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Mr John Bracic
Director, Operations 1
International Trade Remedies Branch
Australian Customs and Border Protection Service
Customs House
5 Constitution Avenue
CANBERRA ACT 2601

Dear Mr Bracic

Public File

Hot Rolled Coil exported from Japan, Korea, Malaysia and Taiwan – Importer Visit Reports

BlueScope would like to provide comments on matters contained in recently released importer visit reports in the investigation into hot rolled coil ("HRC") exported from Japan, Korea, Malaysia and Taiwan.

1. S K Steel Australia Pty Ltd

S K Steel has made a number of assertions including:

- BlueScope's automotive grades for HRC don't meet international specifications of some automotive manufacturers; and
- BlueScope cannot produce pickled and oiled HRC at competitive prices.

BlueScope does supply HRC for automotive applications as required by international specifications. It is recognised that some specific automotive applications may fall outside BlueScope's HRC specification range. BlueScope has not been provided with specifications for HRC in the automotive industry that it allegedly cannot produce.

BlueScope does produce pickled and oiled HRC. The pickled and oiled HRC product has always been produced at Westernport irrespective of the HRC production source - Westernport or Port Kembla. HRC pickled and oiled continues to be provided from Westernport from HRC made at Port Kembla. It is therefore incorrect to assert BlueScope does not provide HRC in pickled and oiled form

BlueScope is concerned that Customs and Border Protection has accepted SK Steel's purchases from its related supplier SK Networks are arms length transactions when the selected shipments identified by Customs and Border Protection were at overall losses. It would be expected that Customs and Border Protection would regard the export prices as unreliable and substitute with export prices determined by the Minister to reflect losses incurred.

2. G S Global Australia Pty Ltd

G S Global recognises that BlueScope has suffered material injury during the investigation period but claims that the injury is not as a result of dumping.

BlueScope would expect importers to dispute dumping allegations. However, in a price transparent market where it is evidenced that price undercutting has occurred (from all nominated countries) and exporters are engaging in dumping, it is unreasonable for parties to argue that the local industry has not been impacted by the dumping.

3. Stemcor Australia Pty Ltd

BlueScope welcomes Stemcor's recognition that it supplies HRC that is lower-priced than from BlueScope. Further, Stemcor's comments concerning supply to the Australia market based upon Australian standards (to which BlueScope supplies) are considered accurate.

BlueScope notes that Stemcor formulates a price by reference to the BlueScope pricing and then negotiates with an overseas mill for supply. It is reasonable to conclude that the price negotiated by Stemcor is one that undercuts BlueScope's selling price (otherwise, why would a customer source from Stemcor if its price was higher) and is therefore injurious to BlueScope.

4. OneSteel Australian Tube Mills/OneSteel Trading

It is stated by OneSteel (at Section 4.6) that BlueScope has not manufactured HRC with a width greater than 1500mm since October 2011, and that stock manufactured prior to October 2011 was exhausted by January 2012. It is further suggested by OneSteel that BlueScope does not produce below 2.2mm thickness for a width any greater than 1200mm.

BlueScope manufactures HRC at Port Kembla with a thickness of equal to, or greater than, xxx mm and a width of xxxmm. In respect of xxxmm wide HRC BlueScope can produce to xxxmm width), the thickness is xxxmm and above. At the Westernport mill (operational during the investigation period) BlueScope produced HRC with a thickness range of equal to, or greater than, xxxmm with a xxxmm width. The production stock at Westernport was not fully depleted by January 2012, but some time thereafter.

BlueScope agrees with OneSteel's comments on causation and injury including:

- raw material costs have increased and that the steel price has decreased since 2009;
- there has not been an increase in the volume of exports (to Australia) of HRC; and
- there hasn't been an increase in the share of imported HRC.

Whilst these comments are considered accurate, they do not address the impact of price undercutting from dumped exports during the investigation period. BlueScope has experienced price undercutting from dumped exports from Japan, Korea, Malaysia and Taiwan and coincidentally has encountered increasing raw material costs that it has been unable to recover in its selling prices on the Australian market.

OneSteel's comments on injury and causation do not address the complete picture that includes the impact of the price undercutting from the dumped exports. BlueScope reaffirms that it has reduced selling prices in the investigation period in response to the dumped exports from Japan, Korea, Malaysia and Taiwan, so that it may maintain sales volumes and market share. The price depression experienced by BlueScope coincided with increases in raw material costs, impacting BlueScope's HRC profit and profitability.

5. Exports from Japan

It is noted by BlueScope that certain Importer Visit Reports that relate to exports of HRC from Japan have a weighted average A\$FOB export price calculated for the investigation period.

BlueScope highlights with Customs and Border Protection that HRC exported from Japan will typically reflect different finishes – e.g. pickled and/or oiled – and different higher cost steel grades – e.g. [grades]. It is essential that Customs and Border Protection compare like-with-like when comparing weighted average export prices with normal values for Japanese HRC exports. It is therefore likely that the Japanese HRC normal values, by exporter, will require upward adjustments to reflect the further value-adding processes that do not appear in the prima facie normal values provided by BlueScope in its application.

Summary

The comments provided by some importers of HRC as reflected in the Importer Visit Reports incorrectly suggest that BlueScope cannot supply certain grades of HRC and that HRC manufactured by BlueScope is of inferior quality. The assertions lack supportive evidence of these claims. The dumped HRC exports from Japan, Korea, Malaysia and Taiwan, have undercut BlueScope's selling prices as it experienced increases in raw material costs. BlueScope's margin between prices and costs has been eroded during the investigation period as it was unable to increase prices to recover higher raw material costs.

BlueScope highlights with Customs and Border Protection that weighted average export prices for HRC from Japan must be compared with normal values that include appropriate adjustments for additional processes undertaken (e.g. pickling and/or oiling) and different higher cost steel grades.

If you have any questions concerning this submission, please do not hesitate to contact me on (02) 4275 3858.

Yours sincerely



Alan Gibbs
Development Manager – International Trade