

## John O'Connor and Associates Pty Ltd

(ABN 39098650241)

PO Box 329

Coorparoo QLD 4151

Telephone: 07 33421921

Facsimile: 07 33421931

Mobile: 0411252451

E-mail: [jmconnor@optusnet.com.au](mailto:jmconnor@optusnet.com.au)

28 March 2012

Mr Geoffrey Gleeson  
Director, Operations 3  
International Trade Remedies Branch  
Australian Customs and Border Protection Service  
Customs House  
5 Constitution Avenue  
CANBERRA ACT 2601

Dear Mr Gleeson

### Public File

**ATM Correspondence 2012/08 - HSS exported from China, Korea, Malaysia, Taiwan and Thailand – Investigation No. 177 – GOC Submission on Chinese domestic HRC costs and comparisons with other markets**

#### Chinese HRC prices

I am writing on behalf of OneSteel Australian Tube Mills Pty Ltd ("OneSteel ATM") to address comments made on behalf of the Government of China ("GOC") concerning Chinese domestic HRC costs and comparisons with other markets.

OneSteel ATM does not retract from the position detailed in its application for dumping and countervailing measures in respect of HSS exported from P R China. OneSteel ATM maintains that HRC prices in China are artificially low due to the influence of the GOC on raw material input costs, including HRC used in HSS manufacture in China.

The GOC submission suggests in examining whether Chinese HSS input costs are artificially low, the Minister should only consider the costs reflected in the accounts of the Chinese exporter and not have regard to whether those costs *reasonably reflect competitive market costs*. OneSteel ATM does not agree with the GOC interpretation. Rather, the purpose of the provision contained in Regulation 180 (2) (b)(ii) is to require for consideration whether the input cost is representative. OneSteel ATM has submitted information supporting its position that Chinese HRC prices are not representative of costs determined on a competitive basis, and that Chinese HSS prices are artificially low.

#### Program 20

The GOC denies the existence of Program 20 – HRC at less than adequate remuneration and argues that the low prices for HRC in China are as a consequence of "fierce competition" on the Chinese market. The GOC has sought not to address how the export taxes on coking coal result in an oversupply of low priced coking coal as a key input into liquid steel manufacture.

Aside from the GOC's protestations concerning the existence of Program 20, OneSteel ATM does not consider that Customs and Border Protection is constrained as suggested by the GOC by the WTO Appellate Body's decision in *United States – Final Countervailing Duty Determination with Respect to*

Certain Softwood lumber from Canada ( DS257 ) as the Appellate Body allowed the use of a benchmark price

Japan HRC prices

OneSteel ATM has previously submitted that an appropriate benchmark for comparison of Chinese domestic HRC prices is Japan. OneSteel ATM does not withdraw from this position. The GOC submission recognizes there two Japanese steelmakers in the top five global steelmakers, supporting previous representations that the Japanese steel market is efficient and an appropriate benchmark for current purposes.

Additionally, the Korean HSS exporter Kukje Steel Co concurs with OneSteel ATM that Japanese HRC pricing is an appropriate benchmark for comparing Chinese domestic HRC prices.

Conclusion

The submission on behalf of the GOC on Chinese domestic HRC costs and comparisons with other markets seeks to argue why external prices for HRC should not be used as a benchmark for Chinese domestic HRC prices.

The GOC suggests that China has a comparative advantage in steel manufacture – however, this is not supported by the evidence. It is well documented that Chinese manufacturers of HRC

- rely predominantly on iron ore imports (globally traded commodity – global price),
- have relatively xxxxxx electricity costs,
- predominantly use xxxxxx and xxxxxx production technology.

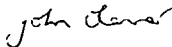
Its only advantage is that China

- imposes export taxes on key raw materials in steel production to artificially lower costs (in a manner not condoned by WTO), and
- employs a range of other key subsidy programs to reduce input costs.

Finally, OneSteel ATM agrees with the GOC's recognition of Japan as an efficient steelmaker and reiterates its position as detailed in the application for anti-dumping and countervailing measures that Japanese HRC prices are an appropriate benchmark for comparison with Chinese domestic HRC prices.

If you have any questions concerning this submission please do not hesitate to contact me on (07) 3342 1921.

Yours sincerely



John O'Connor  
Director

Cc **Stephen Porter, General Manager Sales – OneSteel Manufacturing**