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The Director
Operations 3
Anti-Dumping Commission
Customs House
1010 La Trobe Street
MELBOURNE DOCKLANDS Victoria 3008

Dear Sir/Madam

For Public File

Countervailing Investigation into Zinc Coated (Galvanised) Steel and Aluminium Zinc Coated Steel exported from the People's Republic of China by Angang Steel Company Limited

1. Introduction

Australian Customs Dumping Notice No. 2013/78 notified the resumption of the countervailing investigations into zinc coated (galvanised) steel and aluminium zinc coated steel exported to Australia from the People's Republic of China ("China") by Angang Steel Company Limited ("Ansteel").

The resumption of the investigations follows the decision of the Anti-Dumping Review Panel ("ADRP") member dated 11 September 2013 to revoke the delegate's decision to terminate inquiries into the subsidisation of exports of zinc coated (galvanised) steel and aluminium zinc coated steel exported from China by Ansteel.

The ADRP member's decision to revoke the termination decision in respect of exports of zinc coated (galvanised) steel and aluminium zinc coated steel by Ansteel focused on the following two key areas:

(i) the provision of coking coal to Ansteel by the Government of China ("GOC") at less than adequate remuneration; and
(ii) the calculation of benefits received by Ansteel under three GOC programs.

BlueScope Steel Limited ("BlueScope") is the applicant company requesting the imposition of countervailing measures on exports from China. BlueScope provides this submission for consideration by the Anti-Dumping Commission ("the Commission") in its resumed investigation.

2. <u>Coking coal at less than adequate remuneration</u>

The ADRP Member confirmed that Customs and Border Protection concluded that coking coal was sold at less than adequate remuneration during the investigation period. Customs identified an external benchmark as the means for determining adequate remuneration. In this instance, the selected benchmark was the Chinese export prices for coking coal.

BlueScope highlighted to the Member the comments of Customs and Border Protection in Statement of Essential Facts No. 193:

> "*The use of Chinese export prices is not without problems. As noted above, coking coal is of varying qualities. The GOC was not able to identify in the export data what type of coking coal was represented in the prices. Customs and Border Protection cannot be certain that the coking coal purchased by Chinese manufacturers of galvanised steel and aluminium zinc coated steel is comparable, in terms of quality, to the exported coking coal.*"

BlueScope submitted to the ADRP that the Chinese export prices for coking coal were of a lesser quality than the coking coal used by producers of galvanised steel and aluminium zinc coated steel in China. The ADRP Member confirmed this viewpoint with the following observation (following re-calculations of the subsidy margins for coking coal at less than adequate remuneration using Australian hard coking coal export prices):

> *"…it points to the real possibility that the coal for which the export prices were ascertained (and used) as the benchmark to determine adequate remuneration, was not of comparable quality to the coal purchased by Chinese manufacturers to manufacture coated steel products. The <u>real possibility</u> that it was <u>coke of lesser quality</u> requires some caution in using the export prices as part of a series of calculations to determine the ultimate issue arising under s269TDA(2), namely whether the countervailable subsidies which had been received exceeded the negligible level of, for present purposes, 2%*" (emphasis added).

The Member further commented:

> "*The various figures referred to in paragraph 19 (of the ADRP Decision) illustrate that if the <u>prices actually used were wrong</u> but <u>only by a small margin</u> (and within a margin which is quite conceivable) the 2% threshold would be exceeded"* (emphasis added).

Finally, the member concluded that the "*information before Customs does not, in my opinion, provide a sufficiently firm foundation to conclude that the countervailable subsidy <u>never</u> exceeded the negligible level of 2% so as to require the termination of the investigation*."

BlueScope firmly agrees with the Member's observations.

BlueScope confirmed with the ADRP that it understood that the Chinese coking coal domestic prices examined by Customs and Border Protection during the verification visits was for coking coal that is a blend of both low-grade and premium hard coking coal. It is further understood that Chinese exports of coking coal would be of a grade that is not suitable for consumption by Chinese steel producers and that these Chinese coking coal export prices are reflective of low-grade coking coal quality.

It is therefore incorrect to use Chinese coking coal export prices as the appropriate benchmark price for coking coal consumed by Chinese producers of galvanised steel and aluminium zinc coated steel (including Ansteel).

BlueScope is also cognisant of the Member's stated views concerning the "*level of satisfaction leading to termination*" of an inquiry where there is clear evidence "*that the countervailable subsidy was not more than the threshold of 2%*". The information available to the Member was sufficient to be satisfied that the 2 per cent threshold would be exceeded – by using a benchmark price that reflected a comparable quality of coking coal to that consumed by Ansteel (i.e. including premium hard coking coal).

BlueScope is seeking the Commission to make an upward adjustment to the Chinese export prices for coking coal to reflect an appropriate benchmark for higher quality coking coal (i.e. premium hard coking coal) over the lower quality Chinese coking coal or, use (as was undertaken by the Member) the premium hard coking coal export prices for Australian coal exporters over a shorter period that is not impacted by the floods that occurred in Australia in 2011. This information was readily available to the then Customs and Border Protection during the investigation.

The information available during the conduct of investigation No. 193 affirms the position that the quality of coking coal harvested in China for limited use by Chinese producers of zinc coated galvanised steel and aluminium zinc coated steel (or their respective hot-rolled coil producer-suppliers) is of a lesser quality than the premium hard coking coal imported by Chinese steel producers (including from Australia and Brazil). BlueScope therefore requests the Commission to re-calculate the subsidy margin for Ansteel taking account of an appropriately adjusted benchmark for coking coal so that it reflects a comparable benchmark for coking coal consumed by Ansteel.

It is BlueScope's contention that once account is made of the higher quality coking coal benchmark for Ansteel under the coking coal at less than adequate remuneration program, the aggregate subsidy margin for Ansteel will exceed 2 per cent (across certain periods, if not all of, the investigation period).

The Commissioner is requested to publish a Statement of Essential Facts reflecting the existence of a subsidy margin greater than 2 per cent for Ansteel and apply a Preliminary Affirmative Determination for countervailable subsidies received by Ansteel in respect of zinc coated galvanised steel and aluminium zinc coated steel exported to Australia.

2. The calculation of benefits received by Ansteel under three GOC programs

The Member has also reviewed BlueScope's concern applicable to Program 30 of the countervailable programs considered in Report No.193.

Program 30 related to a capital injection to Ansteel by the GOC and included a reference to a discount rate used in a prescribed formula. The Member confirmed that it was not clear why Customs and Border Protection had selected a discount rate that was:

(i) at the lower end of the range of long term rates set out in the exporter's annual reports for 2010 and 2011; and
(ii) why the rates selected were for periods outside the investigation period.

The Member requested Customs and Border Protection to re-calculate the benefit received based upon the base interest rate of 6.56% determined by the Chinese Central Bank during the investigation period.

The resultant benefit was 0.01 per cent higher than the margin relied upon by Customs and Border Protection in its termination decision for Ansteel.

3. Aggregation of the revised subsidies

BlueScope encourages the Commission to take full account of the Member's recommendations concerning the benchmark for assessing adequate remuneration for coking coal exported by Ansteel (and adjusting the benchmark to reflect the comparable quality of coking coal consumed by the exporter), along with the appropriate discount rate to assess the benefit received by Ansteel under Program 30.

Having fully re-considered the benefits received by Ansteel under the two programs, it is BlueScope's contention that the aggregate subsidy benefit to Ansteel will exceed 2 per cent over the investigation period 1 July 2011 to 30 June 2012.

BlueScope is seeking the Commission to publish a Statement of Essential Facts confirming the subsidies received by Ansteel exceed the 2 per cent threshold and that a Preliminary Affirmative Determination imposing provisional subsidy measures is required.

Please do not hesitate to contact me if you have any questions concerning this submission. I can be contacted on 0419 427 730.

Yours sincerely

Alan Gibbs
Development Manager – International Trade