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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 2012/14 - HSS exported from China, Korea, Malaysia, Taiwan and Thailand – Investigation No. 177 – OneSteel ATM Response to Statement of Essential Facts No. 177

Please find attached OneSteel ATM's submission in response to Statement of Essential Facts No. 177 on HSS exported from China, Korea, Malaysia, Taiwan and Thailand

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**

1. Executive Summary

OneSteel ATM welcomes a number of the proposed recommendations contained in Statement of Essential Facts ("SEF") No. 177 on the dumping of certain hollow structural sections ("HSS") exported from the People's Republic of China ("China"), the Republic of Korea ("Korea"), Malaysia, Taiwan and the Kingdom of Thailand ("Thailand"), and subsidisation of HSS exported from China.

The Australian Customs and Border Protection Service ("C&BP") has made a preliminary finding that the dumping of HSS exported to Australia from China, Korea, Malaysia and Taiwan, and the subsidisation of HSS exported to Australia from China, has resulted in material injury to the Australian industry producing HSS.

It is proposed that recommendations will be made to the Minister for Home Affairs ("the Minister") that a dumping notice be published in respect of HSS exported from China, Korea, Malaysia and Taiwan, and a countervailing duty notice be published in respect of HSS exported to Australia from China.

SEF No. 177 preliminarily proposes to terminate the dumping investigation into HSS exported to Australia from Thailand. This *preliminary* announcement, however, is subject to recent information provided by OneSteel ATM concerning C&BP's assessment of a market situation for HSS in Thailand. C&BP has written to the government of Thailand ("GOT") requesting further information on the "nature of measures" in operation on Hot Rolled Coil ("HRC") during the period 1 July 2008 to 30 June 2011. Further, statements included in SEF No. 177 at P. 145 and 146 indicate that the impact of the GOT pricing measures on HRC may have been in operation during the investigation period.

OneSteel ATM has provided C&BP with publicly available information citing two of Thailand's HRC producers confirming that the pricing measures of the GOT contributed to reduced returns in the second quarter of 2011² at a time when raw material costs were increasing.

OneSteel ATM maintains its position that a market situation applies to HSS sold in Thailand due to the price ceiling applicable to the raw material HRC administered by the GOT. It is imperative that a positive finding of a market situation for HSS in Thailand is made and that C&BP determine that HSS exports to Australia from Thailand have been at dumped prices that have caused material injury to the Australian industry.

OneSteel ATM is also concerned at the level of margins assessed for HSS exporters in Thailand. Both Pacific Pipe Public Co. Ltd ("Pacific") and Saha Thai Steel Pipe Public Co., Ltd ("Saha") have had margins determined at negative levels. It is OneSteel ATM's view that Thailand does not have a competitive advantage in HRC steel production and, as HRC accounts for up to 90 per cent of HSS production costs, Thailand similarly does not have a competitive advantage in HSS manufacture. The preliminary dumping margins assessed for Pacific and Saha are understated³ and, as a minimum, should be determined at above *de minimus* levels, consistent with the margins assessed for HSS exports from Korea, Malaysia and Taiwan (prior to consideration of a market situation in Thailand for HSS). OneSteel ATM also believes adjustments to reflect differences in exports sales versus domestic sales from Pacific and Saha have not adequately reflected true price and cost differentials.

Submissions have also been provided to C&BP in respect of particular issues identified in exporter visit reports for Kukje Steel Co., Ltd of Korea⁴, Alpine Pipe Manufacturing SDN BHD of Malaysia⁵, and Yieh Phui Enterprise Co., Ltd of Taiwan⁶, where it is similarly considered that the preliminary dumping margins for these exporters have been understated.

¹ Letter of 26 April 2012.

² Refer OneSteel ATM Correspondence 2012/13 of 7 May 2012.

³ Refer OneSteel ATM Correspondence 2012/03 of 16 March 2012 and 2012/09 of 4 April 2012.

⁴ Refer OneSteel ATM Correspondence 2012/11 of 30 April 2012.

⁵ Refer OneSteel ATM Correspondence 2012/13 of 7 & 14 May 2012.

⁶ Refer OneSteel ATM Correspondence 2012/10 of 27 April 2012.

The proposed recommendations contained in SEF No.177 are xxxxxxxxxxxxxxxxxxxx of the Australian HSS industry. C&BP has confirmed that the Australian industry has experienced material injury from the dumped and subsidised exports and that anti-dumping measures are required to prevent any further material injury from dumping.

OneSteel ATM requests C&BP to recommend to the Minister in its final report that anti-dumping duties be imposed on HSS exports to Australia from China, Korea, Malaysia, Taiwan and Thailand, and also impose countervailing duties on HSS exported to Australia from China.

2. OneSteel ATM Response to SEF No 177

SEF No. 177 raises a number of matters warranting address by OneSteel ATM. These matters are addressed in this submission.

3. Like Goods

In Section 3.5.2 of SEF No.177 C&BP makes reference to a number of claims from interested parties that Australian industry facilities are physically restricted from producing a range of non-circular sections in 6 or 9mm. In terms of cross-sectional sizes, the claims have asserted that OneSteel ATM cannot produce non-circular product with a perimeter exceeding 800mm.

OneSteel ATM notes that C&BP has indicated it will consider these claims further before reporting to the Minister.

During the investigation period OneSteel ATM supplied into the market a range of non-circular sections, manufactured in Australia up to 250x250x9.0mm. Following the investigation period and for the full financial 2011/2012 OneSteel ATM has continued to supply a range of non-circular sections, manufactured in Australia up to 250x250x9.0mm. Please refer to Confidential Attachment 1 evidencing current xxxxxxxx from OneSteel ATM.

On 15 March 2012 OneSteel Limited ("OneSteel") announced its intention to close its Kembla Grange manufacturing facilities. Refer Non-Confidential Attachment 2 for a copy of the ASX communication. OneSteel is currently in negotiations with parties

[future operation]. It should be noted that a key factor behind OneSteel's decision to close/sell the business has been the impact of dumped goods in the Australian market.

OneSteel ATM currently has the capability to manufacture non-circular sections at its Acacia Ridge and Newcastle sites up to 800mm and up to 9.0mm in thickness. Refer Non-Confidential Attachment 3 detailing OneSteel ATM manufacturing capabilities at its xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx. Refer Confidential Attachment 4 detailing xxxxxxxxx production orders for 9.00mm product on these mills. It should be noted that OneSteel ATM has the ability to modify its xxxxxxxxxxxxxxxxxxxx to manufacture an expanded range of sections.

Engineers and users will frequently modify designs based on preferences for individual sections with typically a range of sections with alternate designs being suitable for a given structural application.

It is also referenced in SEF No 177 that the "Australian industry no longer manufactures HDG pipe" (Section 3.5.1). This is incorrect. As has been advised, OneSteel ATM manufactures black CHS that is sent to an outsourced galvanizer. OneSteel ATM continues to supply HDG pipe made 100 per cent locally. OneSteel ATM has previously addressed⁷ that its DuraGal® and Supagal® HSS is also "fit for purpose" for many applications and directly substitutable with HDG pipe in a range of applications.

⁷ OneSteel ATM Correspondence of 5 December 2011.

OneSteel ATM has also highlighted technology options available in the event measures are applied to upgrade the corrosion protection capability of DuraGal® HSS as OneSteel ATM has recently implemented on its DuraGal® Profiles product range. OneSteel ATM also has the option available to re-start its own 'mothballed' galvanizing operations at Acacia Ridge at low cost within a matter of weeks.

The Australian industry therefore produces certain HSS that is identical to the imported goods and, in other instances, it produces goods that while not identical, have characteristics closely resembling imported HSS from the countries included in the investigation.

4. Dumping Investigation

OneSteel ATM supports the methodology of normal value determination for selected non-cooperating exporters. However, OneSteel ATM queries the assessment methodology for normal values for the selected non-visited cooperating exporters in China and for Ta Fong of Taiwan.

For the cooperative non-visited Chinese exporter TFQ C&BP made a negative adjustment to normal value to account for domestic inland freight and commissions. The normal value for TFQ is a constructed normal value based upon "TFQ's quarterly weighted average cost to make and sell data" and it is expected this would not include any domestic freight component and unlikely any commission related to domestic sales. No adjustments to TFQ's normal value should therefore apply.

For Ta Fong of Taiwan, OneSteel ATM considers that a positive adjustment reflecting "other export expenses" as verified at Shin Yang should have been applied to the desk-audited normal value for Ta Fong.

Alpine – Malaysia

It is noted that C&BP rejected Alpine's claims concerning "tolerance" differences between actual (domestic) and theoretical (export) weight of sales was rejected by C&BP. OneSteel ATM at a minimum, supports this treatment and does not consider it is reasonable for adjustments to normal value to be made for the apparent "rolling light" of HSS for export when no true measurement has been recorded. However, OneSteel ATM is concerned that material differences exist between the Australian Standard AS1163 and the American Standard xxxxxxxx (typically used by Alpine for domestic sales into Malaysia). OneSteel has provided evidence on Alpine offers quoting actual wall thicknesses xxxxxxxx for domestic sales. This is permissible under xxxxxxxx but only a maximum of xxxxxxxx is permissible under AS1163, the typical specification used by Alpine for export sales to Australia.

OneSteel ATM also maintains that Alpine continues to receive export rebates on its purchases of HRC from its domestic supplier. The dumping margins determined for Alpine do not reflect the benefit received by Alpine and the margin requires an upward adjustment to account for the rebate.

Dalian Steelforce – China

OneSteel ATM disagrees with C&BP's assessment of export prices for Dalian Steelforce and its Australian importer, Steelforce Trading. Information obtained by OneSteel ATM demonstrated that in the 2010 and 2011 years, Steelforce Trading incurred significant losses in Australia on its sales of imported steel products from China. A significant proportion of these sales (i.e. > than 50 per cent) were understood to relate to the GUC.

Under any circumstances, the selling prices between Dalian Steelforce and Steelforce Trading are influenced by the relationship. Dalian Steelforce's export prices must be deemed unreliable. The substantial losses on imported Chinese HSS sold in Australia must be reflected in Dalian Steelforce's export price – this clearly is not the case as assessed by C&BP. C&BP is strongly urged to reconsider this oversight in the examination of Dalian Steelforce's export prices to Australia during the investigation period (to properly reflect the losses on sales in Australia of the GUC).

5. Dumping margins - Thailand

OneSteel ATM recommends that C&BP withdraw its preliminary recommendation concerning a market situation for HSS in Thailand. By submission of 7 May 2012⁸ OneSteel ATM has provided further supporting evidencing demonstrating:

- that a second Thai HRC manufacturer has publicly confirmed that it was prevented from raising domestic HRC selling prices to recover increased raw material costs in the second quarter of 2011 (i.e. during the HSS investigation period); and
- that Thai exporters of HSS would receive duty drawback on dumping duties paid on imported HRC as appropriate.

This supportive evidence further demonstrates that the Government of Thailand ("GOT") has influenced the domestic selling price of HRC in Thailand that accounts for up to 90 per cent of the production cost of HSS. The GOT influence suppresses the HRC price and therefore the HSS domestic selling prices, rendering the latter unsuitable for normal value purposes. It is therefore evident that a positive finding as to the existence of a market situation for HSS in Thailand can be made.

In its application for anti-dumping measures on HSS exported from the nominated countries, OneSteel ATM included a HRC FOT Truck domestic selling price, Japan as the basis for HRC used in prima facie normal value calculations. It is OneSteel ATM's position that the Japanese price is an appropriate benchmark to include in the China and Thailand HSS constructed cost data (as opposed to a benchmark⁹ price that is an average of prices verified in Korea, Malaysia and Taiwan).

The Japanese HRC selling price represents a price paid in a domestic steel market recognised as globally efficient. The support for the Japan domestic HRC price was also promoted by the cooperative Korean HSS exporter, Kukje Steel Co., Ltd in its exporter questionnaire response.

Also for the Thai HSS exporters, C&BP has not addressed the significant product differences between the HSS product typically supplied by Saha and Pacific between their domestic market and the Australian market. The evidence to support this includes:

- Pacific offers into the Australian market detailing prices for AS1163 C350 Blue Painted RHS (product typically exported to Australia) at a premium of ~ \$Axxx/t vs AS1163 C250 Black oiled product (more comparable with product typically sold domestically in Thailand).
- Saha offers into the Australian market detailing prices for AS1163 C350 L0 Blue Painted RHS (product typically exported to Australia) at a premium of ~ \$Axxx/t vs AS1163 C350 Black oiled product (a product still superior in grade/specification to that sold domestically in Thailand).
- Details on the substantive differences between product specifications and grades and finished supplied by Pacific and Saha domestically in Thailand vs that exported to Australia. These differences include:
 - Significantly tighter tolerances for AS1163 specifically less ability to 'roll light' i.e. xx% for AS1163 vs xx% for xxxxxxx
 - Grades typically 350Mpa for RHS with charpy impact properties tested 'L0' vs 270Mpa or less with no impact properties
 - No line marking/traceability requirements for domestic product in Thailand vs that exported into Australia.
 - No complexity/yield impacts associated with manufacture of Blue Painted RHS
- It is OneSteel ATM's view that the approach taken thus far by C&BP grossly understates the differences between the products typically supplied into each of the markets. It is OneSteel ATM's view this is more closely reflected in the prices Pacific and Saha have been prepared to accept in the Australian market for lesser grades and black/oiled product.

⁸ OneSteel ATM Correspondence 2012/13 of 7 May 2012.

⁹ See Part V(iii) of SEF No. 177, P.218.

OneSteel ATM further understands that the GOT operates a "Blue Corner Rebate Scheme" that provides duty exemptions (import and dumping) for certain raw material inputs used in manufacture that are located in bonded warehouses, free zones, etc. Refer <http://www.customs.go.th/wps/wcm/connect/custen/traders+and+business/customs+incentive+schemes/fr ee+zone/freezone>

OneSteel ATM has also attached a recent media article evidencing the benefit of the GOT rebate programs (Refer Non-Confidential Attachment 4).

It is noted that the rebate includes duty exemptions on waste, scrap and yield loss. OneSteel ATM queries whether C&BP has taken full account of these exemptions that suggest that a two-tier pricing system for HRC (as confirmed in the recent USDOC Administrative Review for pipe & tube exported from Thailand) is also prevalent in Thailand.

OneSteel ATM recommends that C&BP not proceed with termination of its HSS inquiries into dumping from Thailand. Rather, it is recommended that C&BP confirm that a market situation for HSS in Thailand exists and that normal values for Thai exporters be based upon s.269TAC(2)(c) costs and further recommend that the Minister impose dumping measures on future exports of HSS to Australia. The appropriate benchmark HRC price to be included in the Thai HSS constructed costs is the domestic selling price for HRC in Japan (i.e. a FOT price ex SBB).

It is also recommended that C&BP revisit the adjustments made for comparison of Thai domestic sales with exports to Australia.

6. China dumping margins

OneSteel ATM does not support the basis for the benchmark HRC price used in normal values for Chinese HSS exporters. For the same reasons that OneSteel ATM considers an actual HRC domestic price in Japan can be used as a benchmark for Thailand, OneSteel recommends that the benchmark be based on the HRC FOT price in Japan for s.269TAC(2)(c) constructed normal values for Chinese HSS exporters.

7. Subsidy Investigation

OneSteel ATM welcomes C&BP's preliminary finding that countervailable subsidies have been received by Chinese HSS exporters in respect of HSS exported to Australia from China during the investigation period. OneSteel ATM notes that the Government of China ("GOC") in its responses to the Government Questionnaire ("GQ") and the Second Supplementary Government Questionnaire ("SSGQ") did not adequately respond to the information requests of C&BP.

C&BP has considered the relevant facts applicable to the subsidy programs identified during its verification visits and identified in the GQ and SSGQ and determined that benefits have been conferred to HSS exporters via GOC financial contributions. The identified subsidy programs are considered to be countervailable in relation to HSS produced in China.

Section 7.4.4 of SEF No. 177 indicates that C&BP will recommend that the subsidy investigation into the two Chinese HSS exporters Huludao and Qingdao Xiangxing be terminated as the subsidy margins are less than 2 per cent. OneSteel ATM does not agree with the proposed termination in respect of Qingdao Xiangxing as the exporter was not visited by C&BP and it cannot be verified that the exporter did not receive benefits under programs not referenced in its exporter questionnaire response. It is considered that the subsidy margin for Qingdao Xiangxing should reflect the average subsidy margin of the selected cooperative exporters as a minimum (and not only those subsidy programs that it has divulged).

8. Material injury to the Australian industry

C&BP has formed a preliminary view that the Australian industry has experienced material injury in the following forms:

- price suppression;
- price depression;
- decreased sales volume; and
- lost profit and profitability.

Injury was also evidenced in other economic indicators including declines in return on equity, the value of assets employed in HSS production, capital investment in the production of HSS, capacity utilisation, employment, productivity, and net sales revenues.

In its analysis of material injury C&BP examined prices for imports from the countries included in the application. The volume of sales included in C&BP's analysis represented 49 per cent of the total import volume from the five countries (for further comments on the magnitude of the price undercutting, see Section 9 below). It is therefore reasonable to conclude that C&BP's price undercutting analysis is both comprehensive and representative when contrasted with the Australian industry's selling prices.

C&BP's conclusion that the Australian HSS industry has suffered material injury, therefore, is explicit.

9. Have dumping and subsidisation caused material injury?

C&BP has determined that the dumping of HSS exported from China, Korea, Malaysia and Taiwan, and the subsidisation of HSS exported from China, has caused material injury to the Australian HSS industry. OneSteel ATM agrees with this finding. In assessing causation, C&BP initially examines the size of the assessed dumping margins. In this inquiry, C&BP determined dumping margins in the range 2.4 to 46.2 per cent. Importantly, however, the volume of dumped imports from China, Korea, Malaysia and Taiwan accounted for approximately two-thirds of the total Australian HSS import volume, and greater than 25 per cent of the total Australian HSS market.

It is clear that the size of the dumping margins and the volume of the dumped exports (as a percentage of total imports and of the Australian market) were both significant.

The subsidy margins determined in the range *de-minimus* to 52.8 per cent is also significant.

C&BP has also determined that it is appropriate to cumulate the effects of the dumping and subsidisation from the exporting countries. This decision is based upon the conditions of competition between the exported goods, and the locally produced goods. OneSteel ATM supports C&BP's assessment on cumulation.

A factor that reinforces the causal link finding between the dumping and subsidisation and the material injury experienced by the Australian HSS industry is evidenced in the extent of the price undercutting from the dumped and subsidized exports. C&BP concluded that the HSS imported from China, Korea, Malaysia and Taiwan consistently undercut the Australian industry's selling prices. The margins at which the Australian industry's selling prices were undercut were as follows:

Black	5 to 25 per cent
Painted	4 to 18 per cent
Pre-Gal	11 to 21 per cent
HDG	19 to 46 per cent

Additionally, C&BP determined that the four major distributors purchased HSS from the Australian industry at higher weighted-average selling prices than they purchased for imported sources.

The evidence strongly supports a finding that the dumped and subsidised HSS imports (that accounted for 49 per cent of total dumped sales) were at selling prices that significantly undercut the Australian industry's selling prices (with price undercutting margins between 4 and 46 per cent).

OneSteel ATM also notes C&BP's comment that the selling prices for HSS on the Australian market are transparent and sensitive. C&BP further concluded that the "Australian industry would be cognisant of, and influenced by, competitors' prices when determining the prices they could achieve in the Australian market". These comments confirm that the Australian HSS industry is sensitive to the import prices of the dumped and subsidised HSS.

The price undercutting from the dumped and subsidised imports caused the Australian HSS industry to reduce its selling prices, thereby resulting in price suppression (i.e. erosion of margin) and reduced profits and profitability.

C&BP considered whether other possible causes of injury were evident. These included certain 'non-price' factors, the import prices from non-dumped sources, the start-up of Independent Tube Mills Pty Ltd ("ITM") as a local producer, the appreciation of the Australian dollar, and apparent claims concerning supply by the Australian industry. OneSteel ATM concurs with C&BP's assessment of the non-price issues – that is, these other issues do not detract from the assessment that dumping and subsidisation have caused material injury to the Australian HSS industry.

10. Will dumping and subsidization and material injury continue?

C&BP's assessment as to whether the dumping and subsidization of the HSS exports will continue to cause the Australian HSS industry material injury is sound. The injurious imports were assessed as having dumping margins between 2.4 and 46.2 per cent, and the subsidy margins were in the range de minimis to 52.8 per cent.

OneSteel ATM submits that the exports of HSS from the countries under investigation have been in significant volumes during the period of investigation. In light of the slow in global demand following the global financial crisis, HSS producers in the exporting countries have excess supply and have actively pursued export opportunities. Domestic demand in the exporting countries is not expected to recover in the short term, and it is anticipated that HSS exporters in China, Korea, Malaysia, Taiwan and Thailand will continue to export HSS to Australia at dumped and injurious prices.

It is therefore reasonable to conclude in the absence of measures, that HSS exports at dumped and subsidized prices will continue.

OneSteel ATM views C&BP's conclusion concerning the relativities of the non-injurious price and the weighted-average export prices from China, Korea, Malaysia, Taiwan and Thailand as the most conclusive example that the Australian HSS industry would continue to suffer material injury from the dumped and subsidized imports. That is, C&BP determined that **in all instances**, the determined non-injurious prices (calculated from the Australian industry's unsuppressed selling price) for all exports were higher than the weighted-average export prices.

The conclusion of C&BP that the dumped HSS exported to Australia from China, Korea, Malaysia, Taiwan and Thailand, and the subsidized HSS exported to Australia from China, have caused material injury to the Australian industry is soundly-based.

11. Non-injurious Price

C&BP has calculated separate non-injurious prices ("NIPs") by finish but not by country. C&BP has explained that this methodology has been followed as the "average post-exportation expenses and profit did not vary significantly between HSS exported from different countries".

OneSteel ATM suggests that as a minimum, the actual overseas freight component of the post exportation charges should relate to each individual exporting country, with the balance of charges comprising an average of the remaining post-FOB expenses.

12. Market Situation Assessment – China

OneSteel ATM's application for anti-dumping and subsidy measures against HSS exported from China also alleged that a particular market situation existed in the Chinese HSS market that rendered sales in the Chinese market unsuitable for determining normal values on the basis of selling prices.

OneSteel ATM considered that Chinese HSS prices were influenced by:

- HRC and narrow strip being sold at less than adequate remuneration;
- government influence in the HRC/narrow strip sector through significant government ownership that resulted in artificially low prices for HRC and Narrow strip (and, consequently, HSS);
- government-controlled electricity prices; and
- a range of benefits received by Chinese HSS manufacturers including tax reductions/exemptions, the provision of grants, and concessional interest payments that impacted the selling prices of HSS.

Appendix A of SEF No. 177 addresses the information assessed by C&BP in its examination of the iron and steel industry in China. The analysis indicates that C&BP was satisfied that¹⁰:

"there is extensive evidence on the record to show that the GOC plays a significant role in the iron and steel industry in China, through its various policies, plans and implementing measures (including through the implementation of these policies by iron and steel industry SIEs as public bodies)."

C&BP further states:

"...it is considered that these GOC influences can be broadly categorised as follows:

1. *Measures to drive structural adjustment;*
2. *Technological, efficiency and environmental development measures;*
3. *Export restrictions on coke; and*
4. *Subsidisation of encouraged practices and products."*

C&BP's analysis confirms extensive GOC influence on the iron and steel industry that is tailored to assist the industry that the GOC considers is strategic to the broader Chinese economy.

Chinese scrap

SEF No. 177 references narrow strip as being manufactured from raw materials including scrap steel. OneSteel ATM understands that Chinese scrap also sells at a discount to scrap on the global market. OneSteel ATM understands that Chinese domestic scrap (exclusive of the 17 per cent VAT) sells at a discount to scrap sold in the asia region. As with the Chinese imposed 40 per cent export tax on coke, the GOC has also applied a 10 per cent export tax¹¹ on scrap steel to discourage export.

¹⁰ SEF No. 177, P. 120.

¹¹ <http://scrapcoalition.com/apps/stories/articlefiles/154-Economic%20Impact%20of%20Export%20Restrictions%20-%20Chapter%203.pdf>

Information on scrap pricing sourced from SBB indicates that throughout the HSS investigation period, Chinese scrap sold at an approximate US\$xxx per metric tonne discount to domestic Korean and East Asian delivered scrap prices (refer Confidential Attachment 5).

Ferrous scrap competes with other key steelmaking raw materials i.e. manufacturers compare relative iron unit costs. This is apparent in international markets and within the Chinese domestic market. As such, the GOC's influence on coking coal and other alloys used in steelmaking as identified in SEF 177 further suppresses the Chinese domestic scrap prices that is already artificially suppressed as a result of the scrap export tax. "

The GOC influence on raw materials used in steel making extends beyond the export taxes on coke. A further consideration that supports C&BP finding that a market situation applies to HSS in China is also evident in Chinese domestic scrap prices.

Chinese energy prices

OneSteel ATM observes from C&BP analysis in Appendix A to SEF No.177 that there is an absence of discussion concerning any analysis of energy prices and costs in HSS manufacture in China. Energy is a significant cost input in the HSS (and raw material HRC/narrow strip) production process. The GOC has previously conceded in its 2001 Accession Protocol to the WTO that it controls electricity, gas, fuel and water charges. The iron and steel industry is a large consumer of energy, and any influence by the GOC on energy selling prices (particularly electricity) would impact the cost base and selling price of a HSS manufacturer.

In asserting a market situation in China, OneSteel ATM had identified energy costs as the subject of influence by the GOC. It is understood that electricity prices in China vary from province to province, that are further influenced by a purchaser's status according to listings in the "Directory Catalogue"¹², as an Encouraged, Restricted, or Eliminated investment industry.

OneSteel ATM included the references to other influences including electricity as it considered that not only are raw material input costs for the manufacture of HSS artificially low, but also the conversion costs including the cost of electricity consumed in producing HSS and certain other overhead expenses are also low i.e. subsidised and/or exempted such as site and rent expenses that are incurred on an ongoing basis. The issue of concern is that all of the costs associated with HSS manufactured in China are impacted by government influence as the overall cost of producing HSS in China (not just because the HRC/narrow strip is artificially low) is lower than it otherwise would be. OneSteel ATM has argued this position as it considers all prices and costs of production for HSS in China are unsuitable for determining normal values (including normal values determined under s.269TAC(2)(c)), and that HSS prices from a suitable market should be substituted as the basis for HSS prices in China.

OneSteel ATM requests that C&BP examine the energy costs of Chinese cooperative exporters to confirm the impact of government controls on domestic prices (i.e. utility prices) as notified by the GOC in its 2001 WTO Accession Protocol.

Confirmation that the conversion costs (i.e. costs other than HRC/narrow strip) used in the manufacture of HSS in China are also artificially low renders all Chinese prices and costs for HSS unsuitable for normal value purposes. Normal values for HSS in China will then be required to be determined under s.269TAC(6) taking account of all available information including the selling prices of HSS in a suitable market economy country.

OneSteel ATM supports C&BP positive finding of a market situation for HSS in China. The available public information overwhelmingly supports this finding. OneSteel ATM also welcomes C&BP's conclusion that:

¹² Directory Catalogue on Readjustment of Industrial Structure and the Interim Provisions on Promotion Industrial Structure Adjustment, 2005 (original), 2011 (updated).

Customs and Border Protection's analysis of 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. Customs and Border Protection considers that 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).

OneSteel ATM considers C&BP's findings of artificially low HSS prices in China are further supported by the fact that China does not possess a comparative advantage in iron and steel production, yet Chinese HSS weighted export prices verified by C&BP were the lowest of the countries verified in the application.

In welcoming C&BP's finding, OneSteel ATM considers that the GOC influence on Chinese prices and costs for HSS production extends beyond raw material input costs. Unlike the influence evidenced in HRC/narrow strip manufacture and scrap, OneSteel ATM urges C&BP to also consider the HSS conversion costs including the impact of low energy costs and other overhead expenses that are subsidized and/or exempted, as also contributing to artificially low HSS prices. Recognition of the impact of GOC influence on the HSS conversion costs is an important step toward rejecting all Chinese HSS prices and costs for normal value purposes.

13. Appropriate benchmark for HRC prices in China

Part V of SEF No. 177 details C&BP's considerations of an appropriate benchmark price for HRC/narrow strip to be used as the replacement of Chinese HRC/narrow strip raw material costs for normal values determined under s.269TAC(2)(c).

C&BP determined that the GOC distortions observed in the Chinese HRC/narrow strip market rendered the selling prices of private steel companies unsuitable for inclusion in normal values. External benchmark prices were therefore considered appropriate¹³. C&BP has recommended that it proposes to construct benchmarks for HRC using¹⁴:

- The average of verified domestic black HRC costs incurred by exporters cooperating with the investigation into HSS from Korea, Malaysia and Taiwan to arrive at a black HRC price;
- The average of verified data of domestic pre-galvanised HRC costs incurred by cooperating exporters from Korea and Taiwan.

OneSteel ATM notes that C&BP referenced OneSteel ATM's proposal to use domestic Japanese free-on-truck ("FOT") (excluding delivery) HRC prices from SBB as an appropriate benchmark for HRC in China. However, whilst C&BP recognised the proposal it provided no basis for not utilising this benchmark, other than stating that "various submissions" by interested parties refute this proposal. OneSteel ATM has previously submitted that the Japanese FOT price is a reasonable benchmark to apply for Chinese HRC/narrow strip pricing as Japan is a recognised efficient producer of steel slab and coil, is a major exporter in the region of HRC products, and the domestic prices of Japanese HRC are determined in a competitive market. Furthermore, the Korean HSS producer Kukje Steel Co., Ltd also recommended the use of the Japanese domestic HRC price.

OneSteel ATM questions the inclusion of the verified HRC price in Taiwan as this price was a verified price for the Taiwanese exporter Shin Yang that was not a market price but a HRC purchase price from a related entity. The transferred HRC price for Shin Yang was not tested to establish whether it reflected a market price and therefore should not be included in the proposed 'benchmark' price for HRC in China (This issue also applies to galvanised coil – i.e. pre-gal).

¹³ C&BP referenced the use of external benchmarks prices in the WTO dispute – Final Countervailing Duty Determination with Respect to Certain Softwood Lumber from Canada (DS257 Dispute).

¹⁴ SEF No. 177, P.218.

The benchmark price proposed by C&BP is not an actual price but, rather, an average price from producers in two or three countries. An actual market price is considered more appropriate for use as a benchmark, rather than a weighted-average price. For this reason, OneSteel ATM recommends use of the Japanese domestic HRC price (adjusted for pre-gal) as an appropriate and relevant benchmark price to be applied to Chinese HSS normal values.

14. Recommendations

OneSteel ATM welcomes a number of the proposed recommendations contained in SEF No. 177 for the imposition of dumping measures on HSS exported from China, Korea, Malaysia and Taiwan, and subsidy measures on HSS exported from China. OneSteel ATM also considers that additional information provided to C&BP (in the lead up to the SEF and post-SEF publication) will influence the preliminary finding concerning HSS exported from Thailand, and that C&BP should make a final recommendation to the Minister that a market situation for HSS in Thailand is evident and that dumping measures on future HSS exports from Thailand are required.

OneSteel ATM welcomes C&BP's findings that confirm:

- Dumping of HSS from exporters in China, Korea, Malaysia and Taiwan;
- Subsidisation of HSS exported from China;
- The Australian industry has suffered material injury in the form of price depression, price suppression, reduced sales volumes, and reduced profit and profitability;
- The level of price undercutting experienced by the Australian HSS industry is **substantial** with the dumped and subsidised exports undercutting Australian industry prices by between 4 and 46 per cent;
- Injury from non-price factors does not diminish the material injury from dumping and subsidisation experienced by the Australian HSS industry;
- A threat of dumping and subsidisation of future HSS exported from the four countries is likely; and
- The finding of material injury experienced by the Australian HSS industry is supported by the fact that all normal values for exporters in China, Korea, Malaysia and Taiwan are below the determined non-injurious prices (based upon the Australian industry's unsuppressed selling price).

In supporting the overall findings and recommendations contained in SEF No. 177 (including that C&BP examine further information that will confirm a positive assessment of a market situation for HSS in Thailand), OneSteel ATM considers that further consideration by C&BP of the following matters is relevant to its investigation outcomes:

1. OneSteel ATM supplied (and continues to supply) non-circular HSS with on a 250mm x 250mm basis, a thickness of up to 9mm during (and post) the investigation period;
2. The company produces non-circular HSS with a perimeter up to 800mm and a thickness up to 9 mm across its Acacia Ridge/Newcastle facilities;
3. OneSteel ATM continues to supply HDG HSS made 100 per cent locally in Australia in its HSS product range;
4. In addition, OneSteel ATM manufactures and supplies DuraGal® and SupaGal® HSS as "fit for purpose" in a broad range of applications that is directly substitutable with HDG pipe;
5. No downward adjustment to the Chinese cooperative (but not visited) exporter TFG should have applied for domestic freight and commissions paid;

6. A positive adjustment for "other export expenses" should have been applied to Ta Fong of Taiwan's normal value as verified at Shin Yang.
7. In making a positive finding that a market situation applies for HSS in Thailand, the appropriate benchmark to apply to the Thai HSS producer's costs of production is the Japanese domestic FOT HRC price;
8. C&BP must adequately address the clear product differences in domestic versus Australian sales in Thailand and Malaysia. The most reliable evidence of this is actual offers into the Australian market reflecting differences up to A\$xxx/t.
9. Dalian Steelforce's export prices to Australia to reflect the substantial losses incurred on sales of the GUC during the investigation period;
10. Similarly, the Japanese domestic FOT HRC price is the appropriate benchmark price to apply to Chinese HSS costs for the Chinese exporters s.269TAC(2)(c) normal values;
11. Normal values for Malaysia do not reflect the specification differences between HSS sold locally and HSS exported to Australia (to AS1163). This specification adjustment is applicable to all exporters of HSS irrespective of country in this investigation. Further the dumping margins for Alpine do not reflect the rebate received by Alpine from the domestic supplier on HRC purchases consumed during the investigation period (payable or paid at a later date);
12. The subsidy margin for Qingdao Xiangxing should reflect the average subsidy margin of the selected Chinese cooperative exporters as a minimum (and not only those subsidy programs that it has divulged);
13. For NIP purposes, the actual overseas freight component of the post exportation charges should relate to each individual exporting country, with the balance of charges comprising an average of the remaining post-FOB expenses;
14. The C&BP finding of a market situation for HSS in China on the basis of HRC/narrow strip prices is also supported by the prevailing domestic prices for steel scrap that are also depressed due to a 10 per cent export tax;
15. All of the Chinese HSS producer's costs are impacted by GOC influence including energy (i.e. electricity, and other utilities) as conceded by the GOC in its WTO accession Protocol;
16. The Chinese HSS producer's overhead costs are also 'tainted' by the receipt of benefits that reduce the cost of conversion of the raw-material HRC/narrow strip to HSS and therefore render Chinese costs (as well as selling prices) unsuitable for normal values;
17. Chinese HSS normal values are more appropriately assessed on the basis of selling prices in an alternate market economy country (e.g. Korea or Taiwan); and
18. HRC pricing in Thailand is on the basis of a two-tiered system – one price for imported HRC exempted from the payment of import and dumping duties, and a domestic price for locally-sourced HRC. The Thai HSS exporter's costs should reflect HRC purchased at the domestic price level.

OneSteel ATM will respond to any questions C&BP may have concerning this submission.



ASX RELEASE

15 March 2012

EXIT OF OIL AND GAS PIPE BUSINESS

Mining and materials group, OneSteel Limited (ASX:OST) today announced that it will cease manufacturing at its Oil and Gas Pipe (OGP) business, based in Kembla Grange, NSW effective 31 May 2012.

Today's announcement forms part of the company's review of its Australian steel business product portfolio and facilities footprint announced at its Annual General Meeting last November.

The OGP business manufactures and sells approximately 40 to 50 thousand tonnes per annum of pressure pipe to the oil and gas and steel distribution markets in Australia, and employs 56 people. The company has been keeping the employees of this business aware of its challenges for some time, and will continue to provide support and assistance leading up to its closure.

Today's announcement will result in a write down of assets in the company's Distribution segment of approximately \$13 million inclusive of goodwill, and a restructuring charge of approximately \$5 million (both before tax) in the company's results for the year ended 30 June 2012. It is expected that restructuring costs will be substantially funded through the realisation of working capital. OneSteel intends to sell the OGP plant, equipment and related land which may reduce the net loss on closure and, subject to the level of value realised, result in a net cash inflow from closure.

ENDS

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Commerce Ministry
to propose blue-
corner tax rebate to
JPPS

BANGKOK, 23 August 2009 (NNT) - The Ministry of Commerce is expected to propose measures on blue-corner tax rebates to the Joint Public-Private Sectors Meeting in an effort to help resolve liquidity problems on the export sector.

Commerce Minister Pornniva Nakasai insisted that the ministry would press ahead with measures on blue-corner tax rebates, which were currently deliberated by the Finance Ministry, and prepared to be resubmitted to the Prime Minister at the Joint Public-Private Sectors Meeting. She said the endorsement of the proposal would improve the value of the export. The Commerce Minister believes that such an initiative which alleviate the negative figures for export if applied this year. Total domestic export is expected to increase 600 billion baht in the first three groups of exporters and up to 980 billion baht in the total group.

The minister added that measures on blue-corner tax rebate, which has been earlier proposed by 23 private sectors to the Commerce Ministry, expects that more than 70% of total exporters would benefit from the plan. She also stated that this year's revenue collection would not be affected.

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