



BlueScope Steel Limited
ABN 16 000 011 058
BANZ
Port Kembla
Post Office Box 1854
Wollongong NSW 2500
Telephone 02 4275 3859
Facsimile +02 4275 7810
www.bluescopesteel.com

30 January 2013

Ms Joanne Reid
Director, Operations 3
International Trade Remedies Branch
Australian Customs and Border Protection Service
Customs House
5 Constitution Avenue
CANBERRA ACT 2601

Dear Ms Reid

Public File

**Re: Aluminium Zinc coated steel and Galvanized Steel exported from China, Korea and Taiwan
– Unsuppressed Selling Price**

I refer to current investigations by the Australian Customs and Border Protection Service ("Customs and Border Protection") into the dumping of aluminium zinc coated steel and galvanized steel exported from China, Korea and Taiwan, and the subsidisation of exports of both products exported from China.

Customs and Border Protection has sought input from BlueScope Steel Limited ("BlueScope") in respect of an appropriate basis for an Unsuppressed Selling Price ("USP").

Trade Measures Policy Advice

Customs and Border Protection issued Trade Measures Policy Advice No. 2004/01 "Establishing USPs and NIPs" as a guide to Customs and Border Protection's approach to establishing the non-injurious price ("NIP").

Section 269TACA of the *Customs Act 1901* defines the NIP as the minimum price necessary "...to prevent the injury, or a recurrence of the injury..." caused by the dumping.

The NIP is derived from the USP. Customs and Border Protection refers to the USP as "a price the industry may achieve in the market in the absence of dumped or subsidized imports". Customs and Border Protection follows a preferred hierarchy for the establishment of a USP that includes:

1. Industry selling prices at a time unaffected by dumping;
2. Constructed industry prices – industry cost to make and sell plus profit;
3. Selling prices of non-dumped imports.

Customs and Border Protection derives the NIP from the USP by deducting the costs of moving the goods from the FOB point in the exporting country to (generally) the FIS point in Australia. These costs usually include costs for overseas freight, import duties, customs and clearance expenses, local freight from wharf to store, and an importer's margin.

Proposed USPs for aluminium zinc coated steel and galvanized steel

BlueScope considers that the selling prices for coated steel (whether aluminium zinc coated steel or galvanized steel) varies according to changes in the production cost of raw materials, particularly hot rolled coil ("HRC") prices. On this basis, BlueScope does not consider it appropriate to determine a USP for coated steel selling prices from a period preceding the commencement of dumping (as the selling prices of the earlier period are unlikely to be reflective of contemporary costs).

BlueScope is of the view that production costs encountered in the investigation period (i.e. over the period 1 July 2011 to 30 June 2012) are likely to more closely align with contemporary selling prices that would have occurred but for the dumping (and subsidization).

It is therefore proposed that USPs for aluminium zinc coated steel and galvanized steel should be established on the basis of costs incurred by BlueScope during the investigation period, adjusted for an appropriate amount of profit.

BlueScope submits that it is inappropriate to base USPs on non-dumped import prices for coated steel as it cannot be demonstrated that such prices influence local selling prices.

The USPs for the Australian industry manufacturing aluminium zinc coated steel and galvanized steel should therefore reflect BlueScope's cost-to-make-and-sell ("CTM&S") in the 2011/12 investigation period. The level of profit to apply to BlueScope's 2011/12 CTM&S is recommended as follows:

- for aluminium zinc coated steel, the level of profit achieved on domestic sales in the financial year immediately preceding the commencement of dumping (and subsidization) from the nominated countries – i.e. XX per cent achieved in the 2009/10 year; and
- for galvanized steel, the same level of profit achieved on domestic sales of aluminium zinc coated steel in the 2009/10 year (i.e. XX per cent).

████████████████████ prior to the commencement of dumping (and subsidization) as the profit achieved in the 2009/10 year was adversely impacted by a combination of the global financial crisis and a high level of injurious imports.

It should also be noted that the manufacturing processes for aluminium zinc coated steel and galvanised steel are very similar. This is demonstrated by the fact that BlueScope manufactures aluminium zinc coated steel and galvanized steel on the same metal coating line (No. 3) at Port Kembla. It is therefore appropriate to use the level of profit achieved on BlueScope's aluminium zinc coated steel business prior to the commencement of dumping, and apply this to BlueScope's 2011/12 CTM&S for galvanized steel.

BlueScope therefore proposes that USPs for aluminium zinc coated steel and galvanised steel should be as follows:

Table 1: Constructed USP for Australian coated steel products – 2011/12 investigation period

	Aluminium Zinc coated steel 2011/12	Galvanized steel 2011/12
Revenue	[]	[]
Tonnes	[]	[]
Av. Selling Price	[]	[]
Av Profit \$/MT	[]	[]
As % of Sell Price	[]	[]
	[]	[]
CTM&S	[]	[]
Profit (@ 9.49%)	[]	[]
USP	[]	[]

Notes:

1. All revenues, quantities, CTM&S, profit sourced from Appendix A6.1 for aluminium zinc coated steel and galvanized steel manufactured by BlueScope.
2. Av profit based on net gain/loss at Line M of Appendix A6.1.

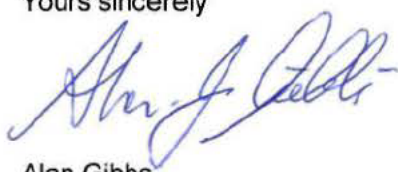
As stated in BlueScope's submission in respect of a proposed USP for hot rolled coil, the integrated production process for steel (i.e. HRC and coated steel) are highly capital intensive processes. The necessary required returns on investments in the steel industry are characteristically high due to the volatility associated with pricing and rapid changes in supply and demand.

Recommended USP

BlueScope has outlined above the proposed basis for USPs for aluminium zinc coated steel and galvanized steel for the purposes of the current dumping and subsidization investigations. The proposed USPs are based upon BlueScope's CTM&S during the investigation period (01 July 2011 to 30 June 2012) adjusted for a level of profit achieved in the aluminium zinc coated steel business during the period immediately prior to the commencement of dumping (and subsidization) – i.e. the 2009/10 year.

Please do not hesitate to contact me on (02) 4275 3858 if you have any questions.

Yours sincerely



Alan Gibbs
Development Manager – International Trade