

From: [Charles Zhan](#)
To: [Katsoulis, George](#)
Subject: RE: Bluescope submission re Essar visit report [SEC=UNOFFICIAL]
Date: Wednesday, 17 June 2015 12:59:36 AM

Dear George

Thank you for bring this to our attention and for seeking our client's view regarding the submission provided by BlueScope Steel ("the Applicant") on 15 June 2015.

Essar Steel notes the Applicant's comments regarding certain passages in the text of the Commission's verification report for Essar Steel which were redacted for reasons of confidentiality. Essar Steel does not agree with the Applicant's comments.

We now provide the following comments/clarifications in relation to each of the claims raised in the Applicant's submission:

- 1 (i) **Section 2.1.3 Essar Middle East FZE (Internal corporate arrangement).**
Comment: The summary is an insufficient and inadequate explanation of the information removed.

Essar notes that it has provided a summary of the redacted information as best it could – being a corporate arrangement related to its export sales which concern Essar Middle East FZE. Because of the commercial confidentiality of this information, this is the best that can be done in order to give the Applicant a reasonable understanding of the substance of the information.

- 2 (ii) **Section 3.3.1 Goods exported to Australia**
Comment: The goods specifications are readily available from import offers for Essar galvanised steel in the market (as evidenced in BlueScope's application). It is not clear what grounds exist for this information – coating thickness, base metal thickness, widths – to remain confidential.

Essar notes that the Applicant may have obtained certain information about the product offered by Essar Steel to its customers in the Australian market. However this would not have been information from a public source. Moreover the specification of the products *actually* sold by Essar to its customers during the investigation period is clearly Essar's commercially confidential information.

- 3 (iii) **Section 3.3.2 Domestic sales of like goods**
Comment: The visit team's conclusions on like goods produced by Essar have been redacted. This information is not for Essar to redact.

Essar notes that the Commission's conclusions on like goods produced by Essar have *not* been redacted, they are:

- "the visit team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia"; and
- "For the purpose of model matching, the visit team considers that it is appropriate to have regard to three characteristics – grade, coating thickness and BMT. These characteristics (expressed in ranges) were identified with simplified product classification codes, each comprising three alpha characters."

The information redacted relates to detailed information regarding Essar's production arrangements or specific examples regarding the models exported by Essar, which were provided in the report for completeness and reference. Essar notes that the summary provided and the non-redacted text enables interested parties to gain a reasonable understanding of the substance of the information.

- 4 (iv) **Section 5.2.1 Ordering, pricing and production**
Comment: A non-confidential summary of the sales procedure has not been disclosed. It is understood that Essar's pricing policies remain confidential,

however, its sales procedure is a process (or methodology) that is regularly disclosed in exporter visit reports.

Essar notes that the Applicant does not dispute the confidential nature of the information redacted. Nonetheless, Essar can confirm that the Applicant's understanding about substance of the information – being the detailed sales process and methodology involved - is correct.

- 5 (v) Section 5.2.4 Discounts, rebates and commissions**
Comment: The limited summary does not indicate whether any of the categories applies. This has further ramifications in relation to Section 9.9 where the adjustment "direction" has also been redacted.

Essar notes that it has already provided a clear summary of the redacted information – being its export sales policy regarding discounts, rebates and commissions. Essar also notes that, discounts, rebates and commissions – if provided in relation to export sales - would be considered by the Commission as potential "upward" adjustments to the normal value.

- 6 (vi) Section 5.4.2 Sales involving internal corporate arrangements**
Comment: Insufficient detail has been disclosed as to internal transfers within Essar.

Essar notes that it has provided a clear summary of the redacted information as best it could – being the internal corporate arrangement involved in its export sales to Australia. Because of the commercial confidentiality of this information, this is the best that can be done in order to give interested parties a reasonable understanding of the substance of the information. Essar notes that the relevant information has been sampled and verified by the Commission during the visit.

- 7 (vii) Section 6 Cost To Make And Sell**
Comment: Under the point "Selling costs" a certain expense item has been deleted and the words "commercial arrangement" are intended as a summary. This is an insufficient explanation as to the nature of the expense item that prevents interested parties from understanding the relevance of the item.

Essar notes that the summary it provided for the text redacted, being "commercial arrangement" and the context of the non-redacted part of the text, being "selling costs", should enable interested parties to have a reasonable understanding of the substance of the information. Nonetheless, Essar can further clarify that the information redacted relates to the selling costs incurred in relation to any discount, rebate or commission provided to Essar's customer/s where applicable.

- 8 (viii) Section 6.3 Verification of SG&A expenses**
Comment: an expense item has been deleted with an inadequate summary as to the nature of the item. Further redactions are made with the summary "cost adjustment". Again, inadequate declaration of the nature of the expense has occurred. A further redaction with inadequate summary relates to a "financial expenses" item.

Essar notes that it has provided clear summaries of the redacted information – being the following:

- SG&A cost item related to its sales arrangement;
- cost adjustments as part of cost reconciliation demonstration; and
- detailed information regarding financial expenses contained in a confidential attachment.

Essar notes that the section also includes detailed explanations of the confidential accounting information and calculation process that the verification team examined before reaching its conclusion, which is not redacted. These summaries, as well as the surrounding non-redacted text in that section, enable interested parties to gain a reasonable understanding of the substance of the information.

- 9 (ix) Section 7.2 Domestic sales process**
Comment: redactions made relating to the domestic sales process via the

different channels to market – insufficient summary as to the nature of the sales channels has been made.

Essar notes that the Applicant does not dispute that the information regarding Essar's domestic sales and pricing procedure in its various sales channels is commercially confidential information. In any case, Essar notes that it has already permitted the information regarding the "nature of sales channels" relating to its domestic sales to be disclosed (in non-redacted text).

10 (x) Section 9.1 Credit terms

Comment: It is not clear why the Visit Team's observation after the following words has been redacted i.e. "In these circumstances, and noting that".

Essar notes that it has provided a clear summary of the information redacted – being the Commission's observation regarding the different payment terms involved in its export and domestic sales. The reason for the redaction is that the payment terms offered by Essar to its customers is commercially confidential information.

11 (xi) Section 9.4 Commissions

Comment: No adequate attempt has been made to summarize the information redacted, other than to describe as "commercial arrangement". This is unsatisfactory and insufficient.

Essar notes that it has provided a clear summary of the information redacted, being "commercial arrangement regarding export and domestic commission". The summary, together with the context and the heading of the section, enable the interested parties to have a reasonable understanding of the substance of the information.

12 (xii) Section 9.9 Adjustments – conclusion

Comment: The impact of adjustments (i.e. upwards and/or downwards) for Commissions has been redacted in total. No summary of the direction of the adjustment has been afforded.

Essar notes that the only redacted text in the section referred to by the Applicant relates to "commissions" based adjustment. Essar can confirm that the Commission would have made an upward adjustment to the normal value to account for any commission related to Essar's export sales where applicable, and a downward adjustment to normal value to account for any commission related to Essar's domestic sales where applicable.

Regards

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