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

Received
12 March 2013

Dear Ms Reid

Public File

Aluminium Zinc coated steel and Galvanized Steel exported from China, Korea and Taiwan – BlueScope comments re Yieh Phui Enterprise Co., Ltd & AsiaZone Co., Limited Exporter Visit Report

BlueScope Steel Limited (“BlueScope”) has examined the recently published Yieh Phui Enterprise Co., Ltd (“Yieh Phui”) and Asiazone Co., Limited (“Asiazone”) Exporter Visit Report (the “Report”).

The following concerns are raised in respect of the treatment of certain material matters addressed in the Report.

1. Treatment of Yieh Phui and Asiazone as a single entity

Customs and Border Protection has sought to treat Yieh Phui and Asiazone as a single entity for the purposes of the exporter verification visit. It has been suggested that the single entity treatment is due to the “interrelated nature of the Yieh Phui and Asiazone and their common control by Mr I.S. Lin¹”.

BlueScope does not agree with Customs and Border Protection’s single entity approach. It is considered that Customs and Border Protection should appropriately consider the reasons for the establishment of Asiazone. It is apparent that Asiazone does not have domestic sales of ‘like goods’ and has been involved in the export sales of like goods (and other goods manufactured by Yieh Phui and its related entities). It is further evident that Asiazone has its own financial statements and therefore operates as a going concern, as distinct from a division within the Yieh Phui Group.

It is further noted from Asiazone’s exporter questionnaire response that the company operates from Hong Kong. Asiazone is a trader of goods manufactured by Yieh Phui (and other related and non-related entities).

BlueScope notes that at Section 5.5.2 Customs and Border Protection considers export sales by Asiazone to have been exported from Taiwan by Yieh Phui. It is therefore incorrect to treat two separate legal entities (domiciled in two separate countries) as a single entity.

The differing Selling and General Administrative expenses incurred by Yieh Phui and Asiazone add further weight to the proposition that separate normal values for both entities are required.

¹ Refer Yieh Pui Enterprise Co., Ltd and Asiazone Co., Limited, Exporter Visit Report, P. 10.

BlueScope requests that Customs and Border Protection re-examine the treatment of Yieh Phui and Asiazone and, for the purposes of the aluminium zinc coated steel and galvanized steel investigations treat the companies as separate legal entities (and therefore separate exporters of the goods under consideration "GUC").

2. Level of trade

On the basis that separate normal values are required for Yieh Phui and Asiazone, the following comments must be considered.

Yieh Phui sold goods domestically via distributors, end-users and traders. Yieh Phui advised Customs and Border Protection that the customer's level of trade "have no influence over price".

BlueScope submits that as Asiazone operates as a separate legal entity and acts as Yieh Phui's representative on export markets, Yieh Phui's selling price (as distinct from a transfer price) would include an amount considered a trader's margin. As Asiazone's margin is included in its export price of the GUC exported to Australia, BlueScope submits that Asiazone's normal value (based upon related party-Yieh Phui's domestic sales in Taiwan) requires an upward adjustment to reflect Asiazone's margin include in the export price.

An upward adjustment to Asiazone's normal value is required to permit a fair comparison of Asiazone's export sales to Australia for the GUC with Asiazone's normal value (that does not include any trader's margin).

3. Rebates

Customs and Border Protection has noted at Section 5.2.3 of the Yieh Phui Report that rebates have been paid by Yieh Phui on certain domestic sales of the GUC. It is further stated that rebates are paid to "Chinese or Taiwanese customers". This suggests that rebates are also paid for export sales.

As Asiazone was not listed for rebate sales, there should be no benefit afforded in Yieh Phui's normal value for rebates for comparison with Asiazone's export sales to Australia – further supporting evidence that separate normal values for Yieh Phui and Asiazone should apply.

4. HRC costs

Yieh Phui indicated to Customs and Border Protection that it did not record and differentiate the cost of HRC by grade. BlueScope is surprised that Yieh Phui has not recorded HRC by grade, as this is important in recording the raw materials used in the production of the GUC.

BlueScope questions the appropriateness of using a single grade cost for all grades, when it is evident that certain different grades are consumed in the manufacture of the GUC.

BlueScope is concerned that Yieh Phui's approach to recording the costs of the different grades of HRC (by using a similar price based upon the assertion that the grades are similar), results in an understatement of Yieh Phui's costs of production. The potential for including sales in the ordinary course of trade test (that are incorrectly categorised as profitable) is therefore likely.

There is a concern that the Yieh Phui HRC costs of production consumed in the manufacture of aluminium zinc coated steel and galvanized steel do not accurately reflect the true costs incurred by Yieh Phui.

5. Conclusions

BlueScope requests Customs and Border Protection not to treat Yieh Phui and Asiazone as a single entity for the purposes of establishing normal values and dumping margins. It is evident that Asiazone operates as an export trader for Yieh Phui and should be treated as a separate legal entity to Yieh Phui.

Customs and Border Protection is also requested to re-examine an adjustment to Asiazone's normal value to account for the trader's margin that is include din the sale from Yieh Phui to Asiazone, and to also exclude rebates from Asiazone's normal value.

BlueScope is concerned that Yieh Phui's normal value is understated due to the company's non-recoding of HRC costs by grade. Customs and Border Protection is requested to adjust Yieh Phui's costs for HRC grade costs based upon available information verified in Taiwan for HRC in Investigation No. 188.

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

Yours sincerely

A handwritten signature in blue ink, appearing to read "Alan Gibbs".

Alan Gibbs
Development Manager – International Trade