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12 June 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 – Particular Market Situation for plate steel sold in China

Market situation – plate steel

As you are aware, BlueScope Steel Limited ("BlueScope") has asserted that a particular market situation applies to plate steel sold in the People's Republic of China ("China").

BlueScope has evidenced that certain raw material inputs used in the manufacture of steel slab (including coking coal and coke) are sold at prices in China that are at less than adequate remuneration (when contrasted with equivalent market selling prices). The proportion of coking coal (and therefore coke) costs as a percentage of total plate production costs in China is high and is a significant influencing factor on Chinese domestic slab and plate prices selling at artificially low prices.

Supporting evidence

BlueScope included in its application for measures on exports of plate steel from China supporting evidence of prices in certain market economies sourced from industry specialists (i.e. *[market intelligence sources]*) – refer Confidential Attachment B-4.1.

Further to BlueScope's application that evidenced Chinese domestic plate prices were artificially low when contrasted with market selling prices for steel plate, BlueScope further references published pricing available from *[market intelligence sources]*.

The attached *[market intelligence source]* pricing information extracts enables a comparison of "Chinese Domestic Shanghai ex-warehouse US\$/tonne pricing for plate steel (including VAT) across the investigation period, with market selling prices for steel plate sold in the USA, Tokyo Japan, Germany, and the United Kingdom.

The following Table contrasts the relevant domestic selling prices.

Table 1 – Chinese domestic selling prices (incl. VAT) for plate steel v market selling prices

Month	China Domestic Shanghai ex-warehouse US\$/tonne	US Transaction Mid West mills fob US\$/tonne	Japan Dealer Tokyo Market Dealer Price US\$/tonne	Germany Delivered price US\$/tonne	UK Transactions Domestic parity Point US\$/tonne	Range at which China Domestic price is below market prices
Jan 12						
Feb 12						
Mar 12						
Apr 12						
May 12						
Jun 12						
Jul 12						
Aug 12						
Sep 12						
Oct 12						
Nov 12						
Dec 12						

Source: *[market intelligence]* (See Confidential Attachment 1)

Table 1 contrasts Chinese domestic selling prices (including the 17 per cent VAT) with market selling prices in the USA, Japan, and Europe. The level by which Chinese domestic selling prices are below prevailing market economy selling prices as shown in Table 1 is understated – due to the inclusion of the VAT in the Chinese domestic selling prices.

The actual price differential between Chinese domestic selling prices for plate steel (exclusive of VAT) is greater than the margins disclosed in Table 1.

The *[market intelligence source]* data (further supported by the *[market intelligence source]* prices for Plate China domestic selling prices (incl VAT) – refer Confidential Attachment 2) confirms that Chinese domestic selling prices for plate steel are artificially low.

BlueScope has also included with this submission its production cost breakdowns for slab to plate (i.e. rolling) in 2012 – refer Confidential Attachment 3. A comparison of BlueScope's costs for plate with Chinese domestic plate selling prices further reinforces the position that Chinese domestic plate prices are artificially low.

Chinese exporter costs

The impact of government influence on steel making costs in China is substantial. The comparison of plate steel selling prices in China with market prices in other economies indicates that Chinese domestic prices are influenced by the lower raw material input costs. As such, BlueScope does not consider that the Chinese exporter's costs for plate steel production can be utilised for normal value purposes.

BlueScope submits that Customs and Border Protection determine normal values for Chinese plate steel manufacturers on the basis of the best available information – that is, market selling prices for plate steel from a market economy country (e.g. the USA).

BlueScope are currently examining providing Customs and Border Protection with information on the additional cost breakdown of the alloy elements consumed in the production of Quench and Tempered Greenfeed plate steel.

Conclusion

The foregoing confirms the assertions included in BlueScope's application that Chinese domestic selling prices for steel plate are artificially low. BlueScope requests that Customs and Border Protection determine normal values for Chinese plate and steel manufacturers on the basis of market selling prices in the USA or Japan.

If you have any questions concerning this submission, please do not hesitate to contact me on (02) 4275 3859.

Yours sincerely



Chad Uphill
International Trade