterprise for Quality Performance;
- National User-Satisfied Leading Enterprise;
- National Award for Outstanding Contribution to Enterprise Management;
- National Civilized Enterprise.

BlueScope anticipates that the identified National Awards attract a benefit similar to the National Brand of China and Superstar Grants above.

C-1.2.3 <u>Program 20: Hot Rolled Steel or Slab Provided by Government at Less Than Adequate remuneration</u>

It is submitted by BlueScope that non-integrated Chinese exporters of plate steel have received a benefit from raw material hot rolled coil ("HRC") or slab by the GOC at less than adequate remuneration.

BlueScope understands that the HRC/steel slab used in the manufacture of the GUC is predominantly produced and supplied by State-Invested Enterprises ("SIEs") in China at less than adequate remuneration. The SIEs are viewed as public bodies and that a financial contribution in the form of the provision of raw material inputs at less adequate remuneration by the SIEs to the plate steel producers constitutes a countervailable subsidy.

Customs and Border Protection considered whether SIE manufacturers of HRC and narrow strip constituted 'public bodies' in Report No. 177[28]. Following its assessment, Customs and Border Protection concluded[29]:

> *"..sufficient evidence exists to reasonably consider that, for the purposes of its investigation into the alleged subsidisation of HSS from China, SIEs that produce and supply HRC and/or narrow strip should be considered to be 'public bodies', in that the GOC exercises meaningful control over SIEs and their conduct.*
>
> *As such, Customs and Border Protection considers that these SIEs qualify as 'public bodies' under the Act."*

[27] Report No. 177, P.214.
[28] Refer Part V of Appendix B to Report No. 177, P229.
[29] Report No. 177, P.246.

It is BlueScope's understanding that the findings on SIEs as 'public bodies' in the investigation involving HSS exported from China are readily applicable to the circumstances of plate steel exported from China. The grounds for applying the findings in Report No. 177 to the circumstances of plate steel exported from China include:

(i) the recent finalisation and publication of Report No. 177 dated 7 June 2012 provides a contemporaneous position on the HRC industry in China, including GOC input received for consideration by Customs and Border Protection as recently as circa 13 May 2012;
(ii) the investigation period in Report No. 177 is not far removed from the likely investigation period for this application (considered to be 1 October 2011 to 30 September 2012); and
(iii) the Chinese plate steel industry may include some non-integrated producers that purchase HRC or slab for use in the production of plate steel exported to Australia.

BlueScope submits that *non-integrated* producers within the Chinese plate steel industry receive a subsidy benefit for HRC and/or slab steel at less than adequate remuneration than that purchased from domestic suppliers in an industry where there is a predominance of SIEs. The benefit received by the plate steel producer in a low HRC and/or slab steel purchase price that is considered to represent a countervailable subsidy (as was established in Report No. 177).

C-1.2.4 Coking coal provided by Government at Less Than Adequate Remuneration

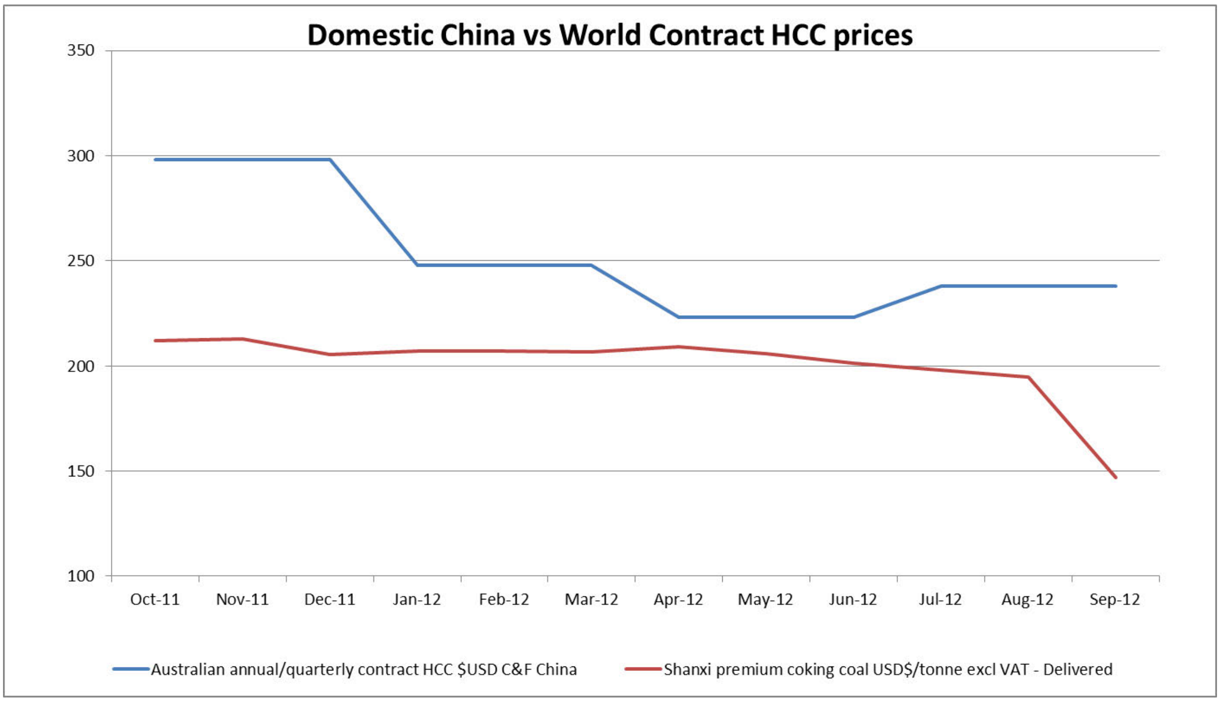
A fully-integrated steel producer would likely produce slab (and the subsequent plate steel) from coking coal, rather than purchasing coke from an alternate source. Coking coal in China is the subject of a 10 per cent export tax. The export tax influences the domestic price of coking coal, acting as a disincentive to export, and encouraging increased supply to the domestic market.

As a consequence, Chinese domestic prices for coking coal are lower than world-traded coking coal prices.

BlueScope has contrasted the global price[30] of coking coal with the Chinese domestic price of coking coal over the twelve month period to September 2012. The Shangxi premium coking coal price (exclusive of VAT) undercut the global price for coking coal by an average 20 per cent over this period. Australia is a major supplier of coking coal on the global market[31] and the Australian quarterly contract C&F price is considered a representative benchmark for global coking coal prices, particularly in the Asia region. The US and Canada are also significant exporters, with China emerging as an exporter of coking coal. The following graph depicts the margin between global and Chinese coking coal prices.

[30] As represented by the Australian Quarterly Contract Price for Hard Coking Coal ("HCC") US$/MT, including freight to Qingdao port, North China.
[31] Australia accounts for 51% of coking coal exports globally – refer "The Coal Resource – A Comprehensive Overview of Coal", World Coal Institute, 2009, P 15.

Graph C-1.1 – HCC Regional price C&F v Chinese domestic price

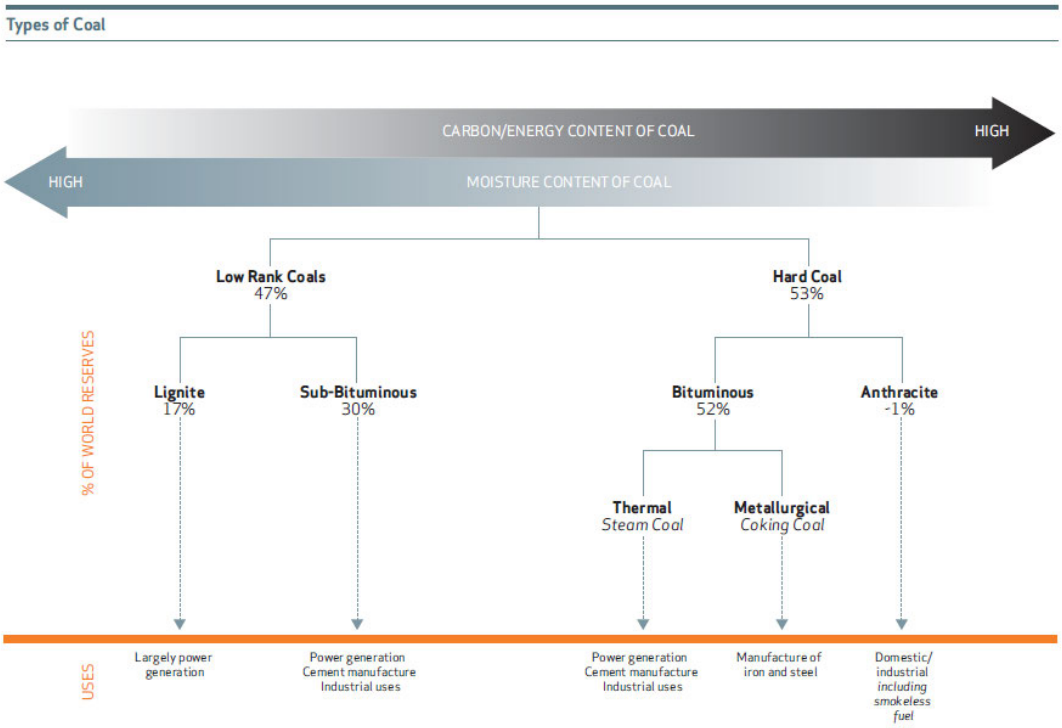


Source: Confidential independent third party source

The average price differential between the Chinese domestic coking coal price and the global export C&F price ex-Australia during the twelve months to September 2012 was approximately US$51 per metric tonne (or greater than 20 per cent below the global export price).

Metallurgical Coking coal is a subset product of Hard coking coal (as distinct from low rank coal that is used in power generation). This Coking coal is used solely as a raw material in the manufacture of coke for iron and steel production.

The following diagram illustrates coal types and end uses.



Metallurgical coal, also referred to as hard coking coal (HCC), is a vital ingredient in the steel making process.

Coking coal is defined as hard coal with a quality that allows the production of coke suitable to support a blast furnace charge. Coking coals have a higher carbon content than steam coals, which are mainly used in electricity generation. Coking coal is also the subject of a 10 per cent export tax.

Steel is produced via two main routes – either the integrated smelting involving blast furnace iron making followed by a basic oxygen furnace steel making, or in electric arc furnaces.

In the integrated route, raw materials comprise iron ore in various forms and a reductant, coke and various fluxing minerals, such as limestone and dolomite. A particular type of coal – 'coking' or 'metallurgical' coal – is used to prepare the coke. The coking coal is first crushed and then heated up in a coke oven without oxygen over several hours. This drives off volatiles and some of the impurities, leaving a solid sponge-like mass of carbon-rich material.

This coke, together with iron ore and limestone, is then charged into the blast furnace and heated so that the coke becomes gasified, producing a combination of carbon monoxide and carbon dioxide. The carbon monoxide reacts with the iron ore to form a high quality molten iron known as 'hot metal'.

China produces approximately 60 per cent of the world's coking coal. In 2011, there were more than 800 coke plants in China, with production at more than 430 million tonnes[32]. The effect of the 10 per cent export tax is to suppress the Chinese domestic price of coke (as per Graph C-1.1 above). Chinese coking coal prices, therefore, are artificially low when contrasted with global coking coal prices.

Legal basis: BlueScope has not identified any specific legal basis for the coking coal program at less than adequate remuneration (i.e. no specific law, regulation, or other GOC document has been identified that provides for coking coal at less than adequate remuneration). BlueScope highlights with Customs and Border Protection the export tax applicable on coking coal of 10 per cent.

Agency responsible for administering the program: BlueScope is not familiar with the Chinese agency responsible for the administration of the coking coal at less than adequate remuneration. BlueScope understands that there is a government operated Chinese Coking Coal Industry Association ("CCIA") that has been involved with the closure of certain coking facilities in recent times.

Recipients of the subsidy: Integrated producers of steel used in the manufacture of coke and HRC are the beneficiaries of the subsidy on coking coal provided at less than adequate remuneration.

Coking coal demand in China is linked directly to hot metal production. All premium coking coal is diverted to steel production (i.e. premium-or locally named 'fat' coking coal). Chinese production of coke has increased by 7 million tonnes in the first half of 2012 (when contrasted with the same period in 2011), with fluctuations in global coke output primarily influenced by Chinese production levels. The Chinese coking coal industry is dominated by State Invested Enterprises, with more than 50 per cent of production supplied by SIEs. The largest producer is Shanxi Coking which produced 167 million tonnes in 2011 and accounted for more than 25 per cent of Chinese metallurgical coal production. China's second largest producer is also an SIE – Pingdingshan, with more than 54 million tonnes in 2011.

It is concluded that the cost of coking coal used in the production of liquid steel represents a not insignificant cost of steel production. Steel production in China is dominated by SIEs that play a lead role in implementing the GOC's policies that result in coking coal being sold for less than adequate remuneration. There exists a flow-through impact of the coking coal at less than

[32] *[Confidential independent third party source]*

adequate remuneration in a reduced selling price (or transfer price) for slab for integrated producers of plate steel.

Customs and Border Protection established in Report No.177 that the HRC (and narrow strip) price when compared with a benchmark price was lower than the benchmark price. This finding confirmed the existence of the HRC and narrow strip at less than adequate remuneration (i.e. Program 20). Similarly, an integrated plate steel producer benefits from coking coal at less than adequate remuneration.

Amount of the subsidy: Determined by reference to a global market price for coking coal versus the domestically-traded price for coke in China (refer Graph C-1.1 above).

C-1.2.5 Coke provided by Government at Less Than Adequate Remuneration

For *integrated* producers of plate steel that buy-in coke (as opposed to manufacturing in-house from coking coal as in C-1.2.4 above), a subsidy benefit is received through the provision of raw material coke at less than adequate remuneration.

As indicated above, China is the world's largest producer of coke with annual production of approximately 430 million tonnes in 2011, of which China accounts for 60 per cent. Metallurgical coking coal is the primary cost in coke production – for every one tonne of coal, 780 kilograms of coke is produced. BlueScope has demonstrated that the Chinese price for metallurgical coking coal is below the global price for coking coal (i.e. by approximately 20 per cent) and for these same reasons the Chinese domestic price for coke is also lower than the global price.

The graph[33] below demonstrates the price differential between the Chinese domestic coke price and the world global price over recent times. In 2011/12, the Chinese domestic price has been approximately US$100 per metric tonne below the global price for coke (confirming the impact of the 40 per cent export tax on the oversupply position on the Chinese domestic market).

Graph C-1.2.5 China Domestic Coke Price v Global Coke Price

[confidential graph depicting China domestic coke price, China export price and world export price from 2003]

Report No. 177 includes a discussion on the GOC's export measures on coke. The 40 per cent export tax applicable to coke (made from coking coal) applied from 2009 and has continued to 30 June 2012. Coke is also the subject of GOC regulated export quotas. Coke is manufactured from coking coal and is a key raw material used in the production of iron (which is a major input into liquid steel, that is itself cast and used to make HRC[34]).

The GOC's export measures on coke are aimed at discouraging the export of a key raw ingredient in the "strategic" or "pillar" iron and steel industry, which is predominantly state-owned, with the GOC "*owning the vast majority of shares in almost all of China's major steel producers*[35]". The export measures are targeted specifically to limit exports of coke that could otherwise be exported for higher returns but for the applicable export tax. The 40 per cent export tax on coke is therefore specific as it is intended to assist only producers in the iron and steel industry with increased supply of the raw material coke at reduced prices and is also "specific" to the Chinese steel industry.

As referred to in Report No.177, China's export tariffs and export quotas and licensing of coke (and certain other raw materials) have been the subject of a recent WTO dispute[36]. The WTO Panel and Appellate Body determined that the GOC's measures were WTO inconsistent.

[33] Steel Strategist Report, World Steel Dynamics, November 2012, P.333.
[34] Trade Measures Report No. 177, P149.
[35] Money for Metal, Wiley Rein LLP, 2007, P.5.
[36] Reports of the Appellate Body, China – Measures Related to the Exportation of Certain Raw Materials (AB201-5) at 363.

Customs and Border Protection concluded that the GOC's measures on the domestic coke industry could "*reasonably be considered to have had a significant impact on the domestic iron and steel industry*[37]*".*

Further, Customs and Border Protection stated that it[38]:

> *"..considers export restrictions on coke are likely to have acted as a strong barrier to exports of coke from China, as the competitiveness of Chinese exports on coke would have been seriously eroded by the export taxes and lack of export VAT rebate, and the inability of enterprises to be involved in the export of coke was restrained*.
>
> *These barriers to export would reasonably be considered to have an impact on the volume of coke exported, which has been observed in a correlating significant decline in exports of coke from China, resulting in an increased supply of coke in China.*
>
> *In turn, this increased volume of coke retained in China could reasonably be considered to have resulted* ***in decreased prices****." (emphasis added).*

In Report No. 177 Customs and Border Protection examined the cost of coke as represented in the cost of cast steel and concluded that as steel represents the majority of the cost of HRC, it was satisfied that coke represented a significant proportion of the cost of HRC. The same principal applies in respect of coke as a proportion of the total production cost of plate steel.

Legal basis: BlueScope has not identified any specific legal basis for this program (i.e. no specific law, regulation, or other GOC document has been identified that provides for coke at less than adequate remuneration). BlueScope does highlight the export tax applicable on coke at 40 per cent as indicated

Agency responsible for administering the program: BlueScope is not familiar with the Chinese agency responsible for the administration of the coking coal at less than adequate remuneration. BlueScope understands that there is a government operated Chinese Coking Coal Industry Association ("CCIA") that has been involved with the closure of certain coking facilities in recent times.

Recipients of the subsidy: Integrated producers of steel used in the manufacture of plate steel are the beneficiaries of the subsidy on coke provided at less than adequate remuneration.

It is concluded that the cost of coke used in the production of liquid steel represents a not insignificant cost of steel production for an integrated steel producer of plate steel. Steel production in China is dominated by SIEs that play a lead role in implementing the GOC's policies that result in coke being sold for less than adequate remuneration. There exists a flow-through impact of the coke at less than adequate remuneration in a reduced selling price (or transfer price) for integrated producers of plate steel.

Customs and Border Protection established in Report No.177 that the HRC (and narrow strip) price when compared with a benchmark price was lower than the benchmark price. This finding confirmed the existence of the HRC and narrow strip at less than adequate remuneration (i.e. Program 20). An integrated steel producer that purchases coke used in the production of steel and eventually plate steel, benefits from a coke purchase price at less than adequate remuneration.

Amount of the subsidy: Determined by reference to a global market price for coke versus the domestically-traded price for coke in China.

BlueScope submits that the GOC influence via export taxes on coke (and coking coal) has contributed to artificially low costs of production for coke used in the steel making process in

[37] Trade Measures Report No. 177, P.152.
[38] Trade Measures Report No. 177, P.163.

China. As the GOC has significant ownership and control over the Chinese steel industry it is able to ensure that the reduced steel-making costs are passed-through to plate steel prices.

C-1.3 Conclusions on Countervailable subsidies impacting plate steel exported from China

The recently published Report No. 177 confirms that the Chinese Iron and Steel Industry has benefited from GOC subsidies in the form of taxation reductions/exemptions, grants and reduced prices for raw material inputs, that have contributed to prices for plate steel products being lower than they otherwise would be in the absence of the GOC's subsidy programs. Specifically, for integrated producers artificially low raw material input costs in the production of steel (i.e. coking coal and coke) at less than adequate remuneration have contributed to plate steel production costs being lower than they otherwise would be.

BlueScope also understands that the identified Chinese exporters of plate steel product to Australia are also located in Economic Development Areas/Zones, Industrial Parks or Special Economic Zones and would likely benefit from reduced company rates of taxation as per Programs 1, 11 or 12. Countervailable benefits in the form of grants and/or taxation exemptions and/or reductions, are also received.

The findings of Report No.177 are therefore directly relevant to this application on the subsidisation of plate steel exported to Australia from China. BlueScope requests Customs and Border Protection to publish countervailing duty notices in respect of plate steel exported from China.

C-2. Threat of material injury

Address this section if the application relies solely on threat of material injury (ie where material injury to an Australian industry is not yet evident).

1. **Identify the change in circumstances that has created a situation where threat of material injury to an Australian industry from dumping/subsidisation is foreseeable and imminent, for example by having regard to:**
    1. **the rate of increase of dumped/subsidised imports;**
    2. **changes to the available capacity of the exporter(s);**
    3. **the prices of imports that will have a significant depressing or suppressing effect on domestic prices and lead to further imports;**
    4. **inventories of the product to be investigated; or**
    5. **any other relevant factor(s).**

BlueScope has not relied upon the "threat" of material injury from the injurious exports for this application. BlueScope has demonstrated that it has experienced material injury from the dumped and subsidized exports during the 2011/12 period (i.e. October 2011 to September 2012) and, that dumping and countervailing measures are required to prevent further material injury to the Australian industry manufacturing like goods.

2. **If appropriate, include an analysis of trends (or a projection of trends) and market conditions illustrating that the threat is both foreseeable and imminent.**

As indicated at Section C-2.1 above, this application is not based on a "threat" of material injury. In the event that Customs and Border Protection were to find that BlueScope had not suffered material injury from the dumped plate steel exports from China, Indonesia, Japan, Korea and Taiwan, BlueScope contends that future exports of plate steel from these countries at dumped (and/or subsidized prices in respect of Chinese exports) would threaten to cause material injury to the Australian industry manufacturing like goods.

C-3. Close processed agricultural goods

Where it is established that the like (processed) goods are closely related to the locally produced (unprocessed) raw agricultural goods, then – for the purposes of injury assessment – the producers of the raw agricultural goods may form part of the Australian industry. This section is to be completed only where processed agricultural goods are the subject of the application. **Applicants are advised to contact the Dumping Liaison Unit before completing this section ☎ (02) 6275-6066 Fax (02) 6275-6990**.

1. Fully describe the locally produced raw agricultural goods.

The goods the subject of this application are not considered 'raw agricultural goods'.

2. Provide details showing that the raw agricultural goods are devoted substantially or completely to the processed agricultural goods.

The goods the subject of this application are not considered 'raw agricultural goods', hence this question is not applicable.

3. Provide details showing that the processed agricultural goods are derived substantially or completely from the raw agricultural goods.

The goods the subject of this application are not considered 'raw agricultural goods', hence this question is not applicable.

4. Provide information to establish either:

- **a close relationship between the price of the raw agricultural goods and the processed agricultural goods; or**
- **that the cost of the raw agricultural goods is a significant part of the production cost of the processed agricultural goods.**

The goods the subject of this application are not considered 'raw agricultural goods', hence this question is not applicable.

C-4. Exports from a non-market economy

1. Provide evidence the country of export is a non-market economy. A non-market economy exists where the government has a monopoly, or a substantial monopoly, of trade in the country of export and determines (or substantially influences) the domestic price of like goods in that country.

The countries nominated in this application are not considered "non-market economy" countries for the purposes of Australia's Dumping and Countervailing Provisions. This question is therefore not applicable.

2. Nominate a comparable market economy to establish selling prices.

This question does not apply.

3. Explain the basis for selection of the comparable market economy country.

This question does not apply.

4. Indicate the selling price (or the cost to make and sell) for each grade, model or type of the goods sold in the comparable market economy country. Provide supporting evidence.

This question does not apply.

C-5 Exports from an 'economy in transition'

1. Provide information establishing that the country of export is an 'economy in transition'.

The countries nominated in this application are not considered "economy-in-transition" countries for the purposes of Australia's Dumping and Countervailing Provisions. This question is therefore not applicable.

2. A price control situation exists where the price of the goods is controlled or substantially controlled by a government in the country of export. Provide evidence that a price control situation exists in the country of export in respect of like goods.

This question does not apply.

3. Provide information (reasonably available to you) that raw material inputs used in manufacturing/producing the exported goods are supplied by an enterprise wholly owned by a government, at any level, of the country of export.

This question does not apply.

4. Estimate a 'normal value' for the goods in the country of export for comparison with export price. Provide evidence to support your estimate.

This question does not apply.

C-6 Aggregation of Volumes of dumped goods

Only answer this question if required by question B.1.5 of the application and action is sought against countries that individually account for less than 3% of total imports from all countries (or 4% in the case of subsidised goods from developing countries). To be included in an investigation, they must collectively account for more than 7% of the total (or 9% in the case of subsidised goods from developing countries).

	Quantity	%	Value	%
All imports into Australia		100%		100%
Total				

The import volumes from China exceeds the 3 per cent negligible volumes in the October 2011 to September 2012 twelve-month period. Please refer to Table B-1.5 above.