

**BlueScope Steel Limited**  
**APPLICATION FOR ANTI-DUMPING DUTIES**  
**GALVANIZED STEEL**  
**exported from**  
**the People's Republic of China,**  
**Republic of Korea and Taiwan**

**August 2012**

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 for galvanized steel exported from China, Korea and Taiwan;
- a countervailing duty notice, 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: 30 / 08 / 2012

# **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.

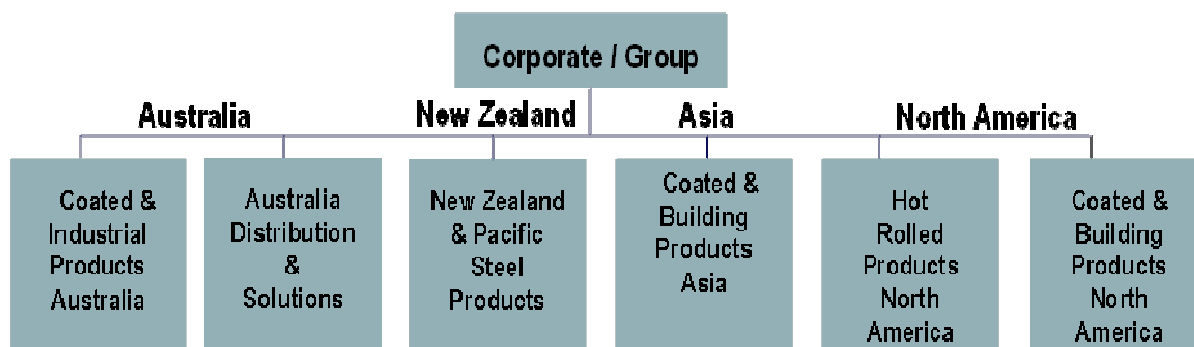
1. State the legal name of your business and its type (eg. company, partnership, sole trader, joint venture). Please provide details of any other business names you use to manufacture/produce/sell the goods that are the subject of your application.

The company seeking the imposition of anti-dumping 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®” “GALVSPAN®”, “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):



### Functions performed by each group within the organization

#### 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 NOMINEES 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 NOMINEES 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%
	<b>TOTAL</b>	<b>2,348,768,110</b>	<b>70.13%</b>
	Balance of Register	1,000,417,137	29.87%
	<b>Grand TOTAL</b>	<b>3,349,185,247</b>	<b>100.00%</b>

**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:

<b>Affiliated Company</b>	<b>Activities of affiliate</b>
<b><i>Australian Affiliates</i></b>	
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.
<b><i>International Affiliates</i></b>	
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](http://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](http://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 these Goods 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/m<sup>2</sup>) 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
<b>General and Commercial Grades</b>	
AS/NZS 1397	G1, G2
ASTMA 653/A 653M	CS type A, B and C
EN10346	DX51D, DX52D
JIS 3302	SGCC, SGHC
<b>Forming, Pressing &amp; Drawing Grades</b>	
AS/NZS 1397	G3
ASTMA 653/A 653M	FS, DS type A and B
EN10346	DX53D, DX54D
JIS 3302	SGCD, SGCDD,
<b>Structural Grades</b>	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTMA 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 the following rates of duty:

- China – zero per cent (a DCS country);
- Korea – 5 per cent (a DCT country) and
- Taiwan – 5 per cent (a DCT country)

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 the nominated countries 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.

### Like Goods

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.

Physical properties

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, Korea and Taiwan (the countries under reference);
- 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 as 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)).

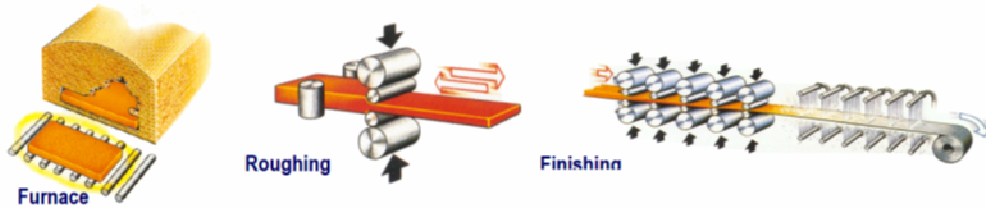
This cold rolled steel coil is the input feed material to the continuous coating line and this cold rolled steel runs continuously through several key processes:

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.

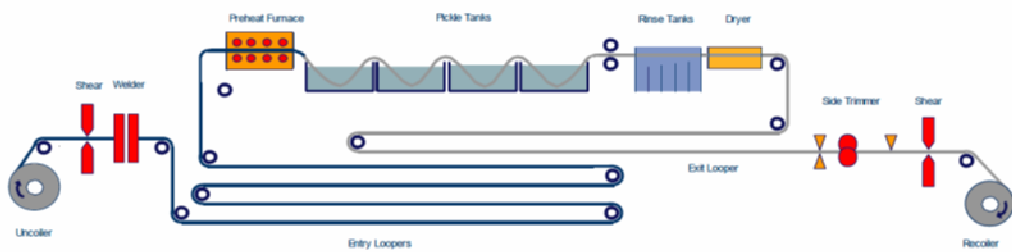
The range of options for zinc coated steel include a “Skin Passed” or “un-Skin Passed” surface, chromated or un-chromated surface” or an “oiled surface” or “dry surface. For zinc/iron alloy coated steel the option is for a “Skin Passed” or “un-Skin Passed surface. The diagram below reflects a zinc galvanizing 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 (Galvanized) steel**

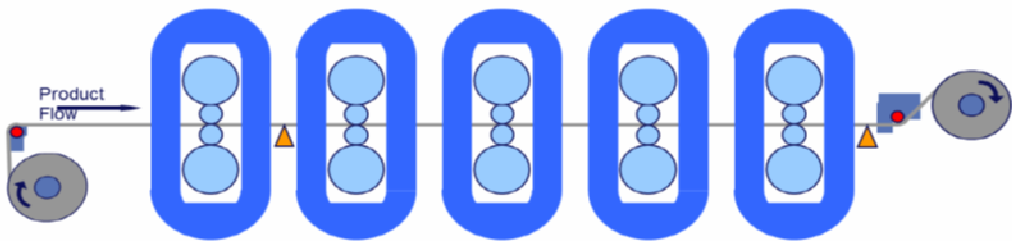
Slab is converted to Hot Roll Coil (HRC) at the Hot Strip Mill



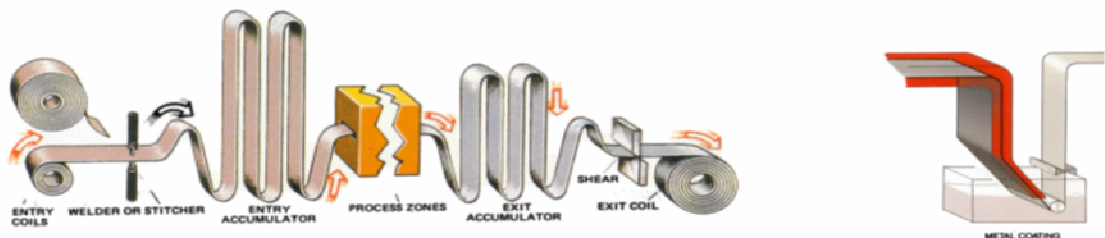
HRC has its surface scale removed and is side trimmed Hot Roll Coil at the Pickle line



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
<b>Galvanised products</b>	<b>Building and construction, manufacturing, automotive and transport</b>	<b>General manufacturing, automotive, structural sections for commercial and industrial buildings and structural decking</b>
Aluminium zinc coated steel products	Building and construction, manufacturing	Commercial and industrial construction including roofing, walling, rain water goods and residential framing
Prepainted 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 *[identity]*) 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 *[identity]*

Within the general manufacturing industry the major customers would *include [identity]*

- (v) 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 – eg/. 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.

(vi) The way in which the imported and Australian products compete

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 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 <sup>n</sup> Sales	(c) Total Aust <sup>n</sup> 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	119.5	63.1	99.7	102.2

**Notes:**

1. BlueScope is the sole Australian manufacturer of the GUC.
2. Financial year 2012 data is incomplete due to a lag in Country of Origin data supply, there is no import volumes recorded for all countries for May and June 2012, except for 16,378 tonnes ex China in May.

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.

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 remained at that level 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 further again in 2011/12.

The export data for all exports of the GUC in 2011/12 is incomplete. At the date of application lodgement, export data for all countries (with the exception of China) was only available until April 2012. China data for May 2012 was available. On an extrapolation of the export data for each of the "dumped" source countries for the complete 2011/12 year, the exports from China in 2011/12 exceed the volumes of 2010/11. For Korea, export volumes will have increased in 2011/12, to be approximately 160 per cent above the level of 2010/11 (7,847 tonnes in 2010/11). Exports from Taiwan are likely to be slightly above the 2010/11 levels (50,869 tonnes in 2010/11).

Following account of the extrapolated data, the Australian market in 2011/12 increased by 2.8 per cent over 2010/11, with exports from the nominated countries increasing in 2011/12 by 19.4 per cent above 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*

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

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

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

<b>Values</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
<b>All Products</b>				
Australian market	100	102.1	95.6	86.1
Export market	100	69.4	91.2	58.0
<b>Total</b>	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 appendix A5 (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 appendix A4 (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 appendix A4 (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 is *[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 appendix A4 (domestic sales).
- If you have issued credit notes (directly or indirectly) provide details if the credited amount has not been reported appendix A4 (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. *[Commercially sensitive details concerning rebates]*.

**9. Select two domestic sales in each quarter of the data supplied in appendix A4 (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](http://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](http://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 imports commenced.

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)*

<b>Year</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
<b>Index</b>	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)*

<b>Year</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
<b>Index</b>	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)*

<b>Year</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
<b>Index</b>	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 (\$)*

<b>Year</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
<b>Index</b>	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 subsidised) exports of galvanized steel.

*Index of Employment numbers (number)*

<b>Year</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
<b>Index</b>	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)*

<b>Year</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
<b>Index</b>	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 appendix A2 (Australian market) the influence of the volume of dumped imports on your quarterly sales volume and market share.**

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 16 per cent), along with exports from Korea (by approximately 160 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 since 2008/09 (including in a contracting market in 2010/11) has contributed to BlueScope's loss of market share in 2010/11 and 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 exports from China, Korea, and has been the major cause of lost sales by BlueScope in 2011/12.

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

The influence of the dumped 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\$300/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 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.

Price Undercutting Example – Galvanized Steel

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 [pricing strategy] 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 exports the subject of this application, however, 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 A\$xxx, A\$xxx, 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 A\$xxx, A\$xxx, and A\$xxx per tonne, for China, Korea, and Taiwan respectively.

BlueScope's net average selling price in the 2011/12 year was \$value 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 dumped exports from China, Korea and Taiwan undercut BlueScope's average selling price by approximately A\$xxx to A\$xxx per tonne (or 12 to 18 per cent) in 2011/12.

The net effect of the price undercutting from the dumped 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 exports of galvanized steel from China, 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 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 galvanized 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 prices.

4. **The quantity and prices of dumped 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 measures it will be required to further respond to the dumped 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 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 exports have undercut BlueScope’s average selling prices, and contributed 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 exports to Australia from the nominated countries during 2010/11 and 2011/12 at prices that have undercut BlueScope’s selling prices.

**6. Discuss factors other than dumped 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.**

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 dumping from each of the nominated exporting countries 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 the nominated countries 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 imports, forecast their impact on your industry’s economic condition. Use the data at appendix A2 (Australian market), appendix A6 (cost to make and sell), and appendix A7 (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 exports of the goods the subject of this application from China, 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 more than 50 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<sup>1</sup>. 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<sup>2</sup>:

*“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 subsidised) prices on offer.

The increase in the injurious exports has been at the expense of BlueScope’s domestic sales 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 each of the nominated exporting countries are not recovering the fully absorbed cost-to-make-and-sell in

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<sup>1</sup> World Steel Dynamics, Chinese Steel Hits the Great Wall III, [source] Quarterly, July 2012,

<sup>2</sup> World Steel Dynamics Report, P. 25.

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 exports of the GUC from China, 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 exports in 2011/12 is material. Whilst the totality of the injury from dumping 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 (with margins ranging from 4.6 to 23.9 per cent) is both material and significant.

BlueScope is seeking the imposition of anti-dumping measures against exports of galvanized steel from China, 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 countries of export of the goods the subject of this application are the People's Republic of China ("China"), the Republic of Korea ("Korea"), and Taiwan.

### **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, Korea and Taiwan are 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:

#### **China**

(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

**Korea**

- (i) Union Steel Korea  
Union Steel Building 890  
Daechin-Dong,  
Gangnam-Gu, Seoul, 135-524 South Korea  
Tel: 82 2 2222 0114  
Fax: 82 2 2222 0275  
[www.unionsteel.co.kr](http://www.unionsteel.co.kr)
- (ii) Dongbu steel  
Dongbu Financial Center.  
891-10 Daechi-dong, Gangnam-Gu,  
Seoul, 135-524 South Korea  
Tel: 82 2 3450 8114
- (iii) Hyundai Steel Company  
231, Yangjae-dong, Seocho-gu,  
Seoul, 137-938 Korea  
Tel: +82 2 3464 6114  
Fax: +82 2 3464 6100  
Web: <http://www.hyundai-steel.com>
- (iv) Posco Steel (POCOS)  
POSCO Center  
892, Daechi-4-dong,  
Gangnam-gu, Seoul  
135-777, Korea  
Tel: +82 2 3457 0114  
Fax: +82 2 3457 6000  
Web: [www.posco.com](http://www.posco.com)

**Taiwan**

- (i) Yieh Phui Corp  
No.6, E-Da Road,  
Yanchao Township,  
Kaohsiung Country  
Taiwan 82445 ROC  
Tel: 886 7 615 1000  
Fax: 886 7 615 3000  
[www.yieh.com](http://www.yieh.com)
- (ii) Sheng Yu – otherwise known as Sysco  
No. 11, Chung Lin Road  
Hsiaokan District  
Kaohsiung Taiwan ROC  
Tel: 886 7 871 5395  
Fax: 886 7 872 0065  
[www.syg.com.tw](http://www.syg.com.tw)
- (iii) China Steel Corp (CSC)  
1 Chung Kang Road, Siaogang District,  
Kaohsiung City 81233, Taiwan, ROC  
Tel: +886-7-8021111  
Fax: +886-7-8022511  
Web: [www.csc.com.tw](http://www.csc.com.tw)

**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](http://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](http://www.minmetals.com.au)
  
- (iii) Stencor 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
  
- (vii) Wright Steel Pty Ltd  
Suite 201, 254 Bay Road  
Sandringham Vic 3191  
Phone - 03-9598 0050  
Fax - 03-9597 0050
  
- (viii) GS Global Australia Pty Ltd  
Lvl 38, 100 Miller Street  
North Sydney, NSW. 2060  
Phone – 02-9954 0911  
Fax – 02-9954 0919
  
- (ix) CMC (Australia) Pty Ltd  
118 Dowd Street  
Welshpool, WA 6986  
Phone – 08-9258 6066  
Fax – 08-9258 6366
  
- (x) Ferropacific  
Suite 5/9-11 Knox Street  
Double Bay, NSW 2028  
Phone – 02-9363 3513
  
- (xi) 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/>

(xii) 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](http://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 each of the countries nominated in this application are not available from ABS.

BlueScope has obtained export data from ISSB<sup>3</sup>, 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	120,208	51.6%
Korea	9,448	14,522	7,847	16,914	7.3%
Taiwan	55,969	57,827	50,869	44,288	19.0%
Other	81,773	82,045	52,033	51,560	22.1%
<b>Total</b>	<b>233,619</b>	<b>249,416</b>	<b>223,361</b>	<b>232,970</b>	<b>100</b>

**Source: ISSB.**

**Notes:**

1. 2011/12 data is incomplete a/c lag in COO data supply, there is no import volumes recorded for all countries for May and June 2012, bar 16,378 tnes ex China in May.

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). Each of the exporting countries named in this application – China, Korea and Taiwan– have exported volumes that exceed the 3 per cent negligible volume levels in 2011/12.

<sup>3</sup> 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](http://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.”

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

This application is for anti-dumping measures only, hence this question does not apply.

## **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 the nominated countries has been calculated from the identified Tariff Sub-Heading categories for the GUC.

BlueScope has used the ISSB FOB prices for each country (China, Korea and Taiwan) 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, Korea and Taiwan 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.**

The full range of product specifications that are the subject of this application are not commonly sold in China, Korea or Taiwan. The thickness and width of the higher volume products sold in Australia are not generally sold on the domestic markets of the exporting countries. In addition, published domestic prices for galvanized steel products are not readily available from reliable third parties, industry journals or steel industry publications.

Furthermore, domestic pricing information for the GUC is tightly held by producers and distributors in each of the exporting countries nominated in this application. BlueScope also considers that domestic selling prices for the GUC sold in China are artificially low and cannot be relied upon for demonstrating *prima facie* dumping margins (See further below under Section B-4.1).

BlueScope is also aware that Customs and Border Protection has recently completed an investigation into Certain Hollow Structural Sections ("HSS") exported from a number of countries including China<sup>4</sup>. Trade Measures Report No. 177 concluded that the selling prices for HSS sold in China were not suitable for the purposes of determining normal values. Customs and Border Protection determined that a "particular market situation" for HSS sold in China was determined.

It is BlueScope's understanding that HRC prices in China are significantly lower than global HRC prices. BlueScope has examined Chinese domestic prices for HRC (exclusive of VAT) over the 2011/12 year and contrasted these with available domestic prices published for HRC sold in Korea and Taiwan.

During 2011/12, Chinese domestic HRC prices (exclusive of VAT) were on average \$175 per metric tonne below the average SBB HRC Korean and Taiwanese domestic HRC prices (A\$/MT, exclusive of VAT). Details of this analysis are included in Confidential Attachment B-3.1.

As HRC represents a significant component of the total production cost of galvanized steel (i.e. more than 60 per cent of input costs), it is therefore apparent that artificially low Chinese HRC input prices used in the manufacture of galvanized steel would also render the Chinese domestic selling prices for galvanized steel to also be considered artificially low.

As BlueScope does not have access to domestic selling prices for galvanized steel in Korea or Taiwan, and considers Chinese domestic selling prices to be artificially low and not suitable for the purposes of normal values (as per s.269TAC(2)(a)(ii)). Accordingly, BlueScope has prepared constructed normal values for the most common grade of galvanized steel (i.e. 1200mm width x 1.5mm thickness) for the GUC exported from China, Korea and Taiwan.

Please refer to Section B-4.1 below for an outline of BlueScope's approach to constructed selling prices for galvanized steel sold in China, Korea and Taiwan.

**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.

<sup>4</sup> Refer Trade Measures Report No. 177 dated 7 June 2012.

**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, Korea and Taiwan 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).**

BlueScope has prepared *prima facie* normal values for galvanized steel exported from China, Korea and Taiwan using a constructed selling price methodology.

**B-4.1.1 Korea**

In constructing normal values for galvanized steel sold in Korea, BlueScope has relied upon the domestic selling price for Korean HRC used in its 2012 HRC Anti- Dumping application<sup>5</sup> adjusted to take account of the embedded profit (as internally transferred for coating purposes) and for utilising a base steel grade of HRC as input for the manufacture of the galvanized steel product. Additional value-added costs to convert HRC into galvanized steel have been determined based upon BlueScope's 2011/12 conversion costs adjusted for Korean costs (where available) or are based upon independent information. A nominal level of profit has been applied to the finished product.

The constructed Korean domestic selling prices<sup>6</sup> for galvanized steel sold on a quarterly basis are as follows:

	<b>Jul-Sep 2011</b>	<b>Oct-Dec 2011</b>	<b>Jan-Mar 2012</b>	<b>Apr-Jun 2012</b>
<b>Domestic Price</b>	A\$1068/MT	A\$1000/MT	A\$964/MT	A\$1012/MT

The basis for the Korea constructed normal values for galvanized steel is included at Confidential Attachment B-4.1.

**B-4.1.2 Taiwan**

Normal values for galvanized steel have also been constructed commencing with the Taiwanese domestic selling prices for HRC sourced from Taiwan Iron and Steel as used by BlueScope in its 2012 HRC Anti- Dumping application. The Taiwanese HRC price(s) have been adjusted to take account of the embedded profit (as internally transferred for coating purposes) and for utilising a base steel grade of HRC as input for the manufacture of the galvanized steel product. Additional value-added costs to convert HRC into galvanized steel have been determined based upon BlueScope's 2011/12 conversion costs adjusted for Taiwanese costs (where available) or are based upon independent information. A nominal level of profit has been applied to the finished product.

The constructed Taiwanese domestic selling prices<sup>7</sup> for galvanized steel sold on a quarterly basis are as follows:

	<b>Jul-Sep 2011</b>	<b>Oct-Dec 2011</b>	<b>Jan-Mar 2012</b>	<b>Apr-Jun 2012</b>
<b>Domestic Price</b>	A\$926/MT	A\$925/MT	A\$896/MT	A\$930/MT

The basis for the Taiwanese constructed normal values for galvanized steel is included at Confidential Attachment B-4.1.

<sup>5</sup> HRC domestic selling prices in Korea sourced from Steel Daily (Korea).

<sup>6</sup> HRC prices sourced in Korean Won per metric tonne, however, conversion costs based upon A\$/MT, hence domestic selling prices for GUC calculated in A\$/MT equivalent.

<sup>7</sup> HRC prices sourced in Taiwan NT\$ per metric tonne, however, conversion costs based upon A\$/MT, hence domestic selling prices for GUC calculated in A\$/MT equivalent.

### B-4.1.3 China

#### Background

As indicated at B-3.1, BlueScope considers that domestic selling prices for galvanized steel in China are artificially low due to government influence on raw material prices (i.e. in particular, HRC) and that the selling prices for galvanized steel are therefore unsuitable for establishing normal values under s.269TAC(1) of the Customs Act.

BlueScope submits that a particular market situation exists on the domestic market in China for galvanized steel, and that normal values for the GUC cannot be assessed under the provisions of s.269TAC(1).

It is also noted by BlueScope that Customs and Border Protection has recently published Trade Measures Report No. 177 ("Report No. 177") on HSS exported from China, Korea, Malaysia, Thailand and Taiwan. In Report No. 177 the Minister concurred with Customs and Border Protection's assessment that a market situation existed for HSS sold in China and that normal values for HSS in China could not be determined under s.269TAC(1).

Specifically, Customs and Border Protection concluded<sup>8</sup>:

*"...that the GOC has exerted numerous influences on the Chinese iron and steel industry, which are likely to have materially distorted competitive conditions within that industry and affected the supply of HSS, HRC, narrow strip and upstream products and materials."*

*"The impact of these GOC influences on supply are extensive, complex and manifold, and their resulting impact on the prices of HSS is not able to be easily quantified."*

*"Customs and Border Protection's analysis of the information available indicates that prices of HSS in the Chinese market are not substantially the same (likely to be artificially low), as they would have been without the GOC influence. Customs and Border Protection considers that the GOC influences in the Chinese iron and steel industry have created a 'market situation' in the domestic HSS market, such that sales of HSS in that market are not suitable for determining normal values under s.269TAC(1)."*

BlueScope notes the reference by Customs and Border Protection to the GOC influences that "have materially distorted competitive conditions within that industry and have affected the supply of HSS, **HRC**, narrow strip, and **upstream products** and materials." (emphasis added). The goods the subject of this application – galvanized steel – is also a product affected by the GOC distortions, similar to HSS. The Customs and Border Protection's findings on the impact of GOC influences on domestic HSS selling prices in China apply equally (and even more directly) to the Chinese domestic selling prices for galvanized steel, as the producer of the GUC in China is also a HRC manufacturer.

BlueScope submits that the GOC has heavily influenced the Chinese domestic market for galvanized steel through:

- the provision of steel raw material products (i.e. HRC) at less than adequate remuneration (Program 20);
- the prevalence of State Owned Enterprises (also known as State-Invested Enterprises) involved in the manufacture of HRC in China that receive benefits for the production of HRC resulting in artificially low raw material input prices for galvanized steel producers (on most occasions the HRC producer is also the producer that applies the zinc alloy coating);
- certain benefits received by producers of the GUC from the GOC including reductions in taxes, exemptions on duties and VAT, the provision of grants, and concessional interest payments (i.e. government subsidies that impact the

<sup>8</sup> Trade Measures Report No.177, P.166.

selling prices for HRC and galvanized steel manufactured in China).

Australia's Anti-Dumping provisions

China is treated as a market economy country under Australia's Anti-Dumping provisions. Australia's provisions are in accordance with the WTO Anti-Dumping Agreement and allow for the rejection of domestic selling prices in market economy countries where it can be established that the situation in the exporting country renders domestic selling prices unsuitable for normal value purposes.

The normal value for goods exported to Australia may be determined under s.269TAC(1) of the Customs Act on the basis of a price paid or payable for like goods sold on the home market in the ordinary course of trade in arm's length transactions. S.269TAC(2)(a)(ii) limits the normal value for goods exported to Australia under sub-section 269TAC(1) where the Minister is satisfied that:

*"..the situation in the market of the country of export is such that sales in that market are **not suitable** for use in determining a price under subsection (1)"* (emphasis added).

Where it is established that domestic selling prices are not suitable for determining normal values because of the existence of a particular market situation, the normal values may be determined on the basis of a constructed normal value (incorporating what the Minister determines as the cost of production, relevant selling and general administration expenses, and an amount for profit) or, on the basis of export prices to third countries.

The Dumping and Subsidy Manual also provides some clarity concerning what constitutes a market situation. The Manual states<sup>9</sup>:

*"Sales that would otherwise be relevant for determination of normal value may be unsuitable because the price does not reflect a fair price in normal market conditions. The legislation does not define market situations that would render domestic sales as unsuitable. The investigation and analysis of each case must fully set out the reasons for the unsuitability of sales before determining normal value under succeeding provisions of s.269TAC of the Act.*

*In considering whether sales are not suitable for use in determining a normal value under s.269TAC(1) of the Act because of the situation in the market of the country of export, Customs and Border Protection may have regard to factors such as:*

- *whether the prices are artificially low; or*
- *whether there is significant barter trade; or*
- *whether there are other conditions in the market which render sales in that market not suitable for use in determining prices under s.269TAC(1) of the Act.*

*Government influence on prices or costs could be one cause of 'artificially low pricing'. Government influence means influence from any level of government.*

*In investigating whether a market situation exists due to government influence, Customs and Border Protection will seek to determine whether the impact of the government's involvement in the domestic market has materially distorted competitive conditions. A finding that competitive conditions have been materially distorted may give rise to a finding that domestic prices are artificially low or not substantially the same as they would be if they were determined in a competitive market."*

Report No.177 details Customs and Border Protection's assessment of the Chinese HSS market and how it concluded that government influence of raw material costs (i.e. HRC, narrow strip, etc), and the range of subsidy programs available to Chinese raw material and HSS manufacturers, resulted in a "positive" assessment of the existence of a market situation for HSS sold in China.

<sup>9</sup> Dumping and Subsidy Manual June 2009, P 26-27.

It is BlueScope's view that Customs and Border Protection's conclusions contained in Report No. 177 are equally applicable to galvanized steel sold in China as they are in HSS. Customs and Border Protection's analysis in Report No. 177 commences with the GOC influence on the Chinese Iron and Steel Industry. Whilst BlueScope does not intend to reproduce all of Customs and Border Protection's commentary on the Chinese Iron and Steel Industry, it is appropriate to highlight the main findings.

Customs and Border Protection's investigations of the Chinese HSS industry identified various forms of GOC influences on the Chinese Iron and Steel Industry, including<sup>10</sup>:

1. *Broad, overarching GOC macroeconomic policies and plans that outline aims and objectives for the Chinese Iron and Steel Industry; and*
2. *More specific 'implementing measures' that go towards actively executing the aims and objectives of these policies and plans.*

Customs and Border Protection's analysis of the macroeconomic policies applied by the GOC to the Chinese domestic Iron and Steel Industry identified overarching policy objectives for the industry contained in:

- the National Steel Policy;
- National and regional five year plans and guidelines;
- a Blueprint for Steel Industry Adjustment and Revitalisation; and
- the alignment of the GOC policies.

The National Steel Policy outlines the GOC's aims and plans for the Chinese Iron and Steel Industry. It further details the methodology and means by which the GOC's objectives will be met. Further, non-adherence to the aims and plans were also examined by Customs and Border Protection<sup>11</sup>.

The National Five-Year plans detail the GOC's "*desire to re-structure, develop and in some cases 'control' aspects of the domestic iron and steel industry, and display the importance placed by the GOC on the development of its iron and steel industries*"<sup>12</sup>.

The National Five-Year Plans are disseminated into provincial and sometimes regional plans. Customs and Border Protection identified a number of provincial plans for the Iron and Steel Industry in operation in a number of provinces where HSS producers of goods exported to Australia were operating. The programs and provinces identified included<sup>13</sup>:

- Outline of the Eleventh Five-Year Plan for the Economic and Social Development of Hebei Province;
- Outline of the Eleventh Five-Year Plan for the Economic and Social Development of Shandong Province;
- Outline of the Eleventh Five-Year Plan for the Economic and Social Development of Jilin Province (2006-2010);
- Outline of the Eleventh Five-Year Plan for the Economic and Social Development of Tianjin City.

Customs and Border Protection concluded that the provincial and regional Five-Year Plans closely aligned with the GOC's National Five-Year Plan in relation to the Iron and Steel Industry.

In May 2009, the GOC introduced a plan for the Iron and Steel industry titled "*Blueprint for Steel Industry Adjustment and Revitalization*". Customs and Border Protection considered that many of the aims and objectives of the Revitalization Plan were aligned with the National Steel Policy and the Eleventh National Five-Year Plan.

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<sup>10</sup> Report No. 177, P.118.

<sup>11</sup> Report No. 177, P 118-119.

<sup>12</sup> Report No. 177, P. 121.

<sup>13</sup> Report No. 177, P. 122-123.

The ‘Revitalization plan’ identified the challenges faced by the Chinese Steel Industry. These include<sup>14</sup>:

- production capacity exceeding demand;
- weak innovation (with high-end products being imported rather than made domestically);
- poor geographical location certain enterprises (restricted as to resource access);
- low concentration in the industry with major producers accounting for less than 30 per cent of total production; and
- ‘weak’ domestic resources (in particular, limited domestic sources of iron ore).

To address the limitations facing the Chinese Steel industry, the GOC outlined eight broad tasks to be carried out as part of the Revitalization Plan. These were<sup>15</sup>:

1. stabilising the domestic market and improving climate for export;
2. speeding up the dismantling of ‘backward capacity’ while ‘strictly keeping the total standstill’ (controlling production levels);
3. increasing industry concentration and ‘enhance’ reorganisation (through promoting mergers and acquisitions including promoting specifically-named mergers);
4. encouraging technical innovation and progress;
5. rationalising the location of capacity (including building a ‘coastal steelbase’ and ensuring the Shougang and Caofeidian Steel projects are finalised);
6. raising product quality and changing product types produced (e.g. developing ‘key steel products (high-speed railway, high-strength automotive, etc) and raising the ‘certificate standard’ to promote steel quality to ‘reach advanced international level’);
7. stabilising the import of iron ore (including ‘normalize’ the market order – including building an ‘import pricing mechanism’; and
8. developing resources domestically and internationally (increasing the level of iron ore exploitation, encourage ore exploitation abroad, etc.).

The Revitalization Plan also detailed the policy options for enacting the tasks including the alteration of policy measures (import and export tariff rates, VAT rates, grants, etc).

The alignment of the Revitalization Plan, the National Five-Year Plans and the National Steel policy provided the means by which the GOC implemented its policy objectives for the Chinese Iron and Steel Industry.

Customs and Border Protection considered that the Chinese iron and Steel Industry had been an important focus for the GOC for ‘over a decade’. It referred to the Revitalization plan that described the Iron and Steel Industry as a ‘pillar industry’ stating<sup>16</sup>:

*“Steel industry is an important mainstay industry for national economy, which is widely influenced to the whole society, highly interrelated between industries, and significantly stimulated the consumption, and plays a crucial role in the economy, social development, finance and taxation, national defense construction and employment stability.”*

In assessing the importance of the identified plans to the Chinese Iron and Steel industry, Customs and Border Protection examined the measures applied by the GOC to implement the stated policies. The measures implemented were considered to be the means by which the GOC was able to enact its stated macroeconomic policies for the industry. The main measures identified by Customs and Border Protection included:

- measures to eliminate backwards production capacity and to encourage technical and environmental improvement;
- market entry criteria and industry operating conditions;

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<sup>14</sup> Report No. 177, P 124.

<sup>15</sup> Report No. 177, P. 124.

<sup>16</sup> Report No. 177, p. 126.

- measures to curb 'production capacity redundancy';
- guiding industry mergers and acquisitions;
- import and export measures on coke; and
- subsidies in the iron and steel industry.

It is appropriate to examine each of the above-identified measures of the GOC that impact China's Iron and Steel Industry. This enables an understanding of the extent of government influence on the sector and what Customs and Border Protection considers "*go towards meeting at least some of the objectives of the GOC's.....macroeconomic policies in relation to the domestic iron and steel industry.*"<sup>17</sup>

**(i) Measures to eliminate backwards production capacity and to encourage technical and environmental improvement**

Measures identified by Customs and Border Protection that are promulgated by the GOC include:

- *The Directory Catalogue on Readjustment of Industrial Structure and the Interim Provisions on Promotion Industrial Structure Adjustment*

Details certain industry activities as either 'encouraged, restricted or eliminated' investment industries. Customs and Border Protection established that "*it appears as though there is a desire to discourage and/or eliminate the manufacture of narrow strip in China ...as well as restrict the investment in smaller-scale galvanised hot rolled steel*"<sup>18</sup>.

Further, the Interim Provisions require that<sup>19</sup>:

- financial institutions shall provide credit support to encouraged investment industries; and
  - investments are prohibited toward projects in the restricted and eliminated categories.
- *Notice of the State Council on Further Strengthening the Elimination of Backward Production Capacities*

The Notice details the restructuring and revitalising the iron and steel industry via the NSP, the 11<sup>th</sup> National FYP and the Revitalization Plan and encourages the backward elimination of inefficient steel capacities.

Customs and Border Protection concluded that the measures to eliminate backward production capacity could not be solely based upon environmental grounds (as was argued by the GOC).

**(ii) Market entry criteria and Industry operating conditions**

Customs and Border Protection's analysis of the Standard Conditions of Production and Operation of the Iron and Steel Industry (the Steel Standard Conditions) dated 21 June 2010 confirmed certain operating conditions for industry participants including volume and capacity minimum standards, the requirement to eliminate backward production facilities in accordance with the NSP, the Revitalization Plan and the Revised Directory Catalogue, and the minimum standards for crude steel production outputs.

The industry operating conditions (including the criteria applicable for operation in the Coking Industry) indicate that enterprises in the Chinese iron and steel industry may be required to upgrade facilities above the minimum thresholds, or face potential closure by the GOC.

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<sup>17</sup> Report No. 177, P.129.

<sup>18</sup> Report No. 177, P.131.

<sup>19</sup> Report No. 177, P.32.

**(iii) Measures to curb production capacity redundancy**

The further restrictions on production capacity in the Chinese Iron and Steel Industry were observed via the *Circular of the State Council on Accelerating the restructuring of the Sectors with production Capacity Redundancy*, the *Circular on Controlling Total (Capacity), Eliminating the Obsolete (Capacity) and Accelerating Structure Adjustment of Iron and Steel Industry*, and the *2009 Overcapacity Notice*, were inconsistent with principles of permitting the market to fairly allocate resources.

**(iv) Guiding industry mergers and restructuring**

BlueScope notes Customs and Border Protection's observance of the improved concentration of Chinese iron and steel producers through mergers and acquisitions that are aimed at achieving the GOC's objective of top 10 producers accounting for 70 per cent of production by 2020. In particular, BlueScope refers to Customs and Border Protection's comments attributed to BaoSteel, a company involved in the exportation of galvanized steel to Australia<sup>20</sup>:

*"As one of the engines of domestic iron and steel industry, Baosteel has been taking an active part in the reorganization of the industry in accordance with the national policies on iron and steel industry by way of various capital operation including acquisition, merging and transfer for free. Baosteel has quickly enlarged its production scale, and strengthened its comprehensive power, enhancing its core competitive power."*

The consolidation of China's Iron and Steel industry into a few large producers (i.e. 10 producers accounting for 70 per cent of production) under the guidance of the GOC raises considerable concern for industries external to China. With China already producing above domestic demand levels, further consolidation by the industry with GOC support, will likely result in increased exports of iron and steel products that benefit from GOC subsidies received as incentives for industry consolidation.

BlueScope's concerns are equally reflected in the comments of Customs and Border Protection<sup>21</sup>:

*"...there is evidence to determine that significant restructuring of the Chinese iron and steel industry has been (an is still) occurring, and that this is led by, monitored and encouraged by the GOC (and certain evidence exists to display that this restructuring is in fact GOC-mandated and directed). It is considered that this restructuring has occurred as a result of factors other than basic market forces (i.e. government influence)." (emphasis added)*

It is clear from Report No. 177 that the GOC has directed the restructuring of the Chinese Iron and Steel Industry via the implementation of its Eleventh and Twelfth Five Year Plans, the National Steel Policy and the Revitalization Program.

**(v) Export measures on coal**

In Report No. 177 Customs and Border Protection examined export tariffs, export quotas and tariffs and certain export measures, applicable to coal. Customs and Border Protection also reflected on the recent Reports of the WTO Appellate Body, China – Measures Related to the Exportation of Certain Raw Materials (DS394, 395 and 398).

Customs and Border Protection commented that the measures on coke *"that appear to be consistent with the aims of the NSP to restrict exports of coke and the aim of the 2009 Revitalization Plan to Continue on policy orientation of controlling export of 'two high, one resource' and low value-added goods."*<sup>22</sup>

BlueScope concurs with the conclusion of Customs and Border Protection that the GOC's export

<sup>20</sup> Report No. 177, P.147.

<sup>21</sup> Report No. 177, P.148.

<sup>22</sup> Report No. 177, P.152.



restrictions on coke do have a significant impact on the domestic iron and steel industry (including in the production of galvanized steel products).

**(vi) Subsidies in the iron and steel industry**

In Customs and Border Protection's Report No. 177 (i.e. the HSS investigation) a total of 28 countervailable subsidy programs were identified as having been received by steel producers in the Chinese steel industry.

The program that was identified as having the single largest benefit for Chinese HSS exporters was Program 20, which related to the provision of steel raw materials (including Hot Rolled Coil (HRC) and narrow strip) to HSS producers by SIEs (State Invested Enterprises or formerly, State-Owned Enterprises (SOEs)) at a price that was considered by Customs and Border Protection to have been less than adequate remuneration.

As HRC is the principle raw material used in the manufacture of galvanized steel – the goods the subject of this application – BlueScope submits that the findings applicable in Report No. 177 to HSS apply equally to this application involving galvanized steel exported from China.

It is also noted that Customs and Border Protection identified subsidies (i.e. the remaining 27 programs) that were countervailable and provided benefits to iron and steel producers including:

- grants for research and development, brand excellence, hi-tech industry investment, and the holding of specific patents;
- taxation benefits based upon location and enterprise type.

It was concluded by Customs and Border Protection that *“at least some of the subsidies will assist with the implementation of the GOC's macro-economic plans for the steel industry”*<sup>23</sup>.

BlueScope similarly considers that the evidence cited by Customs and Border Protection in Report No. 177 on available subsidies that provide benefits to companies within the Chinese iron and steel industry are relevant considerations in the assessment of a market situation for the goods the subject of this application sold in China.

**Additional evidence referred to by Customs and Border Protection in Report No.177**

Further to the measures identified in (i) to (vi) above, Customs and Border Protection also referenced additional information concerning the implementation and impact of GOC policies on the Chinese Iron and Steel Industry. In referring to the Law of the People's Republic of China on the State-Owned Asset Enterprises, the following was observed<sup>24</sup>:

*“A state-invested enterprise making investment shall comply with the national industrial policies, and conduct feasibility studies according to state provisions; and shall conduct a transaction on a fair and paid basis, and obtain a reasonable consideration”.*

In support of its finding that large Chinese SIEs complied with the requirements of the Article, Customs and Border Protection identified that Baosteel in each of its 2006, 2008 and 2010 Annual reports had commented on compliance with the GOC's policies for the Iron and Steel Industry.

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<sup>23</sup> Report No. 177, P.153.

<sup>24</sup> Report No. 177, P.154.

## **Customs and Border Protection's Conclusions on GOC's influence on domestic Iron and Steel Industry**

Customs and Border Protection's conclusion that the GOC plays a significant role in influencing the domestic Iron and Steel Industry via its numerous macroeconomic policies and implementation measures is well supported with referenced material in Report No. 177. BlueScope submits that the same GOC influences on the domestic Iron and Steel Industry are also of consideration in this application involving galvanized steel (as HRC is also a key input into galvanized steel production).

BlueScope agrees with Customs and Border Protection's assessment of the GOC influences on the Chinese Iron and Steel Industry that are categorised as<sup>25</sup>:

1. measures to drive structural adjustment;
2. technological, efficiency and environmental development measures;
3. export restrictions on coke; and
4. subsidisation of encouraged practices and products.

For China, BlueScope has used the average of the two countries included in its 2012 HRC Anti-Dumping application (Taiwan and Korea) adjusted to account for embedded HRC profit and for utilising a base steel grade of HRC as input for the manufacture of coated steel product. Additional value-added costs to convert HRC into galvanized steel have been determined using BSL conversion costs adjusted for Chinese costs (where available) or are based upon independent information. A nominal level of profit has been applied to the finished product.

### **Does a Market Situation exist in China for Galvanized Steel?**

It is noted from Report No. 177 that Customs and Border Protection focused on the economic impact of the "GOC influences on the determinants of supply of HSS, and the resulting impact on the price of HSS in China."<sup>26</sup>

Customs and Border Protection then examined the impact of the GOC influences on the determinants of HSS supply for each of the four categories identified (i.e. measures to drive structural adjustment, technological efficiency and environmental measures, export restrictions on coke, and subsidisation). The determinants of supply likely impacted included:

- the cost of the factors of production (i.e. reduced cost results in increased production);
- technology (enhanced technologies contribute to lower costs and higher production volumes); and
- the number of suppliers in the market (the GOC influences have contributed to a reduction in the number of industry participants but not a reduction in production).

As the determinants of supply applicable to HSS supply are also the same determinants of supply for galvanized steel, BlueScope considers that Customs and Border Protection's conclusions on the GOC's influence on the four identified categories apply equally to the goods the subject of this application. Customs and Border Protection's assessments for each category are therefore relevant to this application and are therefore repeated.

The findings in respect of the relevant categories were as follows:

1. Structural Adjustment

Customs and Border Protection concluded that the elimination of production capacity as directed by the GOC was a key consideration. It observed<sup>27</sup>:

<sup>25</sup> Report No. 177, P.158.

<sup>26</sup> Report No. 177, P.159.

<sup>27</sup> Report No. 177, P. 161.

*“..significant evidence of the implementation of the GOC policy of restructuring, re-locating and consolidation of the Chinese iron and steel industry into larger, more favourably located enterprises has been observed. Further, evidence that the GOC has implemented measures to eliminate redundant capacity in the iron and steel industry has been observed.*

*Consequently, structural adjustment has been seen both in ‘upstream’ producers of HSS raw materials (and the upstream inputs of the raw materials as well), but also in the Chinese pipe and tube sector and amongst enterprises that themselves produce HSS and other pipe and tube products.*

*Furthermore, it is considered that the merging and consolidation of the iron and steel industry **is likely to be more widespread than those materials listed in this appendix, which are non-exhaustive listings. It is therefore considered likely that numerous other iron and steel enterprises** (including HSS manufacturers and other pipe and tube producers) have undergone mergers and restructuring in line with these GOC policies (emphasis added).*

*It is considered that the effects of this structural adjustment for enterprises are likely to include:*

- *greater cost efficiency through the creation of economies of scale;*
- *shifts in market share;*
- *improved profitability;*
- *improved research and development through consolidated efforts (and a resulting improvement in production processes and efficiency, as well as product quality and output levels);*
- *increased administrative efficiency;*
- *improved ease of access to funds; and*
- *reduced numbers of competitors.”*

BlueScope notes Customs and Border Protection’s comments that the likely impact of the GOC’s influences on structural adjustment extends beyond the materials identified in the HSS inquiry (raw materials and HSS itself). BlueScope contends that the raw material HRC is similarly impacted by the GOC’s structural adjustment influences, along with the upstream galvanized steel products (as was evidenced with HSS).

## 2. Technological, operating efficiency and environmental development measures

The impact of the GOC’s macroeconomic policies on the Iron and Steel Industry’s technological, operational efficiency and environmental measures was varied. Customs and Border Protection considered that the influence could be evidenced via<sup>28</sup>:

- enhanced efficiency through modern equipment and manufacturing processes;
- decreased supply of certain materials and the need to use alternatives;
- increased capital expenditure;
- further consolidation of industry participants;
- improved product quality; and
- impact on decision-making.

Customs and Border Protection particularly observed that the impact of the GOC’s measures involving technology advancements, etc. *“...likely directly impact the operations and business decisions of enterprises, the costs incurred by these businesses, and subsequently their profits and/or selling prices”*<sup>29</sup>.

The same technological advancements that have resulted in improved production cost efficiencies for the manufacture of HRC and HSS in China would similarly benefit Chinese

<sup>28</sup> Report No. 177, P.162.

<sup>29</sup> Report No. 177, P.162.

manufacturers of galvanized steel.

3. Export restrictions on coke

The export restrictions on coke were found to have limited China's coke exports and increased the supply of coke in China. Customs and Border Protection concluded that the increased supply of coke in China "*could reasonable be considered to have resulted in decreased prices*" for coke in China.

Customs and Border Protection referred to publicly available information that confirmed<sup>30</sup>:

- coke represents a significant proportion (over 20 per cent) of the cost of cast steel (being first used to smelt iron, and this iron is then used to produce steel);
- steel represents the major cost of HRC;
- verified information of Chinese exporters shows that HRC and/or narrow strip represents in excess of 90 per cent of the total cost to make HSS.

It was determined that the cost of coke represented a significant proportion of the cost of the HRC or narrow strip, and therefore the HSS.

For galvanized steel manufactured in China, the HRC accounts for approximately 70-80 per cent of the production costs (although it is likely this percentage may be higher).

4. Subsidisation

The benefits received by Chinese steel makers in the form of subsidies as identified by Customs and Border Protection's findings in the HSS inquiry are considered to have equally benefited Chinese producers of galvanized steel.

The effect of the subsidies on enterprises as identified by Customs and Border Protection included:

- lower costs of production;
- grants for research and development would lead to increased operating efficiencies; and
- GOC funds would aid consolidation and mergers to achieve structural adjustment.

**Impact of GOC measures on supply and price of galvanized steel**

Having examined Report No. 177 that identified the GOC measures that apply to the Chinese Iron and Steel Industry, BlueScope has formed a view that the impact of the GOC measures on the supply and price of HSS in China, similarly applies to the supply and price of galvanized steel in China (and likely to an even higher degree due to, in most instances, the HRC producer also involved in the galvanizing coating process).

An examination of the GOC influences on the four categories and how this impacts the supply and pricing for galvanized steel follows.

**Structural adjustment** – the supply and price of galvanized steel would have been influenced:

- reducing the prices of the factors of production of galvanized steel including the price of raw material HRC due to increases in supply of HRC (as well as changes in supply of upstream steel, iron and other raw material manufacturers);
- improved technology used by consolidated enterprises;
- eliminating redundant capacity and consolidating production into larger, merged steel enterprises (although not reducing production capacity as in GOC's objectives);

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<sup>30</sup> Report No. 177, P.163.

- increasing compliance costs for new environmental standards.

**Technological, and operating efficiency measures** – would have caused an increase in supply, and reductions in price, of galvanized steel products through the elimination of backwards capacity and adoption of more technologically-advanced production techniques (with similar principles applying to HRC manufacturers).

**Export restrictions on coke** – contributed to lower costs for inputs in the steel-making, HRC and galvanized steel manufacturing processes, resulting in lower selling prices for the identified products.

**Subsidisation** – influences the prices of factors of production and therefore the price of galvanized steel by:

- improving the technology used by galvanized steel producers, decreasing the cost of production, as well as affecting the supply and price of the raw material HRC (and the prices for raw material inputs for upstream producers);
- reducing the cost of raw material HRC input through the GOC's encouraged structural adjustment program; and
- directly reducing the input prices of products at each stage of production where the subsidies are passed on by recipient enterprises.

BlueScope submits that the price of galvanized steel in China is influenced by changes in the determinants of supply, that have caused an increase in supply and reduced prices in the galvanized steel and upstream (including HRC) industries.

In support of the position that the GOC's influence via the determinants of supply has contributed to reduced selling prices for HRC in China, BlueScope has contrasted 2011/12 domestic Chinese HRC prices (excluding VAT) with average domestic selling prices for HRC in Korea and Taiwan and confirmed that the Chinese price was A\$175/MT (or approximately 27 per cent) below average Korean and Taiwanese domestic prices.

### **Conclusion on Market Situation for galvanised steel in China**

It is BlueScope's view that the GOC has exercised influence over the Chinese Iron and Steel Industry through its macroeconomic policies of the NSP, the Eleventh and Twelfth Five-Year Plans, and the Revitalization Plan, to impact the competitive conditions of the industry that has impacted the supply of products including HRC and galvanized steel.

BlueScope asserts that the information available (and supported by the findings of Report No.177) demonstrates that prices of galvanized steel in the Chinese market are not substantially the same (considered to be artificially low) as they would have been without the GOC influence. BlueScope considers that that the GOC influences in the Chinese Iron and Steel Industry have created a 'market situation' in the domestic galvanized steel market, and that sales of galvanized steel in that market are not suitable for determining normal values under s.269TAC(1).

### **Normal value for Chinese galvanised steel producers**

BlueScope does not have access to the costs of production for Chinese galvanized steel producers and therefore cannot assess normal values under s.269TAC(2)(c) using such costs, with a surrogate HRC cost. BlueScope considers that Chinese export prices to third countries similarly cannot be used as the basis for normal values as these export prices are also influenced by the GOC's policies.

BlueScope has therefore calculated normal values for galvanized steel using average quarterly domestic selling prices for base-grade HRC sold domestically in Korea and Taiwan, plus amounts for pickling, cold-rolling of steel and application of the zinc (galvanizing) coating. These latter costs are based upon BlueScope's overall conversion costs, adjusted for Chinese costs (where available) or based upon independent information. Amounts for selling and general administration ("S,G&A") based upon BlueScope's S,G&A expenses adjusted for Chinese labour

rates has been applied. A four per cent profit margin has also been applied.

Constructed normal values for China, Korea and Taiwan are included at Confidential Attachment B-4.1, and are summarized below:

	<b>Jul-Sep 2011</b>	<b>Oct-Dec 2011</b>	<b>Jan-Mar 2012</b>	<b>Apr-Jun 2012</b>
<b>Domestic Price</b>	A\$1019/MT	A\$983/MT	A\$949/MT	A\$992/MT

**2. Provide supporting documentary evidence.**

Please refer to Confidential Appendix B-2 for supporting documentation evidencing constructed selling prices for the Goods sold in 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.**

The constructed selling prices for the GUC in China, Korea and Taiwan have been determined at the ex-factory level. A 4 per cent upward adjustment has been made to the Chinese normal value to allow for the difference between the 17 per cent domestic VAT and the 13 per cent VAT refund on export.

Export prices sourced from ISSB are at the FOB level. The FOB export prices are therefore likely to include domestic inland freight in the country of export. BlueScope does not have access to inland freight charges from the manufacturer in the exporting country to place of export.

Normal values for HRC in China, Taiwan and Korea therefore require an uplift to take account of the inland freight included in ISSB export prices (at FOB point). The uplift to normal values for China, Taiwan and Korea will result in greater dumping margins than determined at Section B-6 below. In the absence of actual inland freight charges in the exporting country, BlueScope has not adjusted normal values to reflect the relevant charge.

**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.**

Refer to B-5.1 above where a 4% adjustment has been made to uplift the China normal value for the GUC.

**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).**

	<b>Jul-Sep 2011 Qtr</b>	<b>Oct-Dec 2011 Qtr</b>	<b>Jan-Mar 2012 Qtr</b>	<b>Apr-Jun 2012 Qtr</b>
<b>China</b>				
Normal value	1019	983	949	992
Export price	874	907	784	815
<b>Dumping Margin</b>	145	76	165	178
<b>% of Export price</b>	16.6%	8.4%	21.0%	21.8%

<b>Korea</b>				
Normal Value	1068	1000	964	1012
Export price	861	908	794	854
<b>Dumping Margin</b>	206	92	170	158
<b>% of Export price</b>	23.9%	10.1%	21.4%	18.5%
<b>Taiwan</b>				
Normal Value	926	925	896	930
Export Price	866	884	783	856
<b>Dumping Margin</b>	60	41	112	74
<b>% of Export Price</b>	6.9%	4.6%	14.3%	8.6%

**Notes:**

1. China, Korea and Taiwan normal values, export prices and dumping margin calculations are included at Confidential Appendix B-2.

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

The dumping margins over the 2011/12 year (shown on a quarterly basis) as a percentage of export price have been determined as follows:

- China – in the range 8.4 per cent to 21.8 per cent;
- Korea – in the range 10.1 per cent to 23.9 per cent; and
- Taiwan – in the range 4.6 per cent to 14.3 per cent.

# 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.**

This application is based on the alleged dumping of exports of galvanized steel from China, Korea and Taiwan and does not allege subsidisation.

## **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 dumped (China, Korea and Taiwan) exports for this application. BlueScope has demonstrated that it has experienced material injury from the dumped exports during the 2011/12 period (i.e. July 2011 to June 2012) and, that dumping 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, Korea and Taiwan are 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, Korea and Taiwan are 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%
<b>Total</b>				

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