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15 February 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: Subsidy investigations into Aluminium Zinc coated steel and Galvanized Steel exported from China – BlueScope comments concerning public file submissions

Public File submissions

BlueScope has reviewed recent submissions from interested parties commenting on the investigations into aluminium zinc coated steel and galvanized steel exported from China, Korea and Taiwan.

The following submissions on behalf of interested parties are addressed herein:

- Submission by Hunt & Hunt on behalf of GM Holden Limited ("Holden") dated 7 January 2013;
- Further submission by Hunt & Hunt on behalf of Holden dated 5 February 2013;
- Submission by Gross & Becroft on behalf of members of the China Iron and Steel Association ("CISA") and its members dated 15 January 2013.

Holden submission dated 7 January 2013

This submission on behalf of Holden is focused on the initiation of countervailing investigations into aluminium zinc coated steel and galvanized steel exported from China.

1. Goods under consideration

Holden has stated that BlueScope's description of the goods under consideration ("GUC") in the galvanized steel application is "entirely too broad". Holden quotes the recent findings in the Hot Rolled Coil ("HRC") investigation (Trade Measures Report No. 188) that Holden claims Customs and Border Protection found no injury to the automotive industry. This is not entirely correct.

Customs and Border Protection identified exports of HRC to Australia from Japan and Korea. It was further established that the HRC exports from both countries were at dumped prices. However, Customs and Border Protection assessed the injury from the dumping of HRC from Japan only as non-injurious.

Holden's statement that the Minister's imposition of measures on HRC extends beyond the intended application is incorrect.

Holden further suggests that certain types of products that fall within the GUC description should be exempted from any measures that may be applied by the Minister. It is suggested that certain "tailor welded" galvanized steel is not produced by BlueScope and that there is no local production of such goods. Holden also states that the "Applicant cannot provide certain widths and qualities of steel". It is assumed by this statement that Holden is referring to certain widths and quality for galvanized steel.

BlueScope acknowledges that the minister can exempt certain products from anti-dumping measures. Following investigation and any decision by the Minister to apply anti-dumping measures, it is then appropriate to consider whether grounds for exemption from the measures are appropriate. BlueScope would anticipate that an application for exemption would contain the relevant specifications and appropriate description of the goods to be considered for exemption.

Separate investigations for integrated and non-integrated producers/exporters

Holden suggests that as some subsidy programs may only be relevant to a producer and exporter due to whether it is integrated or non-integrated, separate countervailing investigations are warranted.

BlueScope rejects this suggestion. The countervailing investigations relate to the GUC – that is, aluminium zinc coated steel and galvanized steel. Customs and Border Protection has been requested to investigate whether the manufacturer(s) of the GUC has received subsidies for nominated raw materials purchased by it and assess the impact of the subsidies on its costs and selling prices for the GUC, whether it is an integrated or non-integrated producer. Further, when the goods are exported to Australia, there is no price differential for goods sourced from an integrated producer and another price for a non-integrated producer, nor is their price differentiation on the basis of production efficiency.

It is therefore inappropriate to conduct separate investigations into exports of the GUC based upon, potentially, differing cost bases.

Two applications

BlueScope does not anticipate that Customs and Border Protection has treated, or will likely treat, the separate applications involving aluminium zinc coated steel and galvanized steel as a single investigation. Customs and Border Protection's public notifications of the investigations identifies two separate applications and investigations.

2. Consideration Report No. 193

Holden has made further reiterations concerning the recent HRC investigation findings. As indicated, the findings are not as broad as referred to by Holden that all exports of HRC to the automotive industry were non-injurious.

Segments of the galvanized steel market

Holden has requested Customs and Border Protection to conduct "separate investigations" into each of the three market segments of the Australian market. Customs and Border Protection will likely examine the GUC sold into each market segment and will assess the potential for substitutability between market segments. This approach to injury analysis can be conducted within the scope of a single investigation.

3. *Material injury*

Holden has suggested that the injury suffered by BlueScope is not contemplated in the Ministerial Direction ("Direction") on material injury. BlueScope rejects this suggestion. The Direction contemplates the circumstances of an industry suffering injury where the market has expanded and the industry has lost market share (i.e. has not been able to hold market share in a growing market).

BlueScope submits that it has demonstrated – and Customs and Border Protection has verified – injury in a number of forms, including (for galvanized steel)¹:

- loss of sales volumes;
- reduced market share;
- reduced sales volumes;
- price depression;
- price suppression; and
- reduced profits and profitability.

It is further noted that Holden has suggested that other causes of injury should be considered by Customs and Border Protection in its material injury assessment. BlueScope understands that Customs and Border Protection will examine "other" causes of injury in its material injury assessment. However, Customs and Border Protection will also examine whether injury from dumping and subsidisation is material for the purposes of assessing whether to recommend to the Minister the imposition of measures.

BlueScope notes Holden's comment that the import parity approach to pricing exposes "BSL to both increases in price and decreases in price" and that it is "inappropriate" for BlueScope to "recoup" via its applications. BlueScope has made an application for anti-dumping and countervailing measures on galvanized steel on the grounds that exporters have unfairly priced exports. The application is consistent with obligations under the WTO Anti-Dumping and WTO SCM Agreements.

Holden submission dated 5 February 2013

Holden's submission has requested the suspension and/or termination of Customs and Border Protection's investigations into aluminium zinc coated steel and galvanized steel pending the outcome of Customs and Border Protection's re-investigation into HSS exported from P R China, Korea, Malaysia and Taiwan.

The aluminium zinc coated steel and galvanized steel investigations will likely furnish additional information in respect of the Chinese HRC market (presumably what Holden is specifically concerned about). It is noted that the GOC has provided input to the investigations and will be considered by Customs and Border Protection.

BlueScope does not support the suspension or termination of the investigations as this will further extend the Australian industry to material injury from dumping and subsidization.

¹ Refer Preliminary Affirmative Determination No. 190 (Dumping only), 6 February 2013, P.58.

China Iron and Steel Association ("CISA") submission dated 15 January 2013

It is submitted on behalf of CISA that that BlueScope's applications for countervailing measures on aluminium zinc coated steel and galvanized steel "lack sufficiently concrete and credible evidence" in support of the injury claims.

CISA has outlined that Customs and Border Protection is required to "respect" the circumstances of the four investigations (two anti-dumping, two countervailing) into the two products (aluminium zinc coated steel and galvanized steel).

CISA has suggested that aluminium zinc coated steel and galvanized steel exported from China have different metallic coating mass to goods manufactured in Australia. BlueScope anticipates that Customs and Border Protection will endeavour to make the appropriate adjustments to normal value for goods exported from China as appropriate.

CISA has sought to suggest that certain products require exemption from the investigations. BlueScope has detailed in its applications the goods coverage (i.e. identification of the imported goods) and nominated what it manufactures locally that are like goods to the imported goods. Requests for exemption of goods from the GUC coverage would need to address specifications and end-uses.

CISA has suggested that the injury experienced by the Australian industry has been caused by certain other factors. BlueScope reiterates that the Minister will consider the impact of other factors on injury to the Australian industry. However, the relevant consideration for the Minister is whether dumping and subsidization has caused (or will threaten to cause) material injury to the Australian industry.

In response to CISA's comments concerning the trend of performance following the global financial crisis, BlueScope notes that the Australian industry has suffered injury in the twelve month investigation period when compared with period immediately preceding the investigation period.

CISA has further commented on the following areas:

- (i) Lack of causation;
- (ii) Competition Law concerns; and
- (iii) Australian Public interest.

BlueScope does not consider CISA is adequately positioned to comment on an apparent "lack of causation" in respect of injury experienced by the Australian industry. BlueScope has furnished Customs and Border Protection with supporting evidence that export prices from suppliers in the nominated countries have undercut the Australian industry's selling prices. Customs and Border Protection will assess the merit of the information supplied.

CISA asserts that there would be a lessening of competition in the event the Minister imposes measures on aluminium zinc coated steel and galvanized steel exported from China, Korea and Taiwan. It should be noted that imports of aluminium zinc coated steel accounted for 45 per cent of total Australian market sales in the investigation period, and for approximately 40 per cent in galvanized steel. It is therefore apparent that imports of the GUC hold a substantial share of the Australian market and the imposition of measures will not impact all sources of supply.

CISA's comments relating to 'Australian Public Interest' are premised on the 'elimination' of import competition. The imposition of measures will not eliminate fairly traded imports. CISA comments are alarmist and unrealistic.

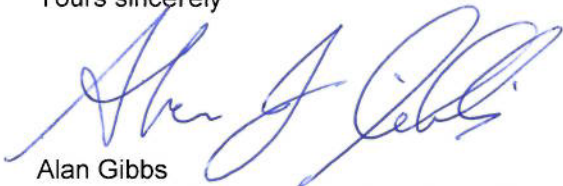
Conclusions

Holden's submissions seek to secure exemption for imports to the automotive sector and the suspension of investigations pending the completion of the reinvestigation of the HSS case. It is BlueScope's position that consideration for certain exemptions for goods are appropriately examined following the imposition of measures by the Minister. BlueScope does not support the suspension of the aluminium zinc coated steel and galvanized steel investigations pending the HSS reinvestigation. Current investigations with Chinese exporters and the Government of China will likely furnish additional information not considered in the HSS investigation.

The CISA submission has not evidenced any information that Customs and Border protection will likely not consider in its investigations.

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

Yours sincerely



Alan Gibbs
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