AUSTRALIAN STEEL ASSOCIATION INC.
A0020339V ABN 24 762 435 928

PO Box 305, Burwood, Victoria, Australia 3125
Office: Suite 307/737 Burwood Rd., Hawthorn East Vic. 3123
Telephone: +61 3 9882 1652 Mobile: +61 426 268 432
E-mail: dbirrell@steelaus.com.au Web: www.steelaus.com.au

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Date: 25th July 2012

Ms Lydia Cooke,
Manager, Operations 1
International Trade Remedies Branch
Australian Customs and Border Protection Service
5 Constitution Avenue
CANBERRA ACT 2601

Dear Ms Cooke,

Submission – Public File Version

Hot Rolled Coil (HRC) Exported from the Republic of Korea, Taiwan, Japan and Malaysia.

Please find attached the Australian Steel Association Inc submission in response to Australian Customs and Border Protection Services (Customs) investigation into the alleged dumping of hot rolled coil(HRC) exported from the Republic of Korea, Taiwan, Japan and Malaysia following an application lodged by Bluescope Steel Limited (the Applicant)

This initial submission responds to claims made in the Application by addressing issues & commenting on the key points:

It is acknowledged that the Applicant has been subject to a confluence of events that directly impact the Applicant's business. These have included:

1. External Factors such as the appreciation of the Australian dollar and rapidly escalating iron ore and coking coal prices. Combined these had a profitability impact of over $1billion AUD during and since the period under investigation.

2. A decline in market activity due to:

   (i) Customer's in the Applicant's largest market sector establishing import channels for pipe & tube (HSS) that results in a direct decline in available HRC market.

   (ii) Declining levels of activity in the automotive and manufacturing sectors.

   (iii) The wholesale supplanting of Australian manufacturing by the importing of fully manufactured steel goods for resource projects, as well as for commercial and industrial buildings.

3. Actions undertaken by the Applicant including:

(i) Importing of fully manufactured commercial buildings from the Applicant's China business (Butler)
(ii) Importing of HRC from the Applicant's New Zealand operations.
(iii) A strategic push into downstream manufacturing operations that directly compete and potentially alienate the Applicant's customer base.
(iv) A drive for market share with the resultant suppression on prices.

Conversely during the period under investigation, it should be noted:

- Imports of the goods under consideration declined, both in volume and in market share.
- HRC Pricing was a favourable contributor to the Applicant's profitability.

Accordingly, we contend that the issues submitted relate more to external factors and strategy than dumping.

Market conditions are difficult for all of Australia's manufacturing sector. However the Applicant has already received a $100 million subsidy under the Steel Transformation Plan during the period under investigation.

Whilst this represents an immediate "cost to the public purse and an opportunity cost to other firms"[i], the additional application of duties would be a sustained impost on the competitiveness of Australia's downstream steel manufacturing sectors.

Accordingly, in the public interest, we request that the Application for an investigation into alleged dumping of hot rolled coil be terminated.

I welcome the opportunity to discuss this submission further at your convenience.

Yours Sincerely

David Birrell

Chief Executive Officer
Australian Steel Association Inc
Suite 307 / 737 Burwood Rd
Hawthorn East Vic 3123
Ph: 98821652
Mob: 0426 268432
Email: dbirrell@steelaus.com.au

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1.0 Australian Market:

Hot Rolled Coil (HRC) is the primary input material for value adding by Australia's steel downstream manufacturing sector.

The market size is between [redacted] [market size] metric tonnes.

The market can be segmented according to:

1.1Market Sectors (as defined by the Applicant)

(i) Pipe & Tube Market Sector (the largest market sector)
(ii) Automotive Market Sector (declining market sector in Australia)
(iii)Manufacturing Market Sector (declining market sector in Australia).

Factors affecting each of these sectors will be considered under Material Injury.

1.2 Channels to Market

Additionally the market can be segmented according to how the end user is supplied.
Channels to market include:

(i) Via Distribution to Manufacturers.

(a) BSL supply of HRC to BSL 'Appointed' Distributors
(b) Independent Supply of HRC via Independent (non BSL Appointed) Distributors.

(ii) Direct Supply to Manufacturers

(c) BSL direct supply to its' own wholly owned subsidiaries[ii]
(d) BSL direct supply to non aligned manufacturers
(e) Independent (imported) direct supply to manufacturers

(iii) Supply of Manufactured Goods directly to end users.

Key points to note from the market segmentation are:

- Changes and declining volume of the market sectors which, will be considered under Material Injury.
- The BSL decision to not appoint parts of the market 'BSL Distributors' directly precludes BSL from HRC sales to those Distributors.
- Considering items (c) and (d), BSL directly competes with its' customer base.

The implication of this is that in order to ensure a competitive tension in supply, independent manufacturers, by necessity, need to nurture an alternate (import) form of supply

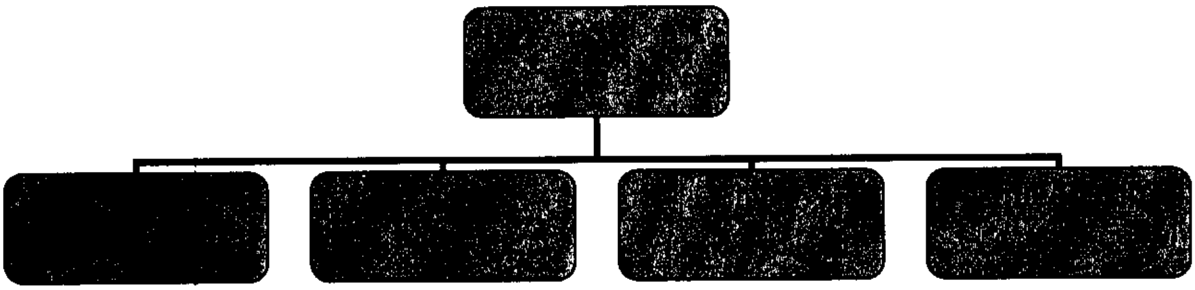
- The most significant factor affecting the whole of the Australian manufacturing sector is the transfer from domestic manufacture to the importation of wholly manufactured goods for consumer use as well as in large scale commercial and mining infrastructure projects[iii].

  The importation of Butler fully manufactured commercial buildings from Bluescope Steel's China subsidiary is an example of this and directly affects BSL's available Australian HRC sales.

2.0 Company Information:

We draw attention to the fact that the organisational structure supplied (A-2 Company Information) was not the organisation structure at the time of the Application.

The geographic Organisation Structure since March 2011, that commencement of the PUI, has been:



We also draw attention to the fact that Australia and New Zealand is the <u>one</u> Bluescope Steel business unit.

Accordingly, Appendix A-2 of the Application (the Indexed Table of Sales Quantities) does not reflect a correct representation of the Australian market.

In order for Customs to be consider any alleged material injury to BSL due to volume, the Indexed Table of Sales Quantities (Appendix A-2) needs to be configured so that BSL's own sales into the Australian market are correctly identified under column (a) `Your Sales' rather than as presently represented as under (e) `Other Imports'.

The relevance of this is that whilst the Other Imports category may have declined, BSL's own sales of HRC from its' own New Zealand subsidiary are believed to have grown substantively in the period under investigation as BSL understandably drew on the benefits of its own iron ore source in New Zealand and a favourable NZ/AUD exchange rate.

Accordingly we request that Customs make an adjustment to Appendix A-2 so that the HRC sales from BSL's New Zealand subsidiary into the Australian market are assigned as the Applicant's sales.

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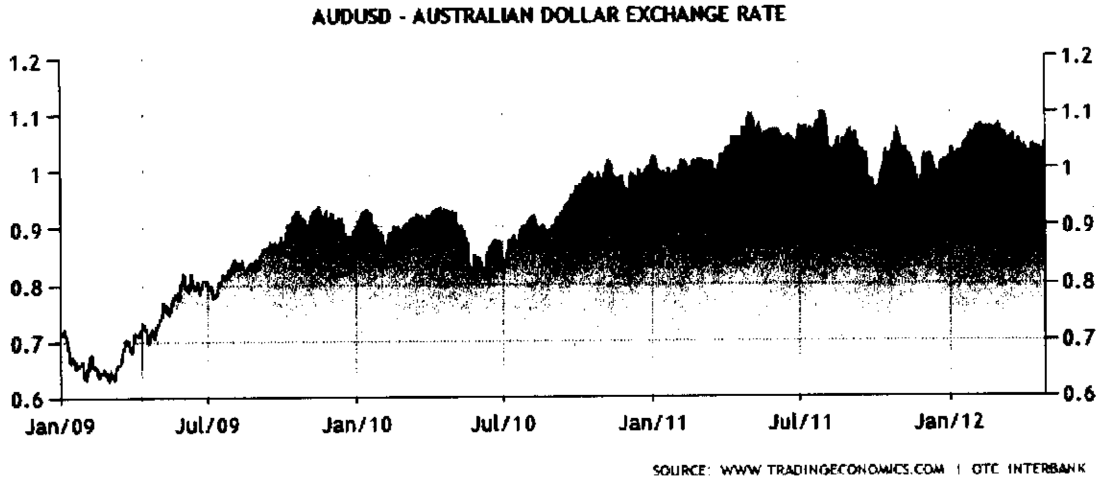
The appropriate HRC categories to consider are:

HRC (in Dry form)
HRC (in pickled and oiled form)
HRC in Coil Plate (cut to sheet form).

3.0 Factors affecting the Applicant – Material Injury

3.1 Economic

3.1.1: Exchange Rate



Exchange rate has a significant impact on Bluescope Steel's profitability. The appreciation in the $AUD from the low of 0.67 $AUD /USD to 1.10 $AUD/USD is believed to result in Bluescope Steel's Port Kembla steelworks transferring from the lowest cost quartile[iv] to the highest cost quartile. This is quantified in the $3 million EBIT impact of any 1 cent movement in the Australian dollar / US dollar exchange rate[v].

3.1.2: Iron Ore Pricing

Iron ore pricing along with coking coal pricing have had the largest impact on Bluescope Steel profitability

Iron Ore (fines) prices increased from US$95/t to US$158/t in the year leading into the PUI[vi].

Iron ore pricing resulted in a negative EBIT variance of $480M in the year to June 2011 coinciding with the commencement of the period under investigation. This was further exacerbated by a further negative variance for the 1st half of financial year 2012[vii].

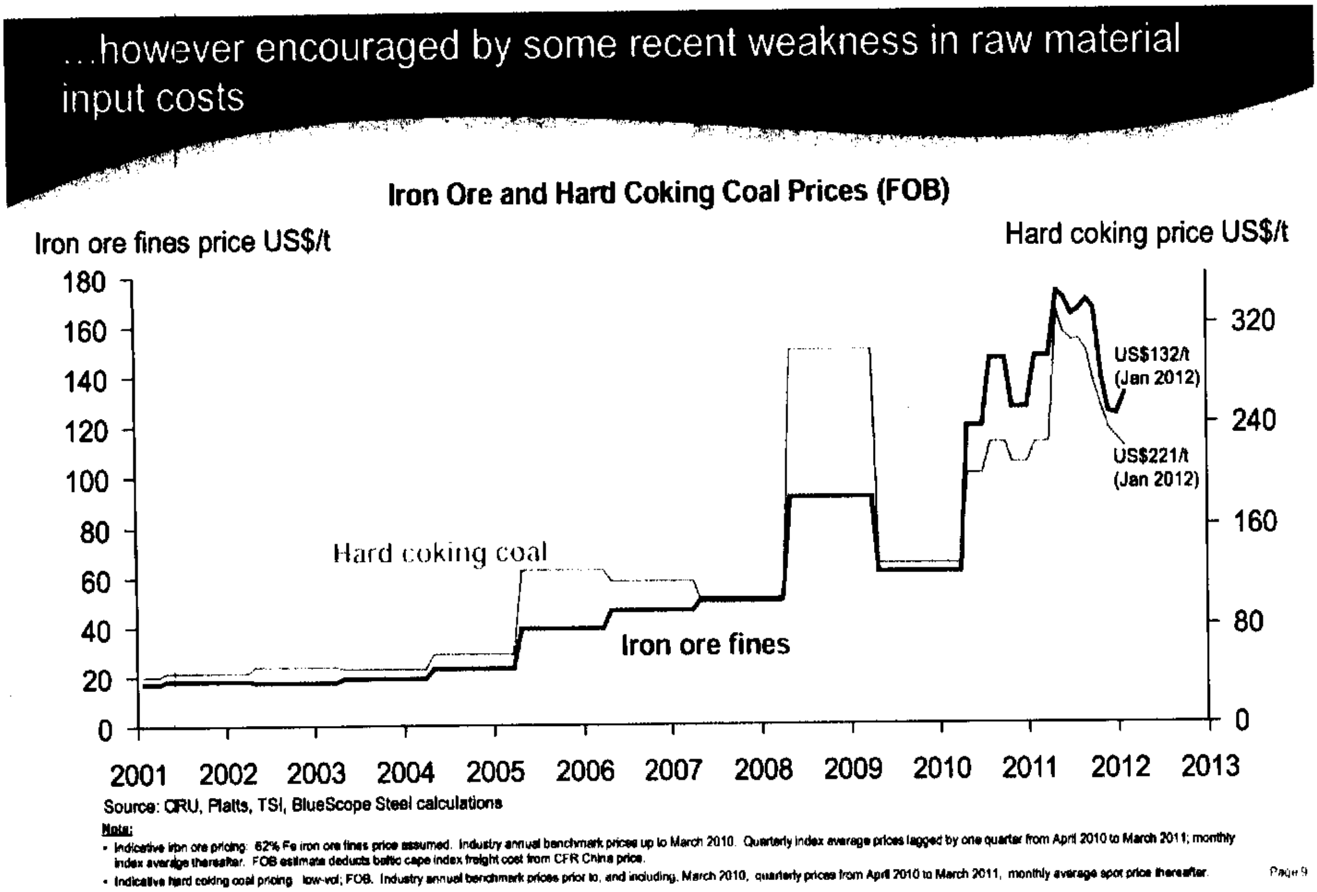


Fig 1 : BSL Iron Ore and Hard Coking Coal Prices

Source: BSL First Half 2012 Results & Business Update Presentation; 20 February 2012

3.1.3: Australian Coking Coal Pricing

Premium Hard Coking Coal prices increased from US$147/t to an average price of US$248/t the FY 11 leading into the PUI[viii]. The impact of coking coal prices was a negative $428 million variance for 2011 vs 2010 The negative EBIT impact of coal pricing was also carried into the remainder of the PUI with a negative EBIT variance for the 1st half 2012.

The impact of both iron ore and coking coal are evidenced in Figure 1 & Figure 2 and in Appendix 7

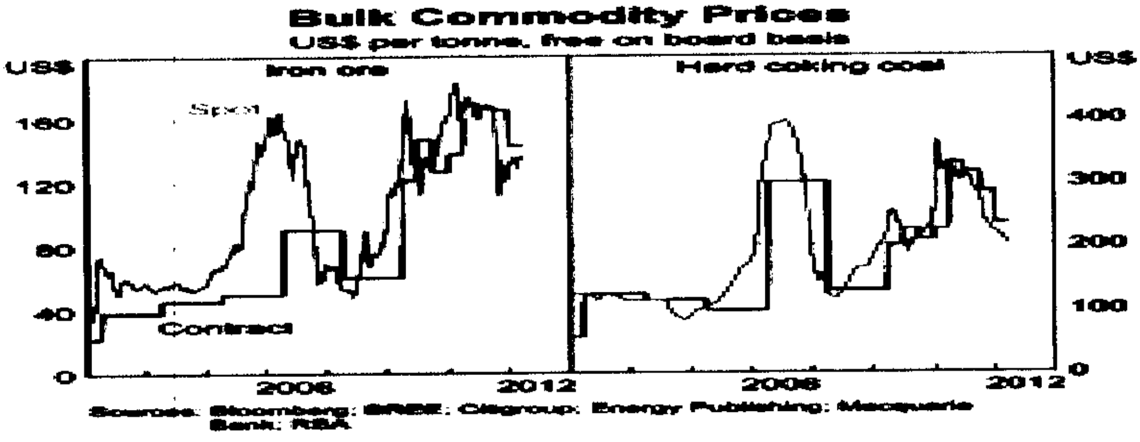


Figure 2

It should be noted that neither the exchange rate nor the substantive increases in iron ore and coking coal prices are related to the allegations of dumping against the goods under consideration.

3.2 Market

The summation of the key factors affecting the Applicant, being exchange rate, raw materials (recovery of spreads), and drop in demand, coincides with the Applicant's expressed views[ix].

Considering market sectors:

3.2.1 Pipe and Tube Sector (HSS)

As noted by the Applicant[x] the pipe and tube sector is the largest by volume.

The primary change that has affected the Applicant in the pipe and tube sector is the strategic shift of the customer base to importation of manufactured pipe & tube products.

Perversely the strategic shift that directly affects Bluescope Steel's largest market sector is being facilitated by the prospective protection of Onesteel HSS imports via the HSS anti-dumping case (Case No 177).

We contend that Onesteel pipe and tube imports have largely underpinned the five-fold increase in HSS imported from countries excluded from the HSS Application and that these imports has had a significant and direct impact on the hot rolled coil market available to the Applicant.

It is difficult to fathom any rationale that could countenance a dumping finding based on the alleged injury in one case (loss of HRC sales to the pipe and tube sector) when this very loss has been facilitated by a dumping finding in an alternate case (HSS case no 177).

3.2.2 Automotive Sector

The automotive sector has been a sector in transition for a number of years. Whereas over [redacted] [percentage] of Bluescope Steel's Westernport works output was directed toward the automotive sector when it was commissioned in the 1970s, automotive sales now comprise single digit percentages of Bluescope's sales.

This is reflective of the decline in Australian manufactured vehicle sales as a proportion of overall sales has declined by 40 per cent from a peak in 2004.

The Federated Chamber of Automotive Industries (FCAI) 2011 Annual Report indicated that of the 1,008,437 new vehicle sales for the year, Australian manufactured vehicles declined from 30 per cent to 15 per cent[xi].

The FCAI commissioned Price Waterhouse Coopers to undertake a study on the industry with the findings indicating the key issues to be:

- Access to Finance
- Increased competition for investment (by other countries)
- Appreciating Exchange rate increasing the competitiveness of imported cars
- Reciprocal market access

Additional consideration could also be given to changing consumer preferences since the advent of novated leasing and increases in imported automotive componentry.

As part of the adjustment to a declining automotive market and unprofitable export sales, Bluescope Steel's Westernport Hot Strip Mill was closed during the PUI. (October 2011). The Westernport hot strip mill was specifically geared to the automotive sector.

A direct consequence of this decision will have been a hastened reduction in automotive HRC sales during the PUI due to:

- the Applicant's inability to meet dimensional and product grade requirements of the automotive sector.
- Concerns as to surety of supply from one plant due to prospective production interruptions and susceptibility to strikes as evidenced in publicity during and since the PUI.
  Just In Time (JIT) is an underpinning supply chain philosophy for the automotive sector.

These changes have been due to the changing export environment and automotive environment and are not related to the allegations relating to HRC.

3.2.3 Manufacturing Sector

The challenges facing Australia's manufacturing sector coincide with many of the issues facing the Applicant including:

- Access to competitively priced inputs
- Appreciating Australian currency
- Undue and costly regulation hindering their international competitiveness.

Channel to market is an additional consideration for users of HRC and is impacted by:

3.2.3(a) Substitution by competitively priced fully manufactured goods.

(b) Being in direct competition with their Supplier's downstream business units

3.3 Bluescope Steel

Beyond the impact of exchange rate appreciation, raw material cost increases and a declining market base, the actions of the Applicant should also be considered:

3.3.1: Exit from Export Markets

The appreciation of the Australian currency had a direct impact on the Applicant's competitiveness in export markets resulting in a [redacted] [$ value per tonne] loss prior to the BSL decision to exit export markets in August 2011, mid way through the PUI.

This decision is in no way related to the allegations of dumping. However the rationalisation of capacity as a result of the decision to exit export markets does have a direct effect on the Applicant's competitiveness in the domestic market due to the time required to manage the reduction of overheads to the diminished sales volume.

One function of this rationalisation was the closure of the Westernport hot strip mill which renders the Applicant unable to domestically supply HRC over 1500mm.

3.3.2: Bluescope Steel Strategy:

Considering the origins of Bluescope Steel (demerged from BHP in July 2000, initially as BHP Steel), there is a notable difference relative to Onesteel, (demerged earlier in October 2000).

Whilst Bluescope Steel was spun out with a stronger cash position, the Onesteel demerger included the iron ore deposits of the South Australian Middleback Ranges.

As indicated in Figure 1, iron ore prices had been stagnant for many years under $20 US per tonne, and the iron ore deposits in South Australia were different to BHP's vast Pilbara reserves. Onesteel has subsequently focused their business on the development of these iron ore reserves as a mining business, with a recent name change to 'Arrium', and sought to rationalise its domestic steel business. In the 2011 financial year Onesteel's iron ore mining operations delivered an EBIT profit of $524 million[xii].

Bluescope Steel, by contrast, has progressed a strategy of development into downstream markets [redacted] [comment on strategy] it is less likely that this Application would have arisen.

Leading up to the period under investigation, the Applicant's strategy was stated as[xiii]:

'Strategy - Leveraged and Positioned for Growth:

"We recently undertook a review of our strategy, following the GFC, a period where we essentially focused on strengthening the balance sheet and reducing costs. The recent review concludes we will continue to focus on:

1. Reinvigorating our Australian and New Zealand businesses

2 Continuing improvements across our Asian and North American businesses

3 Growing or acquiring, new businesses that builds on our distinct competitive advantage
There are three additional areas where we will broaden our strategic activities:

1. Increasing our participation in building and construction markets with our premium sustainable steel products and solutions and pre-engineered buildings capability,

2. Considering expansion into large, high growth regions leveraging those existing capabilities

3. Considering raw material opportunities that reduce our raw material cost base'

In essence, Bluescope Steel's strategy is to directly competing with its' own customer base. This is evidenced in the increase of BSL's internal sales as a percentage of total sales from [redacted] [percentage] in December 2010 to [redacted] [percentage] in June 2011 at the commencement of the period under investigation.

An understandable market response is for potentially alienated customers to seek alternate, independent supply.

It should be noted that any resultant shift in the market's purchasing behaviour is not related to allegations of dumping but a direct response to the actions of the Applicant.

3.3.3: Bluescope Steel Market Share Drive

For the PUI, the Applicant increased HRC market share from [redacted] [percentage] to [redacted] [percentage]. This figure excludes the additional market share gain attributable to the Applicant following the internal organisational restructure.

The goods under consideration, by contrast, declined from [redacted] [percentage] to [redacted] [percentage] as part of an overall decline in imports.

3.3.4: Bluescope Steel Pricing

The Applicant's pricing processes [redacted] [Applicant's pricing process]. Given the longer lead time of imported steel, the Applicant is able to make a relatively informed decision as to its' own pricing strategies.

Given:

(i) the pre-existing dominant market share position

(ii) The stated strategy to grow market share

(iii) The resultant growth in the Applicant's market share

(iv) The decline in market share of the alleged dumped goods

(v) the informed basis that the Applicant is able to make pricing decisions to drive market share growth.

any claims of price suppression, price depression or material injury cannot be attributable to the allegedly dumped goods but must be assigned to the implementation of the Applicant's clearly stated strategies.

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End Notes:

[i] 'Complacency, the enemy within' MP Malcolm Turnbull, Asia and the Pacific Policy Studies Launch
[ii] BSL Subsidiaries incl Ranbuild Sheds, Lysaght (roofing), Pioneer Water tanks, Butler Commercial Buildings, Highline Sheds, Pioneer water tanks, Kitely roof fixing, Charlwood Home Improvements, Bluescope Water and other References from Application A-2.6, page 7 (Refer Appendix 1)
[iii] Appendix 2a & 2b: Fully Imported Manufactured Goods
[iv] BSL AGM 2011, Address by Chair of Remuneration and Organisation Committee (refer Appendix 3)
[v] BSL First half 2012 Results & Business Update Presentation 20 February 2012, page 33
[vi] BSL 2011 Annual report Media Release 22nd August 2011, page 17
[vii] BSL 2011 Annual Report Presentation 22nd August 2011, page 17; and BSL First Half 2012 Results & Business Update Presentation 20 February 2012, page 30 (refer Appendix 4)
[viii] BSL 2011 Annual report Media Release 22nd August 2011, page 17
[ix] BSL AGM 2011, Address by Chair of Remuneration and Organisation Committee (refer Appendix 3)
[x] Application for Anti-Dumping Duties HRC; A-4 2(i), page 17 (refer Appendix 4)
[xi] FCAI 2011 Annual Report, page 11
[xii] Onesteel 2011 Annual Report
[xiii] Bluescope Steel update on global steel industry conditions, 17 August 2010

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Appendix 1: Bluescope Steel Subsidiaries

- Ranbuild Sheds
- Lysaght (roofing),
- Lysaght Home Improvements
- Pioneer Water tanks,
- Butler (pre-engineered imported commercial buildings)
- Highline Sheds,
- Kitely roof fixing,
- Charlwood (home improvements)
- Bluescope Water (Water Tanks)
- Bluescope Distribution
- Impact Steel (Distribution)

and other References from Application A-2.6, page 7

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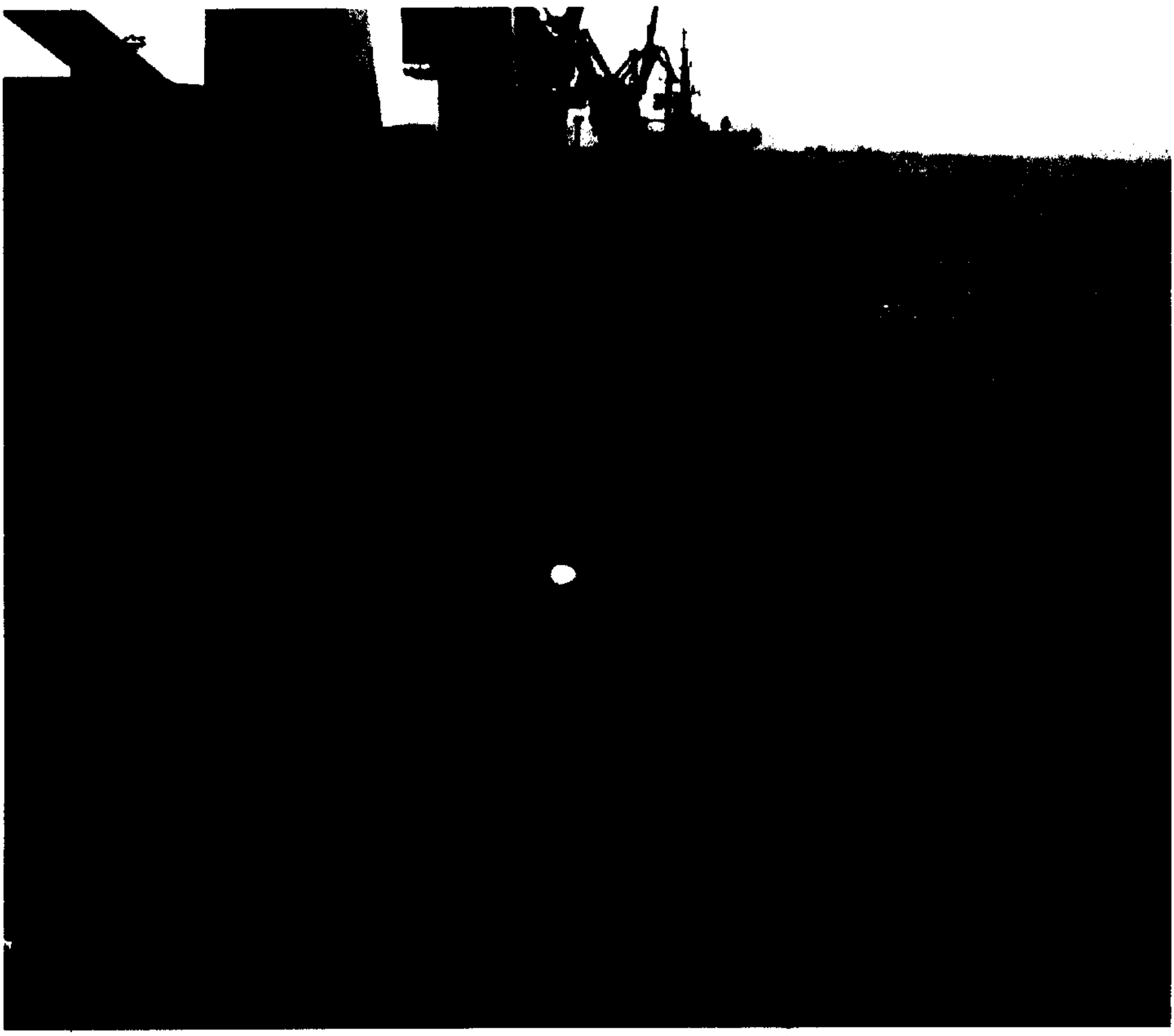
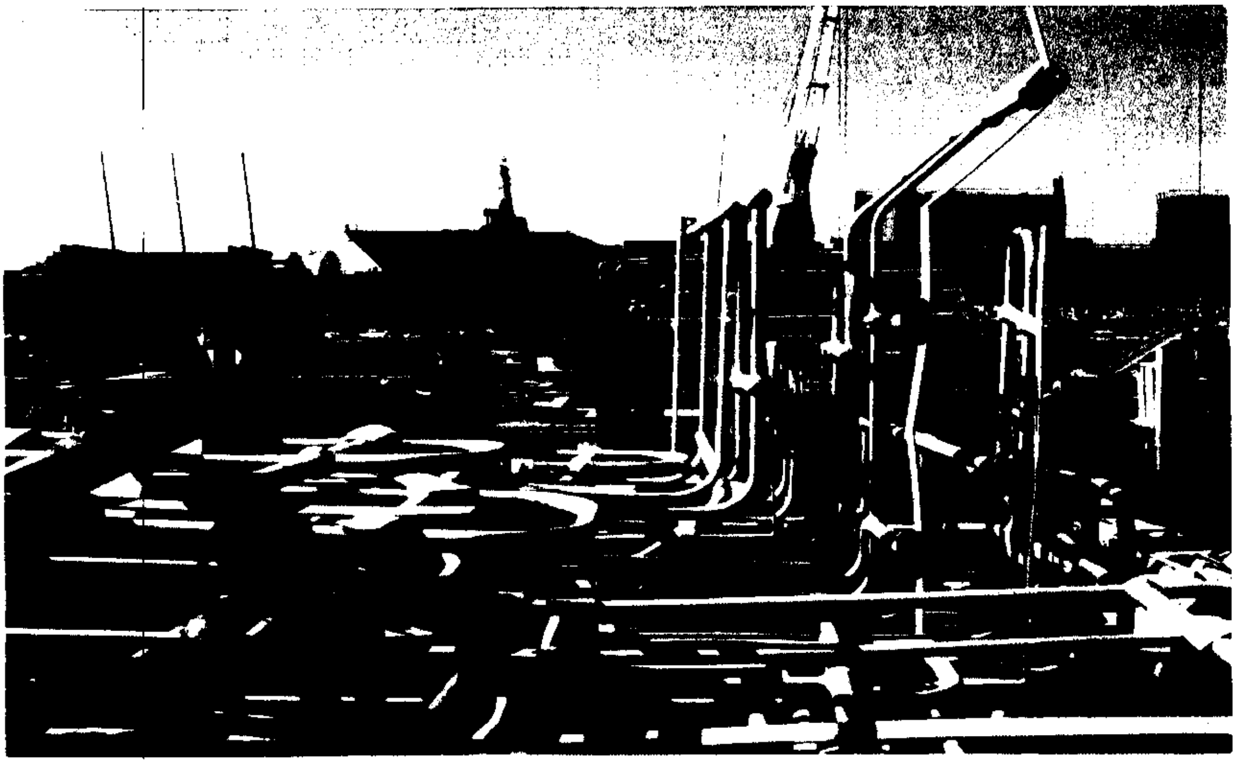
Appendix 2a

Ship's hull containing fully manufactured goods that supplant Australia's HRC market



Appendix 2b

Fully manufactured goods that supplant Australia's HRC market



Appendix 3: BSL AGM 2011, Address by Chair of Remuneration and Organisation Committee explaining the key factors impacting BSL during the Period Under Investigation

Diane Grady
Chair, Remuneration Committee of the Board

REMUNERATION REMARKS

This has been a tough year for BlueScope shareholders, staff and board on every dimension, and remuneration is no exception.

Understandably, many shareholders are disappointed that the Board has paid some Short Term Incentive Bonuses to executives when the company has made a loss and its share price has been so poor.

Paying bonuses was not an easy decision, but we believe doing so was in the best interests of the company, and by law, that is Directors' responsibility—to act in the best interests of the company.

Let me explain why we took this decision.

As Graham and Paul outlined, the company has been caught in a perfect storm due to a combination of external factors which I'll reiterate:

First, the rapid rise in the Australian dollar has made our export business which accounted for half of Port Kembla's steelmaking production uncompetitive and imports more attractive. Before this exchange rate shift, BlueScope's steelmaking was in the lowest quartile of the cost curve making our exports attractive to buyers.

Second, the rapid increase in raw material prices has squeezed the profit margin out of steelmaking.

Three years ago raw materials made up just one third of the cost of steel production.

But the soaring increases in iron ore and coking coal prices have taken raw materials up to 70% of our total steelmaking production costs.

Though management has worked hard to reduce costs by almost a billion dollars after the restructuring this has not made up for the massive cost increase the company bears in raw materials.

Third, there has been a significant drop in demand for steel in both Australia and the USA due to stagnant manufacturing and building and construction industries.

This reduction in demand has led to excess steel capacity in most developed countries, which means more export tonnes are trying to find a home.

With our high Aussie dollar imports are knocking on the door, which restricts BlueScope's ability to put through price increases to compensate for soaring raw material costs...
...as I said the perfect storm caused by factors outside management's control.

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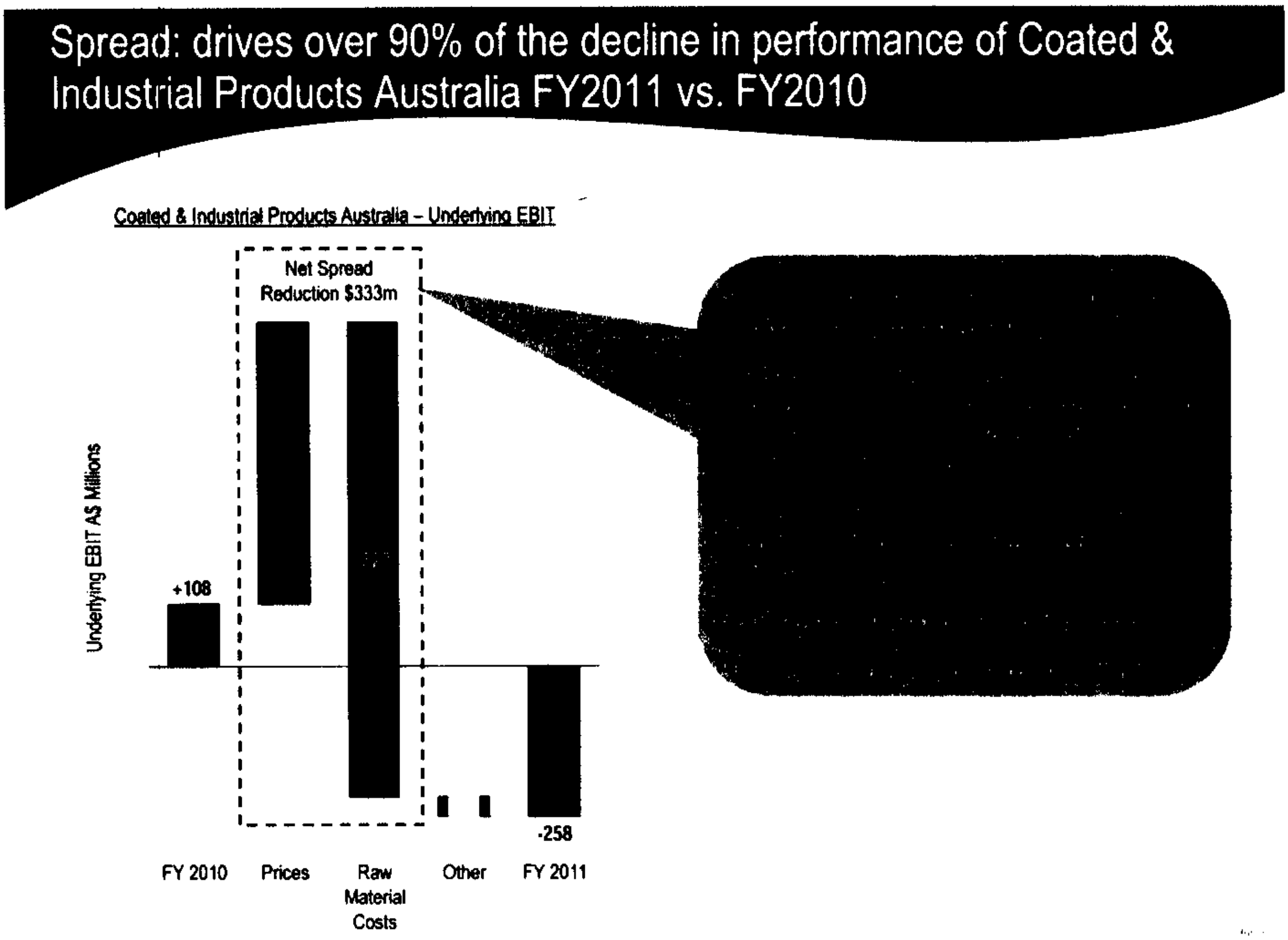
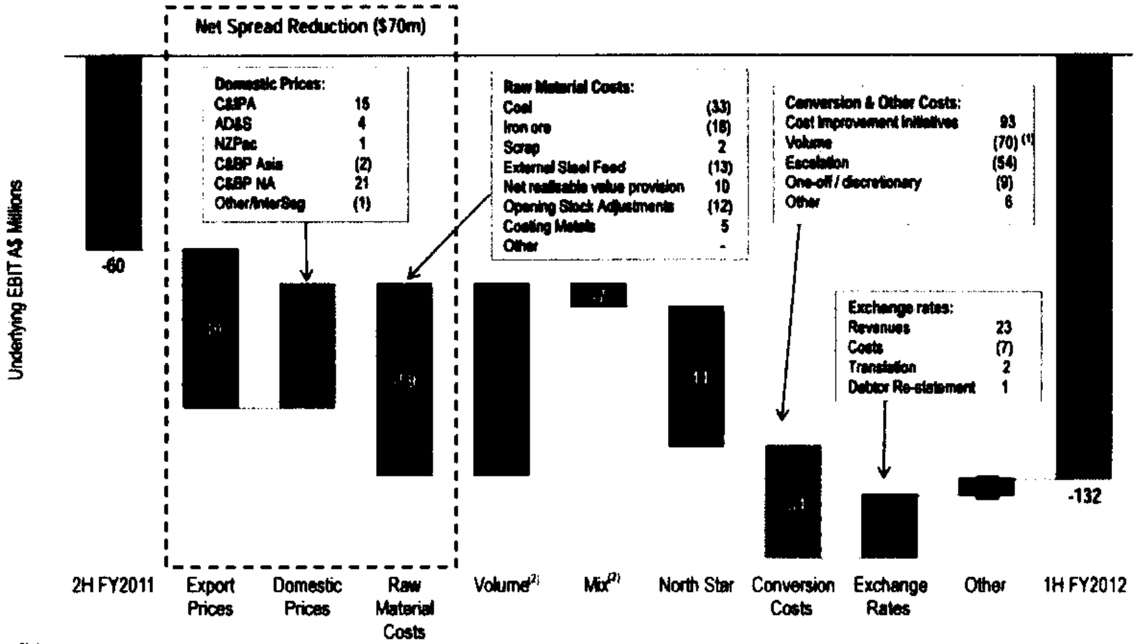
Appendix 4 : EBIT Impact of Rising Iron Ore & Coking Coal Prices offset by stronger HRC prices



[redacted]

Note: the positive contribution of stronger HRC prices

Underlying EBIT variance 1H FY2012 to 2H FY2011 by major item



__Note__:
1) Volume impact on costs reflects the effect of higher unit costs as a result of lower production / sales volumes in 1H FY2012.
2) Volume / mix based on 2H FY2011 margins