

Canberra
Elizabeth II Drive
Prestons International Park
100 Prestons International Airport
ACT 2603 Australia

Tel: 02 612 6163 1600
Fax: 02 612 6163 2000
Email: info@trr.com.au

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Mr G Gleeson
Director, Operations 3
International Trade Remedies Branch
Australian Customs and Border Protection Service
Customs House
5 Constitution Avenue
Canberra
Australian Capital Territory 2601



commercial-international

By email

Dear Sir

Steefforce Group – comments concerning SEF 177 Hollow structural sections from China, Korea, Malaysia and Taiwan

We write on behalf of the Steefforce Group of companies.

The Steefforce Group rejects the findings and conclusions of Statement of Essential Facts No. 177 ("the SEF") as applicable to its exports of hollow structural sections ("HSS") from China to Australia.

There is no so-called "*particular market situation*" in the Chinese market for HSS. Price discovery in the Chinese market for HSS has taken place at all relevant times through the forces of supply and demand.

Similarly, the financial records of Dalian Steefforce Hi-Tech Co., Ltd more than "*reasonably reflect*" competitive market costs for hot rolled coil ("HRC"). They reflect those costs exactly. As is the case for HSS itself, HRC prices in China are competitively priced through the forces of supply and demand.

Dalian Steefforce does not purchase HRC from either the Chinese Government or from Chinese "*public bodies*". The suggestion that State-invested enterprises are involved in some sort of government program to provide hot rolled coil to HSS producers such as Dalian Steefforce at "*less than adequate remuneration*" is a fabrication.

The findings in the SEF demonstrate a new-found ability on the part of Customs to identify influences and outcomes that previously had eluded Customs. In Report No 116, Customs declared that:

...the NDRC Steel Policy represents Chinese government objectives for the broader steel

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industry, and Customs is unaware of the success or degree of policy implementation and cannot possibly assess the actual influence, if any, on HSS prices;

However now – and at an even more advanced stage in China's economic development, and despite the recognition by Australia of China as a full market economy - Customs can say that prices of HSS in China are "likely" to be "artificially low". In its defence, we can at least say that Customs does not express that conclusion with much confidence.

Dalian Steelforce is a 100% wholly owned subsidiary of the Steelforce Group. That investment was made by Steelforce because of an inability on Steelforce's part to be assured of a steady and reliable supply of steel products from the Australian steel industry for distribution in the Australian market.

Since then Steelforce has found itself to be the subject of almost continual trade harassment and unfair accusations by the Australian industry. Our client observes the position of its major competitor – and a posse of other anti-dumping users – as "advisers" to the Minister as members of the officially recognised "International Trade Remedies Forum" with grave concern.

The coincidence of the adverse findings expressed in the SEF and the protectionist lobbying efforts of organisations such as Manufacturing Australia – whose members feature in the advisory Forum itself - has not gone unnoticed.

The Steelforce Group also notices that huge subsidies have been made to the very industry that has brought this complaint.

BlueScope Steel Limited has received a Competitiveness Assistance Advance of \$100 million. By our reckoning this represented 11% of annual revenues.

OneSteel Limited has received a CAA payment of \$64 million. That amount was almost 10% of OneSteel's 2011 sales revenue.

And there is still another \$136 million earmarked for payment to steel manufacturers.

The Act pursuant to which these payments have taken place – the *Steel Transformation Plan Act 2011* ("the Act") – has as its objective:

to encourage investment, innovation and competitiveness in the Australian steel manufacturing industry in order to assist the industry to transform into an efficient and economically sustainable industry in a low carbon economy.

And lest it be thought that the Australian industry is free to run its company independently, and that the payments are nothing more than a goodwill payment by the Australian Government, we learn that agreement for the provision of the subsidy package was reached with the two companies "giving assurances they would each keep making at least 500,000 tonnes a year of steel in Australia".¹

¹ http://afri.com/p/business/companies/onesteel_sets_deadline_for_plant_UPGMCOKWZowZHPUASnJ12N

The double standards which are evident in a comparison of these subsidy payments and the surrounding policy under which they have been granted, with Chinese industry development policies, are clear.

Dalian Steelforce – which is an Australian company which receives no cash hand-outs from the Chinese Government at all – must compete with a policy-directed Australian industry which has received \$164 million from the Australian Government with another \$136 million on the way. On top of that, Dalian Steelforce faces the further penalty of anti-dumping and countervailing duties against its exports which are directed towards countering Chinese Government policies which appear to be far less interventionist than the control exerted by the Australian Government itself through tied payments to the Australian steel industry.

The Steelforce Group has cooperated fully with Customs' investigation.

It is affronted by the conclusions which have been reached against it in the SEF.

If the CEO of Customs and the Minister persist with the intentions foreshadowed in the SEF, the Steelforce Group requests, at the very least, that a realistic non-injurious price be calculated and implemented which:

- recognises that the Australian industry will of necessity be forced to compete with the lowest priced undumped HSS import competition;
- fully takes up the benefit of the subsidies paid to both Bluescope Steel (as OneSteel's HRC supplier) and to OneSteel; and
- takes into account any benchmark HRC pricing policy in place between Bluescope Steel and OneSteel, to the effect that HRC has traditionally been supplied by BlueScope Steel to OneSteel at East Asian import price parity.

These submissions are without prejudice to Steelforce's position that the Minister has no legal entitlement – for reasons already expressed, both in this letter and in Steelforce's other submissions - to impose anti-dumping or countervailing duties against Dalian Steelforce's exports to Australia.

Yours sincerely



Daniel Moulis
Principal