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8 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

Received
08 April 2013

Dear Ms Reid

Public File

**Statement of Essential Facts No. 190 – Galvanized Steel and Aluminium Zinc Coated Steel
exported from China, Korea and Taiwan – BlueScope submission**

Attached for your consideration is BlueScope Steel Limited's ("BlueScope") submission in response to Statement of Essential Facts ("SEF") No. 190 on the dumping of zinc coated (Galvanized) steel and aluminium zinc coated steel exported from the People's Republic of China, the Republic of Korea, and Taiwan.

BlueScope welcomes any questions that you may have in respect of the attached submission. I may be contacted on (02) 4275 3858.

Yours sincerely

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

Alan Gibbs
Development Manager – International Trade

Executive Summary

BlueScope Steel Limited ("BlueScope") welcomes the preliminary findings contained in Statement of Essential Facts ("SEF") No. 190 in respect of the dumping of Zinc Coated (Galvanized) Steel ("gal steel") and Aluminium Zinc Coated Steel ("al zn steel") exported from the People's Republic of China ("China"), the Republic of Korea ("Korea"), and Taiwan.

Following investigations, Customs and Border Protection has preliminarily determined that gal steel and al zn steel have been exported from China, Korea and Taiwan at dumped prices throughout the investigation period and the dumped exports have caused material injury to the Australian industry manufacturing like goods. Customs and Border Protection proposes to recommend to the Minister that dumping duty notice be published in respect of exports of gal steel and al zn steel from China, Korea and Taiwan.

SEF No 190 includes the potential for certain exemptions from measures for goods that are considered to be not available from local production¹. BlueScope has addressed each of the claimed exemptions in this submission.

BlueScope has also examined each exporter visit report and provided Customs and Border Protection with specific comments in respect of each verification visit. BlueScope anticipates that Customs and Border Protection will take full account of BlueScope's comments provided in respect of each exporter visit report in the preparation of the final report and recommendations to the Minister on gal steel and al zn steel exported from China, Korea and Taiwan.

BlueScope has additional views on Customs and Border Protection's finding of a particular market situation for gal steel and al zn steel sold domestically in China. The recent European Commission finding on the subsidization of certain organic coated steel products exported from China reinforces the findings of Customs and Border Protection that selling prices for gal steel and al zn steel sold in China are not suitable for the purposes of establishing normal values.

In recommending the appropriate dumping measures to apply to exporters of gal steel and al zn steel exported from China, Korea and Taiwan, BlueScope submits that the normal values and ascertained export prices for the exported goods should be based upon the information available to Customs and Border Protection during the investigation period, and should **not be adjusted** for a temporary change in raw material input costs (whether at a particular point in time or an average over a relatively short period of time). Any subsequent changes to normal values and export prices post the imposition of measures can be adequately revised or taken account of through the existing procedures relating to the review of measures and duty assessment processes.

¹ Refer Chapter 7 of Statement of Essential Facts No. 190.

1.0 Background and Investigation Findings

The publication of SEF No. 190 follows applications for measures made by BlueScope in respect of galvanized steel ("gal steel") and aluminium zinc coated steel ("al zn steel") exported from China, Korea and Taiwan that was formally lodged with the Australian Customs and Border Protection Service ("Customs and Border Protection") on 12 August 2012. A SEF was due in respect of both products on 24 December 2012, however, the Minister granted an extension to the publication of the SEF to 16 March 2013.

Dumping

A Preliminary Affirmative Determination ("PAD") in respect of exports of gal steel and al zn steel exported from China, Korea and Taiwan was published on 6 February 2013. Provisional measures were imposed on imports of gal steel and al zn steel exported from China, Korea and Taiwan and entered for home consumption on or after 6 February 2013.

SEF No. 190 includes some minor changes to the dumping margins as published in PAD No. 190. The dumping margins published in SEF No. 190 are as follows:

(i) Galvanized Steel

| Country | Manufacturer/Exporter | Preliminary Dumping Margin % |
|---------|------------------------------------|------------------------------|
| China | Angang Steel | 19.3% |
| | Angang TAGAL | 30.8% |
| | Wuhan | 21.2% |
| | Yieh Phui Technomaterial | 6.8% |
| | Selected non-cooperating exporters | 60.6% |
| Korea | Dongbu Steel | 3.2% |
| | POSCO | 9.1% |
| | Union Steel Korea | <2% |
| | Selected non-cooperating exporters | 17.6% |
| Taiwan | Chung Hung Steel | 8.5% |
| | Sheng Yu | <2% |
| | Yieh Phui Enterprise | 2.6% |
| | Ta Fong | <2% |
| | Selected non-cooperating exporters | 12.7% |

The dumping margins determined for gal steel exported from China, Korea and Taiwan (with the exception of exporters Union Steel of Korea, and Sheng Yu and Ta Fong of Taiwan) are above negligible levels. For all Chinese exporters of gal steel to Australia (with the exception of Yieh Phui Technomaterial Co., Ltd) the determined dumping margins are substantial (with the largest margins by State Invested Enterprises), with the lowest margin determined at 19.3 per cent following the inclusion of a market price for raw material hot rolled coil ('HRC') in the Chinese exporters' costs.

(ii) Aluminium zinc coated steel

| Country | Manufacturer/Exporter | Preliminary Dumping Margin % |
|---------|------------------------------------|------------------------------|
| China | Angang Steel | 4.9% |
| | Union Steel China | 8.5% |
| | Yieh Phui Technomaterial | 5.5% |
| | Jiangyin Zong Cheng | 19.8% |
| | Selected non-cooperating exporters | 20.4% |
| Korea | Dongbu Steel | 5.8% |
| | Union Steel Korea | <2% |
| | Selected non-cooperating exporters | 7.7% |
| Taiwan | Sheng Yu | <2% |
| | Yieh Phui Enterprise | 3.3% |
| | Selected non-cooperating exporters | 4.3% |

Customs and Border Protection has determined that all al zn exported from China has been at dumped prices. The margins range from a minimum 4.9 per cent to 20.4 per cent. All exports from Korea (except those by Union Steel Korea) were also at dumped prices. For exports from Taiwan all exports (except those by Sheng Yu) were at dumped prices above negligible levels.

Injury

Customs and Border Protection validated BlueScope's injury claims and was satisfied that the Australian industry had suffered injury in each of the forms identified below.

(i) Galvanized Steel

- loss of sales volume;
- reduced market share;
- reduced sales revenue;
- price depression;
- price suppression;
- reduced profit and profitability;
- reduced return on investment ("ROI");
- reduced ability to raise capital for re-investment; and
- reduced employment.

(ii) Aluminium Zinc Coated Steel

- loss of sales volume;
- reduced sales revenue;
- price depression;
- price suppression;
- reduced profit and profitability;
- reduced ROI;
- reduced ability to raise capital for re-investment; and
- reduced employment.

The profit impacts to BlueScope (in both the gal steel and al zn steel businesses) in the 2011/12 financial year are depicted in graphic form at Section 10.8 of SEF No. 190. The profit impact is both substantial and dramatic.

Causation

Customs and Border Protection's analysis of the impact of the dumped imports on Australian industry selling prices is reflected in Section 11 of SEF No. 190. Customs and Border Protection was satisfied that the dumped exports had resulted in lost sales volumes in gal steel and al zn steel for the Australian industry.

In terms of price-effect injury that can be attributed to price undercutting, Customs and Border Protection confirmed that BlueScope's selling prices were undercut by the dumped exports.

(i) Galvanized Steel

Customs and Border Protection established that import prices for gal steel exported from China, Korea and Taiwan were substantially lower per tonne on average than imports from countries not the subject of investigation. As BlueScope establishes selling prices for gal steel on an import price parity ("IPP") basis, Customs and Border Protection was satisfied that there was clear evidence demonstrating that the "*greatest price pressure for BlueScope in setting IPP comes from countries selling at dumped prices*²."

² SEF No. 190, P.92.

Customs and Border Protection stated that it the pricing pressures were also confirmed “*at a micro level for particular products and specific exporters, and also at a macro level by product group and country*”.

(ii) Aluminium Zinc Coated Steel

The investigation thus far has confirmed that BlueScope's selling prices for al zn steel was “*undercut by all nominated countries in all quarters*”³. The analysis also confirmed that imports from the nominated countries (China, Korea and Taiwan) were the lowest priced imports from all sources and that the pricing pressures to match IPP prices originated from the selling prices for al zn imported from China, Korea and Taiwan.

Importantly, Customs and Border Protection stated that there was “*no relationship between undumped imports and BlueScope's prices*”⁴ for al zn steel with BlueScope having reduced its prices to compete with the prices for the dumped imports.

Customs and Border Protection examined other possible causes of injury to the Australian industry during the investigation period including the economic environment, the appreciation of the Australian dollar, BlueScope's recent restructure, the possible diversion to alternate products, and the impact of imports from countries not included in the investigations. Whilst Customs and Border Protection concluded that the other identified causes of injury may have impacted BlueScope's economic performance, the “*presence of dumped imports in the market have impacted on BlueScope's performance*” for both gal steel and al zn steel products.

Based upon the evidence available to Customs and Border Protection during the investigation, it was satisfied that the dumping of gal steel and al zn steel has “*caused material injury to the Australian industry producing like goods*”.

Customs and Border Protection was also satisfied that the in the absence of dumping measures that “*dumping will continue*” if measures are not imposed.

Conclusions on dumping and causation

SEF No. 190 details the grounds relied upon by Customs and Border Protection for its preliminary finding that the dumped exports of gal steel and al zn steel exported from China, Korea and Taiwan have caused material injury to the Australian industry manufacturing like goods.

The evidence available to Customs and Border Protection supports a finding that in the absence of anti-dumping measures, further injury from dumping will occur from imports that have undercut the Australian industry's selling prices.

BlueScope endorses the findings and conclusions of Customs and Border Protection and strongly recommends that the delegate of the Chief Executive Officer of Customs and Border Protection recommend in the final report(s) that dumping measures be imposed on future exports of gal steel and al zn steel from China, Korea and Taiwan.

2.0 Exemption Requests

Section 7 of SEF No. 190 identifies certain written requests for exemption from anti-dumping measures based upon claims made by applicant parties. BlueScope has reviewed Section 7 of SEF No. 190 and provides comments on the claimed exemptions below.

³ SEF No. 190, P.93.

⁴ SEF No. 190, P.94.

General goods and like goods claims

BlueScope concurs with Customs and Border Protection's assessment that the wording of the goods description cannot be amended following the commencement of an investigation. ACDN No. 2012/62 provided clarification on the goods the subject of the application but did not amend the goods description.

Grounds for exemption under Section 8(7) of the Anti-Dumping Act

Exemptions for certain goods that are covered by the application description should therefore be accompanied by supporting evidence that demonstrates:

- that like or directly competitive goods are not offered for sale in Australia to all purchasers on equal terms under like conditions having regard to the custom and usage of trade;
- a Tariff Concession Order ("TCO") for the goods applies;
- A By-law listed in Schedule 4 to the Customs Act 1901 applies and suitably equivalent goods produced in Australia are not reasonably available;
- no duty is applicable to the imported goods and suitably equivalent goods produced in Australia are not reasonably available; or
- that the imported goods are for use as samples.

Exemption requests

Customs and Border Protection has categorized the exemption requests by market segment, namely the automotive market segment and the manufacturing market segment.

(i) Automotive market segment

Customs and Border Protection has received claims from interested parties that zero spangle galvanized steel and tailor-welded galvanized steel blanks are not produced in Australia.

Zero spangled galvanized steel

BlueScope does not currently manufacture zero spangle steel that may be used by the automotive industry for the exterior (i.e. exposed skin panels) of motor vehicles. BlueScope does manufacture minimal, suppressed or small spangle steel that is substitutable for product that can be used in applications where zero spangle steel may be preferred. Whilst BlueScope does not currently produce zero spangle steel specifically for use in motor vehicle panel exteriors, BlueScope may seek to produce like goods at some time in the future.

BlueScope requests the applicant company requesting an exemption from dumping measures for zero spangled galvanized steel used exclusively in motor vehicle exposed skin panels, provide details of the galvanised steel specifications for the required end use to ensure that there is no substitutability with the minimal spangle galvanized steel that is manufactured locally by BlueScope. Further, BlueScope is concerned of possible circumvention of any exemption granted that permits the use of zero spangle galvanized steel in non motor vehicle applications eg. for use as purlins as currently supplied by BlueScope.

Tailor welded galvanized steel

It is asserted by interested parties that tailor-welded galvanized steel blanks are not available from local manufacture. BlueScope has indicated to Customs and Border Protection that galvanized steel manufactured in Australia can be utilised as an input material for further processing into locally produced tailor-welded galvanized steel blanks in Australia.

An exemption from anti-dumping measures for galvanized steel used as an input to locally made tailor-welded galvanized steel blanks will impact BlueScope's sales of locally produced galvanized steel. In the absence of specific details of imported galvanized steel used to produce tailor-welded galvanized steel blanks BlueScope contends that it manufactures like goods to imported galvanized steel used to locally produce tailor-welded blanks in Australia.

(ii) Manufacturing market segment

Galvanized steel manufactured from a hot rolled coil substrate

OneSteel ATM has sought an application for exemption in relation to certain galvanized steel coils. The two categories of galvanized coils are the subject of two separate TCOs. TCO No. 1243148 has an expiry date of 31 May 2013. BlueScope agreed to a limited sunset on galvanized coil the subject of TCO 1243148 as it was in the process of manufacturing to commercial quality the goods the subject of the TCO (hence the expiry date).

Galvanized coil the subject of TCO 1243148 is currently produced by BlueScope and will be available for commercial supply from the scheduled expiry date.

The like goods the subject of TCO No. 1242989 does not have an expiry date. Based upon the current wording of TCO 1242989, BlueScope does not currently manufacture galvanized coil that matches the nominated specifications contained in the TCO.

Unchromated aluminium zinc coated steel

Customs and Border Protection indicates that OneSteel Coil Coaters and Ace Gutters Pty Ltd ("Ace Gutters") have made written requests for exemption from dumping measures for unchromated aluminium zinc coated steel.

It is claimed that BlueScope does not offer unchromated aluminium zinc coated steel to all market participants on equal terms.

As detailed in Customs and Border protection's analysis, BlueScope disagrees with these assertions. BlueScope has supplied unchromated aluminium zinc coated steel from local supply to an independent entity during the period of investigation. BlueScope has also provided Customs and Border Protection with a quotation for the supply of unchromated aluminium zinc coated steel during the inquiry period.

BlueScope notes Customs and Border Protection's comments that counter the assertions that BlueScope has not offered unchromated aluminium zinc coated steel to all purchasers on equal terms, in particular that "*BlueScope has priced supply of the product according to its value in the market, rather than the cost of production. This is acceptable commercial practice*".

BlueScope reiterates that it does manufacture unchromated aluminium zinc coated steel for sale in Australia to all purchasers on equal terms.

BlueScope agrees with Customs and Border Protection's assessment that there is no reasonable basis upon which to recommend an exemption from dumping measures for unchromated aluminium zinc coated steel.

BlueScope notes [Comments re commercial supply - sensitive business information to BlueScope Steel Limited]

3.0 Non-injurious price

Customs and Border Protection has indicated that the non-injurious price ("NIP") is not lower than the normal value in all cases.

Customs and Border Protection's assessment of a non-injurious price (Section 13.5 of SEF No. 190) rejects BlueScope's proposed basis for an unsuppressed selling price ("USP"), as well as dismissing industry prices as a basis for a USP. However, Customs and Border Protection has not determined a USP for gal steel or al zn steel produced in Australia. The analysis by Customs and Border Protection challenges BlueScope's suggested USP methodology as it does not take account of:

- weak market demand;
- excess capacity of steel globally;
- the strong Australian dollar; and
- the impact of BlueScope's restructured local business.

Customs and Border Protection states that BlueScope has "overlooked" these impacts in its proposed USP.

Respectfully, BlueScope disagrees with Customs and Border Protection's assessment. Exports of gal steel and al zn steel from China, Korea and Taiwan are faced with the same weak demand and excess supply concerns on their own respective domestic markets. Weak demand and excess supply are not grounds for dumping product on export markets. The strength of the Australian dollar aids price-competitive imports⁵ and requires Australian manufacturers to increase efficiencies and reduce production costs. BlueScope has undertaken this process and restructured its Australian business to strip out costs to improve local efficiencies.

Customs and Border Protection acknowledged at Section 11.7 of SEF No. 190 that BlueScope had isolated the costs associated with the restructuring of its domestic manufacturing business and that the costs to manufacture and sell gal steel and al zn steel did not include restructuring costs⁶.

The proposed USP for BlueScope reflects an improved cost base (restructuring costs removed) and a higher utilization rate. It is therefore incorrect to state that BlueScope's proposed USP based upon in its cost-to-make-and-sell ("CTM&S") gal steel and al zn steel in 2011/12 appears "*to compensate for more than just the effects of dumping*".

It is BlueScope's view that Customs and Border Protection has not determined a non-injurious price for the Australian industry. Rather, SEF No. 190 states that the normal values adjusted to the FOB point reflect a non-injurious price (for each exporter). This is not the same as determining a USP for the Australian industry based upon the preferred methodologies of Trade Measures Policy Advice No. 2004/01.

The Australian industry's USP can also be used as a basis for assessing the extent to which the dumped imports have undersold the industry's USP, and permits an analysis of the extent of injury experienced by the Australian industry.

BlueScope reaffirms its previous representations that a USP for the Australian industry be determined on the basis of BlueScope's CTM&S in 2011/12 (for each of gal steel and al zn steel) plus the respective level of profit achieved in 2009/10.

4.0 Discretionary factors

BlueScope acknowledges the comments of Customs and Border Protection at Section 14 of SEF No. 190 concerning the impact of the imposition of measures on gal steel and al zn steel

⁵ SEF No. 190, P.100.

⁶ SEF No. 190, P.100.

on downstream suppliers. BlueScope has examined each of the submissions from importers and/or end-users identifying concerns with the imposition of measures.

BlueScope has not embarked upon applications for anti-dumping measures on gal steel and al zn steel without due care. The effect of the measures may impact the purchasing decisions of some interested parties. BlueScope, however, has incurred significant material damage in competing with dumped imports from China, Korea and Taiwan and it is anticipated that the imposition of measures will contribute to increased surety of domestic supply in Australia.

5. Particular Market Situation

Appendix A of SEF No. 190 details Customs and Border Protection's assessment of a particular market situation for gal steel and al zn steel in China. Customs and Border Protection has preliminarily made a positive determination that a particular market situation applies for the gal steel and al zn steel industries in China. Normal values for Chinese exporters of gal steel and al zn steel cannot be determined under s.269TAC(1) of *the Customs Act* for goods exported to Australia.

Hollow structural sections investigation No. 177

Customs and Border Protection has recently determined that domestic selling prices for hollow structural sections ("HSS") in China are not suitable for determining normal values because of the situation in the market of the country of export (Section 269TAC(2)(a) of *the Customs Act*). In particular, Customs and Border protection found that the Chinese domestic market for HRC was distorted by the GOC's intervention in the Chinese iron and steel industry.

BlueScope submitted in its applications for measures on gal steel and al zn steel that as HRC was the principal raw material in the manufacture of gal steel and al zn steel that a similar market situation finding should apply to gal steel and al zn steel sold in China.

The findings in Trade Measures Report No. 177 therefore are relevant to the coated steel products the subject of SEF No. 190.

Measures adopted by the GOC

In SEF No. 190 Customs and Border Protection has relied upon the key findings of the Government of China's ("GOC's") intervention in the Chinese iron and steel industry which included⁷:

- (i) *the GOC plays a significant role in influencing the domestic iron and steel industry through its numerous broad, overarching GOC macroeconomic policies and plans that detail the aims and objectives for the Chinese iron and steel industry, including:*
 - *the National Steel Policy;*
 - *national and regional five year plans and guidelines;*
 - *a blueprint for Steel Industry Adjustment and Revitalisation;*
 - *the alignment of the GOC policies,*
- and*
- (ii) *implementation measures (that go towards actively executing the aims and objectives of these policies and plans), as summarized below:*
 - *measures to eliminate backwards production capacity and to encourage technical and environmental improvement;*

⁷ SEF No. 190, P.109.

- *market entry criteria and industry operating conditions;*
- *measures to curb 'production capacity redundancy';*
- *guiding industry mergers and acquisitions;*
- *import and export measures on coke;*
- *subsidies in the iron and steel industry; and*
- *other implementation measures, including impact of SOEs.*

The impact of the GOC's intervention assisted Customs and Border Protection in establishing that:

- *the GOC has exerted numerous influences on the Chinese iron and steel industry, which are likely to have materially distorted competitive conditions within that industry and affected the supply of HSS, HRC, narrow strip, and upstream products and materials;*
- *the impact of the GOC's influence on supply is extensive, complex and manifold, and their resulting impact on the price of HSS is not able to be easily quantified;*
- *the information available indicates that prices of HSS in the Chinese market are not substantially the same (likely to be artificially low), as they would have been without the GOC influence; and*
- *the GOC influences in the Chinese iron and steel industry have created a 'market situation' in the domestic HSS market, such that sales of HSS in that market are not suitable for determining normal value under s.269TAC(1).*

Customs and Border Protection considered the findings in the HSS investigation (i.e. Trade Measures Report No. 177) to be relevant to the gal steel and al zn steel investigations involving exports from China. BlueScope concurs that the findings in the HSS investigation are directly relevant to the two investigations involving gal steel and al zn steel exported from China.

In its assessment of the Chinese market for gal steel and al zn steel, Customs and Border Protection extended its inquiries beyond the Chinese HRC and narrow strip industry to also include the Chinese domestic markets for certain raw materials used in HRC and narrow strip manufacture. These raw material products included coke, coking coal, iron ore and scrap metal. Customs and Border Protection also examined the import and export tariffs, and export rebates, on the raw materials as well as the intermediate HRC and finished gal steel and al zn steel products.

The impact of the export rebates, export tariffs, and import tariffs on Chinese producers of raw material coke, intermediate HRC, and the finished goods gal steel and al zn steel, cannot be under stated. The GOC uses the export VAT rebate scheme combined with export taxes to discourage the export of raw material products such as coke, coking coal and scrap metal to ensure these critical raw materials used in steel making are not exported.

The applicable rates for VAT rebates, export taxes, import tariffs and whether export quotas apply to raw materials, intermediate products and finished goods examined by Customs and Border Protection are summarized in Table 1.

Table 1 - Summary of Chinese VAT export rebate, export tax rate, import duty rate, and export quotas applicable during investigation period

| | VAT Rebate | Export Tax | Import Duty | Export Quotas |
|-----------------------------|------------|------------|-------------|---------------|
| Product | | | | |
| Raw Material | | | | |
| Coke | 0% | 40% | 0% | Yes |
| Coking Coal | 0% | 10% | 0% | Yes |
| Iron ore | 0% | 10% | 0% | No |
| Scrap Steel | 0% | 40% | 0% | No |
| Intermediate | | | | |
| HRC | 0% | 0% | 3% | No |
| Finished Good | | | | |
| Galvanized steel | 13% | 0% | 8% | No |
| Aluminium zinc coated steel | 13% | 0% | 8% | No |

Source: Sections 4.4 to 4.8 of Attachment A to SEF No. 190.

During the investigation period, Customs and Border Protection determined that the VAT export rebate applicable to the key raw materials used in steel making for coke, coking coal, iron ore and scrap metal was zero percent. Similarly, the VAT export rebate on intermediate HRC was also zero percent. Further value-added products such as gal steel and al zn steel attract a 13 per cent VAT export rebate (consistent with most other value-added products manufactured in China).

Export taxes are also used to discourage the export of key raw materials including coke and scrap steel (both attract a 40 per cent export tax) and coking coal and iron ore (each attracts a 10 per cent export tax).

By discouraging the export of key steel industry raw materials, the GOC encourages an oversupply of the products thereby influencing domestic pricing for the goods. The prices for the raw materials in China are at lower levels than globally-traded prices and are insulated from the effects of global pricing.

It is BlueScope's view that the GOC's policies on VAT export rebates, export tariffs, import tariffs and export quotas are used to influence and encourage the domestic production of higher value-added finished goods for subsequent export and discourage the export of key steel industry raw materials (so that value-adding production occurs within China). the taxation policies adopted by the GOC have assisted the significant and dramatic growth of the Chinese iron and steel industry since the early 1990s to be the largest steel producing country in the world despite not possessing a comparative advantage in raw material products used in steelmaking.

BlueScope therefore is in agreement with Customs and Border Protection's assessment that the net effect of the import and export measures encourages the export of the gal steel and al zn steel products from China.

EC Finding on certain organic coated steel exported from China

Customs and Border Protection has referenced the recent European Commission ("EC") finding in respect of the Countervailing proceeding on certain organic coated steel ("OCS") products exported from China.

SEF No. 190 references an EC "Proposal for a Council Implementing Regulation imposing a countervailing duty on imports of certain organic coated steel products originating from the People's Republic of China" No. 2013/0052. The Regulation Proposal has been superseded by "Council implementing Regulation (EU) No. 215/2013 of 11 March 2013 imposing a

countervailing duty on imports of certain organic coated steel products originating in the People's Republic of China".

The EC Regulation imposing countervailing measures on certain OCS exported from China followed an earlier EC dumping finding on certain OCS exported from China published in September 2012.

The EC has determined that certain OCS exported from China to the European union was dumped and subsidized, and had caused material injury to the Union's industry producing like goods. Additionally, the EC concluded:

- the prices of hot rolled steel ("HRS") and cold rolled steel ("CRS") in China are distorted;
- the prices of HRS and CRS sold by SOEs in China are distorted due to the strong predominance of SOEs in the HRS and CRS industries in China;
- the prices of private HRS and CRS producers in China are aligned with the prices of SOEs in China;
- there are no reliable market prices for HRS and CRS in China;
- the whole of the Chinese market for HRS and CRS is distorted;
- HRS and CRS prices in China are not determined by market forces free from the GOC's influence.

Whilst it is noted that the test applied by the EC in its dumping assessment of exports originating from China is different to that applied in Australia, the information relied upon for assessing the influencing factors of prices in China for HRS and CRS are relevant to Customs and Border Protection's assessment in the gal steel and al zn steel particular market situation provisions.

Findings by other administrations

BlueScope also highlights with Customs and Border Protection findings of the Canadian Border Services Agency ("CBSA") in respect of certain carbon steel welded pipe exported from China where it was determined that Chinese HRC prices were not determined in a competitive manner. As a consequence the CBSA determined normal values for Chinese carbon steel welded pipe exporters based upon a constructed methodology using HRC prices as published by Metal Bulletin World Steel and Metal News (Metal Bulletin)⁸. The HRC prices used were an average of global HRC prices.

The methodology followed by Customs and Border Protection in the gal steel and al zn steel cases for constructing Chinese normal values using HRC prices for producers in Korea and Taiwan is not dissimilar to the CBSA methodology that used an average of published HRC prices. Both options involve the averaging of benchmark raw material HRC prices.

The U.S. Department of Commerce made similar findings to CBSA as to the level of GOC influence on certain inputs in China that are used in steel industry finished goods exported to from China (e.g. welded carbon steel pipe and tube, and light-walled rectangular steel pipe).

The findings in other jurisdictions (i.e. the EU, Canada, and the USA) are supportive of the preliminary findings of Customs and Border Protection in the gal steel and al zn steel investigations that demonstrate the GOC has intervened in the iron and steel industry in China to the extent that raw material prices for HRC and other inputs are lower than they otherwise would be (without the GOC influence). The impact of the GOC influence on raw material prices is that a particular market situation for gal steel and al zn steel produced in China applies.

Normal values for Chinese gal steel and al zn steel exported to Australia cannot be determined on the basis of prevailing prices under s.269TAC(1).

⁸ Canada Border Services Agency, Statement of Reasons - Certain carbon Steel welded pipe originating or exported from the People's Republic of China, 5 August 2008, Pages. 10 & 11.

Conclusion on market situation

BlueScope steadfastly agrees with Customs and Border Protection's preliminary assessment and analysis that prices of gal steel and al zn steel in the Chinese market are not substantially the same as they would have been without the GOC influence through the broad range of policy instruments (i.e. directives, taxes, tariffs and quotas). BlueScope concurs that the GOC influences in the Chinese iron and steel industry have created a market situation in the Chinese domestic market for gal steel and al zn steel and rendered domestic selling prices for these goods unsuitable for normal value purposes under s.269TAC(1) of the Customs Act.

6. Countervailing investigations

BlueScope's applications for dumping measures on gal steel and al zn steel were also accompanied by applications for countervailing measures on exports of gal steel and al zn steel exported from China. Investigations into BlueScope's allegations were commenced on 26 November 2012 following notification of the initiation of inquiries into the subsidization of exports of gal steel and al zn steel exported from China. The SEFs for the countervailing inquiries are due on 15 May 2013.

BlueScope is aware that as part of the countervailing investigations the GOC was provided with a Supplementary Government Questionnaire to complete certain additional information requests by Customs and Border Protection. The supplementary questionnaire was due to be submitted by 22 March 2013 (i.e. post publication of SEF No. 190).

7. Conclusions

BlueScope endorses Customs and Border Protection's preliminary finding that exports of gal steel and al zn steel exported from China, Korea and Taiwan have been dumped and that the dumping has caused material injury to the Australian industry. BlueScope also agrees that in the absence of anti-dumping measures on the dumped exports, further dumping and material injury will be experienced by the Australian industry.

BlueScope urges the delegate of the CEO of Customs and Border Protection to recommend to the Minister that anti-dumping measures be imposed on future exports of gal steel and al zn steel exported from China, Korea and Taiwan.