Australian Government
Department of Industry, Innovation and Science

Anti-Dumping Commission

Application for the publication of dumping and countervailing duty notices

Galvanised Steel exported from India, Malaysia & Vietnam

ANTI-DUMPING COMMISSION
Form B108
November 2015

APPLICATION UNDER SECTION 269TB OF THE *CUSTOMS ACT 1901* FOR THE PUBLICATION OF DUMPING AND/OR COUNTERVAILING DUTY NOTICES

DECLARATION

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

☑ a dumping duty notice (Malaysia), or

☐ a countervailing duty notice, or

☑ a dumping and a countervailing duty notice (India and Vietnam)

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: 16 0000 11 058

Date: August 2016

IMPORTANT INFORMATION

About this form

Subsection 269TB(4)(b) of the Act requires that an application under subsections 269TB(1) or (2) of the Act for the publication of dumping and/or countervailing duty notices must be in a form approved by the Commissioner for those purposes. This is the approved form.

Signature requirements

Where the application is made:

By a company - the application must be signed by a director, servant or agent acting with the authority of the body corporate.

By a joint venture - a director, employee, agent of each joint venturer must sign the application. Where a joint venturer is not a company, the principal of that joint venturer must sign the application form.

On behalf of a trust - a trustee of the trust must sign the application.

By a sole trader - the sole trader must sign the application.

In any other case - contact the Commission's Client support section for advice.

Assistance with the application

The Anti-Dumping Commission has published guidelines to assist applicants with the completion of this application. Please refer to the following guidelines for additional information on completing this application:

- *Instructions and Guidelines for applicants: Application for the publication of dumping and or countervailing duty notices*
- *Instructions and Guidelines for applicants: Examination of a formally lodged application*

The Commission's client support section can provide information about dumping and countervailing procedures and the information required by the application form. Contact the team on:

Phone: 13 28 46

Fax: (03) 8539 2499

Email: clientsupport@adcommission.gov.au

Other information is available from the Commission's website at www.adcommission.gov.au.

Small and medium enterprises (i.e., those with up to 200 full-time staff, which are independently operated and which are not a related body corporate for the purposes of the *Corporations Act* 2001), may obtain assistance, at no charge, from the Department of Industry, Innovation and Science's International Trade Remedies Advisory (ITRA) Service. For more information on the ITRA Service, visit www.business.gov.auor telephone 13 28 46.

Important information

To initiate an investigation into dumping and/or subsidisation, the Commission must comply with Australia's international obligations and statutory standards. This form provides an applicant industry with a framework to present its case and will be used by the Commission to establish whether there are reasonable grounds to initiate an investigation. To assist consideration of the application it is therefore important that:

- all relevant questions (particularly in Parts A and B) are answered; and
- information that is reasonably available be supplied.

The Commission does not require conclusive evidence to initiate an investigation, but any claims made should be reasonably based. An application will be improved by including supporting evidence and where the sources of evidence are identified. Simple assertion is inadequate to substantiate an application.

To facilitate compilation and analysis, the application form is structured in 3 parts:

1. **Part A** seeks information about the Australian industry. This data is used to assess claims of material injury due to dumping/subsidisation. Where an Australian industry comprises more than one company, each should separately prepare a response to Part A to protect commercial confidentiality.
2. **Part B** relates to evidence of dumping.
3. **Part C** is for supplementary information that may not be appropriate to all applications. However some questions in Part C may be essential for an application, for example, if action is sought against subsidisation.

All questions in Parts A and B must be answered, even if the answer is 'Not applicable' or 'None'. Where appropriate, applicants should provide a short explanation about why the requested data is not applicable. This will avoid the need for follow up questions by the Commission.

The application form requests data over several periods (P^1, P^2….P^n) to evaluate industry trends and to correlate injury with dumped imports. The labels P^1…P^n are used for convenience in this application form. Lodged applications should identify the period relevant to the data. This form does not specify a minimum period for data provision. However, sufficient data must be provided to substantiate the claims made. If yearly data is provided, this would typically comprise a period of at least four years (for example the current financial year in addition to three prior years). Where information is supplied for a shorter period, applicants may consider the use of quarterly data. Data must also be sufficiently recent to demonstrate that the claims made are current.

When an investigation is initiated, the Commisison will verify the claims made in the application. A verification visit to the Australian industry usually takes several days.

Applicant companies should be prepared to substantiate all Australian industry financial and commercial information submitted in the application. Any worksheets used in preparing the application should therefore be retained to facilitate verification.

During the verification visit, the Commisison will examine company records and obtain copies of documents relating to the manufacture and sale of the goods.

Appendices

Some questions require attachments to be provided. The attachment numbering sequence should refer to the question answered. For example, question A2.2 requests a copy of an organisation chart. To facilitate reference, the chart should be labelled Attachment A2.2. If a second organisation chart is provided in response to the same question, it should be labelled Attachment A2.2.2 (the first would be labelled Attachment A2.2.1).

Provision of data

Industry financial data must, wherever possible, be submitted in an electronic format.

- The data should be submitted on a media format compatible with Microsoft Windows.
- Microsoft Excel, or an Excel compatible format, is required.
- If the data cannot be presented electronically please contact the Commission's client support section for advice.

Lodgement of the application

This application, together with the supporting evidence, must be lodged in the manner approved by the Commissioner under subsection 269SMS(2) of the Act. The Commissioner has approved lodgement of this application by:

- preferably, email, using the email address clientsupport@adcommission.gov.au; or

- post to:

  The Commissioner of the Anti-Dumping Commission
  GPO Box 1632
  Melbourne VIC 3001; or

- facsimile, using the number (03) 8539 2499.

It may be possible to lodge an application in a manner not described above provided that the Commissioner's written approval is obtained.

Public Record

During an investigation all interested parties are given the opportunity to defend their interests, by making a submission. The Commission maintains a public record of these submissions. The public record is available on the Commission's website at www.adcommission.gov.au.

At the time of making the application both a confidential version (for official use only) and non-confidential version (public record) of the application must be submitted. Please ensure each page of the application is clearly marked "FOR OFFICIAL USE ONLY" or "PUBLIC RECORD". The non-confidential application should enable a reasonable understanding of the substance of the information submitted in confidence, clearly showing the reasons for seeking the conduct of a dumping and/or subsidy investigation, or, if those reasons cannot be summarised, a statement of reasons why summarisation is not possible. If you cannot provide a non-confidential version, contact the Commission's client support section for advice.

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 Commission's client support section on:

Phone: 13 28 46
Fax: (03) 8539 2499
Email: clientsupport@adcommission.gov.au

A-1 Identity and communication.

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

Contact Name:	Alan Gibbs
Company and position:	Development Manager – International Trade
Address:	Five Islands Road, Port Kembla, NSW 2500
Telephone:	[redacted]
Facsimile:	[redacted]
E-mail address:	[redacted]
ABN:	16 000 011 058

Alternative contact

Name:	Chad Uphill
Position in company:	Leader – Trade Affairs
Address:	Five Islands Road, Port Kembla, NSW 2500
Telephone:	[redacted]
Facsimile:	[redacted]
E-mail address:	[redacted]

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

Name:	Mr John O'Connor
Business name:	John O'Connor & Associates Pty Ltd
Address:	P.O. Box 329, Coorparoo Qld 4151
Telephone:	[redacted]
Facsimile:	[redacted]
E-mail address:	[redacted]
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 16 000 011 058).

BlueScope Steel Limited (hereafter referred to as "BlueScope") is an Australian manufacturer of flat steel products. BlueScope produces the goods that are the subject of this application which is zinc coated steel that is marketed under the following trade names "GALVABOND®", "ZINCFORM®" "GALVASPAN®, "ZINCHITEN®" and "ZINCANNEAL®" 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 end March 2014):

Functions performed by each group within the organization.

1. *Coated & Industrial Products Australia*

   - Largest supplier and only manufacturer of HRC, plate, metal coated and painted steel in Australia (including the goods under consideration "GUC");
   - Australian finished-product capacity of approximately 2.6Mtpa; domestic market approximately 2.0Mt in FY2016.

2. *Building Components and Distribution Australia*

   - Major steel product supplier / distributor to the Australian building and construction, automotive, white goods manufacturing and general manufacturing industries

3. *New Zealand & Pacific Steel Products*

   - Only fully integrated flat steel maker in New Zealand
   - Includes iron sands mines (own consumption and export sales)

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

   - Operates metallic coating and painting lines and roll-forming in Indonesia, Malaysia, Thailand, Vietnam, India and North America
   - Includes NS BlueScope Coated Products JV

5. Global Building Solutions

- Leading global designer and manufacturer of Engineered Building Solutions
- Key markets in China & Nth America; plants in ASEAN, India, Middle East
- Supplying buildings to global customers
- China coating & painting

6. Hot Rolled Products North America

- 2.0Mtpa mini-mill in Ohio (BlueScope Steel North Star)
- 50/50 JV with Cargill Inc (wholly owned by BlueScope from October 2015)

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 30 June 2016 include:

BSL.ASX [BlueScope Steel Limited]

Top holders

Rank	Name	A/C designation	30 Jun 2016	%IC
1	HSBC CUSTODY NOMINEES (A…		122,300,510	21.41
2	NATIONAL NOMINEES LIMITED		89,482,253	15.66
3	CITICORP NOMINEES PTY LIMI…		88,623,652	15.51
4	J P MORGAN NOMINEES AUST…		85,399,130	14.95
5	BNP PARIBAS NOMS PTY LTD	<DRP>	26,554,996	4.65
6	HSBC CUSTODY NOMINEES (A…		15,279,577	2.67
7	RBC INVESTOR SERVICES AUS…	<PI POOLED A/C>	11,959,093	2.09
8	PACIFIC CUSTODIANS PTY LIMI…	BSL PLANS CTRL	7,311,375	1.28
9	NATIONAL NOMINEES LIMITED	<N A/C>	4,898,000	0.86
10	CITICORP NOMINEES PTY LIMI…	<COLONIAL FIRST…	4,414,911	0.77
11	BNP PARIBAS NOMINEES PTY…	<AGENCY LENDIN…	4,280,190	0.75
12	HSBC CUSTODY NOMINEES (A…	<NT-COMNWLTH S…	3,664,253	0.64
13	RBC INVESTOR SERVICES AUS…	<BKCUST A/C>	3,450,583	0.60
14	HSBC CUSTODY NOMINEES (A…		2,069,138	0.36
15	NATIONAL NOMINEES LIMITED	<DB A/C>	1,818,229	0.32
16	AMP LIFE LIMITED		1,797,510	0.31
17	RBC INVESTOR SERVICES AUS…	<PIIC A/C>	1,608,476	0.28
18	BRISPOT NOMINEES PTY LTD	<HOUSE HEAD NO…	1,582,555	0.28
19	RBC INVESTOR SERVICES AUS…	<PISELECT>	1,373,927	0.24
20	BOND STREET CUSTODIANS LI…	<MACQ HIGH CON…	1,210,496	0.21
	Total		**479,078,854**	**83.85**
	Balance of register		**92,267,446**	**16.15**
	Grand total		**571,346,300**	**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 as it does not have a parent company.

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).**

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-2.6.1-4. A detailed listing of BlueScope's subsidiaries is also located in its FY2015 Annual Full Financial Report, including the level of equity holding in each subsidiary company.

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

This question does not apply to BlueScope.

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

BlueScope does not have a relationship with any exporter to Australia of the goods the subject of this application. BlueScope does have an arms-length relationship with importers of these goods – namely [*importer / exporter details*].

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 2015 Annual Report and Full Financials, plus the 31 December 2015 interim financial accounts, are included with this application. BlueScope's Annual Reports from 2003 to 2015 are available from its website at www.bluescopesteel.com.

The 2016 Annual Report and Full Financials will be available from mid-September 2016.

10. **Provide details of any relevant industry association.**

BlueScope is a member of the following industry associations:

- Australian Steel Institute – refer www.steel.org.au.
- Bureau of Steel Manufacturers of Australia (BOSMA).

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.**

<u>The goods under consideration</u> ("GUC")

The imported goods the subject of this application are described as:

> "*flat rolled iron or steel products (whether or not containing alloys) that are plated or coated with zinc"*

These goods are generically described as galvanized steel. Galvanised steel of any width is included in this application.

Exclusions

These goods do not include painted galvanised steel, pre-painted galvanised steel, electro-galvanised steel, corrugated galvanised steel or aluminium zinc alloy coated or plated steel.

<u>Additional Information</u>

The goods include the same categories of goods as identified in Trade Measures Report No. 190 and 193, however, this application also includes goods that are alloyed (i.e. with minor additions, e.g. boron, chromium, etc as examined in Reports No. 290 and 298). The goods the subject of this application include all zinc coated product options, including all grades/models of zinc coated steel, all coating mass classes and all surface treatments.

Trade or further generic names often used to describe the goods the subject of the application include:

- "GALVABOND®" steel
- "ZINCFORM®" steel
- "GALVASPAN®" steel
- "ZINCHITEN®" steel
- "ZINCANNEAL®"steel
- "ZINCSEAL®"steel
- Galv
- GI
- Hot Dip Zinc coated steel
- Hot Dip Zinc/Iron alloy coated steel
- "Galvanneal®"

The amount of zinc coating on the steel is described as its coating mass and is nominated in grams per meter squared (g/m2) with the prefix being Z (Zinc) or ZF (Zinc converted to a Zinc/Iron alloy coating). The common coating masses used for zinc coating are: Z350, Z275, Z200/Z180, Z100, and for zinc/iron alloy coatings are ZF100, ZF80 and ZF30 or equivalents based on international standards and naming conventions.

Surface treatments can include but are not be limited to; passivated or not passivated (often referred to as chromated or unchromated), oiled or not oiled, skin passed or not skin passed, phosphated or not phosphated (for zinc iron alloy coated steel only).

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

These relevant standards are noted below in Table A-3.1 “Relevant International Standards for zinc coated steel”.

Table A-3.1 - Relevant International Standards for zinc coated steel

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

Please refer to Non-Confidential Attachment A-3.1 for a comparison of AS/NZ 1397 with other International Standards for zinc coated steel.

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

The GUC are classified within tariff sub-headings 7210.49.00 (statistical codes 55, 56, 57 and 58), 7212.30.00 (statistical codes 61), 7225.92.00 (statistical code 38), 7226.99.00 (statistical code 71). In particular, the GUC are zinc coated sheets and coils, of widths < 600mm and widths of =>600m.

The GUC attract the following rates of duty:

- India (DCS country) – 0% on 7210.49.00 and 7212.30.00; and 4% on 7225.92.00 and 7226.99.00;
- Malaysia (DCS country) – 0% on 7210.49.00 and 7212.30.00; and 4% on 7225.92.00 and 7226.99.00;
- Vietnam (DCS country) – 0% on 7210.49.00 and 7212.30.00; and 4% on 7225.92.00 and 7226.99.00;

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

BlueScope highlights with the Anti-Dumping Commission (“the Commission”) that certain published Australian Bureau of Statistics (“ABS”) import clearance data for the GUC does not disclose “country of import” details due to current suppression orders. BlueScope has therefore also relied upon export data (sourced from a reliable supplier of import and export trade statistics) 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.**

Like Goods

BlueScope manufactures flat rolled products of iron and non-alloy steel, of widths less than 600mm and widths equal to or greater than 600mm, plated or coated with zinc.

The locally produced GUC are like product to the imported flat rolled products of iron or steel, plated or coated with zinc.

Physical properties

The zinc coated steel manufactured by BlueScope is coiled for supply to customers and may later be cut into sheets for sale to manufacturers, or slit into narrower widths.

The most common coating mass for zinc coated steel is Z275 (275 grams of zinc coating metal per square meter). Other coatings may include Z350, Z200/Z180 and Z100.

The most common coating mass for zinc/iron alloy coated steel is ZF100 (100 grams of zinc/iron alloy coating metal per square meter). Other coatings may include ZF80 and ZF30.

The steel chemistry, percent cold reduction, annealing oven temperature, and line speeds are used to produce the required mechanical property (structural) grades, as designated by Australian and International Standards.

Typically, each Australian and International Standard has a range of steel grades nominated as Commercial, Formable or Structural grades. The commercial/formable grades are those with mechanical properties suitable for general pressing and forming whereas the structural grades are those with guaranteed minimum properties that structural engineers utilize in the design of their final product designs.

Other alloy zinc coated products are wholly substitutable with iron and non-alloy zinc coated steel products.

The locally produced GUC have widths greater than 600mm and less than 600mm, with product thicknesses in the range of 0.30 mm BMT to 3.5 mm BMT (BMT = Base Metal Thickness, and represents the steel thickness without the metallic coating).

Copies of BlueScope's Product Brochures for the range of Galvanised steel products are included at Non-Confidential Attachments A-3.3.1 to A-3.3.6.

More information can be found at
http://steelproducts.bluescopesteel.com.au/home/steel-products/metallic-coated-steel

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

BlueScope contends 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 India, Malaysia and Vietnam (the countries under reference);
- BlueScope's locally produced Galvanised Steel and the imported goods are manufactured to Australian and International Standards;

(ii) Commercial likeness

- Australian industry galvanised steel competes directly with imported galvanised steel in the Australian market;
- The locally produced goods and the imported goods are offered for sale to the market via similar channels and on similar commercial terms and conditions

(iii) Functional likeness

- Both the locally produced and imported galvanised steel have comparable or identical end-uses;

(iv) *Production likeness*

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

On this basis, BlueScope considers its locally-produced galvanised steel is "alike" to the imported goods, and possess the same essential characteristics as the imported galvanised steel. In Investigations No. 290 and 298 the Commission again confirmed that BlueScope manufactured goods that were alike to imported galvanised steel products (whether or not including alloys).

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

The ANZSIC code applicable to zinc coated steel is category 2110.

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

<u>Summary of manufacturing process</u>

The input steel product is slab.

Slab is heated in a furnace to around 1200 degrees Celsius then reduced in thickness from 230mm to below 5mm by passing through a series of rollers at great pressure, is then control cooled, and finally wound up as a coil of steel (known at hot rolled coil ("HRC")).

The HRC is then further processed by passing through hydrochloric acid baths to remove surface scale. It is then edge trimmed to the customer-specified width.

The next process is cold rolling, which is a similar process to hot rolling but is undertaken at ambient temperature. This is where the coil is reduced in thickness to the customer requirement, generally 0.30 to 3.5mm BMT.

This cold rolled steel coil is the input feed material to the continuous coating line and runs continuously through several key processes:

1. The first step is cleaning.

2. This is followed by an annealing process, before it passes through a molten bath mixture of zinc, antimony and other trace metals.

3. Once coated, the product can then receive various surface treatments depending on the customer’s specific requirements.

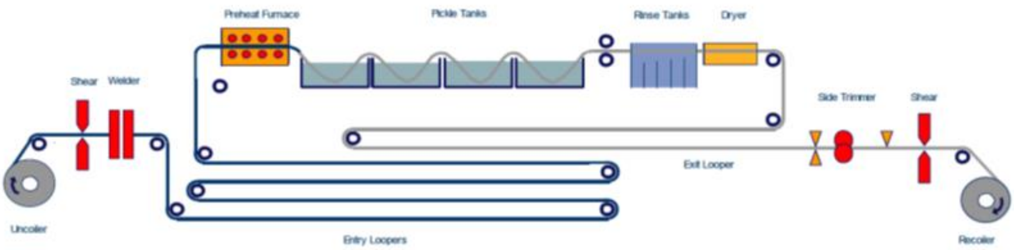
The range of options for zinc coated steel include a “Skin Passed” or “un-Skin Passed” surface, chromated or un-chromated surface” or an “oiled surface” or “dry surface.

For zinc/iron alloy coated steel the option is for a “Skin Passed” or “un-Skin Passed surface.
The diagram below reflects a zinc galvanizing coating process. The zinc/iron (ZF) coating process is the same as zinc coating process except that instead of the zinc coating solidifying onto the steel, it is passed through a furnace to fuse the zinc coating with iron from the steel, to make a matt finish that is designed as a surface ready to paint.

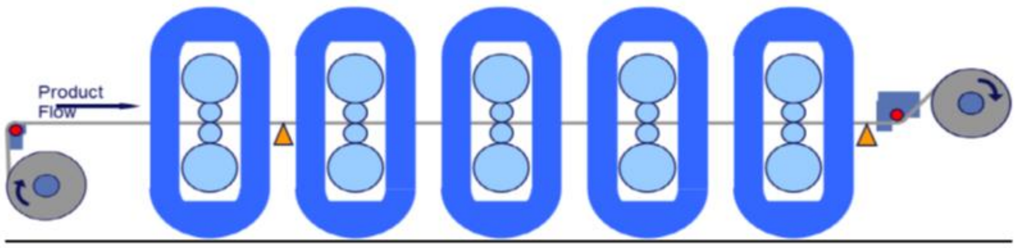
Diagrammatic representation of Slab conversion to Zinc coated (Galvanised) steel

Slab is converted to Hot Roll Coil (HRC) at the Hot Strip Mill

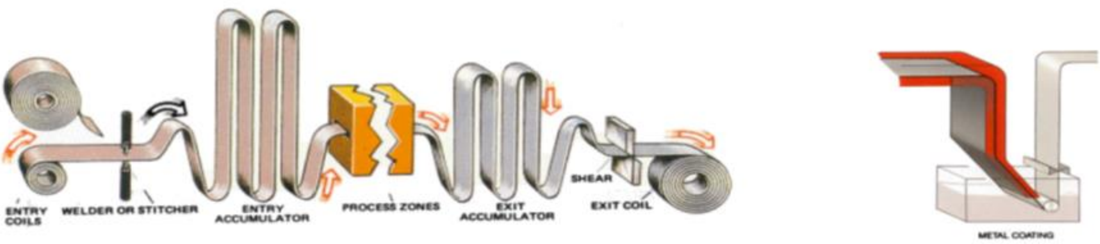
HRC has its surface scale removed and is side trimmed Hot Roll Coil at the Pickle line



Pickled and sidetrimmed HRC is then cold reduced in thickness to customer requirement



The Cold Rolled coil is then cleaned, annealed and hot dip coated with zinc



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 HRC 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 hot rolled coil. BlueScope manufactures zinc-coated steel from cold rolled coil that is transformed from hot rolled coil.

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

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.**

Report No. 190 ("Report No. 190") noted that galvanised steel was sold into the "*building and construction, manufacturing, automotive and transport primary market sectors*".

Report No. 190 identified applications for galvanised steel:

> "*In the building and construction industry examples of end-use applications for galvanised steel include: commercial and industrial buildings light structural sections (purlins and girts); structural sections for carports, sheds and garages, plastering and ceiling accessories; garage door tracks; structural nail-plates, post stirrups, frame connectors and bracing for timber frames.*
>
> *In the manufacturing industry examples of end use applications for galvanised steel include: feedstock as input for pipe and tube manufacture; air-conditioning ducting; cable trays; components in domestic appliances; hot water system components; electrical meter cabinets; tool-boxes; meter boxes; grain silo components and general manufactured articles.*
>
> *Galvanised steel is supplied to automotive component (i.e. brake parts) and Original Equipment Manufacturer ("OEM") automotive markets*."

The then Customs and Border Protection further observed that the size of the Australian market for galvanised steel in 2011/12 was approximately 625,000 metric tonnes. BlueScope considers that the Australian market in 2015/16 has increased to approximately 700,000 tonnes.

BlueScope agrees with the assessment of Customs and Border protection concerning end-use applications for galvanised steel. BlueScope's galvanised steel is sold into the markets and end-use applications nominated in Table A-4.1 below.

Table A-4.1 – Primary end-use applications

Product	Primary end use markets	Applications
Galvanised products	**Building and construction, manufacturing, automotive and transport**	**General manufacturing, automotive, structural sections for commercial and industrial buildings and structural decking**

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. The key Australian market segments include the "building and construction industry" and the "manufacturing industry".

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.**

Market Segmentation

The Australian market for galvanised steel products is made up of two key market segments:

- the building and construction industry segment (largest consumer by volume); and
- the smaller manufacturing industry segment.

Both segments are further discussed below.

(i) Sources of demand

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

- Building & Construction Industry for both residential and non-residential end uses including purlins and girts, framing, structural decking (flooring systems), air-conditioning ductwork, plaster accessories, nail plate etc.

- Manufacturing which includes feed stock as input for pipe & tube manufacture, automotive components, racking systems, meter boxes, silo components etc.

(ii) Distribution arrangements

Approximately [*%*] of galvanised steel sales are made directly to the domestic building product manufacturing industry. It is this domestic building product manufacturing industry that roll forms the galvanised steel into building products such as structural sections for commercial buildings and garages/sheds as well as decking (flooring systems) etc. The building product manufacturers then distribute the manufactured products to builders etc.

The balance of sales of the GUC are made via the local distribution market (through distributor/resellers such as [*customers*], or direct to the general manufacturing and auto industries including OEM auto and auto component manufacturers, pipe and tube manufacturers and racking & shelving manufacturers.

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 manufacturing companies in Australia, and to distributors/resellers that on-sell the product into the market.

Distributors and resellers may offer a range of services such as smaller parcels of product, along with credit facilities and further processing (such as sheeting, slitting and blanking, and the like).

(iii) Typical Customers

Within the Building and Construction industry BlueScope's major customers can be described as roll formers of structural framing/decking products, and include companies such as [*customers*]. Customers of the distribution channel here would include [*customers*].

Within the general manufacturing industry the major customers would include [*customers*].

(iv) Causes of demand variability

A variety of factors that influence demand variability for galvanised steel products within the Australian market, including:

Seasonal fluctuations

- Agriculture – e.g. silos depending on season;
- Building industry Christmas shutdown directly impacting construction;
- Wet versus dry season in tropical climates impacting construction.

Factors contributing to overall market growth or decline

- Availability of capital for infrastructure spending – government and private;
- General macro-economic factors such as bank interest rates directly impacting on investment decisions by home buyers, investors and developers;
  Global and domestic economic conditions (GDP, unemployment, inflation, interest rates);
- Global and domestic business and consumer confidence.

Government regulation

- Standards – international manufacturers do not always manufacture to the same standards as Australian manufacturers; this is commonly not understood until installation;
- Policy – major government spending on infrastructure such as the School Building Revolution;
- New home rebates can pull forward demand.

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;
- Influenced via global steel capacity utilisation;
- Has a seasonal element.

(v) 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;
- via an aligned / non-aligned Australian based stockiest / reseller.

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

There exist certain market substitutes for both the Australian produced and imported goods that fall into one of two categories, being “other coated steel substitutes” and “inter-material substitutes”.

Other coated steel substitutes include:

- 55% aluminium/zinc coated (also known as Aluzinc), 5% aluminium/zinc (also known as Galfan®) plus Zinc/Mg coated steel products (in some product applications); and
- Painted metallic coated steel substitutes. This could include painted versions of the products listed above.

Inter-material substitutes depend on end use and include:

- in framing applications in construction, there are substitute products such as timber in various forms, hot rolled structural sections, load bearing concrete panels, masonry and the like;
- in non-framing products for the building industry, plastic and composite materials could be used to replace some steel such as conduits, ceiling and plaster fittings/accessories; and
- in automotive applications where substitution can be achieved the alternatives could be aluminium, plastics or advanced composites.

Despite the identified substitutes, galvanised steel is considered by end-users as a fit-for-purpose product that is better suited in the identified key applications to alternate substitutes due to its superior value proposition.

4. 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 total production (local and export sales) for the 2015/16 year (years ending June).

5. **Complete <u>appendix A2</u> (Australian market).**

Confidential Appendix A2 – Australian market has been completed for the period 2012/13 to 2015/16.

6. **Use the data from <u>appendix A2</u> (Australian market) to complete this table:**

The following Table of Indexed sales volumes has been completed from data included in Confidential Appendix A2.

*Indexed table of sales quantities**

Period	**(a) Your Sales**	**(b) Other Aust^n Sales**	**(c) Total Aust^n Sales (a+b)**	**(d) Dumped Imports**	**(e) Other Imports**	**(f) Total Imports**	**Total Market**
2012/13	**100**	100	100	100	100	100	100
2013/14	**127.7**	100	127.7	608.9	64.5	87.8	111.7
2014/15	**124.8**	100	124.8	290.5	78.4	87.5	109.9
2015/16	**134.2**	100	134.2	400.8	60.9	75.5	110.7

Source: Confidential Appendix A2.

<u>Australian Market trends since 2012/13</u>

The Australian market for galvanised steel contracted in 2014/15, and expanded again in 2015/16, but remains at similar overall volumes as 2013/14. BlueScope's sales of galvanised steel have displaced a substantial proportion of the dumped and injurious exports from China, Korea and Taiwan following the application of measures in August 2013. Coinciding with the decision to apply provisional measures, exports of galvanised steel from predominantly India and Vietnam emerged, with minor volumes from Malaysia also apparent.

The Commission commenced an investigation into the alleged dumping of galvanised steel exports from India and Vietnam in July 2014 (based upon volumes in the 2013/14 year). The Commission determined in Investigation No. 249 that sales by one major exporter from India (i.e. – Essar Steel India Ltd ("Essar")) were at dumped prices (positive dumping margin of 7.4 per cent), however, sales made by all remaining Indian exporters, including JSW Steel Coated Products Limited ("JSW Coated"), POSCO Maharashtra Steel Pvt Ltd ("POSCO") and Uttam Galva Steels Ltd ("Uttam Galva") were not at dumped prices. The Commission did not conduct verification visits with JSW Coated, POSCO or Uttam Galva. The largest volume India exporter during the 2013/14 period was Essar.

In respect of exports from Vietnam, the Hoa Sen Group ("Hoa Sen") was the largest exporter, with the Commission determining that Hoa Sen's exports were not at dumped prices (a negative 3.5 per cent margin was assessed). The remaining Vietnamese exporter – Nam Kim Steel Joint Stock Company ("Nam Kim") was found to have exported with a weighted-average dumping margin of 7.8 per cent.

In Investigation No. 249 (that was limited to an examination of exports at dumped prices) the Commission concluded that the injury from the dumping was negligible. Even though the dumped exports from India accounted for between 4 to 5 per cent of the Australian market (and this is considered sufficient to influence prevailing market prices), the Commission found that "*other products, which represent a higher proportion of the total market, could also be of influence*" in BlueScope's pricing decisions. Whilst the Commission found that exports by Essar undercut BlueScope's selling prices, it also found that "*undercutting was also evident during the investigation period in relation to undumped imports from India and Vietnam, and in relation to galvanised steel* *containing alloys*".

The reference to imports of "galvanised steel containing alloys" relates to imports from Taiwan which were, at the time, not attracting interim duties (despite BlueScope's concerns that the goods were circumvention goods).

<u>Australian market following 2013/14 Investigation</u>

The supply of imported galvanised steel in 2015/16 from India has shifted away from Essar as the major Indian supplier to POSCO Maharashtra, accounting for approximately 90 per cent of total Indian exports to Australia. Hoa Sen also continues to be a major exporter to Australia. CSC Steel of Malaysia has increased its export volumes and has surpassed total export volumes from India in 2015/16.

The 110 per cent growth in galvanised steel exports from India, Malaysia and Vietnam in 2015/16 is remarkable given the 17 per cent reduction in export volumes from all remaining countries (including those to which measures apply – China, Korea and Taiwan). This application demonstrates that the pricing of the dumped and injurious exports from India, Malaysia and Vietnam (and the beneficial subsidies that apply to exports from India and Vietnam) has enabled the exporters to increase export volumes so dramatically.

It should also be noted that the Parliamentary Secretary has levied interim duties on the circumvention alloyed galvanised steel exported from China and Taiwan (decision of 17 March 2016), and the "uncertainty" associated with the application of measures on such goods has been removed.

A-5 Applicant's sales.

1. Complete <u>appendix A3</u> (sales turnover).

BlueScope has completed Confidential Appendix A3 for all domestic and export sales of like goods and total sales by the company.

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

BlueScope has completed the Tables below from Confidential Appendix A3.

*Indexed table of Applicant's sales quantities**

Quantity	**2012/13**	**2013/14**	**2014/15**	**2015/16**
All products				
Australian market	100	110.63	108.52	117.79
Export market	100	108.09	122.01	175.59
Total	100	110.34	110.05	124.35
Like goods				
Australian market	100	127.68	124.76	134.16
Export market	100	111.48	124.92	152.06
Total	100	125.61	124.78	136.45

Source: Confidential Appendix A3.

*Indexed table of Applicant's sales values**

Quantity	**2012/13**	**2013/14**	**2014/15**	**2015/16**
All products				
Australian market	100	113.62	114.68	117.81
Export market	100	123.89	147.40	184.68
Total	100	114.27	116.76	122.07
Like goods				
Australian market	100	134.14	131.99	127.68
Export market	100	126.68	144.35	151.16
Total	100	133.48	133.08	129.74

Source: Confidential Appendix A3

BlueScope has experienced a moderate increase in total domestic sales volumes of all goods since 2012/13, however, not the same level of growth in galvanised steel. Whereas sales values for all products have increased year-on-year domestically for BlueScope, for galvanised steel, BlueScope has experienced a decline in domestic sales revenues since 2013/14.

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 sales of galvanised steel. Please refer Confidential Appendix A5.

4. Complete appendix A4 (domestic sales).

BlueScope has completed Confidential Appendix A4 for the twelve months to 30 June 2016. Please refer to confidential sales data provided by BlueScope on USB. BlueScope's Appendix A4 includes Product Code Numbers ("PCNs") to assist the Commission's analysis of galvanised steel sales, as defined by key cost and price characteristics.

A copy of the PCN coding system is included as Confidential Attachment A-5.4.

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 galvanised steel include [*customers*].

The mechanism for establishing prices to associated or related companies is the same as that for the broader customer base whereby net prices are set to meet import competition. From time to time owned or related parties may [*commercially sensitive price information*] than similar unrelated customers, due to the structure of the various rebate mechanisms.

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.

A copy of a standard supply agreement is included at Confidential Attachments A-5.6.2.

7. Provide copies of any price lists.

BlueScope has customer-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 to A-5.7.3.

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 <u>appendix A4</u> (domestic sales).**

- **If you have issued credit notes (directly or indirectly) provide details if the credited amount has not been reported <u>appendix A4</u> (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 is a range of rebate mechanisms in place. For example, certain rebates are [*commercially sensitive rebate type*], others are [*commercially sensitive rebate type*]. Discounts are available for early settlement of accounts.

9. Select two domestic sales in each quarter of the data supplied in <u>appendix A4</u> (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 for two customers in each of the four quarters to 30 June 2016. Please refer to Confidential Attachment A-5.9.1 – A-5.9.8 for BlueScope's 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 **https://www.bluescope.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 select monthly management report extracts at Confidential Attachment A-6.3.1 to A-6.3.3.

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 that 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. Product costs to be broken down into components such as feed, conversion costs, yield, depreciation, support costs, etc;
  - 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, 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 2013 Annual Report included a note in relation to new and amended standards adopted by the reporting group, namely:

- AASB 112 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets; and*
- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income*

Please refer to Note 1(a)(ii) of Summary of Significant Accounting Policies in the BlueScope 2013 Annual Report.

A-7 Cost information

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

A-8 Injury

The principal indicators of injury are prices, volumes and profit effects – although not all of these must be evident. For this application, profit refers to amounts earned. Profitability is the ratio of profit to sales revenue. Where injury is threatened, but has not yet occurred, refer to question C.2.

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

   BlueScope estimates that the material injury from the dumped exports from India, Malaysia and Vietnam commenced in 2013/14 following the imposition of measures in August 2013 on exports from P R China, Korea and Taiwan. BlueScope recognises that the 2013/14 year is impacted by increasing volumes of boron-added galvanised steel from China and Taiwan, however, the dumped volumes from India were considered to have caused injury that was material to the Australian industry. The material injury has continued in 2015/16 as the dumped and subsidised imports of galvanised steel have prevented BlueScope from achieving adequate returns on sales.

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

Index of production variations (model, type, grade of goods)

Year	2012/13	2013/14	2014/15	2015/16
Index	100	125.61	124.78	136.45

Note: Data from Row 60 of Confidential Appendix A6.1

BlueScope has increased its production of galvanised steel from August 2013 coinciding with the imposition of measures on exports of dumped exports from P R China, Korea and Taiwan. It should also be noted that BlueScope has increased exports of galvanised steel also (by [%] since 2012/13), demonstrating the capacity to supply increased volumes in Australia should measures be applied to the countries the subject of this application.

Index of cost variations (model, type, grade of goods)

Year	2012/13	2013/14	2014/15	2015/16
Index	100	97.34	91.27	81.87

Note: Data from Line 41 of Confidential appendix A6.1

BlueScope has experienced reduced costs since 2013/14 as raw material costs have fallen. BlueScope, however, has reduced its own costs (including S,G&A) to enable it to compete with price reductions caused by dumped and subsidised imported galvanised steel.

Index of price variations (model, type, grade of goods)

Year	2012/13	2013/14	2014/15	2015/16
Index	100	105.06	105.79	95.17

Note: Data from Line 48 of Confidential Appendix A6.1

Net selling prices for galvanised steel have fallen in 2015/16, driven by reducing import prices for like goods.

Index of profit variations (model, type, grade of goods)

Year	2012/13	2013/14	2014/15	2015/16
Index	100	189.50	1,357.64	1,988.22

Note: Data from Line 52 of Confidential Appendix A6.1

BlueScope acknowledges that it has experienced an improvement in profit since 2012/13 as anti-dumping measures took effect during the 2013/14 year. Despite the imposition of the measures, however, BlueScope has not been able to obtain selling prices that permit a suitable return on sales.

Index of profitability variations (model, type, grade of goods)

Year	2012/13	2013/14	2014/15	2015/16
Index	100	199.08	1,436.30	1,892.17

Note: Data from Line 54 of Confidential Appendix A6.1

BlueScope's profitability in 2015/16 remains negative and is not adequate in light of a return on assets employed. It is BlueScope's contention that this is due to the availability of dumped and subsidised imported galvanised steel from the countries nominated in this application that suppress and depress prices.

Key injury indicators

BlueScope submits that it has experienced material injury in 2015/16 in the following forms:

- lost sales volumes;
- price depression;
- continued price suppression; and
- continued reduced profit and profitability.

3. **Complete appendix A7 (other injury factors)**

Where applicable to injury claims, prepare an indexed table for other injury factor(s) in the format above.

BlueScope has completed Confidential Appendix A7 for all other injury indicators. Key indicators demonstrating a decline in performance are identified below. Please refer to Confidential Appendix A7 for data on each indicator.

Index of capital investment variations (model, type, grade of goods)

Year	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Index	100	167.41	117.23	81.05

In 2015/16, BlueScope's capital expenditure on galvanised steel production assets has fallen – well below the previous three-year expenditure levels.

Index of revenue variations (model, type, grade of goods)

Year	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Index	100	133.48	133.08	129.74

BlueScope's galvanised steel revenues have declined in 2015/16, despite an increase in overall sales volumes.

Index of Employment variations (model, type, grade of goods)

Year	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Index	100	111.66	109.2	72.2

BlueScope has reduced its employee numbers involved in the direct manufacture of galvanised steel during 2015/16. There has been a 30 per cent reduction in the workforce in 2015/16.

BlueScope also considers that it has experienced injury in the form of its return on investment. Whilst it is recognised that returns in the galvanised steel business have improved to break even levels, the level of return is considered inadequate for a capital-intensive industry such as steel-making.

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.**

   Aggregate galvanised steel imports from India, Malaysia and Vietnam increased by 110 per cent (based on 2012/13 indices) from 2014/15 to 2015/16, whereas BlueScope's sales increased by approximately [*xx*] per cent (indices). The Australian market increased marginally over this period, and imports from all other sources declined by 17.5 per cent (indices).

   The most notable increases in imports of galvanised steel was from Malaysia and Vietnam. The growth in imports from Malaysia was 80 per cent (520 per cent over the levels of 2013/14), and Vietnam with a growth of 535 per cent in 2015/16.

   The increase in imports from Malaysia and Vietnam far exceed any typical 'ebb and flow' growth in sales volumes and have been at prices that have undercut BlueScope's sales values.

   Imports of galvanised steel from India have been dominated by one exporter only – POSCO Maharashtra (representing approximately 90 per cent of exports from India). In 2013/14, the galvanised steel exports to Australia were spread across a number of Indian exporters, with Essar Steel the major supplier. POSCO Maharashtra has now emerged as the single largest Indian exporter of galvanised steel to Australia.

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 monitors import offers for galvanised steel from all sources of supply (please refer to summary table of all available galvanised steel import offers at Confidential Attachment A-9.2.2). The import offers for galvanised steel from India, Malaysia and Vietnam (including Purlin Grade 450) are at prices that undercut BlueScope's selling prices. The following examples demonstrate price undercutting from the dumped exports and the Australian industry's response to the price offers.

<u>**Price Undercutting Example No.1 – [*month/year*] [*country*]**</u>

In [*month/year*], [*company*], a distributor of BlueScope Steel ("BSL"), received an offer from the [*company name*] for [*xxxx*] tonnes of [*galvanised steel*]. This offer was from [*company*], for [*month/year*] delivery, for supply to [*company*] end-use customer [*company*].

Recognising that the [*company*] price was significantly lower than other price offers available to [*company name*] (BSL's benchmark for [*month/year*] delivery for equivalent [*galvanised steel*] was [*AU$xxxxx*]/tonne Free-Into-Store), [*company*] placed the order with [*company*].

On review, [*company*] realised they had not afforded BSL the opportunity to compete for this order, and match the dumped and injurious [*country*] price of [*AU$xxxx*]/tonne. On [month*/year*], BSL revised its initial offer (dated [*month/year*]) to [*AU$xxxx*]/tonne ([*AU$xxxx*]/tonne below benchmark pricing, or [*%*] below BlueScope's pricing). [*Company*] then cancelled the order with [*company*].

Summary documentation in support of the price negotiations between BSL and [*company*] are attached at Confidential Attachment A-9.2.4.1.

<u>Price Undercutting Example No.2 – [*month/year*] [*country*]</u>

[*Company*], a distributor of BSL, maintains a commercial relationship with end-use customer [*customer*] for the supply of galvanised steel material. [*Customer*] typically procure [*galvanised steel*] steel for inclusion in construction formwork. [*Company*] procure their requirements from [*company*], and also maintain an import supply channel from [*country*].

BSL assists [*company*] remain competitive with its pricing offers to [*company*]. BSL's [*month/year*] offer to [*company*] for [*month/year*] delivery was as follows:

- *Material:* [*galvanised steel*] commercial quality
- *Thickness:* [*xxxx*] mm
- *Width:* [*xxxx*] mm
- *Order Quantity:* [*xxxx*] tonnes
- *Gross Price:* AU$[*xxxx*]/tonne (per benchmarks for the period)
- *Net Price:* AU$[*xxxx*]/tonne (after rebates and settlement discounts)

[*Company*] advised BSL that [*company*] had rejected this price offer, and that they would be unable to compete for the [*company*] business against dumped and injurious imported material (suspected, for [*month/year*] delivery, to be of [*country*] origin).

On [*month/year*], BSL revised its net price to AU$[*xxxx*]/tonne (below pricing benchmarks) which allowed [*company*] to secure the order with [*company*]. Summary documentation in support of the price negotiations between BSL and [*company*] are attached at Confidential Attachment A-9.2.4.2.

<u>Price Undercutting Example No.3 – [*month/year*] [*country*]</u>

In [*month/year*], [*company*], a distributor of BSL, received an offer from [*company*] for [*xxxx*] tonnes of purlin feed galvanised steel. This offer was from [*exporter/country*], for [*month/year*] delivery, for supply to [*company*] end-use customer [*company*].

[*Company*] did not provide a copy of the quotation from [*company*], however they did allow BSL to view [*exporter*] import pricing offer. For grade [*galvanised steel*] the free-onto-store offer was as follows:

- [*xxxx*] mm thickness: AU$[*xxxx*]/tonne
- [*xxxx*] mm thickness: AU$[*xxxx*]/tonne
- [*xxxx*] mm thickness: AU$[*xxxx*]/tonne

BSL's established benchmark price for [*month/year*] was AU$[*xxxx*]/tonne. Levels of price undercutting were in the range [*%*].

On consideration of the above-noted dumped and injurious [*country*] import prices, BSL offered the following prices (inclusive of rebates and settlement discount) to secure the order:

- [*xxxx*] mm thickness: AU$[*xxxx*]/tonne
- [*xxxx*] mm thickness: AU$[*xxxx*]/tonne
- [*xxxx*] mm thickness: AU$[*xxxx*]/tonne

Summary documentation in support of the price negotiations between BSL and [*company*] are included at Confidential Attachment A-9.2.4.3.

Price Undercutting Example No. 4 – [*month/year*] [*country*]

In [*month/year*], [*company*], a distributor of BSL, received an offer from the [*company*] for [*xxxx*] tonnes of [*xxxx*] mm and [*xxxx*] mm thick [*galvanised steel*]. This offer was from a [*country*] steel mill, for [*month/year*] delivery.

BSL's standard monthly price offer for the equivalent galvanised steel products to [*company*] was AU$[*xxxx*]/tonne Free-Into-Store. The offer from [*country*] via [*company*] was AU$[*xxxx*]/tonne, delivered. Price undercutting of [*%*] was evident.

In order to secure the [*month/year*] volumes, BSL revised its [*company*] pricing offer downwards to AU$[*xxxx*]/tonne.

Summary documentation in support of the price negotiations between BSL and [*company*] is attached at Confidential Attachment A-9.2.4.4.

Price Undercutting Example No. 5 – [*month/year*] [*country*]

[*Company*], an [*distributor type*] of BSL, maintains a commercial relationship with [*company*] for the supply of commercial quality galvanised steel material. [*Company*] also maintains an import supply relationship with [*company/country*]. BSL supplies [*company*] with the galvanised material, which [*company*] then slit and on-sell to [*company*].

In [*month/year*], [*company*] sought to supply a parcel of galvanised steel to [*company*] for [*month/year*] delivery. The price negotiations unfolded as follows:

- On [*month/year*], BSL provided a competitive offer to allow [*company*] to secure the sale. This offer was well below benchmarks and market pricing for the period, and included pricing across a range of commercial quality galvanised steel grades, for an order quantity of [*xxxx*] tonnes.
- [*Company*] verbally advised [*company*] that the price offer was too high; [*company*] advised this to BSL.
- BSL revised its offer down across the full range of products per the offer schedule (maintaining the minimum order quantity of [*xxxx*] tonnes).
- [*Company*] advised that they would be willing to purchase, but that because of their [*country of origin*] export purchasing commitments, would only be willing to take delivery of [*xxxx*] tonnes.
- [*Company*] countered that a [*xxxx*] tonne order was outside the parameters of the supply offer.
- In looking to win the business nonetheless, [*company*] further revised the offer with the following stipulations: 1) a minimum order quantity of [*xxxx*] tonnes would be acceptable at pricing per the revised offer; and 2) a [*xxxx*] tonne order quantity would attract an additional AU$[*xxxx*]/tonne charge.
- [*Company*] then advised they were unwilling to take up the offer for any volumes for [*month/year*].

Summary documentation in support of the price negotiations with BSL, [*company*] and [*company*] is attached at Confidential Attachment A-9.2.4.5.

Price Undercutting Example No. 6 – [*month/year*] [*country*]

For [*month/year*] supply of Commercial Quality G2 galvanised steel material, the offered [*company*] pricing parameters to [*company*] were as follows:

- BSL offered [*xxxx*] mm Galvabond G2 galvanised steel at AU$[*xxxx*]/tonne
- [*Company*] offered this same material to [*company*] at AU$[*xxxx*]/tonne

And

- BSL offered [*xxxx*] mm Galvabond G2 galvanised steel at AU$[*xxxx*]/tonne
- [*Company*] offered this same material to [*company*] at AU$[*xxxx*]/tonne

These offers were based on securing [*xxxx*] tonnes/month, with the provision of an additional AU$[*xxxx*]/tonne discount should [*company's*] ordered volumes exceed [*xxxx*] tonnes/month.

[*Company*] advised that they had a [*country*] import offer for supply over the same period, and that it was substantially lower than that provided by [*company*]. BSL then revised its offer to [*company*], which allowed them to win the business at the following volume and price points:

- AU$[*xxxx*]/tonne for [*xxxx*] mm Galvabond G2 (a discount of AU$[*xxxx*]/tonne per the above);
- AU$[*xxxx*]/tonne for [*xxxx*] mm Galvabond G2 (a discount of AU$[*xxxx*]/tonne per the above);
- Order volume of [*xxxx*] tonnes; and
- Providing the AU$[*xxxx*]/tonne volume discount (previously only available for orders above [*xxxx*] tonnes). Price undercutting of approximately [*%*] was apparent.

[*Company*] provided a further concession in the form of a consignment delivery arrangement.

Summary documentation in support of the price negotiations with BSL, [*company*] and [*company*] are attached at Confidential Attachment A-9.2.4.6.

Price Undercutting Example No. 7 – [*month/year*] [*country*]

BSL has included details of commercial negotiations with one of its distributors [*company*], for supply of galvanised steel to a current customer, [*company*].

On [*month/year*], [*company*] indicated via email to BSL that they could source imported galvanised steel material (Galvanneal G2 [*thickness/coating mass*]) from [*country*] at AU$[*xxxx*]/tonne FIS better than BSL's offer to meet [*company*] requirements. The [*country*] mill was understood to be [*country producer*]. BlueScope's IPP general benchmark in [*month*] for [*month*] delivery was AU$[*xxxx*]/tonne FIS (AU$[*xxxx*]/tonne base grade, plus AU$[*xxxx*]/tonne for [*thickness*] mm gauge extra). This is evidenced per the [*company*] supply quotation dated [*month/year*]. [*Company*] indicated that this price was not competitive, and that they would require a more targeted offer.

On [*month/year*], BSL then provided a revised offer, reflecting a $[*xxxx*]/tonne reduction, at AU$[*xxxx*]/tonne FIS. [*Company*] did not take up the offer.

Summary documentation in support of the price negotiations with [*company*] is attached at Confidential Attachment A-9.2.4.7.

Price Undercutting Example No. 8 – [*month/year*] [*country*]

[*Company*], an [*distributor type*] of BSL, maintains a commercial relationship with its [*customer*] for the supply of galvanised steel material. [*Customer*] also maintains an import supply relationship with [*country producer*]. BSL supplies [*company*] with galvanised material, which [*company*] then further process and on-sell.

In [*month/year*], [*company*] sought to supply a parcel of galvanised steel material to [*company*] for [*month/year*] delivery (in head-to-head competition with [*country producer*]). [*Company*] requested that BSL provide a competitive offer in order to secure the sale. On [*month/year*], BSL provided an offer of AU$[*xxxx*]/tonne (a premium of [*%*] over the established benchmark for that period) for [*grade*] ([*xxxx*] mm thick) galvanised steel. [*Company*] then applied their processing costs and [*%*] margin to offer [*company*] a price of AU$[*xxxx*]/tonne on Free-Into-Store ("FIS") terms.

[*Company*] verbally advised [*company*] that they could secure equivalent [*country producer*] material at AU$[*xxxx*]/tonne FIS. Accordingly, on [*month/year*], BSL revised its offer to [*company*] downwards to AU$[*xxxx*]/tonne.

This price reduction was insufficient for [*company*] to successfully counter-offer against [*country producer*]. [*Company*] did not take up BSL's revised pricing offer, and they were unsuccessful in securing the [*company*] sale.

Summary documentation in support of the price negotiations with [*company*] and [*company*] are attached at Confidential Attachment A-9.2.4.8.

Price Undercutting Example No 9 – [*month/year*] [*country*]

[*Company*], a distributor of BSL, maintains a commercial relationship with its customer [*company*] for the supply of galvanised steel material. [*Company*] also maintains an import supply relationship with [*country*] steel mills. BSL supplies [*company*] with galvanised material, which they then further process and on-sell.

In [*month/year*], [*company*] sought to supply a parcel of galvanised steel material to [*company*] for [*month/year*] delivery (in head-to-head competition with dumped and injurious low-priced [*country*] supply, understood to be either [*country producers*]). [*Company*] requested that BSL provide a competitive offer in order to secure the sale. On [*month/year*], BSL provided an offer of AU$[*xxxx*]/tonne, for a [*xxxx*] tonne parcel of G2 ([*xxxx*] mm thick) [*coating mass*] commercial quality galvanised coil steel. [*Company*] then applied their processing costs and margin to determine an offer to [*company*] of AU$[*xxxx*]/tonne on Free-Into-Store terms.

[*Company*] advised [*company*] that they could secure equivalent [*country*] material at AU$[*xxxx*]/tonne FIS (undercutting BSL/[*company*] by [*%*]).

BSL was unable to provide [*company*] with a secondary lower offer on the basis that the first offer was already below the import parity benchmark. Accordingly, [*company*] did not take up [*company*] supply offer, and they were unsuccessful in securing the sale.

Summary documentation in support of the price negotiations with BSL, [*company*] and [*company*] is attached at Confidential Attachment A-9.2.4.9.

Price Undercutting Example No. 10 – [*month/year*] [*country*]

BSL has a commercial relationship with [*company*] for the supply of galvanised steel material in the [*Australian state*] market. [*Company*] typically procure purlin grade galvanised steel, which they then further process and sell to their customer base. [*Company's*] customers also source offers for imported roll-formed galvanised, which they then use to negotiate down on price with [*company*].

For the period [*month/year*], BSL provided [*company*] an AU$[*xxxx*]/tonne rebate on its Galvaspan steel purchases. This support was to ensure [*company*] remain competitive in its price offerings to its customer [*company*].

[*Company*] had indicated its desire to source roll-formed purlin galvanised steel locally, but that the pricing would need to be competitive against equivalent imports – primarily dumped and injurious [*country*] supply from [*country producer*], via other roll-form suppliers such as [*company's*].

The support provided by BSL was in addition to the agreed pricing structure with [*company*].

Summary documentation in support of the price negotiations between BSL, [*company*] and [*company*] is attached at Confidential Attachment A-9.2.4.10.

<u>Price Undercutting Example No 11 – [*month/year*] [*country*]</u>

In [*month/year*], [*company*], a distributor for BSL, received an offer from the Australian import trader [*company*] for GA or Galvanneal type galvanised steel. This offer was from [*country producer/country*], for [*month/year*] delivery, for supply to one [*company's*] end-use customers that uses sheeted GA product.

[*Company*] provided the above import pricing offer to BSL to match. The [*country producer*] GA offer was positioned at AU$[*xxxx*]/tonne for the benchmark IPP coil GA product. An extra of AU$[*xxxx*]/tonne would be applied to this coil price by [*company*] to provide sheeted product from the imported coil, meaning the imported price FIS to the end customer for this GA product was AU$[*xxxx*]/tonne

BSL's net selling price for this [*galvanised steel*] product in coil form was AU$[*xxxx*]/tonne, based off the same IPP benchmark product.

[*Company*] requested BSL to match the imported [*country producer*] / [*company*] <u>sheeted</u> FIS price at AU$[*xxxx*]/tonne or a discount of AU$[*xxxx*]/tonne from BSL's benchmark <u>coil</u> price.

This represents price undercutting in the order of [*%*].

BSL did not win this order, as [*company*] placed their order with [*company/country producer*].
Also of note, another BSL channel partner, [*company*] steel who had been the long term (past 3 years) incumbent supplier to this end customer, also lost out on their supply offer using BSL material to this [*company/country producer*] offer.

Summary documentation in support of the price negotiations between BSL and [*company*] is attached at Confidential Attachment A-9.2.4.11.

The foregoing examples demonstrate that the imported galvanised steel from India, Malaysia and Vietnam undercut BlueScope's prices by between [%] and [%] per cent during the 2015/16 year. Supporting documents for each example are included at Confidential Attachment A-9.2.4.

The impact of the price undercutting has led to price depression for BlueScope as it responds with reduced prices to secure sales volumes. The reduction in selling prices for BlueScope has influenced BlueScope's ability to recover from injurious dumping that was identified by the then Customs and Border Protection in the 2011/12 year.

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).

The impact of dumping and subsidisation has been influential in preventing BlueScope's recovery from material injury following the imposition of measures on imports from P R China, Korea and Taiwan in 2013. BlueScope's expectation was that it would be able to recover from the depressed and suppressed selling prices caused by the dumped (and subsidised) exports, however, the circumvention of measures by exporters in China and Taiwan, and the emergence of dumped exports from India, Vietnam and Malaysia, has inhibited BlueScope's recovery.

In 2015/16 galvanised steel imports from India (predominantly POSCO Maharashtra), Malaysia (CSC Steel) and Vietnam (Hoa Sen) have increased at a dramatic rate at prices that undercut BlueScope's selling prices. Coinciding with the dumping and subsidisation, BlueScope has responded to the injurious imports by reducing selling prices. BlueScope has also reduced its cost-to-make-and-sell

("CTM&S") galvanised steel in 2015/16 as it has benefited from reductions in raw material input costs, and reduced its overhead and selling expenses (particularly through reductions in employment levels). The expected savings that BlueScope has delivered have been eroded by reductions in market selling prices in response to the injurious imports.

BSL's profit and profitability in 2014/15 and 2015/16 has been impacted by price undercutting (identified above) from imports of galvanised steel from India, Malaysia and Vietnam. BSL has not been able to improve its selling price margin over costs since anti-dumping measures were imposed in August 2013 to a level sufficient to achieve an adequate return on investment.

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's completed Confidential Appendix A7 details a number of economic indicators that reflect injury sustained to BlueScope's galvanised steel business. The galvanised steel market is competitive with intense competition from imports. To remain competitive, BlueScope maintains its focus on its own cost-competitiveness. In 2015/16, BlueScope has reduced its manufacturing cost by reducing capital expenditure and employee costs.

BlueScope's confidential Appendix A7 indicators confirm that BlueScope can demonstrate injury in the following forms:

- (i) reduced capital expenditure;
- (ii) inadequate return on investment;
- (iii) reduced employment; and
- (iv) reduction in revenue (due to falling prices).

The decline in the identified indicators reflects the competitive environment in which BlueScope operates, and highlights the continued program of price reduction that has been pursued by the company. BlueScope would also highlight that over the last four years, the company has improved its productivity (i.e. tonnes per employee) as it has reduced costs and increased production (refer to economic indicator Line 45 at Confidential Appendix A7).

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

The injury sustained by BlueScope in 2015/16 due to dumped and subsidised imports from India, Malaysia and Vietnam is considered "material" as it has prevented BlueScope benefiting from savings made in the form of cost reductions that would have typically resulted in improvements in BlueScope's operating margin (i.e. selling prices over costs).

In 2015/16, BlueScope's domestic revenue for galvanised steel was $[*xxxx*]M (down from $[*xxxx*]M, or a [*%*] reduction in 2014/15), despite an increase in sales volumes of [*%*]. The return achieved by BlueScope was negative $[*xxxx*]M, or negative [*%*]. The volume of imports from India, Malaysia and Vietnam in 2015/16 was approximately 43,339 tonnes. BlueScope's contribution to profit (i.e. difference between variable costs and selling price) in 2015/16 was approximately $[xxxx] per metric tonne. Across 43,339 tonnes, this represents contribution margin forgone of $[*xxxx*]M per annum.

The increased contribution that could be achieved by BlueScope in the absence of dumping and subsidisation is a lost opportunity that the company could have benefited from to improve its operating margin. The impact of the dumping and subsidisation from the nominated countries is therefore material when BlueScope's return on sales in 2015/16 is considered, along with BlueScope's forgone contribution margin had it been able to supply the injurious 43,339 tonnes of imports.

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.**

Factors that have influenced the galvanised steel market in 2015/16 have included raw material input cost reductions, the circumvention of measures by imports from China and Taiwan, and the relatively flat demand for galvanised steel in the Australian market.

The circumvention of measures has been addressed by the Parliamentary Secretary. BlueScope contends that there should have been an improvement in its margin due to reductions in raw material cost inputs – however, this has not transpired.

The major influencing factor in the market in 2015/16 has been the impact of the dumped and subsidised imports from the nominated countries. There have been no other extraneous influences on demand for galvanised steel in Australia.

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 <u>appendix A2</u> (Australian market), <u>appendix A6</u> (cost to make and sell), and <u>appendix A7</u> (other economic factors) to support your analysis.**

BlueScope is requesting the Commission to undertake a formal investigation into the dumping and subsidisation of exports of galvanised steel from India and Vietnam, and the dumping of galvanised steel from Malaysia. This application demonstrates the rapid escalation in export volumes of galvanised steel from the nominated countries in 2015/16 – at a time when BlueScope had anticipated it would experience recovery from the injurious effects of dumping (and subsidisation) from exports sourced from China, Korea and Taiwan.

This application has demonstrated that the exports from India, Malaysia and Vietnam have undercut BlueScope's selling prices for galvanised steel (in the commercial G2 grades, Zincanneal® grades, and purlin grades) in the range of [%] to [%] per cent during 2015/16.

The price undercutting has caused BlueScope to reduce its selling prices to secure domestic sales, resulting in an erosion of the margin between selling prices and costs. BlueScope's profit and profitability have been impacted, with returns at inadequate levels for reinvestment purposes. This has occurred at a time when BlueScope had anticipated that it would be able to recover from the injurious effects of dumping from imports from China, Korea and Taiwan.

BlueScope submits that anti-dumping and countervailing measures are required to adjust imports from India, Malaysia and Vietnam to fair levels. Based upon recent trends, import volumes from India, Malaysia and Vietnam will continue to escalate rapidly, securing increased local sales volumes at BlueScope's expense.

BlueScope has demonstrated in this application that it has suffered injury through lost sales volumes, price depression and price suppression, reduced profit, inadequate returns on investment, reduced revenues, and reduced employment. The injury experienced – which is considered 'material' by BlueScope - as a consequence of the circa 43,339 tonnes exported from India, Malaysia and Vietnam represents volumes that can be supplied from local production and can contribute to improved profitability for BlueScope.

By submitting this formal application for measures, BlueScope requests the Commission to commence an investigation into the dumping and subsidisation of galvanised steel exports from India and Vietnam, and the dumping of galvanised steel exports from Malaysia.

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 Commission's client support section on:

Phone: 13 28 46
Fax: (03) 8539 2499
Email: clientsupport@adcommission.gov.au

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 India, Malaysia and Vietnam.

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

It is BlueScope's understanding that the country of export is also the country of origin of the dumped goods.

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.

The countries the subject of the exported goods – India, Malaysia and Vietnam – are not considered 'economy-in-transition' countries.

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

- **Producers/exporters of the goods exported to Australia;**

BlueScope understands the following nominated companies are the major producers and exporters of the goods the subject of this application to Australia:

India

POSCO Maharashtra Steel Pvt. Ltd.
Plot No. C-1,
Vile-Bhagad,
MIDC Industrial Area,
Tal- Mangaon, Dist.-Raigad,
Maharashtra-402308

Essar Steel India Limited
Essar House
11, Keshavrao Khadye Marg
Mahalaxmi
Mumbai - 400 034
Phone: +91 (22) 2495 0606 / 6660 1100
Fax: +91 (22) 2492 8896

Malaysia

CSC Steel Holdings Berhad
180, Kawasan Perindustrian Ayer Keroh
75450 Ayer Keroh, Melaka Malaysia
Tel: +60 6-231 0169
Fax: +60 6-231 0167
Email: info@cscmalaysia.com

Vietnam

Hoa Sen Steel
183 Nguyen Van Troi Street,
Phu Nhuan District ,
Ho Chi Minh City,
Viet Nam.
Tel: +84 8 3999 0111
Fax: +84 8 3999 0222

- **importers in Australia.**

The importers of the GUC from the nominated countries are as follows:

India

Australian Framing Solutions
145 Magnesium Drive
Crestmead QLD 4132
Tel: 1300 722 492
Fax: (07) 3077 7202
Web: www.framingsolutions.com.au

Daewoo International Australia Office
Suite 403, 50 Margaret St
Sydney NSW 2000
Phone – 02 – 9290 2222
Fax – 02 – 9290 2277

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

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

Malaysia

CEDEX Steel and Metals Pty Ltd
10 Market Street
Brisbane City, QLD 4000
Tel: (07) 3192 9668
Fax: (07) 3211 9982
Web: www.cedex.com.au

Vietnam

Croft Steel Pty Ltd
1 / 4 Commercial Drive
Ashmore QLD 4214

Tel: (07) 5532 4271
Fax: (07) 5532 4301
Web: www.croftsteel.com.au

Australian Framing Solutions
145 Magnesium Drive
Crestmead QLD 4132
Tel: 1300 722 492
Fax: (07) 3077 7202
Web: www.framingsolutions.com.au

MJM Trading Pty Ltd
Web: www.mjmsteel.com.au

ThyssenKrupp Mannex Pty Ltd
Locked Bag 2103 Pacific Highway
North Sydney NSW 2059
Phone – 02-995 50978
Fax – 02-9925 0084
Web Site http://www.tk-mannex.com/english/

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 galvanised steel classified to 7210.49.00 (statistical codes 55, 56, 57 and 58) and 7212.30 (statistical code 61) has been used for the purposes of this application where possible.

Import volume and value data has been sourced from the ABS and other statistical data services. For Vietnam, the level of ABS data confidentiality in the monthly statistical release is of such magnitude that accurate and representative volumes and values cannot be ascertained.

For the period July to December 2015, BlueScope has procured additional ABS data. For the January to June 2016 period, BlueScope has sourced Vietnamese export data from [confidential data source], a reputable and recognized statistical service provider. A weighted-average A$FOB per tonne price for the twelve months ending June 2016 has been calculated by BlueScope for Vietnam using both data sources.

BlueScope has identified the following volumes of the galvanised steel exported to Australia from 2012/13 to 2015/16 (inclusive), using the above-noted sources. Confidential Appendix A2 includes export data from the 2012/13 year by quarter for all countries.

Table B-1.5 – Imports of galvanised steel – all countries

Country	2012/13	2013/14	2014/15	2015/16	% of 2015/16 Total Imports
India	7,863	52,573	19,934	9,404	**4.9%**
Malaysia	0	2,481	8,553	15,375	**8.0%**
Vietnam	2,949	10,780	2,923	18,560	**9.7%**
Japan	45,465	37,830	27,399	31,169	16.3%
Korea	17,373	14,064	11,823	19,762	10.3%
Taiwan	71,557	72,397	55,005	30,638	16.0%
China	94,790	8,724	5,725	859	0.4%
Other	13,155	23,297	90,049	65,278	34.2%

Total	253,152	222,145	221,412	191,044	100%

Source: [confidential data source] and the Australian Bureau of Statistics.

As highlighted above, the ABS does not publish complete monthly import data for galvanised steel as the classifications (except for alloyed-goods) are the subject of suppression orders. BlueScope has relied upon both ABS and other 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 – India, Malaysia and Vietnam – have exported volumes that exceed the 3 per cent negligible volume levels in 2015/16.

Please refer to Table B-1.5 above for percentage of total import volumes in 2015/16.

Source data for the above has been included in soft copy form with this application (titled Confidential Attachment B-1.5).

6. **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.**

The import volumes from India and Vietnam exceed 4 per cent of total import volumes in 2015/16.

B-2 Export price

Possible sources of information on export price include export price lists; estimates from the Australian Bureau of Statistics; a deductive export price calculation from the Australian selling price of the imported goods; export sales quotations or invoices; foreign government export trade clearances.

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.**

The GUC are the subject of suppression orders and are included in the No Country Declared (“NCD”) embargo per ABS published data.

For India and Malaysia, BlueScope has included FOB values for exports of galvanised steel in Confidential Appendix A2 sourced from the ABS. FOB export prices for galvanised steel from the nominated countries has been calculated from the identified Tariff Sub-Heading categories for the goods the subject of the application.

BlueScope has used a combination of ABS and [confidential data source] FOB prices for Vietnam as the basis for determining prima facie dumping margins.

The A$FOB price for Vietnam has been relied upon by BlueScope for comparison with *prima facie* normal values.

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

TradeData International export prices are understood to be determined at the Free-On-Board (“FOB”) point in the country of export. ABS data was also sourced at the FOB point of sale. BlueScope has calculated FOB prices for galvanised steel exported to Australia from Vietnam. Details of FOB export prices for India, Malaysia and Vietnam are included in their respective dumping margin calculation schedules.

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. Appendix B1 (Deductive Export Price) can be used to assist your estimation.

As indicated above, BlueScope considers the ABS and [confidential data source] export volumes and pricing information for galvanised steel exports from India, Malaysia and Vietnam included in this application to be reliable and, therefore, has not utilised deductive export prices for calculating *prima facie* dumping margins.

BlueScope wishes to highlight with the Commission 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 dollars 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 included the [confidential data source] and ABS data relied upon for export price determination with this application, notated as appropriate throughout this document.

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

Possible sources of information about domestic selling prices in the country of export include: price lists for domestic sales (with information on discounts); actual quotations or invoices relating to domestic sales; published material providing information on the domestic selling prices; or market research undertaken on behalf of the applicant.

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.**

BlueScope has been unable to obtain domestic selling prices for galvanised steel sold in India, Malaysia or Vietnam as the full range of product specifications that are the subject of this application are not commonly sold in the nominated countries. Domestic galvanised steel prices for the GUC are not published in industry newsletters, nor are they available on a subscription basis from industry bodies in the respective countries.

BlueScope understands that the goods exported from India, Malaysia and Vietnam are primarily goods of a thinner gauge (i.e. nominally [*xxxx*] mm) whereas goods exported from some other countries (i.e. Taiwan) are generally of a thicker gauge (i.e. nominally [*xxxx*] mm and above). Galvanised steel of a thinner gauge sells at a higher price due to the higher zinc coating cost when compared with thicker gauge galvanised steel (i.e. thin steel has more square meters per tonne than thicker steel, and as every square meter has a minimum zinc coating applied, this results in a higher zinc metal coating cost per tonne for thin steel).

BlueScope has manufacturing operations in India and Vietnam, however, domestic pricing information for the like grades exported to Australia is closely held and is not available unless for direct sale between supplier and customer.

BlueScope similarly does not have access to published domestic prices for galvanised steel in Malaysia.

BlueScope has therefore relied upon a constructed selling price methodology for galvanised steel sold in each of the three exporting countries. Please refer to Section B-4.1 below for details of the constructed selling price methodology, along with source information relied upon by BlueScope.

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 the following “other” sellers of galvanised steel in the exporting countries:

India

Jindal Steel Works
JSW Centre
Bandra Kurla Complex,
Mumbai - 400 051
Ph: +91 22 4286 1000
Fax: +91 22 4286 30

Uttam Steel
Uttam House
69, P.D'Mello Road,
Mumbai - 400 009
Tel. : + 91-22-66563500
Fax : + 91-22-23485025

Malaysia

FIW Steel Sdn Bhd
3, Jalan Keluli 1,
Bukit Raja Industrial Estate (South)
400 Shah Alam Selangor Malaysia
Tel: 603 3343 1177
Fax: 603 3342 6721

YKGI Holdings Berhad
Lot 6479
Lorong Sungai Puluh/KU06
Kawasan Perindustrian Sungai Puloh
42100 Klang Selangor Malaysia
Tel: 603 3297 5555/ 3290 3344/ 3291 5189
Fax: 603 3297 6668
Web: www.ykgigroup.com

Vietnam

Nam Kim Steel Joint Stock Company
Tel: +84 650 374 8848
Web: www.namkimgroup.vn

B-4 Estimate of normal value using another method.

This section is not mandatory. It need only be completed where there is no reliable information available about selling prices in the exporter's domestic market. Other methods of calculating a normal value include:

- the cost to make the exported goods plus the selling and adminstration costs (as if they were sold in the exporter's domestic market) plus an amount for profit (if applicable);

OR

- the selling price of like goods from the country of export to a third country.

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).

As indicated at Section B-4.1 above, BlueScope has been unable to obtain domestic pricing information for galvanised steel sold in the domestic markets of India, Malaysia and Vietnam. BlueScope has therefore relied upon a constructed selling price methodology for determining prima facie normal values in each of the exporting countries.

The normal value methodologies relied upon by BlueScope are detailed hereunder.

India

<u>Relevant raw material sourcing information – [*Commercial-in-confidence information source*]</u>

To obtain a reliable starting point for domestic galvanised steel purchase prices in India, BlueScope has relied upon [*commercially sensitive information source details*].

[*Commercially sensitive information source details*]

<u>India normal value methodology</u>

[*Commercially sensitive information source*] galvanised steel in India. To fulfil its requirements for this product [*commercially sensitive information source*] Indian galvanised steel manufacturers.

The range of local galvanised steel products [*commercially sensitive information source*] are a combination of [*galvanised steel product types*]. The exported galvanised steel products from India to Australia differ in a number of key characteristics to the [*source*] galvanised steel. To correctly align the exported galvanised steel product types to the domestic galvanised steel product types, specification adjustments have been made to [*commercially sensitive source data*].

An inland freight adjustment has also been made [*commercially sensitive source data*].

<u>India – required adjustments to align domestic and exported goods</u>

The exported galvanised steel products from India are predominantly of one type – [*product type*]. This product is different to the typical domestic steel prices in three key cost and pricing specifications – steel grade, steel thickness and coating mass [*product differences*].

Specification adjustments have been made (positive and negative) to align the [*commercially sensitive information source*] normal values to the actual exported galvanised steel products sold into Australia.

Normal Values

BlueScope has calculated normal values for galvanised steel [*product type*] for the period 1 July 2015 to 30 June 2016. Constructed selling prices for galvanised steel in India are based upon [*commercially sensitive pricing details*] galvanised coil by [*commercially sensitive information source*] and adjusted for the above-noted specifications, in the range A$ per tonne $813 – $988.

Malaysia

Relevant raw material sourcing information – [*Commercial-in-confidence information source*]

In obtaining reliable HRC pricing information in Malaysia upon which to construct a galvanised steel selling price in that country, BlueScope has obtained information from [*commercially sensitive information source details*].

[*Commercially sensitive information source details*]

Malaysia normal value methodology

The exported galvanised steel products from Malaysia are predominantly of two types – [*product types*]. These two products are different to the normal value domestic steel prices in three key cost and pricing specifications – steel grade, steel thickness and coating mass [*product differences*].

Specification adjustments have been made (positive and negative) to align the [*commercially sensitive source data*] normal values to the Australian exported galvanised steel products during the dumping period.

The available ABS import data shows imports of galvanised steel by thickness groupings. BlueScope has utilised market intelligence to allocate the imported steel data by thickness into the two types of imported galvanised steel groupings. BlueScope's intelligence confirms that galvanised steel imported from Malaysia is predominantly either:

(i) feed for the manufacture of [*product type*];
(ii) commercial quality steel.

Based upon this knowledge:

- imported galvanised steel <[*xxxx*] mm will be of [*product type*] product;
- imported galvanised steel >[*xxxx*] mm to [*xxxx*] mm will be split between [*product type*] and [*product type*]; and
- imported galvanised steel >[*xxxx*] mm will be of [*product type*]

For reference, commercial quality is consigned G2 type with a Z275 coating mass of zinc, and purlin quality is 450 strength grade, with a Z350 coating mass of zinc.

Malaysia – required adjustments to align domestic and exported goods

The exported galvanised steel products from Malaysia are predominantly of two types – [*product types*]. These two products are different to the Normal Value domestic steel prices in three key cost and pricing specifications – steel grade, steel thickness and coating mass [*product differences*].

Specification adjustments have been made (positive and negative) to align the domestically sourced galvanised steel normal values to the Australian exported galvanised steel products during the dumping period.

An aggregate dumping margin taking account of commercial and purlin grades has been calculated at Section B-3.1.1.

Normal Values

BlueScope has assessed normal values for galvanised steel (reflecting commercial quality and high strength product) for the period 1 July 2015 to 30 June 2016. Constructed selling prices for galvanised steel in Malaysia based upon [*commercially sensitive information source*] and adjusted for [*product type*] galvanising and are in the range A$ per tonne $903 – $1,067.

For goods of G2 commercial quality, normal values are in the range A$ per tonne $953 – $1,117.

Vietnam

(i) Market Situation – Vietnam galvanised steel

BlueScope submits that a market situation exists for galvanised steel sold domestically in Vietnam.

(ii) Relevant HRC raw material sourcing information – Vietnam

Vietnam is presently not a raw material steel manufacturing nation. All HRC is imported. BlueScope has obtained Vietnam's import data for HRC over the 2015 calendar year and confirmed that of [*xxxx*] million tonnes of HRC imported, [*xxxx*] million tonnes (or [*%*] per cent) is sourced from China. Of the [*xxxx*] million tonnes exported from China to Vietnam, [*%*] is alloyed HRC that attracts a higher VAT rebate on export (understood to be [*%*]) versus zero per cent for non-alloyed Chinese HRC exports.

Following China, the next major source country for HRC imported into Vietnam is Taiwan with approximately [*xxxx*] million tonnes ([*%*] of total imports), Japan with [*xxxx*] million tonnes ([*%*] per cent), and Korea [*xxxx*] tonnes ([*%*] per cent).

China, therefore, is the most significant influencing source of HRC for value-adding in Vietnam. Please refer to Confidential Attachment B-4.1.1 for volumes of HRC imported into Vietnam during 2015.

In respect of importers in Vietnam that have purchased Chinese HRC, Hoa Sen has imported just over [*xxxx*] million tonnes of HRC, of which [*%*] per cent was sourced from China.

China is the major supplier of HRC as the key input for the galvanised steel produced and sold by Hoa Sen (both domestically and for export).

Hoa Sen – HRC Imports

Hoa Sen is a member of the Corporation Group Lotus in Vietnam. The majority of Hoa Sen's imports of HRC are alloyed product from China (i.e. [*%*]). The following Table highlights Hoa Sen's volume of HRC during calendar year 2015, by country.

Table B-4.1.1 – Hoa Sen's imports (qty) of HRC (tonnes) - 2015

Source	**7208.38.00**	**7208.39.00**	**7225.30.90**	**Total**	**Per cent of Total**
P R China			[*xxxx*]	[*xxxx*]	[*xx*]
India		[*xxxx*]		[*xxxx*]	[*xx*]
Japan	[*xxxx*]	[*xxxx*]		[*xxxx*]	[*xx*]
Taiwan	[*xxxx*]	[*xxxx*]		[*xxxx*]	[*xx*]
Total				[*xxxx*]	[*xx*]

Source: [confidential data source]

Table B-4.1.2 – Hoa Sen's import prices (US$ FOB per tonne) of HRC – 2015

Source	7208.38.00	7208.39.00	7225.30.90	Total
P R China			[*xxxx*]	[*xxxx*]
India		[*xxxx*]		[*xxxx*]
Japan	[*xxxx*]	[*xxxx*]		[*xxxx*]
Taiwan	[*xxxx*]	[*xxxx*]		[*xxxx*]
Total	[*xxxx*]	[*xxxx*]	[*xxxx*]	[*xxxx*]

Source: [confidential data source]

Table B-4.1.2 contrasts the US$FOB export price per tonne for HRC purchases by Hoa Sen during 2015. The FOB price ex China for alloyed HRC for Hoa Sen represents the lowest of all source countries.

(iii) Report No. 190 – Market Situation P R China

In Report No. 190 the then Customs and Border Protection ("C&BP") determined that due to the number of influences by the government of China ("GOC") on the Chinese Iron and Steel industry, the competitive market conditions in the Chinese Iron and Steel industry had been "substantially distorted". C&BP determined that the GOC influences that included "*broad, overarching GOC macroeconomic policies and plans that outline aims and objectives for the Chinese iron and steel industry and more specifically the 'implementing measures' that go towards actively executing the aims and objectives of these policies and plans*[1]".

C&BP further indicated:

> "*The impact of the GOC's numerous broad and extensive overarching macroeconomic policies and plans, outlining the aims and objectives for the Chinese iron steel industry, have not been insignificant. Furthermore, the various taxes, tariffs, export and import quotas have influenced the raw materials used in the production of the finished goods under investigation, which has led to a distortion in the selling prices of the finished goods themselves*."

The C&BP comments relating to the "raw materials used in the production of the finished goods" refers to HRC used in the manufacture of galvanised steel. C&BP determined that the domestic prices for HRC in China were 'artificially low' and significantly influenced by the GOC. The impact of the artificially low prices was that the domestic prices for galvanised steel in China were "not substantially the same as they would have been without the influences of the GOC". As a consequence, C&BP determined that a market situation applied for galvanised steel sold domestically in China, and that normal values for galvanised steel could not be ascertained under s.269TAC(1) of the Customs Act.

(iv) Influence of Chinese HRC on Vietnam prices for galvanised steel

BlueScope submits that the artificially low HRC prices that originate in the Chinese market that C&BP has previously determined (in April 2013) were the cause of domestic galvanised steel prices in China being lower than they otherwise would be, are exported to the Vietnamese market where they are used as inputs in the manufacture of galvanised steel. The Vietnamese value-added galvanised steel is sold domestically or exported – to destinations, including Australia – at prices that are lower than they otherwise would be due to the original impact of the GOC policies and plans that cause the HRC prices to be artificially low. The artificially low domestic galvanised steel prices are unsuitable for determining normal values in Vietnam. The unsuitability of domestic prices - due to the impact of GOC policies on Chinese export prices for HRC (including to Vietnam) – are highlighted in the following news articles:

[1] Report No. 190, P.166.

(i) The cold-rolled mill operator China Steel Sumikin Vietnam Joint Stock Co ("CSVC") is monitoring imports of flat steel products has indicated it is is collecting data on Chinese imports and has stated "We have been feeling great pressure from cheaper Chinese imports into Vietnam since the beginning of 2015, and we've been obliged to match the prices to secure customers" as quoted in a Platts article of 8 October 2015 (refer Non-Confidential Attachment B-4.1.1);

(ii) A Reuters report dated 17 May 2016 confirms that China will maintain its tax rebate policy on steel exports "to help the sector tackle its longstanding overcapacity problems". It is also noted that "China would use favourable tax policies to support mergers, debt restructuring and bankruptcies in the steel and coal sectors, which are currently in the middle of a campaign to close surplus capacity" (refer Non-Confidential Attachment B-4.1.2); and

(iii) It is also reported that Chinese import prices undercut local prices in many south-east Asian countries including Malaysia and Vietnam. In the first half of 2015, Chinese exports of steel products to Vietnam increased 68.5 per cent. Local industries are calling for the abolition of the Chinese export rebate tax policies (Refer Non-Confidential Attachment B-4.1.3);

It is irrefutable that Chinese export prices to Vietnam – including for HRC for which China is the major source country of supply – have contributed to low selling prices for all steel products that incorporate HRC as a raw material input for further value-adding (i.e. galvanised steel, pre-painted galvanised steel (see below), hollow structural sections, etc.

BlueScope notes that Vietnam's Ministry of Trade ("MOIT") has recently initiated a safeguard investigation against imports of pre-painted galvanised steel products (especially from China) in response to a petition filed by local producers (Refer Confidential Attachment B-4.1.4). This highlights the increasing concern within Vietnamese industry of the impact of Chinese exports on local Vietnamese prices for galvanised steel flat products.

Chinese steel exports to Vietnam (including specifically, HRC) have contributed to suppressed selling prices for further value-added goods. The affected goods also include galvanised steel that is manufactured from imported Chinese HRC.

The export of the Vietnamese galvanised steel to Australia at artificially low prices represents a 'transfer' of the artificially low input prices for HRC into galvanised steel produced in Vietnam. The transfer of the artificially low input prices into finished goods in another country (in this instance, Vietnam) is nothing more than the exportation of the GOC's policies and plans into manufacturing in Vietnam. In essence, the GOC steel industry is 'circumventing' the anti-dumping measures in Australia by exporting the significant raw material input – HRC – to another country for value-adding prior to exportation to Australia.

The outcome is that the Australian industry is materially injured by the GOC's plans and policies for the Chinese steel industry that are transhipped through Vietnam for further value-adding prior to export to Australia where the Australian industry's selling prices for locally produced galvanised steel are undercut.

<u>(v) Role of Vietnam Government</u>

Vietnam's capacity to melt steel from iron ore and coking coal raw material inputs is significantly constrained due to a lack of historical commercial investment in blast furnace and steel making infrastructure. This requires the domestic Vietnamese steel industry to seek offshore supply sources for HRC.

BlueScope submits that the Government of Vietnam, in the absence of a domestic coil supply source, encourages the importation of HRC as feed supply for domestic value-adding / upstream steel manufacturing.

The complexities around Vietnamese import trade flows is clearly evidenced by the Vietnamese Government's imposition of Safeguard Measures on both steel billet and steel long products (imposed

March 2016), on semi-finished steel products and bars & rods (imposed August 2016), and the July 2016 announcement of a Safeguard investigation into pre-painted flat steel. In May 2016, the Vietnamese Ministry of Industry and Trade also raised the anti-dumping tariffs for stainless steel imports from China and Indonesia.

The import trade in HRC cannot attract Safeguard and/or anti-dumping type measures due to the absence of domestic industry producing like goods.

BlueScope also notes that most other countries in the region (i.e. Malaysia and Indonesia) are active in Safeguard investigations asserting material injury from excess Chinese steel supply. In the absence of a domestic HRC supply chain, the Vietnamese government encourages cheap supply. This position, however, will change when a planned HRC production facility commences production in 2016/17.

It is therefore BlueScope's contention that a market situation prevails for galvanised steel sold in Vietnam and that domestic selling prices are "unsuitable" for the purposes of normal values by virtue of the artificially low input prices (i.e. HRC) sourced from China.

(vi) Vietnam Normal Value

BlueScope has constructed normal values for Vietnam based upon [*confidential pricing and data sources*], uplifted for a conversion cost for galvanised steel production (sourced from BlueScope's Thailand operation, that includes the cost of pickling, cold rolling, metallic coating, and selling, general & administrative expenses).

BlueScope has also added [*further normal value adjustment*] (refer Confidential Attachment B3.1.3). Whilst this [*further normal value adjustment*] has been applied in calculating the normal value, BlueScope nonetheless retains the right to [*further normal value adjustment changes*].

No specification-type adjustments have been made to the constructed normal values on the basis that BlueScope considers [*confidential pricing details*] equivalent like-goods on the home market when compared to their Australian galvanised steel exports.

The normal values for Vietnamese commercial grade G2 galvanised zinc exported to Australia during the period July 2015 to June 2016 are in the range A$905 to $1,037 per metric tonne.

2. Provide supporting documentary evidence.

BlueScope has included all supporting information for constructed selling price normal values for the exporting countries as follows:

(i) India – Confidential Attachment B-3.1.2;
(ii) Malaysia – Confidential Attachment B-3.1.1; and
(iii) Vietnam – Confidential Attachment B-3.1.3.

B-5 Adjustments.

A fair comparison must be made between the export price and the normal value. Adjustments should be made for differences in the terms and circumstances of the sales such as the level of trade, physical characteristics, taxes or other factors that affect price comparability.

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

Constructed normal values for India, Malaysia and Vietnam have been determined at the ex-factory level. Export price information relied upon for determining dumping margins has been sourced from the ABS or [confidential data source] and is recorded at the A$FOB level.

Adjustments for domestic inland freight and port and handling charges are required. BlueScope has made these adjustments to the India and Malaysia normal value calculations to allow for appropriate export price comparisons.

BlueScope has not made an adjustment for domestic inland freight and wharfage expenses to the Vietnam normal values as this information could not be readily sourced.

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.

BlueScope's adjustments to normal values for galvanised steel in India and Malaysia are identified in Confidential Attachment B-3.1.2 and 3.1.1. Supporting documentation for the relevant adjustments is also included in the nominated attachments.

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).

BlueScope has calculated prima facie dumping margins for galvanised steel exported to Australia over the period July 2015 June 2016.

Dumping margin calculations for galvanised steel exported from India, Malaysia and Vietnam are shown below.

India

[*Product type*]

Weighted average normal value – A$900 per tonne
Weighted average export price – A$840 per tonne
Dumping margin – A$60 per tonne or 7.2 per cent of the weighted average export price.

[*Product type*]

Weighted average normal value – A$841 per tonne
Weighted average export price – A$840 per tonne
Dumping margin – A$2 per tonne or 0.2 per cent of the weighted average export price.

The aggregate weighted average dumping margin (zinc anneal grade and commercial grade exports) is 5.4 per cent.

Malaysia

[*Product type*]

Weighted average normal value – A$1,017 per tonne
Weighted average export price – A$799 per tonne
Dumping margin – A$218 per tonne or 27.2 per cent of the weighted average export price.

[*Product type*]

Weighted average normal value – A$969 per tonne
Weighted average export price – A$799 per tonne
Dumping margin – A$171 per tonne or 21.4 per cent of weighted average export price.

The aggregate weighted average dumping margin (Commercial and purlin exports) is 24.2 per cent.

Vietnam

Weighted average normal value – A$841 per tonne
Weighted average export price – A$776 per tonne
Dumping margin – A$65 per tonne or 8.4 per cent of the weighted average export price.

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

Please refer to Section B-6.1 above for margins as percentage of export price.

PART C

SUPPLEMENTARY SECTION

IMPORTANT

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

For advice about completing this part please contact the Commission's client support section on:

Phone: 13 28 46
Fax: (03) 8539 2499
Email: clientsupport@adcommission.gov.au

C-1 Subsidy

This section must be completed where countervailing duties are sought to offset foreign government assistance through subsidies to exporters or producers.

If the application is for countervailing duty alone, the domestic price information required by Part B of the application need not be supplied.

Responses to questions A-9 will need to identify the link between subsidisation and injury.

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.

(i) General

This application also includes requests for countervailing measures on exports of galvanised steel from India and Vietnam.

(ii) Republic of India

In December 2015, the Canada Border Services Agency ("CBSA") published a Statement of Reasons ("SOR") concerning the final determination with respect to the subsidisation of certain hot-rolled carbon steel plate and high-strength low-alloy steel plate originating in or exported from the Republic of India. The SOR states that the CBSA forwarded RFI's ("Requests For Information") to the government of India ("GOI") and identified exporters on 55 identified programs (refer Non-Confidential Attachment C-1.1 for listing of 55 subsidy programs).

The GOI and the responding exporters in India in the CBSA investigation provided incomplete responses to the RFIs forwarded. As a consequence, the CBSA determined the amounts of the subsidies based upon the best information available.

BlueScope notes that India maintains a range of national and regional (state government) subsidies that continue to operate in 2015 and 2016. In particular, subsidies are payable to qualifying entities in special economic zones ("SEZs") as reflected in the recent CBSA finding of 22 December 2015. In the World Trade Organisation's ("WTO") most recent Trade Policy Review published in respect of India (WTO Document WT/TPR/S/313) dated 28 April 2015, it is noted that India continues to operate numerous SEZs[2] where operating units benefit from a range of programs including "*various taxes, including income tax, central sales tax, service tax, and from a series of state taxes (i.e. sales tax, stamp duty, and electricity duty). SEZ units may import all types of goods (including new and second hand capital goods) duty free from both abroad and from the domestic tariff area (DTA).*"

SEZs are designated geographical regions that operate under different laws to other industrial areas within India. SEZs enjoy tax breaks, simplified customs and border procedures, fewer regulations and restrictions, exemptions from duties, etc which are aimed at generating economic activity, promoting exports of goods and services, attracting investment from domestic and foreign sources, creating employment and developing infrastructure. SEZs in India can be established by private enterprises, public bodies, private/public joint ventures, state governments or state government agencies.

According to the most recent WTO Trade Policy Review, the following incentives are available to SEZ units (2014):

[2] According to WTO/TPR/S/313 approximately 352 SEZs were in operation at the end of 2014 (P. 69) at Non-Confidential Attachment C-1.2.

Table C-1.1 – Incentives to SEZs - India

Incentives:
100 per cent income tax exemption for SEZ units for the first five years, 50 per cent for the next five years, and 50 per cent of the ploughed-back export profit for the next five years
Exemption from the central sales tax
Exemption from the service tax
Exemption from the sales tax and other levies (e.g. stamp duty and electricity duty) as extended by the respective state governments
External commercial borrowings by SEZ units up to US$500 million in one year without any maturity restriction through recognised banking channels
100 per cent FDI Investment through automatic route
Single-window clearance for central and state level approval procedures

Source: WTO Trade Policy Review, India, 2015.

The top four states (in terms of approved and operational SEZs) are Maharashtra, Telangana, Karnataka and Tamil Nadu.

The CBSA had earlier confirmed the existence of a broad range of subsidies in its investigation into Certain Oil Country Tubular Goods ("OCTG") products originating in India. In its Statement of Reasons dated 18 March 2015, the CBSA confirmed the existence of 50 subsidy programs, many of which were reaffirmed as applicable in the December 2015 finding for certain hot-rolled carbons steel plate and high-strength low-alloy steel plate.

The Commission has not previously undertaken a subsidy investigation involving exports from India. The following programs, therefore, are new programs not identified in the Commission's Subsidies Register. BlueScope has provided the information available to it in respect of the nominated programs as detailed below.

The following subsidy programs were found by the CBSA to have afforded benefits to the two cooperating Indian exporters – Jindal Saw and GVN Fuels Limited/Maharashtra Seamless Limited ("GVN/MSL") in OCTG products. BlueScope submits that the programs that have aided OCTG producers and exporters in India are anticipated to also benefit the nominated Indian producers/exporters of galvanised steel to Australia. In particular, exporters located in SEZs located in Maharashtra (e.g. POSCO) are considered eligible to receive benefits under the identified programs.

BlueScope further draws the Commission's attention to the US Department of Commerce ("USDOC") Countervailing Investigation into Certain Cold Rolled Steel Flat ("CRSF") products exported from India and published on 20 July 2016 that confirmed countervailable subsidies were evident for Programs 2 to 5, and 7. Please refer to Non-Confidential Attachment C-1.3 for the US DOC's summary of its assessment of countervailable subsidies applicable to the Indian exporter, JSW Steel Limited ("JSWSL"), which attracted an adverse facts finding (i.e. on basis of determined non-cooperation).

Program 1: Focus Product Scheme

The objective of this program is to encourage the export of products that have high export or employment potential, and is also used to offset any infrastructure inefficiencies and costs associated with marketing of products.
Specificity

It is understood by BlueScope (from the CBSA investigation) that this program is an actionable subsidy. The benefit is specific as it is contingent upon export performance of the claimant.

Is there a benefit?

The program involves a financial contribution for amounts that would otherwise be owing and due to the government are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption. Under this program, (in operation since 27 August 2009), exports of certain products to all countries are entitled to a duty credit equivalent to 2 per cent of their value. In the CBSA's OCTG subsidy investigation involving India, both cooperative exporters received benefits under the scheme. Exporters of galvanised steel products are similarly expected to benefit under the program.

On the basis of the 2 per cent of the credit available based upon the export value, the calculated value of the subsidy would be 2.0 per cent *ad valorem*.

Legal Basis

The program was established as per Chapter 3.15 of India's Foreign Trade Policy (2009-2014) which was issued by the Ministry of Commerce and Industry in 2010.

WTO Notification

BlueScope is not aware of the notification of this subsidy.

Program 2 – Export Promotion Capital Goods Scheme

This program was introduced to aid the modernisation and technological upgrade of the production base in India. As with Program 1, both cooperative exporters in the CBSA's OCTG investigation received benefits under this program.

Specificity

The program is a specific subsidy as it is contingent upon export performance.

Is there a benefit?

The program allows for the importation of capital goods for pre-production, production and post production at zero rate or 3 per cent customs duty, subject to an export obligation equivalent to 6 times of the duty saved on the imported capital goods. The program involves a financial contribution for amounts that would otherwise be owing and due to the government and are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

The USDOC in determined in CRFS products that the benefit applicable to JSWSL to be calculated at 0.60 per cent *ad valorem*.

Legal Basis

The program is administered under the Foreign Trade Policy 2009 – 2014.

WTO Notification

BlueScope is not aware of the notification of this subsidy.

Program 3 – Package Scheme of Incentives by the State Government of Maharashtra (SGOM) – Exemption from Electricity Duty

Eligible companies undertaking expansion and/or diversification are exempted from payment of electricity duty if located in “Zones C, D, D+ Talukas and No Industry Districts”. It is noted that POSCO operates in SGOM and likely qualifies for the exemption.

Specificity

The Exemption from the Electricity Duty Program is part of the *Package Scheme of Incentives (PSI)* offered by the SGOM that provides certain incentives for industries in the state of Maharashtra, to encourage dispersal of industries outside the Bombay-Thane-Pune region and to encourage industries to locate to the developing and underdeveloped areas of the state. The program is amended at times, with the last amendment in 2013.

Eligibility is not contingent upon export performance or the use of domestic over imported goods.

Is there a benefit?

This program involves exemption of the electricity duty. This benefit involves a 5 per cent refund of the VAT and a 2 per cent refund of the Central Sales Tax. The electricity duty exemption for eligible companies is for a period of 7 years from the date of commencement of commercial production. The program involves a financial contribution for amounts that would otherwise be owing and due to the government and are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

In CRFS products the USDOC confirmed that JSWSL had received a benefit in the form of an exemption from the duty on electricity purchases during the period of investigation. USDOC assessed the benefit at 0.01 per cent *ad valorem*.

Legal Basis

Paragraph 5.3 of the Mega Project of *Maharashtra Package Scheme of Incentives 2007*.

WTO Notification

The electricity duty exemption for SGOM is a notified subsidy.

Program 4 – Package Scheme of Incentives by SGOM – for Mega Projects – Stamp Duty Benefit

The purpose of this program (along with other incentives in the *Package Scheme of Incentives by the SGOM)* is to attract industries to the economically challenged regions in the state of Maharashtra. In the CBSA’s OCTG case one exporter was located within one of the geographical zones defined under this program, and was approved for and received the stamp duty exemption for the registration of land leased from the Maharashtra Industrial Corporation.

Specificity

The Stamp Duty Benefit is provided to enterprises in certain geographic regions that met certain capital investment thresholds and is limited to a group of eligible enterprises.

Is there a benefit?

The benefit received is an exemption from stamp duty. The program involves a financial contribution for amounts that would otherwise be owing and due to the government and are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

Legal Basis

Under the Package Scheme of Incentives by the SGOM – for Mega Projects – Stamp Duty provisions.

WTO Notification

BlueScope is not aware of the notification of this subsidy.

Program 5 – Package Scheme of Incentives by SGOM – Exemption from Sales Tax and other levies – a Sales Tax Deferral

A further program under the *Package Scheme of Incentives* by the State Government of Maharashtra that provides certain incentives for industries in Maharashtra state. The exemption is tailored to attract industries to the developing and underdeveloped areas of the state, including specific geographic areas or zones. It is noted that both cooperating exporters in the CBSA's OCTG investigation received benefits under this program.

Specificity

The exemption from sales tax and other levies involves a payment deferral of sales tax for a period of 10 years. After 10 years, the deferred tax is due and paid to the state government. The benefit is effectively an interest free loan from the state government.

The USDOC determined in CRFS products tat JSWSL had received benefits involving the deferral of sales tax payments(as well as VAT deferral/exemption). The USDOC calculated the benefit received by JSWSL as 0.95 per cent *ad valorem*.

Is there a benefit?

The benefit is a deferral of sales tax and other levies for a 10 year period (i.e. an interest free loan). The program involves a financial contribution for amounts that would otherwise be owing and due to the government and are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

Legal Basis

Available under the *Exemption from Sales Tax and other levies – Sales Tax Deferral* within the Package Scheme of Incentives (PSI) of the SGOM.

WTO Notification

BlueScope is not aware of the notification of this subsidy.

Program 6 – Duty Exemption/Remission Schemes – b Advance Authorisation Scheme

This program enables the duty-free importation of inputs required for the production of goods to be exported, or for deemed exports. Eligibility is not strictly contingent upon export performance – it is available for inputs even if the final products are not exported.

BlueScope notes that both cooperative exporters in the CBSA's OCTG investigation received benefits under this program.

Specificity

The available information confirms that the program is a specific subsidy as it is contingent upon actual or deemed export performance (although not strictly adhered to).

Is there a benefit?

The program permits duty-free importation of inputs used in the production of goods to be exported or for deemed exports. Inputs must be used in the manufacture of exported products or for the replenishment of inputs used in products that have already been exported. The program involves a financial contribution for amounts that would otherwise be owing and due to the government and are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

Legal Basis

Provided for under paragraph 4.1 of the Foreign Trade Policy ("FTP") 2009-2014 provisions.

WTO Notification

BlueScope is not aware of the notification of this subsidy.

Program 7 – Duty Exemption/Remission Schemes – d Duty Drawback Scheme

This program provides for rebates of duties or taxes levied on any imported or excisable materials and input services used in the manufacture of the exported goods. The goods and services covered includes duty free import of inputs, fuel, energy sources, oil and catalysts required for the exported products. It is noted that duty exemptions on inputs consumed in the manufacture of the exported goods is permitted (and not countervailable) provided that the exemption is applied only to inputs consumed in the manufacture of the exported goods (and not more broadly). The government must have in place a system that confirms inputs were consumed in production of the exported goods and in what amounts. The government of India was unable to provide to the CBSA evidence of an appropriate system operating to effectively record the required information and hence CBSA concluded that no such system was in operation.

It was further evidenced by CBSA that cooperative exporters in the OCTG investigation received benefits under this program.

Specificity

The program is considered specific and is an actionable subsidy (in the absence of reliable information from the GOI on the operation of the system).

Is there a Benefit?

The program involves a financial contribution for amounts that would otherwise be owing and due to the government and are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

The duty drawback program was identified as affording a benefit by USDOC in CRFS products exported from India by JSWSL. The calculated benefit in CRFS products was 1.98 per cent *ad valorem*.

Legal Basis

Provided for under paragraph 4.1.3 of the India Foreign Trade Policy.

WTO Notification

BlueScope understands that the WTO has identified duty drawback schemes as providing benefits to Indian exporters (refer WO Trade Policy Review – India 2015 s.313_e at Section 3.2.6.3, P.71.)

Other Potential countervailable programs in India

BlueScope is aware that CBSA found positively in respect of the following additional subsidy programs (due to inadequate responses from the GOI and cooperative exporters in the certain hot-rolled carbon steel plate and high-strength low-alloy steel plate investigation):

Program 1.	Duty-Free Importation of Capital Goods and Raw Materials, Components, Consumables, Intermediates, Spare Parts and Packing Material in Special Economic Zones (SEZs)
Program 2.	Export Income Tax Exemptions in SEZs
Program 3.	Exemption in SEZs from Minimum Alternate Tax
Program 4.	Exemption in SEZs from Payment of Central Sales Tax on Purchases of Capital Goods and Raw Materials, Components, Consumables, Intermediates, Spare Parts and Packing Material
Program 5.	Exemption in SEZs from Service Tax
Program 6.	Discounted Land Fees and Leases in SEZs
Program 7.	Discounted Electricity Rates in SEZs
Program 8.	Exemption in SEZs from State Sales Tax and Other Levies as Extended by State Governments
Program 9.	Duty-Free Importations for Companies Designated as Export Oriented Units (EOUs)
Program 10.	Reimbursement to EOUs of Central Sales Tax
Program 11.	Duty Drawback for EOUs on Fuel Procured from Domestic Oil Companies
Program 12.	Credit for Service Tax paid by EOUs
Program 13.	Exemptions from Income Tax for EOUs
Program 14.	Exemption from Central Excise Duty on Goods Procured from Domestic Tariff Areas and On Goods Manufactured in India
Program 15.	Assistance to States for Developing Export Infrastructure and Allied Activities
Program 16.	Market Access Initiative
Program 17.	Market Development Assistance
Program 18.	Meeting Expenses for Statutory Compliances in Buyer Country for Trade Related Matters
Program 19.	Brand Promotion and Quality
Program 20.	Test Houses
Program 21.	Focus Product Scheme (*covered by Program 1 above*)
Program 22.	Rupee/Foreign Currency Export Credit & Customer Service to Exporters
Program 23.	Export Promotion Capital Goods Scheme (*covered by Program 2 above*)
Program 24.	Duty Exemption/Remission Schemes – Duty-Free Import Authorization Scheme
Program 25.	Duty Exemption/Remission Schemes – Advance Authorization Scheme (*covered by Program 6 above*)
Program 26.	Duty Exemption/Remission Schemes – Duty Entitlement Passbook Scheme
Program 27.	Duty Exemption/Remission Schemes – Duty Drawback Scheme (*covered by Program 7 above*)
Program 28.	Provision of Captive Mining Rights for Minerals Including Iron Ore and Coal
Program 29.	Purchase of Iron Ore From State-owned Enterprises for Less Than Fair Market Value
Program 30.	80-IB Income Deduction Program
Program 31.	80-IA Income Tax Deduction Program
Program 32.	Steel Development Fund Loans
Program 33.	Steel Development Fund R&D Grants
Program 34.	State Government of Maharashtra (SGOM) – Industrial Promotion Subsidy
Program 35.	SGOM – Exemption from Electricity Duty (*covered by Program 3 above*)
Program 36.	SGOM – Waiver of Stamp Duty (*covered by Program 4 above*)
Program 37.	SGOM – Power Tariff Subsidy
Program 38.	SGOM – Incentives to Strengthen Micro, Small and Medium Enterprises (MSME)
Program 39.	SGOM – Special Incentives of the SGOM for Mega Projects
Program 40.	State Government of Gujarat (SGOG) – Assistance to MSMEs – Interest Subsidy
Program 41.	SGOG – Assistance to MSMEs – Quality Certification
Program 42.	SGOG – Sales Tax Exemptions and Deferrals On Purchase of Goods (*covered by Program 5 above*)
Program 43.	SGOG – VAT Remission Scheme

Program 44. SGOG – Scheme for Assistance to Industrial Parks/Industrial Estates Set Up By Private Institutions
Program 45. SGOG – Critical Infrastructure Projects
Program 46. State Government of Chhattisgargh (SGOC) – Industrial Policy 2009-2014: Fixed Capital Investment Subsidy
Program 47. SGOC – Industrial Policy 2009-2014: Interest Subsidy
Program 48. SGOC – Industrial Policy 2009-2014: Quality Certification
Program 49. SGOC – Industrial Policy 2009-2014: Electricity Duty Exemption
Program 50. SGOC – Industrial Policy 2009-2014: Stamp Duty Exemption
Program 51. SGOC – Industrial Policy 2009-2014: Provision of Land for Less than Adequate Remuneration
Program 52. State Government of Jharkhand (SGOJ) – Comprehensive Project Investment Subsidy
Program 53. SGOJ – Stamp Duty and Registration
Program 54. SGOJ – Incentive for Quality Certification
Program 55. SGOJ – VAT and Tax Incentives

As the above programs were determined by the CBSA to have been applicable to exporters of OCTG (in December 2015), BlueScope contends that the same programs are anticipated to provide benefits to producers of galvanised steel exported to Australia.

Greater than negligible benefit – Indian exporters

It is BlueScope's submission that the aggregate benefit of the identified subsidy programs as received by a recipient exporter are above negligible levels and therefore justify the imposition of a countervailing notice in respect of the Indian exporters of the goods the subject of this application. The USDOC in CRFS products calculated above negligible values for exports by JSWSL (6.45 per cent *ad valorem*). The calculated benefit understood to be received by exporters in SEZs in Maharashtra as identified in Programs 2 to 5, and 7 is considered to exceed 2 per cent (at approximately 5.54 per cent, excluding the remaining identified programs).

(iii) Vietnam

The CBSA has also recently conducted a countervailing and subsidy investigation into certain OCTG exported from the Socialist Republic of Vietnam ("Vietnam"). In the Final Determination published on 18 March 2015, the CBSA concluded subsidy margins for Vietnamese exporters of OCTG at a rate of 19 per cent.

The subsidy programs identified by the Canadian industry and investigated by the CBSA included:

Program 1. Land-Use Levy Exemptions or Reductions
Program 2. Land Rent Exemptions or Reductions
Program 3. Tax Exemptions and Reductions for Encouraged Sectors
Program 4. Tax Exemptions and Reductions for Investment in Disadvantaged Regions
Program 5. Tax Exemptions and Reductions for Investments in Economic Zones or High Tech Industrial Parks
Program 6. Tax Exemptions and Reductions for Foreign-Invested Enterprises
Program 7. Additional Income Tax Preferences for Exporters
Program 8. Accelerated Depreciation of Fixed Assets
Program 9. Preferential Provisions for Carry-forward of Losses
Program 10. Exemption of Import Tax on Equipment and Machinery Imported to Create Fixed Assets
Program 11. Export Support Loans at Preferential Rates
Program 12. Excessive Duty Exemptions for Imported Raw Materials for Exported Goods
Program 13. Import Duty Exemption on Equipment and Machinery Imported to Create Fixed Assets
Program 14. Interest Rate Support Program under the State Bank of Vietnam
Program 15. Preferential Lending under the Viet Bank Export Loan Program

Program 16. Grants to Firms that Employ More than 50 Employees
Program 17. Assistance to Enterprises Facing Difficulties due to Objective Reasons
Program 18. Acquisition of State Assets at Less Than Fair Market Value

BlueScope has observed that exporters of OCTG in Vietnam and the Government of Vietnam ("GoV") did not respond to the CBSA's Request For Information ("RFI") positive findings in respect of each of the subsidy program was made.

In March 2013, Vietnam provided the WTO Committee on Subsidies and Countervailing Measures with a "New and Full Notification Pursuant to Article XVI.1 of the GATT and Article 25 of the Agreement on Subsidies and Countervailing Measures[3]. The document detailed support programmes for the period 2005 to 2007 and provided a "full and updated notification for subsidies effective during the notified period, inclusive of both new (if any) and previously notified programmes."

The 2013 New and Full Notification of Subsidies programs included the following:

1. Preferential Import Tariff Rates contingent upon Localisation Ratios with respect to products and Parts of Mechanical-Electric-Electronic Industries (updating Programme II of Notification of Subsidies period 2003-2004);
2. Support for the Implementation of Projects Manufacturing Priority Industrial Products (Updating Programme III of 2003-2004);
3. Investment Incentives Contingent upon Export Performance For Domestic Businesses (Updating Programme IV of 2003-2004);
4. Other Investment Incentives for Domestic Businesses (Updating Program V of Period 2003-2004);
5. Investment Incentives Contingent upon Export Performance for Foreign Invested Enterprises (Updating Programme VI of the Period 2003-2004);
6. Other Investment Incentives for Foreign Invested Enterprises (Updating Programme VII for Period 2003-2004);
7. Preferential Investment Credit for Development Contingent upon Export Criteria (Updating Programme VIII of Period 2003-2004);
8. Preferential Development Credit for Investment Contingent Upon Localisation Ratios (Updating Programme IX of Period 2003-2004);
9. Other Preferential Investment Credit for Development (Updating Program X of Period 2003-2004);
10. Export Promotion (Updating Program XII of Period 2003-2004);
11. Trade Promotion (Updating of Programme XIII of Period 2003-2004);
12. Support for Mechanical Products (Updating Program XV of Period2003-2004);
13. Support for Shipbuilding Industry (Updating of Programme XV of Period 2003-2004);
14. Assistance for Commercial Development in Mountainous, Island and Ethnic Minority Areas (Updating Programme XVI of Period 2003-2004);
15. Assistance to Enterprises Facing Difficulties Due to Objective Reasons (Updating of Programme XVII of Period 2003-2004);
16. Incentives for Investment Projects in Science and Technology (Updating Programme XVIII of Period 2003-2004).

On 25 September 2015, Vietnam provided a further New and Full Notification Pursuant to Article XVI.1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures[4]. The updated Notification provided details of the subsidy programs in operation including, for example, Incentives on Corporate Income Tax for enterprises operating in regions or sectors entitled to incentives. Specifically, the incentives were targeted to encourage enterprises to invest in regions or sectors which require development.

The subsidy programs involving income tax rates (i.e. Programs 3 to 7 in the CBSA's OCTG investigation) are detailed hereunder.

[3] Refer WTO Document G/SCM/N/155/VNM of 13 March 2013 at Non-Confidential Attachment C-1.4
[4] Refer WTO Document G/SCM/N/253/VNM dated 25 September 2015, at Non-Confidential Attachment C-1.5

Program 1: Preferential Import Tariff Rates for enterprises investing in regions or sectors entitled to investment incentives.

Legal Background and Administering Authority: Import and Export Tariffs Law 2005 and Decree No. 87/2010/ND-CP dated 13 August 2010 guiding the implementation of several articles of the Import and Export tariffs Law. The program is administered by the Ministry of Finance.

General Form of Subsidy: Import tariff incentives (i.e. reductions in duties payable).

Beneficiaries of subsidy: Projects in sectors eligible for import tariff incentives which are listed in Annex 1 to the Decree No. 87/2010/ND-CP or in regions eligible for import tariff incentives which are listed in the Decree No. 124/2008/ND-CP dated 11 December 2008 and the Decree No. 53/2010/ND-CP dated 19 May 2010.

Specific Form of the Subsidy: Provided (including, but not limited to, as follows):

"Import tariff incentives contingent upon investment-encouraged areas and sectors are set forth in Clauses 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, and 16 of Article 12 of the Decree No. 87/2010/ND-CP as follows:

(i). *Goods imported to create fixed assets of investment projects in sectors entitled to import duty preferences listed in the Appendix I to this Decree or in regions entitled to import duty incentives, and investment projects funded with official development assistance (ODA) which are exempted from import duty, include:*

- Equipment and machinery; - Special-use means of transport included in technological lines which cannot be domestically manufactured yet; worker-transporting vehicles including cars of 24 seats or more and waterway crafts;

- Components, details, knocked down parts, spare parts, fittings, molds and accessories accompanying machinery, equipment and special-use means of transport described at Points a and b of this Clause for assembly into complete units;

- Materials and supplies which cannot be domestically produced yet, to be used for manufacturing equipment and machinery included in technological lines or for manufacturing components, details, knocked down parts, spare parts, fittings, molds and accessories accompanying equipment and machinery stated at Point a of this Clause for assembly into complete units;

(iii) *Exemption from import duty for imports specified in the Clauses 6 and 7 of the Article 8 of the Decree No. 87/2010/ND-CP is also applied to projects with expanded scale and renewed or replaced technology."*

BlueScope is aware that the CBSA's OCTG investigation of Programs 12 and 13 included examination of eligible preferential import duty benefits to exporters. BlueScope contends that galvanised steel producers in Vietnam would similarly receive benefit(s) under this program.

BlueScope has included a copy of the Hoa Sen Group's consolidated annual statements for the period ended 30 September 2015 (refer Non-Confidential Attachment C-1.6). P.47 of the consolidated financial statements highlights recent projects completed by the Hoa Sen Group involving new capital equipment. It is particularly identifiable that Hoa Sen at its Dong Hoi Industrial Park completed the installation of a new galvanizing line in May 2016, and would have received import duty concessions in the lead up to implementation.

Program 2: Incentives on corporate income tax rates for enterprises operating in regions or sectors entitled to incentives.

Legal Background and Administering Authority: Law on Income Tax No.14/2008/QH12 and guideline documents, administered by the Ministry of Finance.

General Form of subsidy: Preferential corporate income tax rates.

Beneficiaries of subsidy: Provided to the following enterprises:

- Enterprises established under Vietnam's Laws;
- Enterprises established under foreign laws (hereafter referred to as foreign enterprise with or without permanent residence entities in Vietnam);
- Organisations established under the Law on Cooperatives;
- Non-productive entities established under Vietnam's laws;
- Productive entities.

Specific Form of Subsidy: The following subsidies were provided during 2011 to 2013:

- Preferential tax rate of 10% in 15 Years, tax exemption in 4 years, and 50% reduction of the tax amount payable in 9 succeeding years are applied to:

  (i) newly-established enterprise from a project carried out in the regions with especially difficult socio-economic conditions, economic zones, and high-technology parks;

  (ii) newly-established enterprises from a project in the sectors including high technology as prescribed by laws; scientific research and technology development; water plants, power plants, and water supply and drainage system; bridges, roads, and railroads; airports, seaports, and river ports; terminals, train stations, and other particularly important infrastructure decided by the Prime Minister; and software production.

- For newly-established enterprises from a project in the above sectors with large scale, high technology or need of investment attraction, duration of applying preferential tax may be prolonged but the total time of applying preferential tax of 10% does not exceed 30 years. The Prime Minister will decide the extension of applying preferential tax of 10% as described in this Law based on the proposal of the Minister of Finance.

- Corporate tax rate of 10% is applied to revenues of enterprises in the sectors of education and training, vocational training, healthcare, culture, sports and environment (hereinafter referred to as the socialized sector) for the whole operation duration. Tax exemption in 4 years and 50% reduction of the tax amount payable in the next 5 years are applied to newly- established enterprises in the socialized sector operating in a region which is not in the list of regions with difficult and especially difficult socio-economic conditions.

- Preferential tax rate of 20% in 10 years, tax exemption in 2 years, and 50% reduction of the tax amount payable in the next 4 years are applied to newly-established enterprises from a project operating in a region with difficult socio-economic conditions. Preferential tax rate of 20% is applied to agricultural services cooperatives, people credit funds and micro-finance organizations for the whole operation time.

- Agricultural service cooperatives, people credit funds and micro-finance organizations are entitled to the corporate tax rate of 20% after expiring the period of applying the corporate tax rate of 10% as described in the Article 15.1.a of the Decree

No.124/2008/ND-CP.

BlueScope notes that the corporate income tax concessions applicable to entities include investments in “Economic Zones, and High Technology Parks”. BlueScope understands that galvanized steel operations in Vietnam located in SEZs and High Technology Parks (including the Hoa Sen Group’s Galvanizing Lines located in the Song Than 2 Industrial Park) are eligible for corporate tax exemptions or reductions. The benefits provided for under the programs can extend up to 30 years and can benefit domestic and/or foreign enterprises. The Programs in the CBSA’s OCTG investigation included income tax benefits under Programs 3 to 7 (see above).

The Hoa Sen Group’s consolidated annual statements confirm at Note 31 Corporate Income Tax payable by the Group’s subsidiary companies. It is noted that the Hoa Sen parent company states it and its subsidiary companies produce a range of steel products including galvanized steel and steel sheets for roofing. The subsidiary company HSDH (Hoa Sen Nghe An One Member Limited Liability Company) is involved in the manufacture and sale of metal sheets and galvanized purlins (refer p.104-105 of the Sustainable Development Report) and has a corporate income tax rate of 10 per cent of taxable profits for the first 15 years since the first year of operation. The notes further state that HSDH has been entitled to “*an exemption from income tax for 4 years commencing from the first year in which a taxable profit is earned, and a 50% reduction of the applicable tax rate for the following 9 years*”.

Hoa Sen’s Phu My Steel Sheet Plant (“HSS”) has undertaken a number of upgrades since commencement in 2002 to achieve its production capacity of 1.2million tonnes per annum. The upgrade investments – along with the beneficial corporate tax rates applicable to Hoa Sen’s other subsidiary companies – are considered to have also attracted reduced corporate tax rates in order for the investments to proceed.

BlueScope has determined the benefit received by the Hoa Sen Group in relation to corporate income tax concessions as being [*%*]. It is noted in the Hoa Sen Group’s consolidated statements that the company declared a taxable profit of VND of 1052 billion, and declared income tax payable of VND 54.6 billion, which represents a rate of approximately 5 per cent. It is also noted that the company has declared “exempt company income tax of VND 23.6 billion.

BlueScope has included at Confidential Attachments C-1.6.1-4 excerpts from Hoa Sen’s 2015 annual report, and other relevant documents, highlighting the corporate income tax concessions.

The reduced corporate tax rates applicable to the Hoa Sen group’s operating subsidiary companies are countervailable benefits received by the Hoa Sen Group. These benefits, when determined on a value per tonne basis, are considered to exceed negligible levels.

Program 3: Incentives on Non-Agricultural Land Use Tax to encourage enterprise to invest in sectors and regions which require investment

<u>Legal background and authority</u>: Law on Non-agricultural land use tax No. 48/2010/QH12 effective from 1 January 2012 and Decree No.53/2011/ND-CP dated 1 July 2011 of the Government. The program is administered by the Ministry of Finance.

<u>General Form of subsidy</u>: Preferential non-agricultural land use tax.

Beneficiaries of subsidy: For projects in sectors entitled to investment incentives and projects in the regions entitled to investment incentives in the list attached to Decree No. 108/2006/ND-CP of the Government promulgating details and providing guidelines to implement some articles of the Investment Law.

<u>Specific Form of Subsidy</u>: Incentives on non-agricultural land use tax are regulated in the Article 9 and 10 of the Law on Non-agricultural land use tax No.48/2010/QH12 effective from 01 January 2012 as below:

- Exemption from non-agricultural land use tax for projects in the sectors which investment is especially encouraged; projects in the regions with especially difficult socio-economic conditions; and projects in the sectors which investment is encouraged operating in the regions with difficult socio-economic conditions;

- 50% reduction of tax amount payable for projects in sectors which investment is encouraged; and projects in the regions with difficult socio-economic conditions. Projects in the sectors and regions eligible for investment incentives are promulgated in the list attached with the Decree No.108/2006/ND-CP of the Government regulating details and providing guidelines to implement some articles of the Law on Investment.

BlueScope has observed the CBSA findings' on OCTG subsidies that include exemptions or reductions in land-use taxes (i.e. Program 1). It is considered that exemptions/reductions in non-agricultural land use activities would also benefit companies in encouraged industries that are located in industrial parks (including SEZs and High-Technology Parks). The Hoa Sen Group is considered a beneficiary under this program. BlueScope is unable to quantify the extent of benefits received by the Hoa Sen Group under this program.

Remaining Programs

The CBSA OCTG investigation included further subsidy programs that involved interest support loans and export promotion benefits. BlueScope anticipates that the benefits under these programs will vary from entity to entity, however, the programs are considered to continue to apply as evidenced by the CBSA findings in OCTG. The Commission is requested to investigate eligibility of galvanized steel exporters under these additional programs.

BlueScope draws to the attention of the Commission the range of loans applicable to Hoa Sen and its subsidiary companies at Note 18 – Short Term Loans and Debts – in the consolidated statements (p.25-26) which appear to be at favourable rates (i.e. significantly lower interest rates that longer-term loans). BlueScope has determined the benefit received by the Hoa Sen Group in relation to these favourable low-interest loans as being [%].

Greater than negligible benefit – Vietnamese exporters

It is BlueScope's submission that the aggregate benefit of the identified subsidy programs as received by a recipient exporter (i.e. Hoa Sen) are above negligible levels as evidenced in the company's consolidated financial statements for 2014/15 and therefore justify the imposition of a countervailing notice in respect of the Vietnamese exporters of the goods the subject of this application.

C-2. Threat of material injury

Address this section if the application relies <u>solely</u> 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 a threat of material injury in this application. BlueScope has demonstrated in this application that the dumped and subsidised exports have caused material injury to the Australian industry during 2015/16.

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.**

   This question is not applicable as BlueScope has not based its application on a 'threat' of material injury.

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 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 Commission's client support section before completing this section**.

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

Complete this section only if exports from a non-market economy are covered by the application. The domestic price information required by Part B of the application need not be supplied if this question is answered.

Normal values for non-market economies may be established by reference to selling prices or to costs to make and sell the goods in a comparable market economy country.

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.**

   India, Malaysia and Vietnam 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 to the countries nominated in this application.

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

   This question does not apply to the countries nominated in this application.

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 to the countries nominated in this application.

C-5 Exports from an 'economy in transition'

An 'economy in transition' exists where the government of the country of export had a monopoly, or substantial monopoly, on the trade of that country (such as per question C-4) and that situation no longer applies.

Complete this section only if exports from an 'economy in transition' are covered by the application. **Applicants are advised to contact the Commission's client support section before completing this section**

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

   India, Malaysia and Vietnam 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 to the countries nominated in this application.

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 to the countries nominated in this application.

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 to the countries nominated in this application.

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%
Country A* Country B* etc*				
Total				

- Only include countries that account for less than 3% of all imports (or 4% in the case of subsidised goods from developing countries). Use the data at Appendix A.2 (Australian Market) to complete the table.

This question is not applicable as the import volumes from India, Malaysia and Vietnam individually exceed 3 per cent of total import volumes (and more than 4 per cent in the case of India and Vietnam).

APPENDICES

Appendix A1	Australian Production
Appendix A2	Australian Market
Appendix A3	Sales Turnover
Appendix A4	Domestic Sales
Appendix A5	Sales of Other Production
Appendix A6.1	Cost to Make and Sell (& profit) Domestic Sales
Appendix A6.2	Cost to Make and Sell (& profit) Export Sales
Appendix A7	Other Injury Factors
Appendix A8	Authority to Deal With Representative
Appendix B1	Deductive Export Price
Appendix B2	Constructed Normal Value