

18 April 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

Hot Rolled Steel Plate – proposed unsuppressed selling price

Introduction

I refer to the investigation into the dumping of hot rolled steel plate exported from the People's Republic of China ("China"), the Republic of Indonesia ("Indonesia"), Japan, the Republic of Korea ("Korea") and Taiwan, and the subsidization of hot rolled steel plate exported from China.

BlueScope Steel Limited ("BlueScope") is the sole Australian manufacturer of hot rolled steel plate in Australia. For the purposes of the investigation, BlueScope has been requested by Customs and Border Protection to provide its view as to an appropriate unsuppressed selling price ("USP") for hot rolled steel plate.

Trade Measures Policy Advice

Customs and Border Protection's policy for determining an appropriate USP is contained in Trade Measures Policy Advice No. 2004/01.

Section 269TACA of the *Customs Act* 1901 defines the Non-Injurious price ("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 hot rolled plate steel

BlueScope has examined selling prices for hot rolled steel plate during the period immediately preceding the 2012 investigation period. The selling prices for hot rolled plate steel sold in Australia during 2011 were impacted by dumped export prices (as evidenced in BlueScope's application for the fourth quarter of 2011). Additionally, the investigation into hot rolled coil exports to Australia during 2011/12 confirmed the existence of dumping during the period 1 April 2011 to 31 March 2012. It is reasonable to conclude that the hot rolled plate steel market in Australia during 2011 was also impacted by dumped imports.

BlueScope does not consider that it is appropriate to base a USP for hot rolled steel plate on selling prices in the Australian market immediately prior to the commencement of the dumping (i.e. the 2011 calendar year). The selling prices from the 2010 year are also considered unsuitable as the cost base in 2010 for the Australian industry is materially different to that evident in 2012.

The next alternative as a suitable basis for a USP is the Australian Industry's cost-to-make-and-sell ("CTM&S") plus an appropriate margin for profit. BlueScope considers that the CTM&S hot rolled steel plate during 2012 plus a level of profit from the 2010 year (2011 is impacted by dumped exports) is an appropriate basis upon which to determine a USP. The 2012 CTM&S is comparable with recent costs during the first quarter of 2013 for raw materials used in hot rolled plate manufacture.

BlueScope does not consider that the export prices from countries not included in the application are in sufficient volume to demonstrate an ongoing impact on prices (i.e. Australian industry prices are primarily established against the dumped import prices).

In light of the preferred USP methodology based upon BlueScope's 2012 CTM&S plus a level of profit from 2010, a constructed USP is shown in Table 1 below. BlueScope has also prepared a USP for the higher-cost Quench and Tempered ("Q&T") feed hot rolled steel plate that reflects further value-adding.

Table 1: Constructed USP for hot rolled plate steel – 2012 investigation period

	Hot rolled plate steel 2012 Investigation Period	Q&T hot rolled plate steel 2012 Investigation Period
Revenue		
Tonnes		
Av. Selling Price		
Av Profit \$/MT		
As % of Sell Price		
CTM&S		
Profit (@ for all plate; % for Q&T)		
USP		

Notes:

1. All revenues, quantities, CTM&S, 2010 profit sourced from Appendix A6.1 for hot rolled steel plate, and Q&T Green Appendix A6.1 manufactured by BlueScope.
2. Av profit based on net gain/loss at Line M of Appendix A6.1.

BlueScope has previously highlighted with Customs and Border Protection that the integrated production process for steel (i.e. plate, HRC, etc) are highly capital intensive processes. The necessary return on investment required for the production of steel is characteristically high due to the volatility associated with pricing and rapid changes in supply and demand.

Recommendation

BlueScope recommends a USP for hot rolled steel plate for the 2012 investigation period be determined upon the Australian industry's CTM&S hot rolled steel plate in 2012 uplifted by a level of profit achieved in 2010. A separate USP has also been proposed by BlueScope for the higher-cost Q&T hot rolled plate steel.

If you have any questions concerning this letter, please do not hesitate to contact me on (02) 4275 4638.

Yours sincerely



Chad Uphill
International Trade