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Director – Investigations
Anti-Dumping Commission
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Public File

Investigation No. 688 – Certain flat rolled steel products (plate steel) exported from China and Korea

I. Introduction

BlueScope Steel Limited (**BlueScope**) refers to the Exporter Questionnaire Responses (**EQR**) made by Boashan Iron and Steel Co., Ltd (**Boashan**), Boasteel Zhanjiang Iron and Steel Co., Ltd (**Boasteel Zhanjiang** or **Zhanjiang**), and Hunan Valin Lianyuan Iron and Steel Co., Ltd (**Hunan Valin**) and makes the below observations and comments on each.

II. EQR overview

The Anti-Dumping Commission's (**the Commission**) respondent EQR template directly states the consequences of an inadequate questionnaire response; namely that where an EQR response contains *...major deficiencies that, in the Commissioner's view, cannot be quickly and easily rectified in a further response...*, the respondent *...may be considered as an uncooperative exporter.*¹ Given the issues raised below (many of which are consistent across the three exporters), BlueScope submits that the Commission should either:

- require that the exporters lodge a supplementary response, within a limited timeframe, addressing each of the substantive matters identified in this submission; or
- deem the exporters uncooperative pursuant to section 269T(1) of the *Customs Act 1901*, and determine dumping and subsidy margins having regard to all relevant information available, including the information contained in the Australian industry application.

BlueScope has identified substantive deficiencies in the EQRs of Boashan, Boasteel Zhanjiang and Hunan Valin that the Commission should have regard to in assessing the adequacy and reliability of these responses. The issues identified by BlueScope include non-responses to mandatory questions, copy-pasted responses to multiple questions, internal contradictions between answers at different EQR sections, redaction of material information without bracketed explanations, inconsistent cost data disclosures, and non-disclosure on matters that, in BlueScope's view, are within the exporter's knowledge and control (including claims of no knowledge concerning matters that a state-invested enterprise (**SIE**) would reasonably be expected to address).

¹ Page 5 of the EQR template.

BlueScope also notes that the EQR details provided in the Baoshan and Zhanjiang responses are largely the same, with differences between the two responses for only a small number of questions. BlueScope's assessment comments for these two EQRs are therefore very similar.

For ease of reference, BlueScope's assessment of each EQR is provided in bullet-point format with page number and section references noted where relevant.

III. BlueScope assessment of EQRs

a. EQR assessment – Boashan

BlueScope has identified the following issues in Boashan's EQR.

EQR completeness

- Page 80, the Exporter's Declaration is blank: the company name, signatory, signature, position and date are all unpopulated. The questionnaire is technically unsigned and unexecuted.
- Redactions made without explanations: multiple blocks of full-line redactions ("XXXX...") appear in G-3.1, G-5.1, G-7.2, G-7.7 and H-13.8 without the bracketed explanations required by the EQR (i.e. *All questionnaires are required to have a bracketed explanation of deleted or blacked out information for the public record version of the questionnaire. If such an explanation is not provided, the commission may disregard the information in the questionnaire*).² This is the formal basis on which the Commission may disregard affected portions of the EQR.

Unanswered/incomplete questions

- Page 27 (E-1.1), credit expense calculation response of *Not applicable* however, the exporter has identified payment terms provided at E-1.4 (T/T 30 days BL for Baoshan, 10 days for Zhanjiang), short-term borrowings confirmed at E-1.2, and that Australian customers remit in USD (B-1.2). The average credit period calculation was therefore a required response.
- Page 27 (E-1.4), non-response on USD borrowings/deposits: the EQR question requires whether Baoshan has short-term USD borrowings or USD-denominated interest-earning deposits. The response restates the payment terms already given in question B-1.1.
- Page 28 (E-3.1), sentence is incomplete: the response *The inland freight for DM sales of GUC were calculated...* ends with no methodology stated.
- Page 46 (G-9.4 and G-9.5), insufficient answers: at G-9.4 on production volume determination, the response states *...The machine will automatically weigh each coil or sheet or plate.* G-9.5 on lead times states *...Not applicable.*
- Page 65 (I-4.4), grant programs: the response states that *...Baoshan has no information regarding the criteria, application or operation of the grants reported in the worksheet I-4. The accounting records only demonstrate the amount and names of the grants received.* This response appears to indicate that the exporter has received grants but has no information on them – this is not a complete and accurate response, and should not satisfy the Commission's I-4 response requirements.

² Ibid.

- Page 65-66 (I-5), entire sub-section skipped: the response states *From Question H-5.5 to H-5.16, none of the questions are applicable*. The reference should have been to section I-5 not H-5, with answers required for I-5.4 through to I-16.

Same answers to different questions

Pages 28–29 (E-3.3, E-3.4, E-3.5, E-3.6), four different questions, one identical answer: questions 3, 4, 5 and 6 separately require details on inland transport, port handling charges, ocean freight, and marine insurance. The exporter has provided the same answer to all four. Each question requires a distinct response of how that specific cost component was calculated and reported in B-2.

Inconsistencies

- Page 25 (D-1.5) vs page 70 (J-3.8), rebates: At D-1.5, the exporter states it provides rebates to customers when they reach annual sales targets, including red-ink reversal invoices. At J-3.8, the exporter states *...Baoshan does not offer price reductions*. Rebates are a form of price reduction. Both answers cannot be correct.
- Page 54 (H-8.1) vs page 55 (H-8.11), pricing authorities: At H-8.1, the EQR states that *...The sales manager of the company... authorises sales terms and prices*. At H-8.11, the answer states that *...There is no such person who can authorize contract provisions*.
- Page 48 (H-1.1) vs pages 48–49 (H-2.1, H-2.4) GOC interaction: At H-1.1, the exporter claims *...little interaction with the GOC other than normal administrative dealings*. However, it confirms at H-2.1 that it is an SIE, at H-2.4 that it is ultimately controlled by SASAC, and that a parent company director serves on the CISA council. The characterisation of *...little interaction...* is inconsistent with other disclosures.
- Page 50 (H-2.14) vs pages 48–49 (H-2.4/H-2.5) government positions: At H-2.14, the response states no senior managers hold positions with Government. However, earlier responses confirm CCP membership among board members and a director's CISA council position.
- Page 51 (H-4.5), Provincial/City Five Year Plans: Shanghai publicly releases Five Year Plans. The EQR states *... Baoshan is not aware of the existence of such documents*.
- Page 51 (H-4.6), business five-year plans: for a large SIE steel producer under the Baowu Group/SASAC umbrella, the claim that no business development or five-year planning documents exist is likely implausible.
- Pages 64–65 (I-4.4), grants received: the exporter has no information regarding the criteria, application or operation of the grants reported in worksheet I-4. The exporter admits receiving government grants and recording them in the accounts, but claims zero knowledge of eligibility criteria, application process, or granting authority.

Cost to make – different cost bases

- G-3 and G-5 are reported on a different basis to G-7.2 and the audited accounts: the response states that G-3 Domestic CTM and G-5 Australian CTM use *...Contract-number-level cost data...* from the CE management system, while G-7.2 is based on *...the financial accounting basis*. This presents the following reconciliation challenges:
 - Anti-Dumping Agreement Article 2.2.1.1 require costs from the audited financial accounts;
 - the CE system reallocation is automated via undisclosed *...preset parameters...*; an unknown adjustment methodology not independently verifiable; and
 - the exporter acknowledges a variance between the two bases, allocated line-by-line (at p. 42). The variance and allocation method are verification issues.

Three-tier related-party chain and “profit-granting” discounts

- The export channel described in the EQR is understood as: Baoshan/Zhanjiang → Howa (related, Japan) → Bao Australia (related, Australia) → Australian customer (unrelated).
- Page 17 (B-1.6) statement: *Both Baoshan and Zhanjiang provides on-invoice discounts to Howa and Howa also applies on-invoice discount to Bao Australia. These discounts can be regarded as profit granted to Howa or Bao Australia.*
- Issue: the discounts are not arm’s length commercial discounts but appear to be transfer-pricing profit allocations. Under s 269TAB the export price will likely be deduced from the first unrelated transaction (Bao Australia → unrelated customer), requiring complete cost and margin data on Howa and Bao Australia. These details do not appear in the EQR.

Raw material purchases

- Page 44 (G-7.7), *Bao-Trans* supplier entity: Baoshan confirms iron ore and coal are imported through Bao-Trans (related), to which Baoshan and Zhanjiang appear to pay a redacted margin/or receive a discount. For domestic coal/coke from other related parties, no such difference applies.
- Relevance:
 - The CFR-to-Platts price comparison Baoshan offers (EQR, end of response to G-7.7 p. 45) as evidence of arm’s-length pricing does not account for the additional Bao-Trans margin.
 - What appears to be a margin itself is redacted without bracketed explanation.
 - The fact that the trend in prices v’s the Platts index price comparison is the same does not mean that that the prices are not distorted; non-commercial input prices from a related party suggests possible intra-group cost distortion.

Capacity

- Page 47 (G-10.5): the EQR states that Zhanjiang’s heavy plate line runs above its design capacity, and Baoshan has redefined *...design capacity* to match actual output (*...we use the actual production volume to report the designed capacity in worksheet G-10.*).
- Consequence: reported capacity utilisation will be at or near 100 percent regardless of actual utilisation.

Taxation

- Page 64 (I-3.5), High and New Technology Enterprise (**HNTE**) preferential tax rate: Baoshan has received the HNTE since 2023 (at a 15 percent rate through 2025). A countervailable benefit is provided at these rates. A countervailable benefit is also provided where taxable income is zero, through a lower balance sheet liability for future tax payments.

Due Allowance – Packaging

- Pages 27-28 (E-2.1 and E-2.2): the EQR states only that *...Packaging is basically subject to the different requirements of the customer* with a reference to a picture exhibit. No description of packaging types, materials, or weights is provided.
- Page 28 (E-2.3(a)) inconsistency: Baoshan states *...there is no difference in packaging to our domestic sales and Australian export sales customers except for container transport, where wooden pallets will be added to the export packaging.* Hence there is a material packaging difference requiring an adjustment under s 269TAC(8).

- Page 28 (E-2.3(b) and (c)), failure to quantify packaging costs per model: The EQR directly requires a weighted average packaging cost calculation for each MCC on each market. Baoshan responds with *...please refer to Table G-3 Domestic CTM and G-5 Australian CTM for the details*. However, G-3 and G-5 consolidate packaging into the overall manufacturing cost and do not break out a discrete packaging cost line by MCC. This cross-reference does not provide the requested details.
- No quantification of the wooden pallet cost differential - having stated wooden pallets are an export-only input, Baoshan has an obligation to quantify the incremental cost.

Particular Market Situation

- Page 48 (H-1.1) states *...Little interaction with the GOC other than normal administrative dealings...* which is contradicted within the same section:
 - H-2.4 response confirms ultimate control by the State-owned Assets Supervision and Administration Commission of the State Council (**SASAC**);
 - H-2.5 response confirms Chinese Communist Party (**CCP**) board representation;
 - H-2.6 response confirms board members are *...appointed, managed or recommended by the Government of China*; and
 - H-9.1 response confirms China Iron & Steel Association (**CISA**) membership and that the CISA *...assists relevant government departments in formulating industry policies, plans, and standards*.
- Page 48 (H-2.4), Director on CISA Council: a named Baoshan director serves as a council member of CISA. Direct crossover between Baoshan senior management and the industry association highlights the likelihood of government-aligned industry policy.
- Page 54 (H-8.2 and H-8.3): denials of government involvement in pricing is not necessarily consistent with SASAC control, CCP board representation and CISA integration.

Generic/deficient responses

- Pages 67–68 (J-1 (a) – (i)), domestic market description is very limited: many sub-questions are answered with one line or *Not applicable* without supporting evidence.

Pages 74–75 (K-1), Australian market description responses mirror responses on the domestic market at J-1 and are similarly very limited: many sub-questions are answered *Not applicable* with no elaboration. The claim that *The Australian market situation is similar to the Chinese market, which is very competitive as there are many steel products manufacturing...* is not reflective of the structural differences between the Australian and Chinese steel markets, in particular the fact that Australia has one integrated plate producer; China has many.

- Pages 52–53 (H-5), financial activities: H-5.3 denies concessional financing rates without addressing Baoshan's reliance on state-owned financial institutions as lenders (relevant to the subsidy analysis).

b. EQR assessment – Boasteel Zhanjiang

BlueScope has identified the following issues in Baosteel Zhanjiang's EQR.

EQR completeness

- Page 80, Exporter's Declaration is blank: the company name, signatory name, signature, position and date fields are all unpopulated. The questionnaire is technically unsigned and unexecuted.

- Redactions made without explanations: multiple blocks of full-line redactions (“XXXX...”) appear in G-3.1, G-5.1, G-7.2, G-7.7 and H-13.8 without the bracketed explanations required by the EQR (i.e. *All questionnaires are required to have a bracketed explanation of deleted or blacked out information for the public record version of the questionnaire. If such an explanation is not provided, the commission may disregard the information in the questionnaire*).³ This is the formal basis on which the Commission may disregard affected portions of the EQR.

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- Page 27 (E-1.4), non-response on USD borrowings/deposits: the EQR question requires disclosure on whether Zhanjiang has short-term USD-denominated borrowings or USD-denominated interest-earning deposits (as Australian customers pay in USD). The response restates the payment terms already given in question B-1.1.
- Page 28 (E-3.1), sentence is incomplete: the response *The inland freight for DM sales of GUC were calculated...* ends with no methodology stated.
- Page 46 (G-9.4 and G-9.5), insufficient answers: at G-9.4 on production volume determination, the response states *...The machine will automatically weigh each coil or sheet or plate.* G-9.5 on lead times states *...Not applicable.*
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- Page 65-66 (I-5), entire sub-section skipped: the response states *From Question H-5.5 to H-5.16, none of the questions are applicable*. The reference should have been to section I-5 not H-5, with answers required for I-5.4 through to I-5.16.

Same answers to different questions

- Pages 28–29 (E-3.3, E-3.4, E-3.5, E-3.6), four different questions, one identical answer: questions 3, 4, 5 and 6 separately require details on inland transport, port handling charges, ocean freight, and marine insurance. The exporter has provided the same answer to all four. Each question requires a distinct response of how that specific cost component was calculated and reported in B-2.

Inconsistencies

- Page 25 (D-1.5) vs page 70–71 (J-3.8), rebates: At D-1.5, the exporter states it provides rebates to customers when they reach annual sales targets, including red-ink reversal invoices. At J-3.8, the exporter states *...Zhanjiang does not offer price reductions.* Rebates are a form of price reduction. Both answers cannot be correct.
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- Page 51 (H-4.5), Provincial/City Five Year Plans: Guangdong Province and Zhanjiang City both publish Five Year Plans publicly. For an SIE located in the Zhanjiang Economic and Technological Development Zone, claiming ignorance of these documents is difficult to understand.
- Page 51 (H-4.6), five-year plans: for a large SIE steel producer under the Baowu Group/SASAC umbrella, the claim that no business development or five-year planning documents exist is likely implausible.
- Pages 64–65 (I-4.4), grants received: the exporter has no information regarding the criteria, application or operation of the grants reported in worksheet I-4. The exporter admits receiving government grants and recording them in the accounts, but claims zero knowledge of eligibility criteria, application process, or granting authority. This is highly unusual.
- Page 65 (I-5.1), location of business operations: the exporter states that it is located *...Basically in Shanghai Municipality...* when listing provinces of business. However, Zhanjiang’s manufacturing plant, production records, and financial records are located in the Zhanjiang, Guangdong Province (pages 11-12). However, the Guangdong Province is not mentioned at all.

Cost to make – different cost bases

- G-3 and G-5 are reported on a different basis to G-7.2 and the audited accounts: the response states that G-3 Domestic CTM and G-5 Australian CTM use *...Contract-number-level cost data...* from the CE management system, while G-7.2 is based on *...the financial accounting basis*. This presents the following reconciliation challenges:
 - Anti-Dumping Agreement Article 2.2.1.1 require costs from the audited financial accounts;
 - the CE system reallocation is automated via undisclosed *...preset parameters...*; an unknown adjustment methodology not independently verifiable; and
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- Issue: the discounts are not arm's length commercial discounts but appear to be transfer-pricing profit allocations. Under s 269TAB the export price will likely be deducted from the first unrelated transaction (Bao Australia → unrelated customer), requiring complete cost and margin data on Howa and Bao Australia. These details do not appear in the EQR.

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Due Allowance – Packaging

- Pages 27-28 (E-2.1 and E-2.2): the EQR states only that *...Packaging is basically subject to the different requirements of the customer with a reference to a picture exhibit. No description of packaging types, materials, or weights is provided.*
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- Page 28 (E-2.3(b) and (c)), failure to quantify packaging costs per model: The EQR directly requires a weighted average packaging cost calculation for each MCC on each market. Baoshan responds with *...please refer to Table G-3 Domestic CTM and G-5 Australian CTM for the details.* However, G-3 and G-5 consolidate packaging into the overall manufacturing cost and do not break out a discrete packaging cost line by MCC. This cross-reference does not provide the requested details.
- There is no quantification of the wooden pallet cost differential – having stated wooden pallets are an export-only input, Baoshan has an obligation to quantify the incremental cost.

Particular Market Situation

- Page 48 (H-1.1) states *...Little interaction with the GOC other than normal administrative dealings...* which is contradicted within the same section:
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 - H-2.5 response confirms Chinese Communist Party (**CCP**) board representation;

- H-2.6 response confirms board members are ...*appointed, managed or recommended by the Government of China*; and
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- Page 54 (H-8.2 and H-8.3): denials of government involvement in pricing is not necessarily consistent with SASAC control, CCP board representation and CISA integration.

Generic/deficient responses

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- Pages 74–75 (K-1), Australian market description responses mirror responses on the domestic market at J-1 and are similarly very limited: many sub-questions are answered *Not applicable* with no elaboration. The claim that *The Australian market situation is similar to the Chinese market, which is very competitive as there are many steel products manufacturing...* is not reflective of the structural differences between the Australian and Chinese steel markets, in particular the fact that Australia has one integrated plate producer; China has many.
- Pages 52–53 (H-5), financial activities: H-5.3 denies concessional financing rates without addressing Zhanjiang's reliance on state-owned financial institutions as lenders (relevant to the subsidy analysis).

Baoshan v Zhanjiang EQR inconsistency

- Page 55 (H-9.2): Zhanjiang answers the industry association question as...*No...*, whereas Baoshan's response to the same question states that ...*membership is totally voluntary...* (refer Baoshan EQR, at p. 56).

c. EQR assessment – Hunan Valin

BlueScope has identified the following issues in Hunan Valin's EQR:

EQR completeness

- Page 82, Exporter's Declaration blank: the company name, signatory name, signature, position and date all unpopulated. The questionnaire is technically unsigned and unexecuted.

Unanswered/incomplete questions

- Page 25 (E-1.4(a)), foreign currency: the EQR states ...*Not applicable for the Company [Commercially Sensitive Information...]*. If not applicable, there would be no confidential or commercially sensitive detail; if confidential or commercially sensitive information exists, the response cannot be "not applicable". The same deficiency is evident at E-1.4(b) (interest earning deposits).
- Page 27 (E-4.1), sales commissions: question E-4.1 requires details on sales commissions for both domestic and export sales. The response addresses only domestic sales (...*no sales commission in domestic sales...*). The position in relation to export sales is not stated.
- Page 38 (G-10.3), warehousing: there are three sub-parts (capacity, monthly inventory, average retention period). The response only provides indicates information on facility capacities. Sub-questions (b) and (c) are not addressed.
- Page 60 (I-3.5(h)), taxation records: the exporter states it does not retain the HNTE application forms (...*After submitting the application and got the license, the company does not keep the application form*). HNTE applications

are important documents forming the basis of the reduced tax rate. Non-retention undermines veracity of the exporter's record keeping processes.

- Page 62 (I-4.4(h)/(i)), grant documentation: the EQR defers providing complete grant approval and payment documentation, stating *... the questionnaire submitted attachments for deferred income and other income. If the investigator requests more attachments...* This appears inconsistent with the EQR instruction that requires the relevant information on the approving authority's confirmation of the grant, and proof of payment, be provided with the response.

Inconsistencies

- Pricing methodology, J-3.3 vs J-3.5:
 - J-3.3 claims *...cost-plus pricing...* whereas J-3.5 states *...Prices vary alongside the changes in the prevailing steel prices.* Cost-plus and market-based pricing are different pricing methodologies.
- Pricing authority, H-8.1/H-8.11 (Sales Terms) vs K-4.5 (Australian market marketing and sales support):
 - H-8.1 (p. 48)/H-8.11 (p. 49) states that prices are *...authorised by HUNAN VALIN's sales manager.*
 - K-4.5 (p. 80) states that the exporter *...does not have input into the selling price, but provide feedback and suggestions.*
 - Given A-2.8 confirms direct export to Australia (no trading intermediary), who then establishes/has input to the Hunan Valin's export selling price?
- Page 52 (H-12.1), error: question requires details on government approval for capacity additions/joint ventures. The EQR response states that *...HUNAN VALIN does not benefit from any concession on the purchase of any utility services.* This is the H-11.9 answer pasted into H-12.1. The actual question at H-12.1 has not been addressed.

Due Allowance – Packaging

- Page 26 (E-2.3), packaging differences: the exporter claims that *...There is no distinct differences in packaging between your domestic and export sales.*
- BlueScope submits however that there are material packaging cost differences between domestic and export sales; domestic Chinese plate sales would be typically moved by rail or truck with light banding or strapping. Ocean exports to Australia require seaworthy packing (thicker/wider/additional banding or strapping, edge protection, additional strapping/cradling for container or break-bulk stow, etc).
- A claim of no distinct difference is therefore at odds with standard industry practice for plate steel products.

Particular Market Situation

- Page 44 (H-4.5), no awareness of Provincial/City Five Year Plans: for an SIE headquartered in Loudi City, Hunan Province, and as a major steel producer, the claimed unawareness is unlikely. The Hunan Province 14th Five-Year Plan for Industrial Development is publicly available and explicitly addresses the manufacturing industry.⁴
- Page 44 (H-4.8), pricing: the EQR states that *...HUNAN VALIN does not hold meetings related to the pricing decisions.* No internal pricing framework for a major steel producer is unlikely (and contradicts the H-8.1 response that the sales manager authorises prices).

⁴ For example, refer [Hunan builds on economic strengths with manufacturing, innovation push - China.org.cn](http://China.org.cn)

- Page 45 (H-6.1), no awareness of government directives: as a confirmed SIE under SASAC oversight (see EQR responses at H-1(d), H-2.1), this is unlikely. Policies such as the *Guiding Opinions on Promoting High-Quality Development of the Steel Industry*⁵ were in-force during the inquiry period.
- Page 68 (J-1.5), regulatory framework including product standards: the EQR states that *...HUNAN VALIN has no awareness of any product standards... published by the Chinese government*. Chinese flat rolled steel is produced to GB/T 700, GB/T 1591, GB/T 711, GB/T 3274 etc. It is unlikely that the exporter is unaware of these details.

Integrated production arrangements

- At page 35 (G-7.2), the integrated production question is not clearly answered.
- To the question of whether any raw materials are sourced as part of an integrated production process or from a subsidiary company which the exporter exercises control, the EQR response states *...Not applicable, the production process of HUNAN VALIN is divided into [Commercially Sensitive Information: production process]*.
- The CTM worksheets at G-3 (p. 32-33) and G-5 (p. 34) include separate sheets for VALIN and LS (an abbreviation for *Liangang Special*, noted at p. 31), suggesting an integrated production chain. If LS is a related entity supplying inputs, G-7.2 raw material CTM should have been completed.

Other issues

- Page 52 (H-11.8), capacity addition with no detail: the EQR states that *...In the past five years, HUNAN VALIN's production capacity has added a production line*. No details are provided regarding quantification/value, timing, an indication whether the addition affected plate capacity specifically, etc. This response is relevant to material injury (excess capacity) and subsidy analysis (capital support).
- Page 70 (J-3.3), internal pricing documents: the EQR states that *...HUNAN VALIN does not have any relevant documents...* on pricing strategy. For a major SIE steel producer with a dedicated sales system, no internal pricing policy documents is unlikely.
- Page 29 (F-1.3), date of sale inconsistency: The EQR states that invoice date is relevant for third country sales. At B-1.8 (Australian) and D-1.7 (domestic) the date-of-sale responses are redacted, however. If invoice date is the exporter's EQR position across-the-board, it should have been stated clearly in all three places.

For and on behalf of BlueScope.

⁵ For example, refer https://en.ndrc.gov.cn/news/mediarources/202203/t20220325_1320408.html