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*Exporter Brief - Plate Steel exported from China, Indonesia, Japan, Korea and Taiwan***Exporter Visit - Shang Chen Steel Co., Ltd Taiwan**Background

Shang Chen Steel Co Ltd ("Shang Chen") has been identified as an exporter of plate steel to Australia. Shang Chen has provided a public file version of the exporter questionnaire. BlueScope has relied upon Shang Chen's questionnaire response and the information derived from Customs and Border Protection's recent visit to Shang Chen in the hot rolled coil ("HRC") case, to prepare this brief.

In the HRC investigation Shang Chen was found to have a (positive) 4.1 per cent dumping margin.

Plate Steel manufactured by Shang Chen

Shang Chen is an importer of steel slab from suppliers in Brazil, Japan, and the Commonwealth of Independent States ("CIS"). It is claimed that Shang Chen does not purchase steel slab from any related companies. Shang Chen, therefore, incurs the regional steel slab price for its purchases.

Shang Chen indicates that it produces and exports to Australia hot rolled steel plate and hot rolled sheets.

It is noted in the Shang Chen HRC Exporter Visit Report that Shang Chen stated that *"no differentiation is made between the slabs to be used for product to be sold on the domestic market or to the export markets. It was also explained that the end use of the product differed marginally between the domestic and Australian markets"*¹. BlueScope submits that as there is little difference between the "slabs" used to further manufacture HRC for domestic and exports sales, it can be concluded that the same principal holds for steel plate manufactured by Shang Chen. Therefore there should be no adjustments for physical differences (other than extras) between domestic and export sales.

Shang Chen Reporting

Shang Chen accounts for sales made by it according to four profit centres. The four profit centres are:

- 'HR' – hot rolled product in coil and sheet form that is not galvanized or cold-rolled, in the thickness range of 1.2mm to 12mm;
- 'GI' – galvanized product;
- 'CRC' – cold rolled coil;
- 'plate' – steel plate in the thickness range of 12mm to 32mm.

The goods the subject of the plate steel application are included within the fourth 'plate' category. The hot rolled plate manufactured by Shang Chen is produced by rolling steel slab into the required plate thickness.

The Shang Chen Questionnaire Response suggests that the company may not have purchased steel slab in a particular quarter. Care will be required as to the treatment of the valuation of the slab at the beginning of the quarter, so as to understand whether any re-valuation has occurred.

In the HRC investigation Shang Chen advised Customs and Border Protection that its *"export pricing was generally set to reflect its raw material cost, plus conversion costs and a margin"*². It further explained that *"it negotiates export price for the export market based on the current market situation/conditions, domestic prices, other exporter's prices and the local production sales price."* This suggests that in order for Shang Chen to secure a sale to Australia, it

¹ Shang Chen Steel Co., Ltd Exporter Visit Report, P. 15.

² Ibid, P. 18.

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would undercut the Australian industry's selling price. It is also clear that the export selling price is not based upon the purchase price for the raw material steel slab.

BlueScope also notes from the Shang Chen Exporter Verification Report in the HRC investigation that Customs and Border Protection identified Shang Chen's HRC cost-to-make-and-sell ("CTM&S") as somewhat "erratic" over the investigation period. The plate steel investigation period overlaps the HRC investigation period by a quarter, and it is noted that Shang Chen's March 12 CTM&S was erratic in that month. The volatility in costs may be a reflection of the steel slab purchase price(s) and this will likely impact Shang Chen's dumping margins. Shang Chen's comments in its Questionnaire response suggest that it has provided quarterly costs (with an absence of slab purchases in one quarter). It will be important for Customs and Border Protection to understand what are the contributing factors to the volatility in Shang Chen's CTM&S.

It is observed in Shang Chen's questionnaire response at Section D-3 that Shang Chen operates from a basic domestic price with certain extras subsequently added. Thickness is one example of a cost addition. The same principles should apply to export sales. Customs and Border Protection to obtain a copy of Shang Chen's "extras" table.

Shang Chen has identified a range of ancillary expenses applicable to export sales that includes:

- brokerage;
- harbour service fees;
- THC and CFS charges;
- storage fees;
- trade promotion fees; and
- bank charges.

Shang Chen's normal value(s) will require an uplift for the identified expenses associated with export sales to Australia. Shang Chen has also indicated that it incurs export inland freight, and credit charges that are likely different to domestic sales, and further indicates that packing for export is different to domestic packing (no cost incurred on domestic sales). Upward adjustments will be required for export-associated credit and packing expenses; a downward adjustment will apply for domestic credit and packing expenses.

Section E-2.8 of Shang Chen's Questionnaire Response suggests that it pays a commission on certain domestic sales. It is noted that no such commission was identified in the HRC investigation. It is requested that Customs and Border protection accurately validate any claimed domestic sales commission(s) paid by Shang Chen.

BlueScope seeks to highlight the treatment of scrap as a credit against Shang Chen's raw material costs. As Shang Chen is a manufacturer of certain steel products from steel slab, it is possible that scrap credits for value-adding processes beyond the production of steel plate (i.e. galvanized coil) could be allocated against the raw material slab price, when the credit is correctly applied post HRC manufacture. It is requested that the crediting of values for scrap is undertaken correctly.

Shang Chen's Third Country Sales

It is suggested by Shang Chen that its third country export sales are similar to the goods exported to Australia. In addition to assessing Shang Chen's normal values under the provisions of s.269TAC(1) and (2)(c) BlueScope also requests that Customs and Border Protection also consider Shang Chen's export sales to other destinations (s.269TAC(2)(d)) to enable the Minister to decide whether third country export sales may be an appropriate basis upon which to determine normal values.