BlueScope Steel Limited

APPLICATION FOR COUNTERVAILING DUTIES

GALVANIZED STEEL

exported from

the People's Republic of China

October 2012

Note: Attachments and Appendices referred to in this application are the same as referenced in the Application for dumping duties for galvanized steel exported from China, Korea and Taiwan.

AUSTRALIAN CUSTOMS SERVICE

Application for Dumping and Countervailing Duties

DECLARATION

I request in accordance with Section 269TB of the Customs Act 1901 that the Minister publish in respect of goods the subject of this application:

☐ a dumping duty notice;

☐ a countervailing duty notice for galvanized steel exported from China; or

☐ a dumping and a countervailing duty notice

This application is made on behalf of the Australian industry producing like goods to the imported goods the subject of this application. The application is supported by Australian producers whose collective output comprises:

- 25% or more of the total Australian production of the like goods; and
- more than 50% of the total production of like goods by those Australian producers that have expressed either support for, or opposition to, this application.

I believe that the information contained in this application:

- provides reasonable grounds for the publication of the notice(s) requested; and
- is complete and correct.

Signature:...

Name: Alan Gibbs

Position: Development Manager – International Trade

Company: BlueScope Steel Limited

ABN: 16 0000 11 058

Date: / /

PART A

INJURY

TO AN AUSTRALIAN INDUSTRY

IMPORTANT

All questions in Part A should be answered even if the answer is 'Not applicable' or 'None'. If an Australian industry comprises more than one company/entity, each should separately complete Part A.

For advice about completing this part please contact the Customs Dumping Liaison Unit on:

☎ **(02) 6275-6066** **Fax** **(02) 6275-6990**

A-1 Identity and communication.

Please nominate a person in your company for contact about the application:

This application is made on behalf of BlueScope Steel Limited ("BlueScope") the sole Australian manufacturer of galvanized steel products.

Relevant contact details for personnel within BlueScope that will assist with enquiries concerning this application are as follows:

Contact Name:	Alan Gibbs
Company and position:	Development Manager – International Trade
Address:	Five Islands Road, Port Kembla, NSW 2500
Telephone:	(02) 4275 3859
Facsimile:	(02) 4275 7810
E-mail address:	Alan.Gibbs@bluescopesteel.com
ABN:	16 000 011 058

Alternative contact:

Contact Name:	Stuart Bell
Company and position:	Finance Manager – BANZ Sales and Marketing
Address:	Five Islands Road, Port Kembla, NSW 2500
Telephone:	(02) 4275 4189
Facsimile:	(02) 4275 7810
E-mail address:	Stuart Bell@bluescopesteel.com

If you have appointed a representative to assist with your application, provide the following details and complete Appendix A8 (Representation).

The applicants have engaged the following consultant to assist with this application:

Name:	Mr John O'Connor
Representative's business name:	John O'Connor & Associates Pty Ltd
Address:	P.O. Box 329, Coorparoo Qld 4151
Telephone:	(07) 3342 1921
Facsimile:	(07) 3342 1931
E-mail address:	jmoconnor@optusnet.com.au
ABN:	39 098 650 241

A-2 Company information.

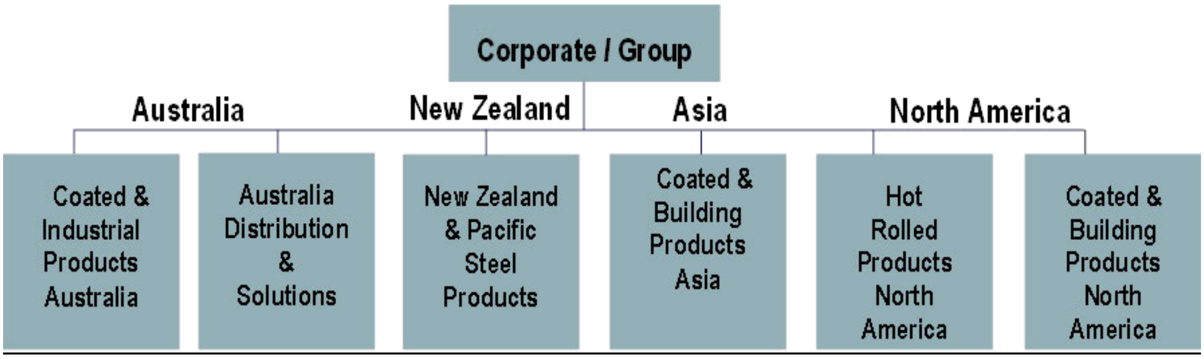
1. State the legal name of your business and its type (eg. company, partnership, sole trader, joint venture). Please provide details of any other business names you use to manufacture/produce/sell the goods that are the subject of your application.

The company seeking the imposition of countervailing measures is BlueScope Steel Limited (ABN 16 000 011 058).

BlueScope Steel Limited (hereafter referred to as “BlueScope”) is an Australian manufacturer of flat steel products. BlueScope produces the goods that are the subject of this application which is zinc coated steel that is marketed under the following trade names “GALVABOND®”, “ZINCFORM®” “GALVASPAN®, “ZINCHITEN®” and “ZINCANNEAL” steel. These products are sold into the Australian market direct to manufacturing customers and via distributors.

2. Provide your company’s internal organisation chart. Describe the functions performed by each group within the organisation.

An internal group organisation chart for BlueScope is set out below (as at 30 June 2012):



<u>Functions performed by each group within the organization</u>

1. Coated & Industrial Products Australia

- Supplier of flat steel products (including the goods under consideration “GUC”);
- Global scale steel works;
- Supplier of metal coated and painted steel, with operations at the following sites:
  - Port Kembla Steel Works, NSW;
  - Springhill, NSW;
  - Western Port, Victoria.
  - Western Sydney (NSW) and Acacia Ridge (QLD) COLORBOND® steel painting facilities
  - North America, Europe and Asia export trading offices

2. Australian Distribution & Solutions

Supplier of flat steel solutions in Australia made up of the following businesses:

- BlueScope Distribution;
- BlueScope Lysaght
- BlueScope Water
- Service Centres

- BlueScope Buildings

3. *New Zealand & Pacific Steel Products*

   A fully integrated, flat steel products manufacturer in New Zealand. Supplier of flat products, operating in:

   - Glenbrook, NZ; and
   - Pacific Islands.

4. *Coated & Building Products Asia*

   Manufacturer of branded steel products in Asia. Operations include:

   - Indonesia, Malaysia, Thailand and Vietnam;
   - China (including Butler);
   - Lysaght Asia; and
   - India (Tata BlueScope Joint Venture).

5. *Hot Rolled Products North America*

   A 50:50 Joint Venture with Cargill Incorporated.

6. *Coated & Building Products North America*

   Global designer/ supplier of pre-engineered buildings, with the following business operations:

   - BlueScope Buildings North America (Pre-engineered buildings)
   - Steelscape
   - Metl-Span
   - ASC Profile

3. List the major shareholders of your company. Provide the shareholding percentages for joint owners and/or major shareholders.

BlueScope Steel Limited is a publicly listed company. The Major (Top 20) shareholders within BlueScope as at 30 June 2012 include:

Rank	Name	No. Shares	% of Total Held
1	NATIONAL NOMINEES LIMITED	537,213,557	16.04%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	531,894,994	15.88%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	513,259,116	15.32%
4	CITICORP NOMINEES PTY LIMITED	343,114,319	10.24%
5	COGENT NOMINEES PTY LIMITED	133,116,372	3.97%
6	CITICORP NOMINEES PTY LIMITED	93,860,149	2.80%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	43,593,681	1.30%
8	JP MORGAN NOMINEES AUSTRALIA LIMITED	24,088,488	0.72%
9	SHARE DIRECT NOMNEES PTY LTD	20,000,000	0.60%
10	QUEENSLAND INVESTMENT CORPORATION	16,308,020	0.49%
11	AMP LIFE LIMITED	14,180,882	0.42%
12	RBC DEXIA INVESTOR SERVICES AUSTRALIANOMINEES PTY LIMITED	11,610,388	0.35%
13	PACIFIC CUSTODIANS PTY LIMITED	10,126,041	0.30%
14	COGENT NOMINEES PTY LIMITED	10,054,779	0.30%
15	SHARE DIRECT NOMNEES PTY LTD	10,000,000	0.30%
16	BOND STREET CUSTODIANS LIMITED	8,394,410	0.25%
17	Y S CHAINS PTY LTD	7,500,000	0.22%
18	IQ RENTAL & FINANCE PTY LTD	7,209,904	0.22%
19	BLUESCOPE STEEL EMPLOYEE SHARE PLAN PTY LTD	6,935,600	0.21%
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	6,307,410	0.19%
	TOTAL	**2,348,768,110**	**70.13%**
	Balance of Register	**1,000,417,137**	**29.87%**
	Grand TOTAL	**3,349,185,247**	**100.00%**

4. If your company is a subsidiary of another company list the major shareholders of that company.

BlueScope is not a subsidiary of another company.

5. If your parent company is a subsidiary of another company, list the major shareholders of that company.

This question is not applicable to BlueScope.

6. Provide an outline diagram showing major associated or affiliated companies and your company's place within that structure (include the ABNs of each company).

Major Associated or affiliated companies

BlueScope is a publicly listed company, limited by shares. It has a number of subsidiaries and joint ventures both in Australia and overseas, which are included in Confidential Attachment A-2.6. A detailed listing of BlueScope's subsidiaries is also located in its Annual Full Financial Report, including the level of equity holding in each subsidiary company.

The following is a summary of the activities of the major affiliates:

Affiliated Company	**Activities of affiliate**
Australian Affiliates	
Lysaght Building Solutions Pty Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Water Pty Ltd	Manufacturer of rainwater tanks (Melbourne, Sydney, Brisbane) ranging from 1,000 ltrs to 5,000 ltrs for use in small residential and medium commercial applications.
Pioneer Water Tanks (Australia) Pty Ltd	Manufacturer of large rural water storage tanks up to 35,000 ltrs.
Highline Limited	Manufacturer of steel buildings and associated products for both the domestic and commercial markets.
BlueScope Steel (AIS) Pty Ltd	BlueScope Steel manufacturing - is the Australian (Port Kembla) integrated Steelworks where all major phases of production, including iron making and slab making (5.3 million tpa), is undertaken.
BlueScope Distribution Pty Ltd	BlueScope Steel's reselling (distribution) business which purchases coated steel in volume and resells to smaller manufacturers across Australia. Some facilities process steel into slit coil or sheet for resale.
BlueScope Building Solutions Pty Ltd	Designs, supplies and constructs commercial and industrial buildings for the Australian market.
International Affiliates	
BlueScope Steel (Suzhou) Ltd	Coating lines - coating of cold rolled steel products with zinc and / or zinc and aluminium to provide corrosion protection.
BlueScope Lysaght (Brunei) Sdn Bhd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.

BlueScope Acier Nouvelle - Caledonie SA	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Lysaght (Singapore) Pte Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Lysaght Fiji Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Lysaght (Thailand) Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Steel Vietnam LLC	Coating lines - coating of cold rolled steel products with zinc and / or zinc and aluminium to provide corrosion protection.
BlueScope Steel Asia Pte Ltd	Service centre for the processing of coiled steel into shapes and sizes per customer requirements
BlueScope Steel International Limited	Sales office
BlueScope Steel Southern Africa Pty Ltd	Sales office
BlueScope Steel (Thailand) Ltd	Cold rolling mill and pickle line, which converts hot rolled coil into cold rolled coil. Coating lines - coating of cold rolled steel products with zinc and / or zinc and aluminium to provide corrosion protection.
BlueScope Steel North America	Sales office
BlueScope Steel (Malaysia) Sdn Bhd	Coating lines - coating of cold rolled steel products with zinc and / or zinc and aluminium to provide corrosion protection.
Tasman Steel Holdings Ltd	The New Zealand integrated Steelworks where all major phases of production, including iron making and slab making is undertaken. Coating of cold rolled steel products with zinc and / or zinc aluminium to provide corrosion protection.
BlueScope Buildings Vietnam Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Lysaght (Guangzhou) Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Lysaght (Shanghai) Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Lysaght (Langfang) Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.
BlueScope Lysaght (Chengdu) Ltd	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.

PT BlueScope Steel Indonesia	Coating lines - coating of cold rolled steel products with zinc and / or zinc and aluminium to provide corrosion protection.
PT BlueScope Steel (Lysaght) Indonesia	Manufacturer of roll formed steel profiles for the building and construction markets, including roofing, walling, rainwater goods, and structural components such as purlins, girts and decking.

7. Are any management fees/corporate allocations charged to your company by your parent or related company?

This question is not applicable to BlueScope.

8. Identify and provide details of any relationship you have with an exporter to Australia or Australian importer of the goods.

BlueScope does not have a relationship with any exporter to Australia of the goods the subject of this application. BlueScope does have an arms length relationship with importers of these goods – namely *[company]* and *[company]*.

9. Provide a copy of all annual reports applicable to the data supplied in Appendix A3 (Sales Turnover). Any relevant brochures or pamphlets on your business activities should also be supplied.

BlueScope's 2011 Annual Report and Full Financials are included with this application. BlueScope's Annual Reports from 2003 to 2011 are available from its website at www.bluescopesteel.com.

The 2012 Annual Report and Full Financials will be available from Mid-September 2012.

10. Provide details of any relevant industry association.

BlueScope is a member of the Australian Steel Institute – refer www.steel.org.au.

A-3 The imported and locally produced goods.

1. Fully describe the imported product(s) the subject of your application:

- **Include physical, technical or other properties.**
- **Where the application covers a range of products, list this information for each make and model in the range.**
- **Supply technical documentation where appropriate.**

The imported goods the subject to this application are flat rolled products of iron and non-alloy steel, of a width less than 600mm and, equal to or greater than 600mm, plated or coated with zinc.

The goods under consideration ("GUC") are generically called galvanized steel (used interchangeably with GUC in this application).

Trade or further generic names often used to describe the GUC include:

- "GALVABOND®" steel
- "ZINCFORM®" steel
- "GALVASPAN®" steel
- "ZINCHITEN®" steel
- "ZINCANNEAL"steel
- "ZINCSEAL"steel
- Galv
- GI
- Hot Dip Zinc coated steel
- Hot Dip Zinc/iron alloy coated steel
- Galvanneal

The amount of zinc coating on the steel is described as its coating mass and is nominated in grams per meter squared (g/m2) with the prefix being Z (Zinc) or ZF (Zinc converted to a Zinc/Iron alloy coating). The common coating masses used for zinc coating are: Z350, Z275, Z200, Z100, and for zinc/iron alloy coating are ZF100, ZF80 and ZF30 or equivalents based on international standards and naming conventions.

There are a number of relevant International Standards for zinc coated products that cover their own range of products via specific grade designations, including the recommended or guaranteed properties of each of these product grades.

These relevant standards are noted below in Table A-3.1 "Relevant International Standards for zinc coated steel".

Table A-3.1 - Relevant International Standards for zinc coated steel

International Standards	Product Grade Names
General and Commercial Grades	
AS/NZS 1397	G1, G2
ASTM A 653/A 653M	CS type A, B and C
EN10346	DX51D, DX52D
JIS 3302	SGCC, SGHC
Forming, Pressing & Drawing Grades	
AS/NZS 1397	G3
ASTM A 653/A 653M	FS, DS type A and B
EN10346	DX53D, DX54D
JIS 3302	SGCD, SGCDD,
Structural Grades	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A 653/A 653M	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3302	SGC340, SGC400, SGC440, SGC490, SGC570 SGH340, SGH400, SGH440, SGH490, SGH570

2. What is the tariff classification and statistical code of the imported goods.

The GUC are classified within tariff sub-headings 7210.49.00 (statistical codes 55, 56, 57 and 58), and 7212.30 (statistical codes 61). In particular, the GUC are zinc coated sheets and coils, of widths < 600mm and widths of =>600m.

The GUC attract a zero rate of duty when imported from China.

Please refer to Non-Confidential Attachment A-3.2 for a copy of the Customs Tariff Schedule 3 extract.

BlueScope highlights with the Australian Customs and Border Protection Service (“Customs and Border Protection”) that published Australian Bureau of Statistics (“ABS”) import clearance data for the GUC do not disclose “country of import” details due to current suppression orders. BlueScope has therefore relied upon export data from China to determine volumes of the GUC. Please refer to Section B-1.2 below for further information concerning source data for exports of the GUC to Australia.

3. Fully describe your product(s) that are ‘like’ to the imported product:

- **Include physical, technical or other properties.**
- **Where the application covers a range of products, list this information for each make and model in the range.**
- **Supply technical documentation where appropriate.**
- **Indicate which of your product types or models are comparable to each of the imported product types or models. If appropriate, the comparison can be done in a table.**

<u>Like Goods</u>

BlueScope manufactures flat rolled products of iron and non-alloy steel, of widths less than 600mm and widths equal to or greater than 600mm, plated or coated with zinc.

The locally produced GUC are like product to the imported plated or coated flat rolled products of iron or steel, plated or coated with zinc.

<u>Physical properties</u>

The zinc coated steel manufactured by BlueScope is coiled for supply to customers and may later be cut into sheets for sale to manufacturers, or slit into narrower widths.

The most common coating mass for zinc coated steel is Z275 (275 grams of zinc coating metal per square meter). Other coatings may include Z350, Z200 and Z100.

The most common coating mass for zinc/iron alloy coated steel is ZF100 (100 grams of zinc/iron alloy coating metal per square meter). Other coatings may include ZF80 and ZF30

The steel chemistry, percent cold reduction, annealing oven temperature, and line speeds are used to produce the required mechanical property (structural) grades, as designated by Australian and International Standards.

Typically each Australian and International Standard has a range of steel grades nominated as Commercial, Formable or Structural grades. The commercial/formable grades are those with mechanical properties suitable for general pressing and forming whereas the structural grades are those with guaranteed minimum properties that structural engineers utilize in the design of their final product designs.

The locally produced GUC have widths greater than 600mm and less than 600mm, with product thicknesses in the range of 0.30 mm BMT to 3.5 mm BMT (BMT = Base Metal Thickness and represents the steel thickness without the metallic coating).

Copies of BlueScope's Product Brochures for the range of Galvanized steel products are included at Non-Confidential Attachments A-3.3.1 to A 3.3.6

More information can be found at
http://steelproducts.bluescopesteel.com.au/home/steel-products/metallic-coated-steel

4. Describe the ways in which the essential characteristics of the imported goods are alike to the goods produced by the Australian industry.

BlueScope submits that the GUC manufactured in Australia by BlueScope are like goods to the imported goods on the following grounds:

(i) Physical likeness

- Products made locally by BlueScope have a physical likeness to the goods exported from China;
- BlueScope's locally produced Galvanised Steel and the imported goods are manufactured to Australian and International Standards;

(ii) Commercial likeness

- Australian industry galvanised steel competes directly with imported galvanised steel in the Australian market;
- The locally produced goods and the imported goods are produced via similar manufacturing processes;

(iii) Functional likeness

- Both the locally produced and imported galvanised Steel have comparable or identical end-uses;

(iv) Production likeness

- Locally produced and imported galvanised steel are manufactured in a similar manner and via similar production processes.

On this basis, BlueScope considers its locally-produced galvanised steel is "alike" to the imported goods, and possess the same essential characteristics as the imported galvanised steel.

5. What is the Australian and New Zealand Standard Industrial Classification Code (ANZSIC) applicable to your product.

The ANZSIC code applicable to zinc coated steel is category 2711.

6. Provide a summary and a diagram of your production process.

Summary of manufacturing process

The input steel product starts as either slab or hot roll coil.

Slab is heated in a furnace to around 1200 deg Celsius then reduced in thickness from 230mm to below 5mm by passing through a series of rollers at great pressure, is then control cooled, and finally wound up as a coil of steel (now known at hot rolled coil ("HRC")).

The HRC is then further processed by passing through hydrochloric acid baths to remove surface scale. It is then edge trimmed to the customer-specified width.

The next process is cold rolling, which is a similar process to hot rolling but is done at ambient temperature. This is where the coil is reduced in thickness to the customer requirement, generally 0.30 to 1.6mm (Base metal thickness (BMT)).

This cold rolled steel coil is the input feed material to the continuous coating line and this cold rolled steel runs continuously through several key processes:

1. The first step is cleaning.

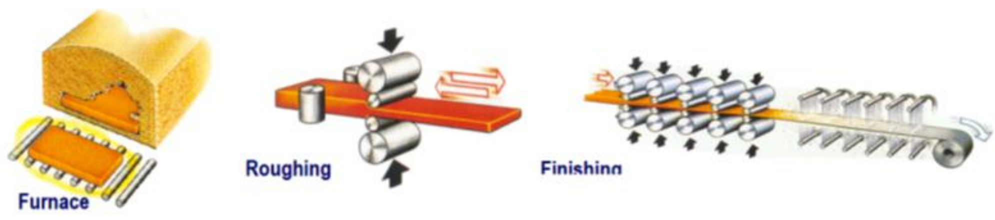
2. This is followed by an annealing process, before it passes through a molten bath mixture of zinc, antimony and other trace metals.

3. Once coated, the product can then receive various surface treatments depending on the customer's specific requirements.

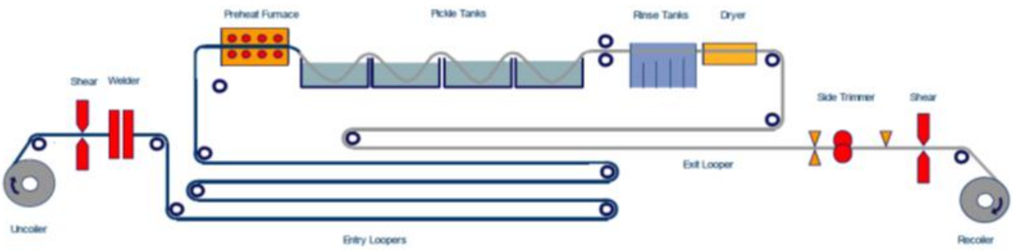
The range of options for zinc coated steel include a "Skin Passed" or "un-Skin Passed" surface, chromated or un-chromated surface" or an "oiled surface" or "dry surface.
For zinc/iron alloy coated steel the option is for a "Skin Passed" or "un-Skin Passed surface.
The diagram below reflects a zinc galvanizing coating process, The zinc/iron (ZF) coating process is the same as zinc coating process except that instead of the zinc coating solidifying onto the steel, it is passed through a furnace to fuse the zinc coating with iron from the steel, to make a matt finish that is designed as a surface ready to paint.

Diagrammatic representation of Slab conversion to Zinc coated (Galvanised) steel

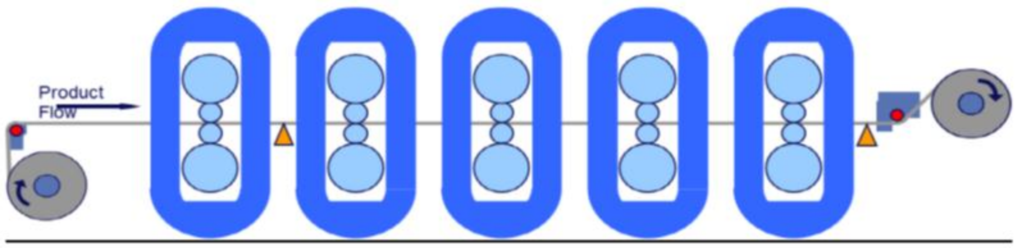
Slab is converted to Hot Roll Coil (HRC) at the Hot Strip Mill



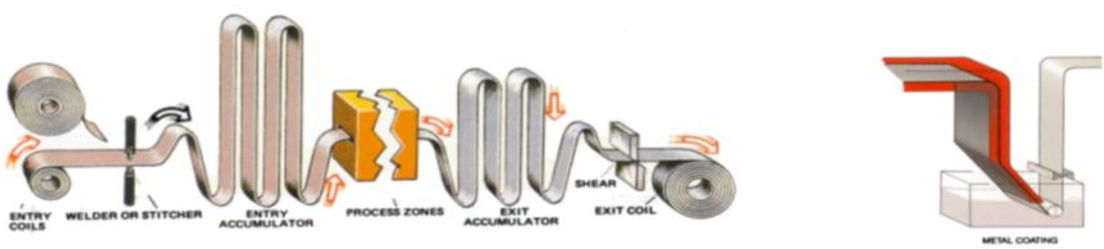
HRC has its surface scale removed and is side trimmed Hot Roll Coil at the Pickle line



Pickled and sidetrimmed HRC is then cold reduced in thickness to customer requirement



The Cold Rolled coil is then cleaned, annealed and hot dip coated with zinc



7. If your product is manufactured from both Australian and imported inputs:
- **describe the use of the imported inputs; and**
- **identify that at least one substantial process of manufacture occurs in Australia (for example by reference to the value added, complexity of process, or investment in capital).**

BlueScope manufactures hot rolled coil in Australia from liquid steel, via flat steel production. The steel production process is a capital intensive one that converts raw material iron ore and coal into liquid steel, followed by casting into slab steel that is then converted into hot rolled coil. BlueScope manufactures zinc coated steel from cold rolled coil that is transformed from hot rolled coil.

BlueScope is a fully-integrated flat steel product manufacturer with large capital intensive manufacturing operations at Springhill and Port Kembla in NSW, and Western Port in Victoria.

BlueScope submits that it undertakes more than one substantial process of manufacture in the production of the GUC.

BlueScope does not use imported steel in the manufacture of the GUC.

8. If your product is a processed agricultural good, you may need to complete Part C.3 (close processed agricultural goods).

The GUC are not close processed agricultural goods.

9. Supply a list of the names and contact details of all other Australian producers of the product.

BlueScope is the sole Australian manufacturer of the goods the subject of this application.

A-4 The Australian market.

1. Describe the end uses of both your product and the imported goods.

BlueScope's main products, the markets for those products and their applications are shown below:

Table A-4.1 – Primary end-use applications

Product	Primary end use markets	Applications
Galvanised products	**Building and construction, manufacturing, automotive and transport**	**General manufacturing, automotive, structural sections for commercial and industrial buildings and structural decking**
Aluminium zinc coated steel products	Building and construction, manufacturing	Commercial and industrial construction including roofing, walling, rain water goods and residential framing
Pre-painted aluminium zinc coated steel products	Building and construction	Residential, commercial and industrial construction including roofing, walling, rain water goods, architectural panels, sheds and garages.

The locally produced and imported goods are used interchangeably across a variety of applications in the Australian market, including the main end-use applications identified in Table A-4.1 above. The key Australian market segments include the "building and construction industry" and the "manufacturing industry".

Some notable end-use applications include:-

- In the building and construction industry, commercial and industrial buildings light structural sections (purlins and girts), structural sections for carports, sheds and garages, plastering and ceiling accessories, garage door tracks, structural nail-plates, post stirrups, frame connectors and bracing for timber frames, and the like.

- In the manufacturing industry: air-conditioning ducting, cable trays, components in domestic appliances, hot water system components, automotive pressings, electrical meter cabinets, tool-boxes, grain silos components and general manufactured articles.

2. Generally describe the Australian market for the Australian and imported product and the conditions of competition within the overall market. Your description could include information about:

- **sources of product demand;**
- **marketing and distribution arrangements;**
- **typical customers/users/consumers of the product;**
- **the presence of market segmentation, such as geographic or product segmentation;**
- **causes of demand variability, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production;**
- **the way in which the imported and Australian product compete; and**

- **any other factors influencing the market.**

(i) Market Segmentation

The Australian market for galvanized steel products is made up of two key market segments, namely the building and construction industry segment (largest consumer by volume) and the smaller manufacturing industry segment. These are expanded on below

(ii) Sources of demand

Key sources of demand in the Australian market for the goods include:

- Building & Construction Industry Segment both into residential and non-residential end uses. End-uses include purlins and girts, framing, structural decking (flooring systems), air-conditioning ductwork, plaster accessories, nail plate etc.
- Manufacturing includes feed stock as input for pipe & tube manufacture, automotive components, racking systems, meter boxes, silo components etc.

(iii) Distribution arrangements

Approximately one third of galvanized steel sales are made directly to the domestic building product manufacturing industry. It is this domestic building product manufacturing industry that roll forms the galvanized steel into building products such as structural sections for commercial buildings and garages/sheds as well as decking (flooring systems) etc. The building product manufacturers then distribute the manufactured products to builders etc.

The balance of sales of the GUC is made to either the local distribution market (via distributor/resellers such as *[companies]*, or direct to the general manufacturing and auto industries including OEM auto and auto component manufacturers, pipe and tube manufacturers and racking manufacturers.

Both BlueScope and importers of the GUC compete in all States and Territories in Australia and across each segment via the same distribution channels in order to sell product directly to the larger manufacturing companies in Australia, and to distributors/resellers that on-sell the product into the market.

Distributors and resellers may offer a range of services such as smaller parcels of product, along with credit facilities and further processing (such as sheeting, slitting and blanking, and the like).

(iv) Typical Customers

Within the Building and Construction industry BlueScope's major customers can be described as roll formers of structural framing/decking products, and include companies such as *[companies]*

Within the general manufacturing industry the major customers would include *[companies]*,. OEM automotive direct customers include *[companies]*, with direct customer auto component manufacturers being *[companies]*,

Causes of demand variability

There are a variety of factors that influence demand variability for galvanized steel products within the Australian market, including:

Seasonal fluctuations

- Agriculture – e.g. silos depending on season;
- Building industry Christmas shutdown directly impacts construction;
- Wet versus dry season in tropical climates impact construction.

Factors contributing to overall market growth or decline

- Availability of capital for infrastructure spending – government and private;
- General macro-economic factors such as bank interest rates directly impact on investment decisions by home buyers, investors and developers; Global and domestic economic conditions (GDP, unemployment, inflation, interest rates);
- Global and domestic business and consumer confidence.

Government regulation

- Standards – international manufacturers do not always manufacture to the same standards as Australian manufacturers; This is commonly not understood until installation;
- Policy – major government spending on infrastructure such as the school building revolution;
- New home rebates can pull forward demand.

Developments in technology affecting either demand or production;

- Not significant

Short Term Pricing Volatility

- Pressure on Australian manufacturing to compete with imported finished products;
- Can influence purchasing decision on inventory levels;
- More evident in the indirect distribution channel;
- Influenced via global steel capacity utilisation;
- Has a seasonal element.

(v) <u>The way in which the imported and Australian products compete</u>

All customers have the opportunity to purchase imported material either

- Direct from the overseas mill;
- via an international trader;
- via an aligned / non-aligned Australian based stockiest / reseller.

3. Identify if there are any commercially significant market substitutes for the Australian and imported product.

The common significant market substitutes for both the Australian produced and imported goods fall into one of two categories, being "other coated steel substitutes" and "inter-material substitutes".

Other coated steel substitutes include:

- 55% aluminium/zinc coated (also known as Aluzinc), 5% aluminium/zinc also known as Galfan®) plus Zinc/Mg coated steel products (in some product applications) and
- Painted metallic coated steel substitutes. This could include painted versions of the products listed above.

Inter-material substitutes depend on end use and include:

- in framing applications in construction, there are substitute products such as timber in various forms, hot rolled structural sections, load bearing concrete panels, masonry and the like.
- in non-framing products for the building industry, plastic and composite materials could be used to replace some steel such as conduits, ceiling and plaster fittings/accessories;
- in automotive applications where substitution can be achieved the alternatives can could be aluminium, plastics or advanced composites.

Despite the identified substitutes, galvanized steel is considered by end-users as a fit-for-purpose product that is better suited in the identified key applications to alternate substitutes due to its superior value proposition.

4. Complete appendix A1 (Australian production). This data is used to support your declaration at the beginning of this application.

BlueScope has completed Confidential Appendix A1 for the twelve months to 30 June 2012. Please refer to Confidential Appendix A1.

5. Complete appendix A2 (Australian market).

BlueScope has completed Confidential Appendix A2 for the period Financial Year 2009 to 2012 inclusive. Please refer to Confidential Appendix A2.

6. Use the data from appendix A2 (Australian market) to complete this table:

*Indexed table of sales quantities**

Financial Year	(a) **Your Sales**	(b) **Other Aust^n Sales**	(c) **Total Aust^n Sales** (a+b)	(d) **Dumped Imports**	(e) **Other Imports**	(f) **Total Imports** (d+e)	**(g) Total Market** (c+f)
2008/09	100	100	100	100	100	100	100
2009/10	124.9	100	124.9	110.2	100.3	106.8	118.3
2010/11	109.8	100	109.8	112.8	63.6	95.6	104.6
2011/12	103.7	100	103.7	143.4	81.9	121.9	110.3

Notes:

1. BlueScope is the sole Australian manufacturer of the GUC.
2. Financial year is July to June.

The Table of indexed sales quantities confirms that the exports of the GUC from China, Korea and Taiwan have increased year-on-year since the base year of 2008/09. BlueScope's sales of galvanised steel increased in 2009/10, however, have deteriorated in 2010/11 and further again in 2011/12.

In 2011/12 Chinese exports of the GUC were 134,111 tonnes and accounted for approximately 47 per cent of total exports of galvanized steel to Australia.

Exports of the GUC from other source countries in 2009/10 were at the same level as the previous year and then fell by a third in 2010/11 and increased in 2011/12.

The Australian market for galvanised steel increased in 2009/10 following the global financial crisis of 2008/09, and contracted in 2010/11 and increased again in 2011/12.

The growth in the Australian market in 2011/12 was supplied by increased exports from China, Korea and Taiwan that grew by 27 per cent over the previous year. BlueScope's sales declined by almost 5.5 per cent in 2011/12.

A-5 Applicant's sales.

1. Complete appendix A3 (sales turnover).

BlueScope has completed Confidential Appendix A3.

Indexed data from Confidential Appendix A3 for the Like Goods (quantity and value) has been included below.

2. Use the data from appendix A3 (sales turnover) to complete these tables.

BlueScope has completed the tables below from data included in its Confidential Appendix A3.

Indexed table of Applicant's sales quantities (metric tonnes) for like goods

Quantity	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Like goods				
Australian market	100	124.9	109.8	103.7
Export market	100	102.0	171.7	105.5
Total	100	120.2	122.4	104.1

Notes:
1. Refer to Confidential Appendix A3 for data.

Indexed table of Applicant's sales values for like goods

Values	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Like goods				
Australian market	100	99.3	89.9	80.1
Export market	100	82.5	142.2	88.6
Total	100	96.9	97.4	81.3

Notes:
1. Refer to Confidential Appendix A3 for data;

BlueScope's domestic sales quantities of galvanized steel have declined in 2011/12, with export sales also falling. Domestic sales revenues also declined in 2011/12, along with export revenues. BlueScope's total quantity and sales revenues for galvanized steel were therefore at reduced levels in 2011/12 over 2010/11.

Indexed table of Applicant's sales quantities (metric tonnes) for All Products

Quantity	**2008/09**	**2009/10**	**2010/11**	**2011/12**
All Products				
Australian market	100	117.7	108.4	99.8
Export market	100	92.1	114.8	75.1
Total	100	110.8	110.2	93.1

Notes:
2. Refer to Confidential Appendix A3 for data.

Indexed table of Applicant's sales values for All Products

Values	2008/09	2009/10	2010/11	2011/12
All Products				
Australian market	100	102.1	95.6	86.1
Export market	100	69.4	91.2	58.0
Total	100	95.3	94.7	80.2

Notes:

2. Refer to Confidential Appendix A3 for data;

BlueScope's performance across sales of all product categories in 2011/12 is impacted by the company's announcement to scale down export activities and mothball its Westernport Hot Strip Mill and No. 5 Coating Line.

3. Complete <u>appendix A5</u> (sales of other production) if you have made any:

- **internal transfers; or**
- **domestic sales of like goods that you have not produced, for example if you have imported the product or on-sold purchases from another Australian manufacturer.**

Confidential Appendix A5 has been completed by BlueScope for the GUC. Please refer Confidential Appendix A5.

4. Complete <u>appendix A4</u> (domestic sales).

BlueScope has completed Confidential Appendix A4 for the twelve months to 30 June 2012. Please refer to confidential sales data provided by BlueScope.

5. If any of the customers listed at <u>appendix A4</u> (domestic sales) are associated with your business, provide details of the association. Describe the price effect of the association.

BlueScope sells the GUC through owned, related and unrelated parties in the Australian domestic market. Owned or related domestic customers for zinc coated steel include BlueScope Distribution Pty Ltd, BlueScope Lysaght and BlueScope Water Pty Ltd.

The approach to price setting for these owned or related companies *[pricing strategy]*

6. Attach a copy of distributor or agency agreements/contracts.

BlueScope has supply agreements in place with many of its domestic customers which detail the terms of trade including supply arrangements, rebate structure, supply terms and conditions, etc.

Copies of examples of these standard supply agreement documents are included at Confidential Attachments A-5.6.1 and A-5.6.2 .

7. Provide copies of any price lists.

BlueScope has customer-specific price lists. This is due to the differing product purchase mix and differing service offers which exist across the customer base. Please find attached an example of a BlueScope customer price list at Confidential Attachment A-5.7.a and A5-7.b.

8. If any price reductions (for example commissions, discounts, rebates, allowances and credit notes) have been made on your Australian sales of like goods provide a description and explain the terms and conditions that must be met by the customer to qualify.

- **Where the reduction is not identified on the sales invoice, explain how you calculated the amounts shown in <u>appendix A4</u> (domestic sales).**
- **If you have issued credit notes (directly or indirectly) provide details if the credited amount has not been reported <u>appendix A4</u> (domestic sales) as a discount or rebate.**

BlueScope provides discounts and rebates for some sales identified in Confidential Appendix A4. Discounts and rebates are separately identified. There *[commercially sensitive pricing information]*

9. Select two domestic sales in each quarter of the data supplied in <u>appendix A4</u> (domestic sales). Provide a complete set of commercial documentation for these sales. Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, and bank documentation showing proof of payment.

BlueScope has included two complete sets of commercial documentation for two customers in each of the four quarters to 30 June 2012. Please refer to Confidential Attachment A-5.9.1 – A-5.9.8 for BlueScope commercial documentation.

A-6 General accounting/administration information.

1. Specify your accounting period.

BlueScope's financial year is 1 July to 30 June.

2. Provide details of the address(es) where your financial records are held.

BlueScope's financial records for the goods the subject of this application are located at its Five Islands Road, Port Kembla premises.

3. To the extent relevant to the application, please provide the following financial documents for the two most recently completed financial years plus any subsequent statements:

- **chart of accounts;**

  BlueScope's Chart of Accounts has been provided electronically with this application.

- **audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);**

  BlueScope's audited consolidated accounts are included in the company's annual report. These are available from BlueScope's website at **www.bluescopesteel.com**

- **internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods.**
  These documents should relate to:

  1. **the division or section/s of your business responsible for the production and sale of the goods covered by the application, and**
  2. **the company overall.**

BlueScope has also included monthly management report extracts at Confidential Attachment A-6.3.1 to A-6.3.2

4. If your accounts are not audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

BlueScope's accounts are audited annually. This question is therefore not applicable.

5. If your accounting practices, or aspects of your practices, differ from Australian generally accepted accounting principles, provide details.

The accounting practices of BlueScope are maintained in accordance with Australia's generally accepted accounting principles.

6. Describe your accounting methodology, where applicable, for:

BlueScope's accounting methodology complies with the Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Further detailed information can be sourced from BlueScope's full financial report that can be accessed on the internet at www.bluescopesteel.com

- **The recognition/timing of income, and the impact of discounts, rebates, sales returns warranty claims and intercompany transfers;**

  Revenue is recognised by BlueScope when the significant risks and reward of the ownership of the goods have passed to the buyer. This is considered to have occurred when the legal title of the product is transferred to the customer and BlueScope is no longer responsible for the product. The point at which title is transferred is dependent upon the specific terms and conditions of the contract under the sale.

Sales discounts are recognised at invoice date. Rebates and warranty claims are provided for on a monthly basis. Sales returns are recognised once the goods have been receipted into BlueScope inventory.

- **provisions for bad or doubtful debts;**

  Collectability of trade receivables are reviewed regularly. Debts which are known to be uncollectable are written off by reducing the carrying amount directly.

- **the accounting treatment of general expenses and/or interest and the extent to which these are allocated to the cost of goods;**

  General expenses are allocated on an absorption cost basis.

- **costing methods (eg by tonnes, units, revenue, activity, direct costs etc) and allocation of costs shared with other goods or processes;**

  BlueScope's mainstream costing system is designed to enable:

  - Actual process costs to be reported monthly;
  - Cost detail as low as the cost element level;
  - Actual fully absorbed product cost per unit of output (e.g. per tonne) at a minimum of product group level. Where a standard costing system is adopted, standard product costs updated for significant changes in process cost are utilised;
  - Product costs to be broken down into components such as feed, conversion costs, yield, depreciation, support costs, etc; as well as
  - The distinguishing of the underlying behavior of costs (e.g. fixed, variable, cash, non-cash).

- **the method of valuation for inventories of raw material, work-in-process, and finished goods (eg FIFO, weighted average cost);**

  Raw materials and stores, work in progress and finished goods, are stated at the lower of cost and net realisable value.

- **valuation methods for scrap, by-products, or joint products;**

  The lower of cost and net realisable value.

- **valuation methods for damaged or sub-standard goods generated at the various stages of production**;

  The lower of cost and net realisable value.

- **valuation and revaluation of fixed assets;**

  Regular purchases and sales of financial assets are recognised on trade-date - the date on which BlueScope commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and BlueScope has transferred substantially all the risks and rewards of ownership.

- **average useful life for each class of production equipment, the depreciation method and depreciation rate used for each;**

  Depreciation on assets other than land is calculated on a straight-line basis to allocate their cost over their estimated useful lives. The estimated useful lives of property, plant and equipment are as follows:

  Buildings - up to 40 years.
  Plant, machinery and equipment – up to 40 years.

- **treatment of foreign exchange gains and losses arising from transactions and from the translation of balance sheet items; and**

  Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

  Translation differences on available-for-sale financial assets are included in equity until such time as the available-for-sale asset is sold and the translated amount is reported in the profit and loss.

- **restructuring costs, costs of plant closure, expenses for idle equipment and/or plant shut-downs.**

  Liabilities arising directly from undertaking a restructuring program, defined as the closure of an operation, are recognised when a detailed plan of the restructuring activity has been developed and implementation of the restructuring program as planned has commenced.

7. If the accounting methods used by your company have changed over the period covered by your application please provide an explanation of the changes, the date of change, and the reasons.

The accounting and financial practices/principles of BlueScope complies with the Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

BlueScope’s 2010 Annual Report included a note in relation to a change in accounting policy following the introduction of revised *AASB 127 Consolidated and Separate Financial Statements*, became operative on 1 July 2009.

Please refer to Note 1 (v) of Summary of Significant Accounting Policies in the BlueScope 2010 Annual Report.

A-7 Cost information

1. Complete appendices A6.1 and A6.2 (cost to make and sell) for domestic and export sales.

BlueScope has completed Confidential Appendices A6.1 (for domestic sales) and A6.2 (for export sales). Please refer to Confidential Appendices A6.1 and A6.2.

A-8 Injury

1. **Estimate the date when the material injury from dumped and subsidized imports commenced.**

This application relates to the application for countervailing measures on galvanized steel exported from China. The injury that may be attributed to the subsidized Chinese exports of the GUC can be cumulated with the injury from the allegedly dumped exports of galvanized steel exported from China, Korea and Taiwan. This application is therefore to be read in conjunction with the application for anti-dumping measures on galvanized steel exported from China, Korea and Taiwan initiated on 5 September 2012, ACDN 2012/40 refers).

BlueScope estimates that material injury from exports of galvanized steel from China, Korea and Taiwan commenced to impact profit and profitability in 2010/11. BlueScope achieved a recovery in its domestic sales of galvanized steel immediately following the global financial crisis (i.e. 2009/10), and commenced to lose sales volume and market share in 2010/11, impacting profit and profitability.

BlueScope's profit and profitability declined dramatically in 2011/12 as exports from China, Korea and Taiwan increased market share due to prices that undercut BlueScope's selling prices (refer Section A-9.2 below).

It is BlueScope's assessment that material injury from the identified exports commenced in 2010/11 and caused further increased levels of material injury during 2011/12.

2. Using the data from appendix A6 (cost to make and sell), complete the following tables for each model and grade of your production.

Index of production variations (metric tonnes)

Year	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Index	100	120.2	122.4	104.1

Notes:
1. Production rates based upon Appendix A6.1 and Appendix A6.2 data sourced from "Galvanized steel".

BlueScope's production of the GUC for the combined domestic and export markets declined in 2011/12. Whereas the greatest proportion of the decline can be attributed to a decline in production for export sales, production of the like goods for sale domestically was also apparent in 2011/12.

Index of cost variations (based on A$ per metric tonne)

Year	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Index	100	77.8	81.5	90.1

Notes:
1. Unit cost variations based upon Appendix A6.1 data sourced from ""Galvanized steel".

BlueScope highlights that the global financial crisis in 2008/09 impacted demand (i.e. reduced sales volumes) thereby resulting in an increase in BlueScope's cost-to-make-and-sell ("CTM&S") galvanized steel.

BlueScope's domestic sales volumes improved in 2009/10 and a reduction in unit CTM&S was also observed.

In 2010/11, BlueScope experienced a reduction in sales volumes as exports from China, Korea and Taiwan increased market share by 3.5 per cent – at the expense of imports from other sources and sales by BlueScope. In 2011/12, BlueScope's sales volumes declined further, and its unit CTM&S galvanized steel increased.

Index of price variations (based on A$ per metric tonne)

Year	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Index	100	79.5	81.9	77.2

Notes:
1. Unit price variations based upon Appendix A6.1 data sourced from "Galvanized steel".

BlueScope has sustained a reduction in its average net realisation for galvanised steel in 2011/12 of almost five percent. BlueScope attributes the reduction in its average selling price to the increase in exports from China, Korea and Taiwan at prices that undercut BlueScope's selling prices (refer Section A-9.2 below).

Index of profit variations (based on A$ per metric tonne)

Year	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Index	100	n/a	n/a	n/a

Notes:
1. Profit variations not included as base year 2008/09 was negative due to impact of global financial crisis on demand.

BlueScope's unit profit per tonne in 2008/09 was influenced by the reduced demand for galvanized steel due to the global financial crisis. In 2009/10, BlueScope's unit profit increased as the company improved domestic sales volumes, however, not to the levels achieved in 2007/08 (refer Confidential Appendix A6.1).

With the increase in exports from China, Korea and Taiwan in 2010/11, BlueScope experienced price undercutting, and was unable to raise price to recover cost increases experienced in that year. In 2011/12, BlueScope experienced further price undercutting from the identified exports, coinciding with declines in sales volumes and market share.

Index of Profitability variations (based on unit profit as a % of unit selling price)

Year	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Index	100	n/a	n/a	n/a

Notes:
1. Profitability variations not included as base year 2008/09 was negative due to impact of global financial crisis on demand.

As with BlueScope's profit in 2008/09, the return on sales was similarly impacted by the global financial crisis in 2008/09. There was an improvement in BlueScope's return on sales in

2009/10, however, this was temporary as BlueScope's selling prices in 2010/11 and 2011/12 were undercut by the selling prices for exports from China, Korea and Taiwan.

3. Complete appendix A7 (other economic factors).

Index of Revenue variations ($)

Year	2008/09	2009/10	2010/11	2011/12
Index	100	99.3	89.9	80.1

Notes:
1. Revenues sourced from Appendix A3 for like goods only.

BlueScope's revenues have declined by almost 10 percentage points in 2011/12, as the company has reduced selling prices to respond to import offers for the dumped and subsidized exports of galvanized steel.

Index of Employment numbers (number)

Year	2008/09	2009/10	2010/11	2011/12
Index	100	93.9	96.5	80.7

Notes:
1. Employment numbers sourced from Appendix A7.

BlueScope's employment numbers directly involved in the manufacture of the GUC have declined in 2011/12.

Index of Capacity Utilisation (metric tonnes per annum)

Year	2008/09	2009/10	2010/11	2011/12
Index	100	121.7	121.7	110.0

Notes:
1. Production data for both domestic and export, sourced from Appendix A7.

BlueScope has reflected actual production (domestic and export) for like goods in above table. It is evident that there has been a reduction in BlueScope's utilisation of capacity rates in 2011/12 for the GUC.

Index of Return On Investment (return on assets employed)

BlueScope has not included indexed numbers for its return on investment, although this information is included in Confidential Appendix A7. The indices have not been included as BlueScope undertook a major capital expenditure in 2008/09 at its Port Kembla works and the ROI in that year generated a negative position.

BlueScope's ROI performance following the 2008/09 year has declined, with the ROI for the GUC in 2011/12 substantially lower than 2010/11.

A-9 Link between injury and dumped imports.

To establish grounds to initiate an investigation there must be evidence of a relationship between the injury and the alleged dumping. This section provides for an applicant to analyse the data provided in the application to establish this link. It is not necessary that injury be shown for each economic indicator.

1. Identify from the data at <u>appendix A2</u> (Australian market) the influence of the volume of dumped and subsidized imports on your quarterly sales volume and market share.

This application relates to the application for countervailing measures on galvanized steel exported from China. The injury that may be attributed to the subsidized Chinese exports of the GUC can be cumulated with the injury from the allegedly dumped exports of galvanized steel exported from China, Korea and Taiwan. This application, therefore, is to be read in conjunction with the application for anti-dumping measures on galvanized steel exported from China, Korea and Taiwan initiated on 5 September 2012, ACDN 2012/40 refers).

Confidential Appendix A2 highlights that the Australian market for galvanised steel expanded in 2009/10. BlueScope's sales increased by almost 25 per cent following the global financial crisis, and exports of the GUC from China, Korea and Taiwan increased by 10 per cent.

During the following year 2010/11, the market experienced a contraction, with BlueScope's volumes shrinking by 12 per cent. However, exports of galvanized steel from China, Korea and Taiwan in aggregate continued to grow (by a further 2.4 per cent) with Chinese exports increased by 19 per cent and exports from Korea and Taiwan declining (by 46 and 12 per cent respectively). The Chinese exports of galvanized steel in 2010/11 accounted for approximately 16 per cent of the Australian market.

Chinese exports of galvanized steel increased further in 2011/12 (approximately 19 per cent), along with exports from Korea (by approximately 140 per cent), to be almost 40 per cent higher than the level of 2009/10. Exports from Taiwan in 2011/12 are at similar levels to earlier years.

Exports of galvanized steel from all other source countries increased in 2011/12 and accounted for approximately 23 per cent of total imports.

The increase in exports from China, Korea and Taiwan in successive years from 2008/09 (including in a contracting market in 2010/11) has contributed to BlueScope's loss of market share in 2010/11 and again in 2011/12. Over this two-year period, BlueScope's market share has fallen by more than 6 per cent, whereas the market share for the injurious exports has increased by almost 8 per cent. The influence of the dumped and subsidized exports from China, and the dumped exports from Korea and Taiwan, has been the major cause of lost sales by BlueScope in 2011/12.

BlueScope considers it is appropriate to cumulate injury from the dumped and subsidized exports of galvanized steel from China with exports of like goods from Korea and Taiwan as the goods are wholly interchangeable (i.e. can be substituted across a wide range of end-use applications) and compete across a number of market sectors.

2. Use the data at <u>appendix A2</u> (Australian market) to show the influence of the price of dumped and subsidized imports on your quarterly prices, profits and profitability provided at <u>appendix A6.1</u> (costs to make and sell). If appropriate, refer to any price undercutting and price depression evident in the market.

The influence of the dumped and subsidized exports of galvanized steel on BlueScope's selling prices, profit and profitability in 2010/11 and 2011/12 has been substantial. The A$/FOB per metric tonne export prices for the GUC from China, Korea and Taiwan are all at a similar price level (i.e. within 2 per cent), indicating that the exports from each individual country for the GUC are also competing with other exports to Australia. It should be noted that average A$/MT FOB export price for galvanised exports from countries other than China, Korea and Taiwan exceed the injurious exporting countries by approximately A$xxx/MT.

In order to minimize the erosion of its market share, BlueScope has sought to respond competitively with the landed-into-store prices for the GUC from China, Korea and Taiwan (that account for more than 75 per cent of total exports to Australia for the GUC in 2011/12).

BlueScope has included in this application evidence of import offers from each of the nominated countries at prices that undercut BlueScope's selling prices (refer to the summary included at Confidential Attachment A-9.2.1). This summary also identifies (where available) the exporter of the GUC. It is BlueScope's view that the price undercutting examples clearly establishes a causal link between BlueScope's injury and the dumped and subsidized exports. Supporting hardcopy documents (where available) of each offer are included at Confidential Attachment A-9.2.2.

Further, BlueScope has included its Import Parity Pricing Policy at Confidential Attachment A-9.2.3.

<u>Price Undercutting Example – Galvanized Steel</u>

BlueScope has included details of commercial negotiations with one of its distributors *[company]* to a long-term customer, *[company]*. The offers relate to the supply of galvanised steel over the period May to August 2011. *[company]* had been approached for supply by an importer with a price that was $xx per metric tonne below BlueScope's assessed import parity price at the time.

BlueScope was approached by *[company]* to see if it would reduce its net selling price to match the offer.

BlueScope agreed to provide rebates to achieve a price of A$xxxx per metric tonne for the supply – despite the reduction occurring at a time when market prices were rising.

Summary documentation in support of the price negotiations with *[company]* and price support agreed are included at Confidential Attachment A-9.2.4.

BlueScope (where appropriate) responds to IPP offers to maintain domestic volumes of the GUC. The dumped and subsidized exports are at price levels that significantly undercut BlueScope's selling prices. The average A$FOB export prices for China, Korea and Taiwan in 2011/12 (as per export data obtained from ISSB) were Axxx, Axxx, and A$xxx per tonne for China, Korea and Taiwan respectively during 2011/12 (refer Confidential Appendix A2).

BlueScope has obtained post-exportation cost information for the GUC landed into store in Australia. These costs are approximately Axxx, Axxx, and A$xxx per tonne, for China, Korea, and Taiwan respectively.

BlueScope's net average selling price in the 2011/12 year was $xxxx per tonne (after rebates), and represents a $xx per tonne reduction on the average net selling price of 2010/11 (i.e. the Australian industry's selling prices are continuing to decline).

The exports from China, Korea and Taiwan undercut BlueScope's average selling price by approximately A$ to A$ per tonne (or xx to xx per cent) in 2011/12.

The net effect of the price undercutting from exports from China, Korea and Taiwan, is that BlueScope's selling prices are depressed, and that there has been an approximate 6 per cent reduction in selling prices in 2011/12 over 2010/11. The consequence of the price undercutting and price depression experienced by BlueScope is reduced profit and profitability (see further below).

BlueScope therefore considers that the evidence available to it supports a strong correlation of increasing import volumes of dumped and subsidized exports of galvanized steel from China, and dumped exports from Korea and Taiwan, and a rapid deterioration in BlueScope's selling price, margin over cost, and erosion of profit and profitability.

3. Compare the data at appendix A2 (Australian market) to identify the influence of dumped and subsidized imports on your quarterly costs to make and sell at appendix A6.1 (for example refer to changes in unit fixed costs or the ability to raise prices in response to material cost increases).

BlueScope's CTM&S galvanised steel in 2011/12 has increased by approximately 10 per cent over its 2010/11 CTM&S. Over the same time, BlueScope's average selling price has declined by 6 per cent. BlueScope has outlined in Section A-9.2 that the landed duty paid into store ("LDPIS") price for exports of galvanized steel exported from China, Korea and Taiwan undercut BlueScope's selling prices by between 12 and 18 per cent in 2011/12.

BlueScope was unable to pass on cost increases experienced in 2011/12 via increased selling prices. BlueScope encountered pricing offers imported galvanized steel from China, Korea and Taiwan that undercut its average selling prices (and were below its Import Parity Pricing benchmark). In order to minimize sales volume and market share losses, BlueScope responded to import prices, often at reduced realisations.

The continuing increase in export volumes from China, Korea and Taiwan at Free-into-Store selling prices that materially undercut BlueScope's selling prices significantly restricts BlueScope's ability to respond to increases in costs. As a result, BlueScope has experienced material injury from the exports of galvanized steel that are at dumped (and subsidized) prices.

4. The quantity and prices of dumped and subsidized imported goods may affect various economic factors relevant to an Australian industry. These include, amongst other things, the return on investment in an industry, cash flow, the number of persons employed and their wages, the ability to raise capital, and the level of investment in the industry. Describe, as appropriate, the effect of dumped imports on these factors and where applicable use references to the data you have provided at appendix A7 (other economic factors). If factors other than those listed at appendix A7 (other economic factors) are relevant, include discussion of those in response to this question.

BlueScope has indicated at Section A-8.2 above that it has experienced injury in the form of certain other economic indicators including reduced revenues, underutilisation of production capacity, reduced employee numbers, and a reduction in the return on investment.

BlueScope has completed Confidential Appendix A7 that includes data for BlueScope's galvanized steel products. In addition to the economic indicators already identified, BlueScope can also point to reductions in Research and Development expenditure, and a reduction in wages (consistent with the reduction in employee numbers), as these indicators relate to the GUC. The reduction in BlueScope's profit and profitability for the GUC also impacts the attractiveness of the business for the BlueScope Board to commit to re-invest in the business and its ability to attract capital for re-investment purposes.

Please refer to Confidential Appendix A7 for supporting information relating to each identified indicator.

BlueScope would also like to highlight that the declining prices for its local supply of galvanized steel has also eroded the premium that existed for local supply. BlueScope is concerned that in the absence of anti-dumping and countervailing measures on exports from China it will be required to further respond to the injurious imports, resulting in further deteriorations of its profit and profitability, and further reductions in relation to the economic factors listed above.

5. Describe how the injury factors caused by dumping and subsidization and suffered by the Australian industry are considered to be 'material'.

The global financial crisis impacted BlueScope's performance in 2008/09. Sales volumes in 2008/09 were approximately 30 per cent below the levels achieved in 2007/08 – a year of increasing demand. The impact of the global financial crisis witnessed a reduction in demand, and the impact on profits and profitability was substantial. The significant reduction in sales volumes reduced BlueScope's operation for galvanized steel to a loss of $xxx M.

In 2011/12, following reductions in sales volumes and market share (from 2009/10) BlueScope's galvanised steel business has incurred significant losses of approximately $xx million (adjusted for write-offs incurred in first quarter of 2012 year), despite sales volumes not falling to the levels of 2008/09.

The dumped and subsidized exports have undercut BlueScope's average selling prices, contributing to reductions in sales volumes and market share, and is considered substantial in terms of lost profit for BlueScope.

The deterioration in BlueScope's profit in its galvanized steel business from $xx million in 2009/10 to a loss of $xx million in 2011/12 (excluding re-organisational costs incurred in 2012 of $xx million) is considered to represent a "material" diminution in profit. BlueScope attributes this material reduction in profit to the increase in dumped and subsidized exports to Australia from China, and dumped exports from Korea and Taiwan, during 2010/11 and 2011/12 at prices that have undercut BlueScope's selling prices.

6. Discuss factors other than dumped/subsidized imports that may have caused injury to the industry. This may be relevant to the application in that an industry weakened by other events may be more susceptible to injury from dumping and subsidization.

As previously indicated above, the Australian market for galvanized steel expanded in 2009/10 and contracted the following year (2010/11), and increased again in 2011/12.

The available data indicates the recent economic slowdown in 2011/12 has not materialised into a large reduction in demand in the Australian market for the GUC. In fact, export volumes from China, Korea and Taiwan (in aggregate) are higher than the level of 2010/11.

BlueScope recognises that the appreciation of the Australian dollar against other currencies has made imports cheaper – however, BlueScope's sensitivity analysis on the impact of the Australian dollar on the injurious exports is estimated to represent approximately 2 per cent of the dumping margins determined for exports during 2011/12.

It is of concern to BlueScope that it suffered material injury from the increasing imports in 2009/10 as it worked to recover from the effects of the global economic crisis in the previous year. The recovery fell well short of expectations as a consequence of the almost 20 per cent increase in exports of the GUC from China, Korea and Taiwan. In 2011/12, as BlueScope's domestic sales have retreated by almost 6 per cent, the volume of exports from China, Korea and Taiwan has increased.

7. This question is not mandatory, but may support your application. Where trends are evident in your estimate of the volume and prices of dumped and subsidized imports, forecast their impact on your industry's economic condition. Use the data at <u>appendix A2</u> (Australian market), <u>appendix A6</u> (cost to make and sell), and <u>appendix A7</u> (other economic factors) to support your analysis.

BlueScope is a large integrated flat steel manufacturer in Australia that adds value to its hot-rolled coil production in downstream activities including galvanized steel. The integrated process is capital intensive (assets of approximately $xxx Million) and employs more than 3,100 personnel.

The impact of dumped and subsidized exports from China, and the dumped exports from Korea and Taiwan, is not limited to BlueScope's investment in galvanized steel. As a fully integrated process, a decline in demand for raw material coil used in galvanized steel also impacts the upstream production of flat steel, hot rolled coil ("HRC") and cold rolled coil ("CRC"). BlueScope highlights this consideration with Customs and Border Protection in its assessment of material injury to the Australian industry. The increase in export volumes of the GUC from China (accounting for approximately 47 per cent of total imports of the GUC into Australia during 2011/12) is of significant concern. During the period 2003 to 2011, China increased its HRC production capacity from 70 million tonnes to 378 million tonnes – i.e. an increase of 308 million tonnes)[1]. A further 35 million tonnes is forecast to be available by 2017. This increase in capacity (along with other steel production) ahead of demand has led to significant under-utilisation of capacity in the Chinese industry, resulting in lower market prices and lower profitability.

In 2012, it is estimated that China has 89 million tonnes of excess HRC capacity – capacity that can be diverted to galvanized steel processing and destined for export to markets such as Australia. Recent investments in steel production have benefited from Government of China ("GOC") subsidies – as identified by Customs and Border Protection in its Report No. 177.

It is BlueScope's assessment that there will be a further increase in Chinese excess capacity for HRC (and hence the GUC) as the Chinese economy slows further, and Chinese manufacturers seek out export destinations to place production tonnes. World Steel Dynamics further reports[2]:

> "*China's domestic steel market prices will remain at the lowest level of the world in the future.*
>
> *As most steel products are already in over-supply, the average price of steel products in the Chinese domestic market cannot go up greatly.*
>
> *There are too many steel mills competing in the market for steel industry to have pricing power in the domestic market.*
>
> *In recent years, China's domestic market prices have typically been lower than the world export FOB prices. For example, in early 2012, the average ex-work price of HRB 5mm in China domestic market was $558 per tonne, versus the price in the USA of $802; in Western Europe of $645 and on the world export market $629 per tonne*."

It is evident that the selling prices for steel products produced in China are artificially low and are unsuitable for normal value purposes under s.269TAC(1) of the Act (See further below at Section B-4.1). Further, Customs and Border Protection has confirmed in Report No. 177 that the Chinese iron and steel industry has been the beneficiary of a range of subsidies received under GOC programs. The effect of these subsidy programs is that production costs and selling prices for steel manufactured in China are lower than they otherwise would be in the absence of the subsidies.

With overall demand for steel products down on the levels prior to the global financial crisis, steel manufacturers in other Asian countries must also compete with Chinese exporters. It is therefore of little surprise that Korea and Taiwanese galvanized steel exporters have priced exports at similar levels to the Chinese exporters for supply into the Australian market. The reluctance of importers to disclose source countries for import supply is not surprising (to prevent identification in Trade Measures applications); however, as the export prices from China, Korea and Taiwan during 2011/12 are all at similar levels (and account for approximately 75 per cent of total imports for the GUC) BlueScope is aware that it is responding to the dumped and subsidized prices on offer.

The increase in the injurious exports has been at the expense of BlueScope's domestic sales

[1] World Steel Dynamics, Chinese Steel Hits the Great Wall III, February 2012, P.14.CRU Steel Sheet Products Quarterly, July 2012, Tables S.10, S.35
[2] World Steel Dynamics Report, P. 25.

volumes. Free-into-Store prices for the GUC from China, Korea and Taiwan have undercut BlueScope's selling prices throughout 2011/12 – by margins of between 12 and 18 per cent (refer Section A-9.2 above). BlueScope submits that manufacturers/exporters of the GUC in China are not recovering the fully absorbed cost-to-make-and-sell in their respective export proposition. BlueScope also questions whether the exporter's costs to make have been recovered.

This application demonstrates that in 2011/12 BlueScope has experienced material injury from dumped and subsidized exports from China, and dumped exports from Korea and Taiwan, in the form of price depression, price suppression, price undercutting, lost sales volumes, and reduced profits and profitability. BlueScope has also demonstrated that it has experienced deterioration in each of the additional economic indicators identified, including reduced revenues, loss of employees, reduced return on investment, and reductions in the ability to raise capital and reinvest in the business.

The injury sustained by BlueScope from the dumped and subsidized exports in 2011/12 is material. Whilst the totality of the injury from dumping and subsidization may not account for all of the reduction in BlueScope's domestic profitability in the galvanized steel business in 2011/12, that injury that can be attributed to the dumping and subsidization (with margins ranging from 4.6 to 23.9 per cent) is both material and significant.

BlueScope is seeking the imposition of anti-dumping and countervailing measures against exports of galvanized steel from China, and anti-dumping measures on exports from Korea and Taiwan that have caused, and threaten to cause, material injury to the Australian industry. BlueScope further requests that Customs and Border Protection commence a formal investigation into the allegations contained in this application and that provisional measures be applied at the earliest opportunity from Day 60 following commencement of an investigation, to ensure that material injury to the Australian industry does not continue.

PART B

DUMPING

IMPORTANT

All questions in Part B should be answered even if the answer is ‘Not applicable’ or ‘None’ (unless the application is for countervailing duty only: refer Part C). If an Australian industry comprises more than one company/entity, Part B need only be completed once.

For advice about completing this part please contact the Customs Dumping Liaison Unit on:

☎ **(02) 6275-6066 Fax (02) 6275-6990**

B-1 Source of exports.

1. Identify the country(ies) of export of the dumped goods.

The country of export of the goods the subject of this application is the People's Republic of China ("China").

2. Identify whether each country is also the country of origin of the imported goods. If not, provide details.

BlueScope understands that the country of export of the goods is also the country of origin of the GUC.

3. If the source of the exports is a non market economy, or an 'economy in transition' refer to Part C.4 and Part C.5 of the application.

China is not considered 'non-market economies' or 'economies-in-transition' countries under Australia's Anti-Dumping and Countervailing provisions.

4. Where possible, provide the names, addresses and contact details of:

- **producers of the goods exported to Australia;**

  BlueScope has identified a number of zinc coaters of steel coil in China. Please refer to Confidential Attachment B-1.4.

- **exporters to Australia; and**

  BlueScope understands the following nominated companies are exporters of the Goods to Australia:

<u>China</u>

(i) ANGANG Steel
No.1, Huangang Road, Tiexi district,
Anshan City, Liaoning Province, P.R. China
Tel: 86 510 86032308,
Fax: 86 510 82400522

(ii) HEBEI I&S GROUP
(otherwise known as Handan)
No.232, Fuxin Road, Handan City,
Hebei Province, P.R. China
Tel: 86 512 5229 8888
Fax: 86 512 5229 8406

(iii) WUHAN Steel
Baosteel Tower, Pu Dian Road 370,
Pudong New District, Shanghai, China. 200122

(iv) CHANGSHU XINDAZHONG Steel
(otherwise known as Yieh Phui)
No.1, Xingdao Avenue, Dongbang Industrial Park, Changshu City,
Suzhou City, Jiangsu Province, P.R. China

(v) BAOSHAN STEEL STOCK CO LTD
(otherwise known as Baosteel)
Baosteel Tower, Pu Dian Road 370,
Pudong New District, Shanghai, China. 200122

importers in Australia.

The following companies are understood to be importers of galvanized steel into Australia from the nominated exporting countries:

(i) Marubeni-Itochu Steel Oceania Pty Ltd (MISO)
P O Box 16055
Melbourne Victoria 3007
Phone - 03-9242 1500
Fax - 03-9242 1599
Web Site - www.benichu.com.au

(ii) MinMetals Australia Pty Ltd
580 St Kilda Road
Melbourne Victoria 3001
Tel: (03) 9520 6810
Fax: (03) 9521 1815
www.minmetals.com.au

(iii) Stemcor Australia Pty Ltd
Level 13, 15 Blue Street
North Sydney NSW 2060
Phone - 02-9959 3088
Fax - 02-9925 0844

(vii) Toyota Tsusho (Australasia) Pty Ltd
231-233 Boundary Road
Laverton North Vic 3026
Phone - 03-8368 7991
Fax - 03-8368 7999

(vi) Wright Steel Pty Ltd
Suite 201, 254 Bay Road
Sandringham Vic 3191
Phone - 03-9598 0050
Fax - 03-9597 0050

(vii) GS Global Australia Pty ltd
Lvl 38, 100 Miller Street
North Sydney, NSW. 2060
Phone – 02-9954 0911
Fax – 02-9954 0919

(viii) CMC (Australia) Pty Ltd
118 Dowd Street
Welshpool, WA 6986
Phone – 08-9258 6066
Fax – 08-9258 6366

(ix) Ferropacific
Suite 5/9-11 Knox Street
Double Bay, NSW 2028
Phone – 02-9363 3513

(x) ThyssenKrupp Mannex Pty Ltd
Locked Bag 2103 Pacific Highway
North Sydney NSW 2059
Phone – 02-995 50978
Fax – 02-9925 0084
Web Site http://www.tk-mannex.com/english/

(xi) Amity Pacific
PO Box 1015,Suite 301, 270 Pacific Highway
Crows Nest, NSW 1585
Australia
Phone: +61 (2) 9439 1300
Fax: +61 (2) 9439 1344
Web Site www.amitypacific.com.au

5. If the import volume from each nominated country at Appendix A.2 (Australian Market) does not exceed 3% of all imports of the product into Australia refer to Part C.6 of the application.

Australian Bureau of Statistics ("ABS") import data for galvanized steel classified to 7210.49.00 (statistical codes 55, 56, 57 and 58) and 7212.30 (statistical code 61) are the subject of 'No Country Declared' ("NCD") suppression orders. As such, import data from China is not available from ABS.

BlueScope has obtained export data from ISSB[3], a reputable European agency that specialises in the supply of import and export trade data. BlueScope has identified the following volumes of the Goods exported to Australia from 2008/09 to 2011/12 (inclusive), using the ISSB data

Table B-1.5 – Total Export tonnes of Zinc coated steel to Australia

Country	2008/09	2009/10	2010/11	2011/12	As % of Total Imports in 2011/12
China	86,429	95,022	112,612	134,111	47.4%
Korea	9,448	14,522	7,847	19,093	6.7%
Taiwan	55,969	57,827	50,869	64,594	22.7%
Other	81,773	82,045	52,033	66,976	23.5%
Total	233,619	249,416	223,361	284,774	100

Source: ISSB.
Notes:
1. FY is July to June..

As ABS data for the GUC does not disclose country of export details, BlueScope has relied upon published export data for determining the import shares held by exporting countries (export data to Australia will only be slightly different to import data, due to timing differences). China has exported volumes that exceed the 3 per cent negligible volume levels in 2011/12.

2. In the case of an application for countervailing measures against exports from a

[3] ISSB Ltd. Is a European company involved in the publication of reports covering UK, European and Global trade in steel and raw materials. The following extract has been obtained from ISSB's website www.issb.co.uk

> "The company also maintains a database of the imports and exports of steel and steelmaking raw materials for more than 50 major steel producing nations, collectively accounting for 97% of global steel output. This high level of coverage also allows an accurate assessment of the trade flows for those countries where national trade data is not readily available and enables ISSB Ltd. to map the worlds movements of steel and steelmaking raw materials.
>
> ISSB holds trade data at 6-digit HS tariff code level (and to 8-digit level for EU countries) and can analyse the international movements of steel and steelmaking raw materials using any combination of tariffs and any combination of countries."

developing country, if the import volume from each nominated country at Appendix A.2 (Australian Market) does not exceed 4% of all imports of the product into Australia refer to Part C.6 of the application.

The import volume of galvanized steel from China accounts for approximately 47 per cent of the total import volume of like goods into Australia in the twelve months to June 2012.

B-2 Export price

1. Indicate the FOB export price(s) of the imported goods. Where there are different grades, levels of trade, models or types involved, an export price should be supplied for each.

As indicated above, ABS import data by country for the GUC is not available due to the NCD suppression order.

BlueScope has included FOB values for the Goods in Confidential Appendix A2 sourced from ISSB. An average FOB price for galvanized steel imported from China has been calculated from the identified Tariff Sub-Heading categories for the GUC.

BlueScope has used the ISSB FOB prices for China as the basis for determining prima facie dumping margins from each of the nominated countries.

2. Specify the terms and conditions of the sale, where known.

The ISSB export prices are understood to be determined at the Free-on-Board ("FOB") point in the country of export. Details of FOB export prices for China are included in Confidential Attachment B-2.3 (provided in soft copy).

3. If you consider published export prices are inadequate, or do not appropriately reflect actual prices, please calculate a deductive export price for the goods. Appendix B1 (Deductive Export Price) can be used to assist your estimation.

As indicated above, BlueScope considers the published ISSB export volumes and pricing information for galvanized steel exports from the countries included in this application to be reliable and, therefore, has not utilised deductive export prices for calculating *prima facie* dumping margins.

It should be noted that consistent with the negotiation process common in the steel industry, the price of steel imports to the Australian market is negotiated approximately 8 to 12 weeks in advance of delivery. Prices quoted to domestic customers by importers are in Australian dollars, but reflect a US dollar price hedged at the Australian dollar exchange rate on the day of offer. The final reported Customs value for the import shipment reflects the agreed US dollar price, converted into Australian dollar at the prevailing exchange rate. The price paid by the domestic customer of the importer reflects the originally negotiated Australian dollar offer, which is not further impacted by exchange rate movements.

4. It is important that the application be supported by evidence to show how export price(s) have been calculated or estimated. The evidence should identify the source(s) of data.

As BlueScope has not relied upon deductive export prices for calculating *prima facie* dumping margins, this question is not applicable.

B-3 Selling price (normal value) in the exporter's domestic market.

1. State the selling price for each grade, model or type of like goods sold by the exporter, or other sellers, on the domestic market of the country of export.

This application is for countervailing measures to address a broad range of subsidies that apply to Chinese exports of galvanized steel.

BlueScope has made an application for anti-dumping measures in respect of exports of the GUC from China (as well as exports from Korea and Taiwan). That application was initiated on 5 September 2012 (ACDN 2012/40 refers).

2. Specify the terms and conditions of the sale, where known.

Please refer to Section B-4.1 below.

3. Provide supporting documentary evidence.

Please refer to Section B-4.1 below.

4. List the names and contact details of other known sellers of like goods in the domestic market of the exporting country.

BlueScope has identified some known manufacturers of zinc coated steel products in China in B-1.4 above.

B-4 Estimate of normal value using another method.

1. Indicate the normal value of the like goods in the country of export using another method (if applicable, use appendix B2 Constructed Normal Value).

This application is for countervailing measures to address a broad range of subsidies that apply to Chinese exports of galvanized steel.

BlueScope has made an application for anti-dumping measures in respect of exports of the GUC from China (as well as exports from Korea and Taiwan). That application was initiated on 5 September 2012 (ACDN 2012/40 refers).

2. Provide supporting documentary evidence.

Please refer to BlueScope's dumping application on exports of galvanized steel exported from China, Korea and Taiwan.

B-5 Adjustments.

1. Provide details of any known differences between the export price and the normal value. Include supporting information, including the basis of estimates.

Please refer to BlueScope's dumping application on exports of galvanized steel exported from China, Korea and Taiwan.

2. State the amount of adjustment required for each and apply the adjustments to the domestic prices to calculate normal values. Include supporting information, including the basis of estimates.

Please refer to BlueScope's dumping application on exports of galvanized steel exported from China, Korea and Taiwan.

B-6 Dumping margin.

1. Subtract the export price from the normal value for each grade, model or type of the goods (after adjusting for any differences affecting price comparability).

Please refer to BlueScope's dumping application on exports of galvanized steel exported from China, Korea and Taiwan.

2. Show dumping margins as a percentage of the export price.

Please refer to BlueScope's dumping application on exports of galvanized steel exported from China, Korea and Taiwan.

PART C

SUPPLEMENTARY SECTION

IMPORTANT

Replies to questions in Part C are not mandatory in all instances, but may be essential for certain applications.

You should contact the Customs Dumping Liaison Unit before answering any question in this part:

☎ **(02) 6275-6066** **Fax** **(02) 6275-6990**

C-1 Subsidy

1. Identify the subsidy paid in the country of export or origin. Provide supporting evidence including details of:
(i) the nature and title of the subsidy;
(ii) the government agency responsible for administering the subsidy;
(iii) the recipients of the subsidy; and
(iv) the amount of the subsidy.

C-1.1 Introduction

BlueScope is seeking the publication of countervailing notices in respect of subsidies that have provided benefits, whether directly or indirectly, to Chinese exporters of galvanized steel.

BlueScope will not detail in this application Australia's legislative provisions in relation to the definition of a subsidy (refer s.269T of the Customs Act) or what is considered a 'countervailable subsidy' (s.269TAAC). The recently published Report No. 177 on HSS exported from China, Korea, Malaysia, Taiwan and Thailand adequately outlines the relevant provisions (refer Appendix B, Part 1(ii) of Report No. 177 at pp 178-180).

BlueScope has referred to the 'market situation' findings in Report No. 177 at Section B-4.1 above. Report No. 177 also identifies the countervailable subsidy programs that Customs and Border Protection identified as having afforded benefits to Chinese steel industry participants (whether HSS producers or, upstream iron and steel industry producers). Report No. 177 identifies a total of 28 programs as having provided "countervailable" subsidies to Iron and Steel Industry participants.

Chinese Manufacturers of the goods exported to Australia that are the subject of this application may be integrated or non-integrated producers. An integrated producer is predominantly also a producer of hot rolled coil ("HRC") - the steel product that is ultimately coated with galvanized steel. The integrated producer will commonly manufacture HRC from steel slab, which in turn is produced from liquid steel, where the raw material ingredients are coke, iron ore and limestone. Some integrated producers manufacture their own coke from coking coal, while others purchase coke from one of the approximate 800 producers in China. A non-integrated producer will generally purchase HRC from a non-affiliated supplier.

This application for countervailing duties identifies subsidies received by the Chinese exporter according to whether:

- the exporter is an integrated producer and therefore receives benefits from subsidised raw material inputs including coke (or coking coal) and scrap steel in liquid steel manufacture that pass through to a benefit received in the production of the galvanized steel; or
- the exporter is a non-integrated producer that purchases HRC domestically at a price that is considered to represent less than adequate remuneration (i.e. refer to Program 20 below).

Report No. 177 identified the subsidy program "Hot Rolled Steel at Less Than Adequate Remuneration" (Program 20) as the program that yielded the largest single benefit to Chinese HSS exporters. For non-integrated producers of galvanized steel a benefit is similarly received in the purchase of the HRC at less than adequate remuneration. BlueScope understands that non-integrated producers of galvanized steel exported to Australia include Changshu Xindazhong (otherwise known as Yieh Phui China).

As HRC is a product included within the broad "Hot Rolled Steel" industry, it is therefore evident that the benefits under Program 20 identified by Customs and Border Protection and outlined in Report No. 177, are also considered to flow to the Chinese galvanized steel producers in China.

The remaining programs investigated by Customs and Border Protection in Report No. 177 must also be viewed as providing benefits to producers in the Chinese Iron and Steel Industry in that they enable the producers and exporters of galvanized steel to sell at prices lower than they otherwise would in the absence of the benefit(s) received.

For ease of reference purposes, BlueScope has identified the countervailable subsidy programs in the same numeric order as they appear in Report No. 177 (with the exception of Program No 34 "*Baildon Town Public Listing Award*").

In addition to the countervailable subsidies identified in Report No.177, BlueScope considers that integrated Chinese exporters of the GUC have received benefits associated with reduced raw material prices for coke (or coking coal if integrated to coke production) and scrap steel. The cost of these raw materials at levels that is less than comparative prices on the global market, have contributed to reduced production costs for the GUC than would be the case in the absence of GOC influence. The reduced costs of inputs used in the production for galvanized steel in China are passed through to the selling prices for the GUC via the GOC's ownership and control of SIEs in the steel-making industry.

Integrated steel manufacturers of galvanized steel in China that export to Australia include Angang Steel, Hebei Iron and Steel Group, Wuhan Steel, Baoshan Steel Stock Co., Ltd.

It is BlueScope's understanding that the input costs for liquid steel manufacture in China are at comparatively lower prices than global prices as a consequence of:

- the GOC's 40 per cent export tax on coke that contributes to an oversupply of coke in China and lower domestic prices; and
- the GOC's 40 per cent export tax on scrap steel that also contributes to reduced domestic prices for scrap steel.

Where the integrated steel producer is also a manufacturer of coke, the producer purchases coking coal for conversion to coke. Chinese coking coal attracts a 10 per cent export tax, to discourage exports and encourage domestic consumption in the strategic domestic steelmaking industry.

It is therefore asserted that there are up to three additional programs of the GOC that provide integrated Chinese galvanized steel producers with reduced costs of production. These three additional programs are:

1. Coking coal at less than adequate remuneration;
2. Coke at less than adequate remuneration; and
3. Scrap steel at less than adequate remuneration.

BlueScope also understands from recent media reports that State-Invested Enterprises (or State-Owned Enterprises) in the Chinese Steel industry have received countervailable benefits in the form of preferential loans to remain operational despite incurring losses.

C-1.2 Identification of Subsidy Programs

The following details the subsidy programs that BlueScope understands also apply to Chinese producers/exporters of the GUC, whether on a direct or indirect basis. The full detail of each program is included in Report No. 177. BlueScope has detailed the key information requirements of the relevant programs for ease of reference hereunder.

C-1.2.1 Programs that provide for the Exemption/Reduction of Taxation

Program 10: Preferential Tax Policies for Foreign Invested Enterprises (FIEs) – Reduced Tax Rate for productive FIEs scheduled to operate for a period of not less than 10 years.

Legal Basis: the income tax reduction and exemption for FIEs under this program is provided for in Article 8 of the FIE Income Tax Law.

Agency responsible for administering the subsidy: The State Administration of Taxation (SAT) and local branch offices of Bureaus. The program is administered in accordance with the Implementing Rules of the Foreign investment Enterprise and Foreign Enterprise Income Tax Law (the FIE Tax Regulations). The FIE Income Tax Law and the FIE Tax Regulations were repealed with the introduction of the *Enterprise Income Tax Law 2008* (the EITL) with transitional arrangements extending the operation of the program.

The recipients of the subsidy: FIEs that are production-oriented, with an anticipated term of operation of at least 10 years, and where the enterprise has a financial year in which a profit was made.

The amount of the subsidy: Under this program, from the year an FIE begins to make a profit, it may receive a full exemption from income tax in the first and second years and a 50% reduction in income tax in the third, fourth and fifth years.

Programs 1, 11 and 12: Income Tax reduction for Foreign-Invested Enterprises (FIEs) based on location

Legal Basis: The income tax reductions under Programs 1, 11 and 12 are provided for in the Fie Income Tax Law, Article 7. The FIE Income Tax Law and the FIE Tax Regulations were replaced by the EITL in 2008. Transitional arrangements for these programs until the end of 2012 are in place under State Council Notice No. 39 of 2007.

Agency responsible for administering the subsidy: the income tax reductions under programs 1, 11, and 12 are provided for in the FIE Income Tax Law, Article 7.

The programs are national programs and are administered by the SAT and its local Branch Offices or Bureaus, in accordance with the FIE Tax Regulations.

The recipients of the subsidy:

Program 1: Only FIEs located in Economic and Technological Development Zones (ETDZs) or the coastal Economic Open Areas are eligible for the subsidy.

Program 11: Only FIEs located in Special Economic Zones (SEZs) designated geographical region are eligible for the subsidy.

Program 12: Only FIEs located in a Special Economic Zone (SEZs) designated geographical region are eligible for the subsidy.

The amount of the subsidy: The programs apply to certain industries with operations in certain designated zones or certain specific geographic locations. The programs reduce the normal FIE tax payable rate of 25 per cent to various levels, dependent upon the particular location.

Program 13: Preferential Tax Policies in the Western Regions

Legal Basis & Agency responsible for administering the subsidy: The program is administered by the SAT and its local Branch Offices or Bureaus pursuant to the *Circular of the State Council Concerning Several Policies on Carrying on the development of China's Vast Wester Regions*, State Council Circular Fa No. 33 of 2000; the *Implementing Some Policies and Measures for the Development of Western Regions*, General office of State Council Circular Guo Ban Fa No. 73 of 2001; The *Circular of the Ministry of Finance, the State Administration of Taxation, the General Administration of Customs on Issues of Incentive Policies on Taxation for the Strategy of the Development in the Western Areas* (Cai Shui 2001 No. 202); the *Circular on the Deepening the Implementation of Tax Policy concerning Development of Western Regions* (Cai Shui 2011 No. 58).

The recipients of the subsidy: The program is available to enterprises established in the Western regions which are engaged in industries encouraged by the State as defined in the:

- *Catalogue of the Industries, Products and Technologies Particularly Encouraged by the State;*
- *Guiding Catalogue for Industry Restructuring;*
- *Circular on the Preferential Tax policy of the Western Regions;*
- *Catalogue for the Guidance of the Foreign Investment Industries;*
- *Catalogue for the Guidance of the Advantageous industries in Central and Western Regions for Foreign Investment*.

The amount of the subsidy: Under this program, enterprises established in the Western Regions engaged in industries encouraged by the State are eligible for a reduced tax rate of 15 per cent (as opposed to the standard 25 per cent rate).

Program 35: Preferential Tax Policies for High and New Technology Enterprises

Legal Basis: this program is provided for under Article 26 of the EITL.

Agency responsible for administering the subsidy: This is a national program administered by SAT.

The recipients of the subsidy: According to the EITL, it is understood that all high and new technology enterprises are eligible under this program.

The amount of the subsidy: This program reduces the income tax paid by high and new technology enterprises to 15 per cent (from the 25 per cent company tax rate).

Program 14: Tariff and VAT Exemptions on Imported Materials and Equipment

Legal Basis: This program is provided for under:

- Notice of the State Council Concerning the Adjustment of Taxation Policies for Imported Equipment (Guo Fa 1997 No.37);
- Catalogue of Industries for guiding Foreign Investment;
- Catalogue of Industry, Product and Technology Key Supported by the State at Present (2004);
- State Council's Import goods Note Exempted from Taxation for Foreign Investment Projects Catalogue; and
- Import Goods Not Exempted from Taxation for Domestic Investment Projects Catalogue.

Agency responsible for administering the subsidy: The National Development and Reform Commission ("NDRC") or its provincial branches issue certificates under this program, while local customs authorities administer the VAT and tariff exemptions.

The recipients of the subsidy: To be eligible for this program, the recipients:

- must be an FIE which falls under the 'encouraged' or 'restricted' categories of the *Catalogue of Industries for Guiding Foreign Investment* (2004 to November 2007) or the *Catalogue of Industries for Guiding Foreign Investment* (2007) post 1 December 2007;
- of the imported equipment which is sought to be exempt from tariff and/or VAT must be for the enterprise's own use and not fall in the State Council's *Import Goods not Exempted from Taxation for Foreign Investment Projects Catalogue*; and
- the total value of the purchase must not exceed the investment 'cap';

or,

- the enterprise must be domestic invested enterprise (DIE) which falls in the Catalogue of Industry, Product and Technology Key Supported by the State at present (2004) and the imported equipment must be for the enterprise's own use and not fall in the *Import Goods not Exempted from Taxation for Foreign Investment Projects Catalogue*; and
- the total value of the purchase must not exceed the investment 'cap'.

The amount of the subsidy: VAT and tariff exemptions.

Program 29: Land Use Tax Deduction

Legal Basis: Approval of Tax (Expense) Deduction 2010 No. 1581.

Agency responsible for administering the subsidy: Administered by the Huzhou City Local Taxation Bureau and Wuxing Sub-Bureau.

The recipients of the subsidy: High and new technology enterprises.

The amount of the subsidy: Reduced land tax liability.

Conclusion on taxation programs

Customs and Border Protection determined in Report No. 177 that Programs 1, 10, 11, 12, 13, 14, 29, and 35 provided for a benefit to the appropriate enterprise by the GOC in the form of taxation forgone and were assessed as countervailable subsidies.

C-1.2.2 Programs that provide Financial Grants – Programs 2, 5, 6, 7, 8, 15, 16, 17, 18, 19, 21, 22, 23, 27, 28, 30, 31, and 32.

Program 2: One-Time Awards to Enterprises Whose Products Qualify for 'Well-Known TradeMarks of China' and 'Famous Brands of China'

Legal Basis: Decision concerning Commending and/or Awarding to Enterprises in Guangdong Province Whose Products qualify for the Title of 'China Worldwide Famous Brand', 'China Famous Brand', or 'China Well-Known Brand'.

Agency responsible for administering the subsidy: Government of Guangdong Province.

The recipients of the subsidy: Enterprises who's products qualify for 'Well-Known' and 'Famous Brand' titles.

The amount of the subsidy: Not specified.

Program 5: Matching Funds for International Market Development for SMEs

Legal Basis: Measures for Administration of International Market Developing Funds of Small and Medium Sized Enterprises.

Agency responsible for administering the subsidy: Ministry of Finance and Ministry of Commerce; Implemented by local finance and trade authorities.

The recipients of the subsidy: SME Enterprises that have:

- a legal personality according to law;
- the capacity to manage an import or export business;
- made exports in the previous year of US$15M (before 201) or US$45M (after 2010);
- sound financial management systems and records;
- employees who specialise in foreign trade and economic business who possess the skills of foreign trade and economics; and
- a solid market development plan.

The amount of the subsidy: Varies according to expenditure.

Program 6: Superstar Enterprise Grant

Legal Basis:

- Measures for Assessment and Encouragement of Superstar Enterprises and Excellent Enterprise; and
- Notice of Huzhou Government Office Concerning Announcement of Criteria for Superstar Enterprises, Excellent Enterprises and Backbone Enterprises.

Agency responsible for administering the subsidy: Administered by the Huzhou Economic Committee

The recipients of the subsidy: Enterprises located in the Huzhou city that satisfy the following criteria:

(a) The 'output scale' of the enterprise must meet one of the following criteria:

- business income of the current year not exceeding RMB 3.5 billion;
- revenue within the city exceeding RMB 2 billion;
- sales revenue within the city exceeding RMB 2.5 billion;
- sales revenue within the city exceeding RMB 1.5 billion where the increase of sales revenue between 2007 and 2008 was more than 30% and the increased paid up tax between 2007 and 2008 was more than RMB 10 million; or
- revenue from self-export of current year is more than USD150 million.

(b) The enterprise's accumulated industrial input between 2006 to 2008 must have exceeded RMB 150 million.
(c) The enterprise must be profitable, and its VAT 'paid up', while its

- consumption tax;
- income tax;
- business tax;
- city construction tax; and
- education supplementary tax,

must exceed RMB 30 million.

The amount of the subsidy: Various.

Program 7: Research & Development (R&D) Assistance Grant

Legal Basis: Notice of the Office of People's Government of Wuxing District on Publishing and Issuing the Management Measures on Three Types of Science and Technology Expenses of Wuxing District.

Agency responsible for administering the subsidy: The government of Wuxing district and the Science and Technology of Wuxing District ('STB') are jointly responsible for the administration of this program.

The recipients of the subsidy: Emphasis is placed on selecting enterprises with:

- research projects addressing scientific and technological problems;
- technology innovation projects; or
- projects aimed at innovation in science and technology in the agricultural sector,

as well as some high and new technology industries.

The amount of the subsidy: Various.

Program 8: Patent Award for Guangdong Province

Legal Basis: Guangdong Patent Award Implementation Proposal.

Agency responsible for administering the subsidy: Administered by the Guangdong Province Department of intellectual Property and Department of Personnel.

The recipients of the subsidy: The award is granted to enterprises that have an 'innovations and utility models' or an 'industrial design' patent.

The amount of the subsidy: Various.

Program 15: Innovative Experimental Enterprise Grant

Legal Basis: Work Implementation Scheme of Zhejiang Province on Setting Up Innovative Enterprises.

Agency responsible for administering the subsidy: Administered by the administrative office of Science and Technology Bureau of Zhejiang province.

The recipients of the subsidy: Enterprises located in Zhejiang province, and are:

- independent economic entities with 'reasonable asset-liability ratios' demonstrated earnings over the last three years, and an increasing market share;
- well-placed to undertake research and development activities with a provincial or new and high-tech technology centre available, and proven relationships with colleges and scientific research centres;
- investing at least 5 per cent of annual sales income;
- strongly committed to technological innovation and Protection with previous technological achievements.

The amount of the subsidy: Various

Program 16: Special Support Fund for Non State-Owned Enterprises

Legal Basis: Notion concerning accelerating the growth of the non-state economy.

Agency responsible for administering the subsidy: Yunnan Province local government.

The recipients of the subsidy: Non-SOEs located in Yunnan Province.

The amount of the subsidy: Various.

Program 17: Venture Investment Fund of Hi-Tech Industry

Legal Basis: Circular of Chongqing People's Government Office on Temporary Administration Measures on Venture Investment Fund of Hi-Tech Industry in Chongqing.

Agency responsible for administering the subsidy: Chongqing Venture Investment Fund

The recipients of the subsidy: Enterprises with 'high-tech' programs located in the High-tech Zone or the High-Tech Park of the new Northern District. Eligibility is also based on:

- the program must have a leading technological position in its field, and sufficient experience to enter the industrialisation development phase (industrialisation programs with intellectual property rights are given priority);
- the product must be of high quality and have potential economic benefit to the collective development of the Chongqing High-Tech Industry Zone;

- the department supporting the program must have good credit;
- the enterprise must have good legal standing; and
- the total investment in the program must be RMB 100 million or more.

The amount of the subsidy: Various.

Program 18: Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment

Legal Basis: Provisions of Guangzhou Municipality on Encouraging Foreign Investors to Set up Headquarters and Regional Headquarters.

Agency responsible for administering the subsidy: Administered by the local commerce authority of Guangzhou Municipality.

The recipients of the subsidy: The program is available to enterprises whose headquarters are established in the Guangzhou Municipality by a foreign investor. To qualify as 'Headquarters' the facility must control all the operations and the management of any enterprises it is invested in, both in China and internationally. Only one enterprise Headquarters is permitted in the Guangzhou Municipality. To qualify as 'Regional Headquarters' the facility must control the operations and management of some or all enterprises it is invested in a certain area of China.

The amount of the subsidy: Various.

Program 19: Grant for Key Enterprises in Equipment Manufacturing Industry of Zhongshan

Legal Basis: Notice of Issuing 'Method for Determination of Key Enterprises in Equipment Manufacturing Industry of Zhongshan' Zhongshu (2005) No.127.

Agency responsible for administering the subsidy: The program is administered by the local economic and trade office, by the Municipal Economic and Trade Bureau ('METB') and the Municipal Leading Group of Accelerating Development of Equipment Manufacturing Industry of Zhongshan City ('MLG').

The recipients of the subsidy: To be eligible for this program, the entity must:

- be established, registered and carrying out business in Zhongshan City;
- its primary product is part of the equipment manufacturing industry and comply with the relevant industrial policies;
- have assets over RMB 30 million, annual sales income of over RMB 50 million and annual paid-in tax of over RMB 3 million or, alternatively, the enterprise's main economic and technical indices must be at the forefront of the equipment manufacturing industry in the country or province, and have potential for additional development;
- have implemented a brand strategy, established a technical centre for research and development and be comparatively strong in its capacity for independent development and technical innovation; and
- have a good credit standing.

The amount of the subsidy: Various

Program 21: Water Conservancy Fund Deduction

Legal Basis: Notification of Relevant problems of Further Strengthening Water Conservancy Fund Deduction Administration of Zhejiang Province Local Taxation Bureau (ZheDiShuiFa (2007) No. 63).

Agency responsible for administering the subsidy: This program is administered by the Local Taxation Bureau of Zhejiang Province and it is implemented by the competent local taxation authorities of the municipal and county levels in Zhejiang Province.

The recipients of the subsidy: Enterprises must satisfy one of the following criteria:

- provide job opportunities to laid-off workers, the disabled and retired soldiers searching for jobs;
- enterprises that 'utilise resource comprehensively as designated by government department above municipal level';
- trading enterprises of commodities with annual gross profit rates of less than 5 per cent;
- enterprises undertaking 'State reserve and sale, the portion of revenues incurred from that undertaking may qualify for an exemption of the fee';
- 'advanced manufacturing enterprises' or enterprises as designated by the municipal government, which are undertaking technology development projects and investing development expenditure at an amount above RMB 1 million;
- 'insurance company's revenue from sales which are subject to exemption of excise tax';
- 'bank's revenue from turnover's between banks';
- 'revenue from sales between members of an enterprise group subject to same consolidated financial statement'.

The amount of the subsidy: Various.

Program 22: Wuxing District Freight Assistance

Legal Basis: Several opinions on Further Supporting Industrial Sector to Separate And Develop Producer-Service Industry (HuZhengBanFa (2008) 109).

Agency responsible for administering the subsidy: This program is administered by the Finance Bureau of Huzhou City.

The recipients of the subsidy: For enterprises who's annual freight cost is RMB 3 million or above, will be refunded 50% of the increase in the annual turnover tax which is paid locally by the transportation business and which is retained by the city. This increase is measured over the amount of tax paid in 2007.

For enterprises who's annually paid income tax is RMB 100,000 or above:

- 100% of the income tax paid by the 'separated enterprise' and retained by the city will be granted as assistance in each of the three years after the establishment date of the separated enterprise; and
- 50% of the turnover tax paid by the separated enterprise and retained by the city will be granted as assistance in each of the three years after the establishment date of the separated enterprise.

The amount of the subsidy: As above.

Program 23: Huzhou City Public Listing Grant

Legal Basis: Notification of Government of Huzhou City (HuBan No. 160).

Agency responsible for administering the subsidy: This program is administered by the Finance Bureau of Huzhou City.

The recipients of the subsidy: Enterprises that successfully completed listing of shares.

The amount of the subsidy: Various.

Program 27: Huzhou Industry Enterprise Transformation & Upgrade Development Fund

Legal Basis: Notification of the Office of People's Government of Huzhou City (HuZhengBanFa No. 60).

Agency responsible for administering the subsidy: The Government of Huzhou City and the Bureau for Quality and Technical Supervision are jointly responsible for the administration of this program.

The recipients of the subsidy: The award is granted to no more than three enterprises each year that are registered in Huzhou City and have been in operation for more than 3 years and that have:

- enjoyed excellent performance;
- implemented quality management; and
- obtained a leading position in industry with significant economic benefits and social benefits.

The products of an applicant must also meet the standards provided by laws and regulations regarding product safety, environmental protection, field safety, as well as relevant industrial policy.

The amount of the subsidy: Various

Program 28: Huzhou Industry Enterprise Transformation & Upgrade Development Fund

Legal Basis: GOC advised there is no single purpose legal document directly related to any benefit for this program.

Agency responsible for administering the subsidy: The Bureau of Finance and the Economic and Information Committee of Huzhou City are jointly responsible for the administration of this program.

The recipients of the subsidy: The program is limited to enterprises registered in Huzhou and encourages the transformation and upgrade of enterprises, 'including but not limited to industry upgrades, and to promote equipment manufacturing industry, high and new technology industry and new industry'.

The amount of the subsidy: Various.

Program 30: Wuxing District Public List Grant

Legal Basis: Notification on Awarding Advanced Individuals and Andvanced Entities of Industrial Economy and Open Economy for the Year of 2010 (WuWeiFa (2011) No. 14).

Agency responsible for administering the subsidy: The Government of Wuxing District administers the program.

The recipients of the subsidy: A grant is available to eligible advanced publicly listed companies.

The amount of the subsidy: Not specified.

Program 31: Anti-Dumping Respondent Assistance

Legal Basis: Notification of Reclaiming Fair Trade Assistance by Wuxing Foreign Economic and Trade Bureau.

Agency responsible for administering the subsidy: This program is administered by Wuxing District Foreign Economic and Trade Bureau.

The recipients of the subsidy: Enterprises that have incurred expenses in defending an anti-dumping claim may seek assistance under this program.

The amount of the subsidy: Not specified.

Program 32: Technology Project Assistance

Legal Basis: Interim Measure for Administration of Post-completion Assistance or Loan IOnterest Grant for Industrialization of Science and Technology Achievements Sponsored by Zhejiang Province (2008).

Agency responsible for administering the subsidy: The Bureau of Finance and the Science and Technology Bureau of Huzhou City are jointly responsible for the administration of this program.

The recipients of the subsidy: The program is available to eligible enterprises that undertake a scientific research project that meets the scope of the projects encouraged under this program.

The amount of the subsidy: Various

Conclusion on grants programs

Customs and Border Protection evidenced the existence of the identified grants programs (i.e. Programs 2, 5, 6, 7, 8, 15, 16, 17, 18, 19, 21, 22, 23, 27, 28, 30, 31, and 32) and concluded that the grants provided under the programs are financial contributions by the GOC, that involved the direct transfer of funds by the GOC to the recipient enterprises in China.

It is further acknowledged by Customs and Border Protection that *"…a financial contribution under each program would be made in connection to the production, manufacture or export of all goods of the recipient enterprise*"[4].

It is noted by BlueScope that some of the program identified by Customs and Border Protection in Report no. 177 are received by enterprises located in particular provinces of China and operate under criteria administered at the local government level. BlueScope has included all of the Programs identified in Report No. 177 as it does not know whether an exporter of the goods under consideration (or a Chinese producer of raw material HRC) unknown to BlueScope has received a benefit because of that entity's location in a particular Chinese province. It is further observed that certain identified producers of the GUC are located in provinces (i.e. Hebei, Pudong and Jiangsu) that provide benefits to entity's under programs because of their location in a relevant industrial park/economic zone.

BlueScope submits that the identified taxation and grant programs detailed in Report No. 177 as countervailable subsidies in the HSS investigation would similarly apply to enterprises involved in the manufacture of galvanized steel (including enterprises involved in the manufacture of the raw material HRC, which was also identified as a raw material in HSS manufacture).

C-1.2.3 <u>Program 20: Hot Rolled Steel Provided by Government at Less Than Adequate remuneration</u>

It is submitted by BlueScope that non-integrated Chinese exporters of galvanized steel have benefited from raw material hot rolled coil ("HRC") by the GOC at less than adequate remuneration.

BlueScope understands that the HRC used in the manufacture of the GUC is predominantly produced and supplied by State-Invested Enterprises ("SIEs") in China at less than adequate remuneration. The SIEs are viewed as public bodies and that a financial contribution in the form of the provision of raw material inputs at less adequate remuneration by the SIEs to the galvanized steel producers constitutes a countervailable subsidy. In some instances, the manufacturer of the HRC is an SIE that also further manufactures the HRC into galvanized steel.

[4] Report No. 177, P.214.

Customs and Border Protection considered whether SIE manufacturers of HRC and narrow strip constituted 'public bodies' in Report No. 177[5]. Following its assessment, Customs and Border Protection concluded[6]:

> *"..sufficient evidence exists to reasonably consider that, for the purposes of its investigation into the alleged subsidisation of HSS from China, SIEs that produce and supply HRC and/or narrow strip should be considered to be 'public bodies', in that the GOC exercises meaningful control over SIEs and their conduct.*
>
> *As such, Customs and Border Protection considers that these SIEs qualify as 'public bodies' under the Act."*

It is BlueScope's understanding that the findings on SIEs as 'public bodies' in the investigation involving HSS exported from China are readily applicable to the circumstances of galvanized steel exported from China. The grounds for applying the findings in Report No. 177 to the circumstances of galvanized steel exported from China include:

(i) the recent finalisation and publication of Report No. 177 dated 7 June 2012 provides a contemporaneous position on the HRC industry in China, including GOC input received for consideration by Customs and Border Protection as recently as circa 13 May 2012;
(ii) the investigation period in Report No. 177 immediately precedes the likely investigation period for this application (considered to be 1 July 2011 to 30 June 2012); and
(iii) the Chinese galvanized steel industry includes certain non-integrated producers that purchase HRC for use in the production of galvanized steel exported to Australia.

BlueScope submits that *non-integrated* producers within the Chinese galvanized steel industry receive a subsidy benefit for HRC at less than adequate remuneration that purchased from domestic suppliers in an industry where there is a predominance of SIEs. the benefit received by the galvanized steel producer in a low HRC purchase price is considered to represent a countervailable subsidy (as was established in Report No. 177).

C-1.2.4 Coking coal provided by Government at Less Than Adequate Remuneration

A fully-integrated steel producer would likely produce HRC (and the subsequent galvanized steel) from coking coal, rather than purchasing coke from an alternate source. Coking coal in China is the subject of a 10 per cent export tax. The export tax influences the domestic price of coking coal, acting as a disincentive to export, and encouraging increased supply to the domestic market.

As a consequence, Chinese domestic prices for coking coal are lower than world-traded coking coal prices.

BlueScope has contrasted the global price[7] of coking coal with the Chinese domestic price of coking coal over the twelve month period to June 2012. The Shangxi premium coking coal price (exclusive of VAT) undercut the global price for coking coal by an average 18 per cent over this period. Australia is a major supplier of coking coal on the global market[8] and the Australian quarterly contract C&F price is considered a representative benchmark for global coking coal prices, particularly in the Asia region. The US and Canada are also significant exporters, with China emerging as an exporter of coking coal. The following graph depicts the margin between global and Chinese coking coal prices.

[5] Refer Part V of Appendix B to Report No. 177, P229.
[6] Report No. 177, P.246.
[7] As represented by the Australian Quarterly Contract Price for Hard Coking Coal ("HCC") US$/MT, including freight to Qingdao port, North China.
[8] Australia accounts for 51% of coking coal exports globally – refer "The Coal Resource – A Comprehensive Overview of Coal", World Coal Institute, 2009, P 15.

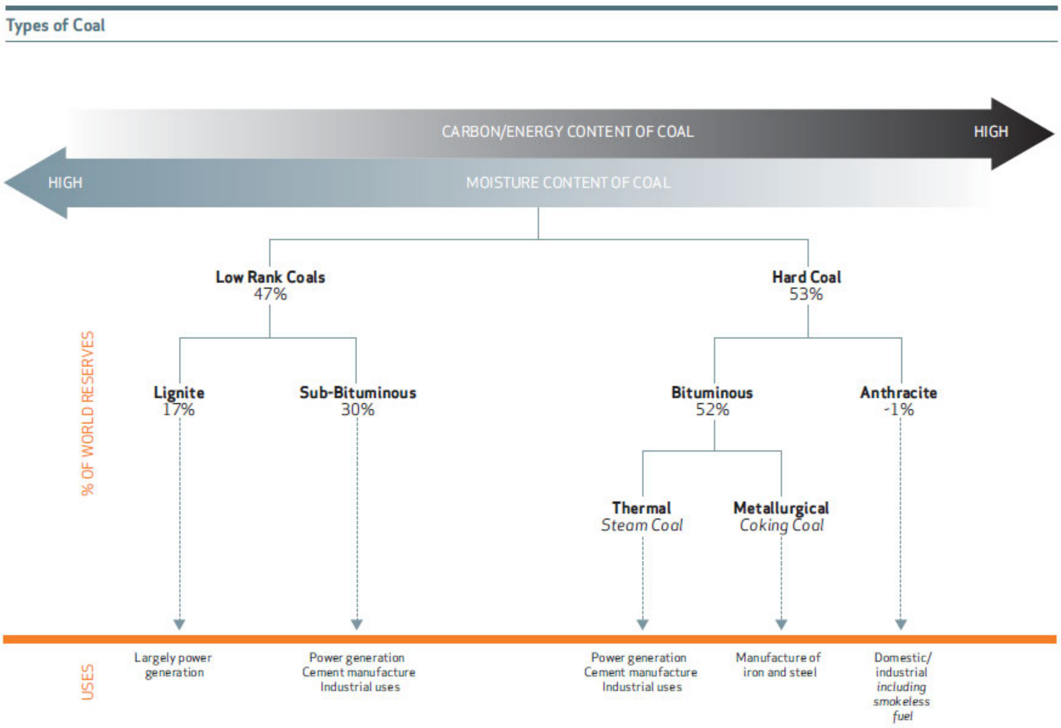
Graph C-1.1 – HCC Regional price C&F v Chinese domestic price

Source: SBB.

The average price differential between the Chinese domestic coking coal price and the global export C&F price ex-Australia during the twelve months to June 2012 was approximately US$60 per metric tonne (or greater than 20 per cent below the global export price).

Metallurgical Coking coal is a subset product of Hard coking coal (as distinct from low rank coal that is used in power generation). This Coking coal is used solely as a raw material in the manufacture of coke for iron and steel production.

The following diagram illustrates coal types and end uses.



Source: World Coal Institute, A comprehensive overview of coal

Metallurgical coal, also referred to as hard coking coal (HCC), is a vital ingredient in the steel making process.

Coking coal is defined as hard coal with a quality that allows the production of coke suitable to support a blast furnace charge. Coking coals have a higher carbon content than steam coals, which are mainly used in electricity generation. Coking coal is also the subject of a 10 per cent export tax.

Steel is produced via two main routes – either the integrated smelting involving blast furnace iron making followed by a basic oxygen furnace steel making, or in electric arc furnaces.
In the integrated route, raw materials comprise iron ore in various forms and a reductant, coke and various fluxing minerals, such as limestone and dolomite. A particular type of coal – 'coking' or 'metallurgical' coal – is used to prepare the coke. The coking coal is first crushed and then heated up in a coke oven without oxygen over several hours. This drives off volatiles and some of the impurities, leaving a solid sponge-like mass of carbon-rich material.

This coke, together with iron ore and limestone, is then charged into the blast furnace and heated so that the coke becomes gasified, producing a combination of carbon monoxide and carbon dioxide. The carbon monoxide reacts with the iron ore to form a high quality molten iron known as 'hot metal'.

China produces approximately 60 per cent of the world's coking coal. In 2011, there were more than 800 coke plants in China, with production at more than 430 million tonnes[9]. The effect of the 10 per cent export tax is to suppress the Chinese domestic price of coke (as per Graph C-1.1 above). Chinese coking coal prices, therefore, are artificially low when contrasted with global coking coal prices.

Legal basis: BlueScope has not identified any specific legal basis for the coking coal program at less than adequate remuneration (i.e. no specific law, regulation, or other GOC document has been identified that provides for coking coal at less than adequate remuneration). BlueScope highlights with Customs and Border Protection the export tax applicable on coking coal of 10 per cent.

Agency responsible for administering the program: BlueScope is not familiar with the Chinese agency responsible for the administration of the coking coal at less than adequate remuneration. BlueScope understands that there is a government operated Chinese Coking Coal Industry Association ("CCIA") that has been involved with the closure of certain coking facilities in recent times.

Recipients of the subsidy: Integrated producers of steel used in the manufacture of coke and HRC are the beneficiaries of the subsidy on coking coal provided at less than adequate remuneration.

Coking coal demand in China is linked directly to hot metal production. All premium coking coal is diverted to steel production (i.e. premium-or locally named 'fat' coking coal). Chinese production of coke has increased by 7 million tonnes in the first half of 2012 (when contrasted with the same period in 2011), with fluctuations in global coke output primarily influenced by Chinese production levels. The Chinese coking coal industry is dominated by State Invested Enterprises, with more than 50 per cent of production supplied by SIEs. The largest producer is Shanxi Coking which produced 167 million tonnes in 2011 and accounted for more than 25 per cent of Chinese metallurgical coal production. China's second largest producer is also an SIE – Pingdingshan, with more than 54 million tonnes in 2011.

It is concluded that the cost of coking coal used in the production of liquid steel represents a not insignificant cost of steel production. Steel production in China is dominated by SIEs that play a lead role in implementing the GOC's policies that result in coking coal being sold for less than adequate remuneration. There exists a flow-through impact of the coking coal at less than

[9] CRU – Coking Coal Market Outlook, June 2012, P.29.

adequate remuneration in a reduced selling price (or transfer price) for HRC for integrated producers of galvanized steel.

Customs and Border Protection established in Report No.177 that the HRC (and narrow strip) price when compared with a benchmark price was lower than the benchmark price. This finding confirmed the existence of the HRC and narrow strip at less than adequate remuneration (i.e. Program 20). Similarly, an integrated galvanized steel producer benefits from coking coal at less than adequate remuneration.

Amount of the subsidy: Determined by reference to a global market price for coking coal versus the domestically-traded price for coke in China (refer Graph C-1.1 above).

C-1.2.5 Coke provided by Government at Less Than Adequate Remuneration

For *integrated* producers of galvanized steel that buy-in coke (as opposed to manufacturing in-house from coking coal as in C-1.2.4 above), a subsidy benefit is received through the provision of raw material coke at less than adequate remuneration.

As indicated above, China is the world's largest producer of coke with annual production of approximately 430 million tonnes in 2011, of which China accounts for 60 per cent. Metallurgical coking coal is the primary cost in coke production – for every one tonne of coal, 780 kilograms of coke is produced (Xxxxx coke production data). BlueScope has demonstrated that the Chinese price for metallurgical coking coal is below the global price for coking coal (i.e. by approximately 20 per cent) and for these same reasons the Chinese domestic price for coke is also lower than the global price.

The graph[10] below demonstrates the price differential between the Chinese domestic coke price and the world global price over recent times. In 2011/12, the Chinese domestic price has been approximately US$100 per metric tonne below the global price for coke (confirming the impact of the 40 per cent export tax on the oversupply position on the Chinese domestic market).

Graph C-1.2.5 – China domestic coke price v global coke price

[*Confidential graph depicting China domestic coke price, China export price, and world export price from 2003*].

Report No. 177 includes a discussion on the GOC's export measures on coke. The 40 per cent export tax applicable to coke (made from coking coal) applied from 2009 and has continued to 30 June 2012. Coke is also the subject of GOC regulated export quotas. Coke is manufactured from coking coal and is a key raw material used in the production of iron (which is a major input into liquid steel, that is itself cast and used to make HRC[11]).

The GOC's export measures on coke are aimed at discouraging the export of a key raw ingredient in the "strategic" or "pillar" iron and steel industry, which is predominantly state-owned, with the GOC "*owning the vast majority of shares in almost all of China's major steel producers*[12]". The export measures are targeted specifically to limit exports of coke that could otherwise be exported for higher returns but for the applicable export tax. The 40 per cent export tax on coke is therefore specific as it is intended to assist only producers in the iron and steel industry with increased supply of the raw material coke at reduced prices. Similarly, the 40 per cent export tax on scrap steel is aimed at ensuring scrap steel is not exported from China (and is consumed in steel production) and is also "specific" to the Chinese steel industry.

[10] Steel Strategist Report, World Steel Dynamics, November 2012, P.333.
[11] Trade Measures Report No. 177, P149.
[12] Money for Metal, Wiley Rein LLP, 2007, P.5.

As referred to in Report No.177, China's export tariffs and export quotas and licensing of coke (and certain other raw materials) have been the subject of a recent WTO dispute[13]. The WTO Panel and Appellate Body determined that the GOC's measures were WTO inconsistent.

Customs and Border Protection concluded that the GOC's measures on the domestic coke industry could "*reasonably be considered to have had a significant impact on the domestic iron and steel industry*[14]*".*

Further, Customs and Border Protection stated that it[15]:

> *"..considers export restrictions on coke are likely to have acted as a strong barrier to exports of coke from China, as the competitiveness of Chinese exports on coke would have been seriously eroded by the export taxes and lack of export VAT rebate, and the inability of enterprises to be involved in the export of coke was restrained*.
>
> *These barriers to export would reasonably be considered to have an impact on the volume of coke exported, which has been observed in a correlating significant decline in exports of coke from China, resulting in an increased supply of coke in China.*
>
> *In turn, this increased volume of coke retained in China could reasonably be considered to have resulted* ***in decreased prices****." (emphasis added).*

In Report No. 177 Customs and Border Protection examined the cost of coke as represented in the cost of cast steel and concluded that as steel represents the majority of the cost of HRC, it was satisfied that coke represented a significant proportion of the cost of HRC. The same principal applies in respect of coke as a proportion of the total production cost of galvanized steel.

Legal basis: BlueScope has not identified any specific legal basis for this program (i.e. no specific law, regulation, or other GOC document has been identified that provides for coke at less than adequate remuneration). BlueScope does highlight the export tax applicable on coke at 40 per cent as indicated

Agency responsible for administering the program: BlueScope is not familiar with the Chinese agency responsible for the administration of the coking coal at less than adequate remuneration. BlueScope understands that there is a government operated Chinese Coking Coal Industry Association ("CCIA") that has been involved with the closure of certain coking facilities in recent times.

Recipients of the subsidy: Integrated producers of steel used in the manufacture of HRC are the beneficiaries of the subsidy on coke provided at less than adequate remuneration.

It is concluded that the cost of coke used in the production of liquid steel represents a not insignificant cost of steel production for an integrated steel producer of galvanized steel. Steel production in China is dominated by SIEs that play a lead role in implementing the GOC's policies that result in coke being sold for less than adequate remuneration. There exists a flow-through impact of the coke at less than adequate remuneration in a reduced selling price (or transfer price) for HRC for integrated producers of galvanized steel.

Customs and Border Protection established in Report No.177 that the HRC (and narrow strip) price when compared with a benchmark price was lower than the benchmark price. This finding confirmed the existence of the HRC and narrow strip at less than adequate remuneration (i.e. Program 20). An integrated steel producer that purchases coke used in the production of steel and eventually galvanized steel, benefits from a coke purchase price at less than adequate remuneration.

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[13] Reports of the Appellate Body, China – Measures Related to the Exportation of Certain Raw Materials (AB201-5) at 363.
[14] Trade Measures Report No. 177, P.152.
[15] Trade Measures Report No. 177, P.163.

Amount of the subsidy: Determined by reference to a global market price for coke versus the domestically-traded price for coke in China.

BlueScope submits that the GOC influence via export taxes on coke (and coking coal) has contributed to artificially low costs of production for coke used in the steel making process in China. As the GOC has significant ownership and control over the Chinese steel industry it is able to ensure that the reduced steel-making costs are passed-through to galvanized steel prices.

C-1.2.6 Scrap Steel at Less Than Adequate Remuneration

The scrap steel business model in China is very similar to other countries in that the supply chain and processing requirements to recycle steel remain consistent as steel is the most recycled material globally. Scrap metal is usually sourced from manufacturing industries, the construction sector and from industrial and household use such as old appliances, scrapped cars and the like.

Recycling scrap metal involves the collection, inspection, sorting and then, if required, processing such as shredding, shearing or cutting – depending on the types and condition of the scrap steel sourced. Often as scrap metal is mixed, non-ferrous metals are also separated from ferrous metal and further processed for resale back into those industries for remelting. (ie copper and aluminium are two examples).

The sorted and processed scrap steel is then sold to steel companies to use as an input raw material in the manufacture of new steel either in the integrated routes (combined with molten iron into the Basic Oxygen Steelmaking (BOS) furnace or as feed into the Electric Arc Furnace (EAF).

Scrap steel is used as a raw material in the manufacture of steel slab and HRC. The integrated production route for steel manufacture based on the blast furnace and basic oxygen furnace consumes raw materials including iron ore, coking coal, limestone and recycled steel. On average, approximately 120 kg or recycled steel is consumed in the production of 1 metric tonne of crude steel[16].

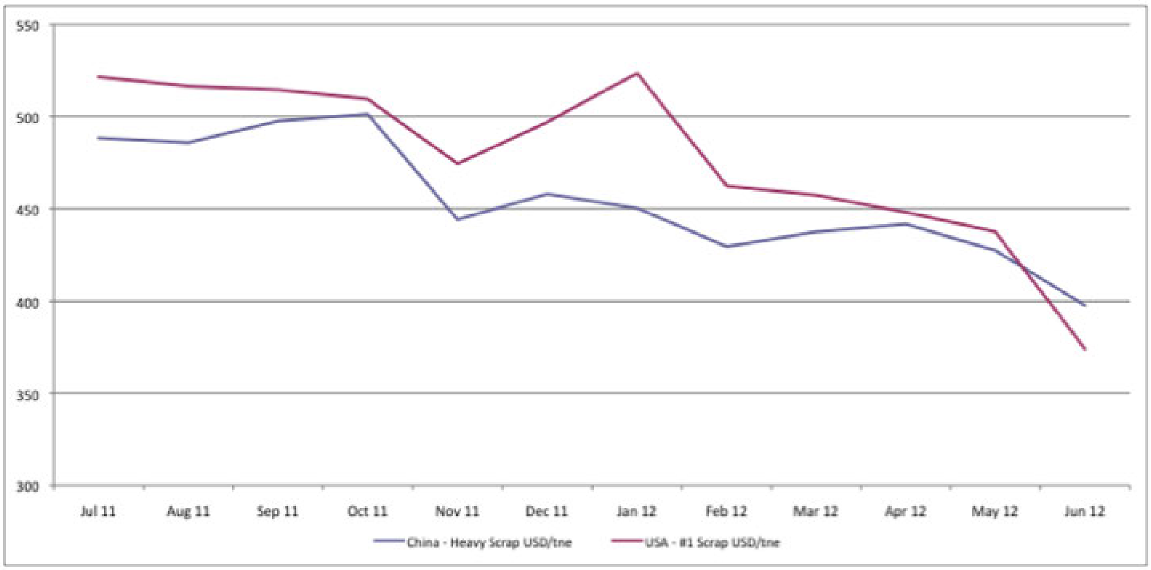
The GOC has also applied a 40 per cent export tax on steel scrap to discourage exports of steel scrap[17].

The impact of an export tax on steel scrap is similar to that which applies on coke – i.e. an increase in domestic supply, with a reduction in domestic selling prices. This results in a further overall reduction in the production cost of steel and flows through to a reduced production cost for galvanized steel in China.

BlueScope considers that the export tax on scrap steel in China contributes to low domestic selling prices for steel scrap and that this further impacts the production cost of steel and the GUC in China. It can be concluded that scrap steel sold at less than adequate remuneration contributes to the low cost of steel production in China.

[16] WorldSteel Association Fact Sheet – Raw Materials, Steel and raw materials available at www.worldsteel.org
[17] Refer http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201012/P020101214580452O5...

Graph C-1.2.6 – China Domestic delivered mill Jiangsu (excl VAT) v N America domestic deliv. mill



Source: SBB.

BlueScope has contrasted domestic scrap steel prices (excluding taxes) for the largest and third largest steel producing economies in the world – China and the USA respectively. China produces approximately 680 Million tonnes per annum, Japan 104 Million tonnes, and the USA 90 Million tonnes[18]. Both China and the USA have similar electric arc furnace production capacity (53 Million tonnes per annum China/50 Million tonnes per annum USA[19]). Total scrap melt capacity in Europe is 215 Million tonnes per annum, with Germany, Turkey and Italy the largest producers of melt.

China is a net importer of scrap – as a country it does not have sufficient embedded or accumulated infrastructure that is old and can be recycled via conversion to scrap, as is the case with more industrialised countries (e.g. USA). China does have a reasonably good scrap collection capability for what is generated, however it is not as sophisticated as in Japan or the USA. With China's large volume of raw steel manufacture driving large volume demand for scrap steel (that is also the subject of an export tax) where demand exceeds supply (i.e. net importer) it would be expected that scrap steel prices in China would be higher than in the USA (where supply exceeds demand and the USA is a net exporter of scrap steel). However, the above graph indicates that the export tax on scrap steel suppresses the domestic price for scrap steel below prevailing levels in a comparative market such as the USA where demand levels are similar.

The GOC is able to provide for low cost raw materials in the production of steel through its ownership and control of SIEs in the Chinese steel industry. The Top 20 steel-making groups in China are more than 90 per cent owned or controlled by the GOC. For integrated producers, the low production costs derived from steel scrap at less than adequate remuneration flow through to steel making and low production costs for the goods the subject of the application. Integrated producers of galvanized steel therefore pass the benefit originally derived from the artificially low priced scrap steel through to a reduced galvanized steel price.

Legal basis: BlueScope has not identified any specific legal basis for this program (i.e. no specific law, regulation, or other GOC document has been identified that provides for scrap steel at less

[18] Capacities sourced from [*companies*].
[19] Japanese EAF production is 20 Million tonnes per annum (Source *companies*).

than adequate remuneration). BlueScope does highlight the export tax applicable on scrap steel at 40 per cent as indicated.

Agency responsible for administering the program: Unknown.

Recipients of the subsidy: Producers of steel used in the manufacture of galvanized steel are the beneficiaries of the subsidy on scrap steel provided at less than adequate remuneration

Amount of the subsidy: Determined by reference to an international market price for scrap steel versus the domestically-traded price for scrap steel in China. BlueScope estimates that the Chinese domestic price for scrap steel was approximately US$23 per metric tonne (or approximately 6 per cent) below the equivalent US domestic price during the twelve months to June 2012.

BlueScope submits that the GOC influence via export taxes on scrap steel has contributed to artificially low costs of production for steel making in China. As the GOC has significant ownership and control over the Chinese steel industry it is able to ensure that the reduced steel-making costs are passed-through to reduced selling prices for HRC (whether for domestic sale or transferred internally) that is subsequently used in the production of galvanized steel.

C-1.2.7 Other subsidy programs to Chinese Steel industry

A recent article published by Steel Business Briefing commenting on overcapacity in the Chinese steel industry attributes certain comments to the Vice Chairman of the China Iron and Steel Association. The impact of the overcapacity has contributed to "undermining the industry's profitability".

More specifically, however, are the additional comments in the article that state[20]:

> "*Although some state-owned steel mills have been running less efficiently or making bigger losses than certain private steel mills, preferential loans and local government support have afforded state-owned mills great advantage over private ones…….If the inefficient state-owned mills cut production when losses occur, others will take over their market shares and might gradually squeeze out the inefficient mills. However, with preferential loans and government backing, the state-owned mills could sustain their operations in spite of great losses and, on the contrary, could eventually drag down the more efficient private mills that have no access to cheap finance*."

It is apparent that SIEs in the Chinese Steel industry have access to preferential loans and certain "local government" support that are likely countervailable subsidies that provide support during periods of declining domestic demand.

BlueScope requests that Customs and Border Protection inquire of Chinese exporters of galvanized steel whether they are consuming and/or purchasing HRC that has benefited from government support (including preferential loans).

C-1.3 Conclusions on Countervailable subsidies impacting galvanized steel exported from China

The recently published Report No. 177 confirms that the Chinese Iron and Steel Industry has benefited from GOC subsidies in the form of taxation reductions/exemptions, grants and reduced prices for raw material inputs, that have contributed to prices for galvanized steel products being lower than they otherwise would be in the absence of the GOC's subsidy programs. Specifically, for integrated producers artificially low raw material input costs in the production of steel (i.e. coking coal, coke and scrap steel) at less than adequate remuneration have contributed to galvanized steel production costs being lower than they otherwise would be.

[20] SBB, 3 September 2012.

BlueScope also understands that the identified Chinese exporters of galvanized steel product to Australia are also located in Economic Development Areas/Zones, Industrial Parks or Special Economic Zones and would likely benefit from reduced company rates of taxation as per Programs 1, 11 or 12. Countervailable benefits in the form of grants and/or taxation exemptions and/or reductions, are also received.

BlueScope further considers that non-integrated producers of galvanized steel produced in China have benefited from HRC at less than adequate remuneration – as the HRC raw material used in galvanized steel is also one of the identified raw materials (i.e. HRC and/or narrow strip) identified as being sold at less than adequate remuneration in Report No. 177.

The findings of Report No.177 are therefore directly relevant to this application on the subsidisation of galvanized steel exported to Australia from China. BlueScope requests Customs and Border Protection to publish countervailing duty notices in respect of galvanized zinc coated steel exported from China.

C-2. Threat of material injury

Address this section if the application relies solely on threat of material injury (ie where material injury to an Australian industry is not yet evident).

1. **Identify the change in circumstances that has created a situation where threat of material injury to an Australian industry from dumping/subsidisation is foreseeable and imminent, for example by having regard to:**
    1. **the rate of increase of dumped/subsidised imports;**
    2. **changes to the available capacity of the exporter(s);**
    3. **the prices of imports that will have a significant depressing or suppressing effect on domestic prices and lead to further imports;**
    4. **inventories of the product to be investigated; or**
    5. **any other relevant factor(s).**

BlueScope has not relied upon the “threat” of material injury from the injurious exports for this application. BlueScope has demonstrated that it has experienced material injury from the dumped and subsidized exports during the 2011/12 period (i.e. July 2011 to June 2012) and, that dumping and countervailing measures are required to prevent further material injury to the Australian industry manufacturing like goods.

2. **If appropriate, include an analysis of trends (or a projection of trends) and market conditions illustrating that the threat is both foreseeable and imminent.**

As indicated at Section C-2.1 above, this application is not based on a “threat” of material injury.

C-3. Close processed agricultural goods

Where it is established that the like (processed) goods are closely related to the locally produced (unprocessed) raw agricultural goods, then – for the purposes of injury assessment – the producers of the raw agricultural goods may form part of the Australian industry. This section is to be completed only where processed agricultural goods are the subject of the application. **Applicants are advised to contact the Dumping Liaison Unit before completing this section ☎ (02) 6275-6066 Fax (02) 6275-6990**.

1. **Fully describe the locally produced raw agricultural goods.**

    The goods the subject of this application are not considered ‘raw agricultural goods’.

2. Provide details showing that the raw agricultural goods are devoted substantially or completely to the processed agricultural goods.

The goods the subject of this application are not considered ‘raw agricultural goods’, hence this question is not applicable.

3. Provide details showing that the processed agricultural goods are derived substantially or completely from the raw agricultural goods.

The goods the subject of this application are not considered ‘raw agricultural goods’, hence this question is not applicable.

4. Provide information to establish either:

- **a close relationship between the price of the raw agricultural goods and the processed agricultural goods; or**
- **that the cost of the raw agricultural goods is a significant part of the production cost of the processed agricultural goods.**

The goods the subject of this application are not considered ‘raw agricultural goods’, hence this question is not applicable.

C-4. Exports from a non-market economy

1. Provide evidence the country of export is a non-market economy. A non-market economy exists where the government has a monopoly, or a substantial monopoly, of trade in the country of export and determines (or substantially influences) the domestic price of like goods in that country.

China is not considered “non-market economy” countries for the purposes of Australia’s Dumping and Countervailing Provisions. This question is therefore not applicable.

2. Nominate a comparable market economy to establish selling prices.

This question does not apply.

3. Explain the basis for selection of the comparable market economy country.

This question does not apply.

4. Indicate the selling price (or the cost to make and sell) for each grade, model or type of the goods sold in the comparable market economy country. Provide supporting evidence.

This question does not apply.

C-5 Exports from an ‘economy in transition’

1. Provide information establishing that the country of export is an ‘economy in transition’.

China is not considered “economy-in-transition” countries for the purposes of Australia’s Dumping and Countervailing Provisions. This question is therefore not applicable.

2. A price control situation exists where the price of the goods is controlled or substantially controlled by a government in the country of export. Provide evidence that a price control situation exists in the country of export in respect of like goods.

This question does not apply.

3. Provide information (reasonably available to you) that raw material inputs used in manufacturing/producing the exported goods are supplied by an enterprise wholly owned by a government, at any level, of the country of export.

This question does not apply.

4. Estimate a 'normal value' for the goods in the country of export for comparison with export price. Provide evidence to support your estimate.

This question does not apply.

C-6 Aggregation of Volumes of dumped goods

Only answer this question if required by question B.1.5 of the application and action is sought against countries that individually account for less than 3% of total imports from all countries (or 4% in the case of subsidised goods from developing countries). To be included in an investigation, they must collectively account for more than 7% of the total (or 9% in the case of subsidised goods from developing countries).

	Quantity	%	Value	%
All imports into Australia		100%		100%
Total				

The import volumes from China exceeds the 3 per cent negligible volumes in the July 2011 to June 2012 twelve-month period. Please refer to Table B-1.5 above.