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Ms Kerry Taylor
Director Operations 1
Anti-Dumping Commission
1010 La Trobe Street
Melbourne VIC 3008

Jiangyin Zongcheng Steel Co., Ltd – Accelerated review of galvanised steel from the Peoples Republic of China

Dear Ms Taylor,

This submission is made on behalf of Jiangyin Zongcheng Steel Co., Ltd (Zongcheng) in response to the submission by Bluescope Steel Limited (Bluescope) dated 11 December 2014.

In its submission, Bluescope dismisses published South East Asia HRC prices and India FOB HRC prices as not being 'relevant or representative' for the purposes of replacing Zongcheng's HRC costs in the determination of a constructed normal value. Instead, Bluescope considers that MEPS International published HRC prices from Korea or Taiwan would be suitable.

South East Asia HRC prices

Zongcheng strongly disagrees with Bluescope's view that published South East Asian HRC prices aren't relevant or representative of competitive market costs.

The primary aim of the Commission in establishing a benchmark for HRC in China is to arrive at a reasonable price for HRC that is representative of a competitive market cost in China for those goods used in the manufacture of galvanised steel by Zongcheng during the investigation period. In doing so, the Commission is guided by the relevant provisions of the *Customs Act 1901* (the Act) and the WTO Anti-Dumping Agreement which require the adequacy of remuneration to be determined in relation to prevailing market conditions for the goods in questions in the country of export (including price, quality, availability, marketability, transportation and other conditions of purchase or sale).

In the original galvanised steel investigation (Case 190), the Commission utilised verified HRC purchase prices from cooperating exporters in Korea and Taiwan. In its investigation into hollow

structural sections (HSS) from China (Case 177), the Commission used verified HRC purchase prices from cooperating exporters in Korea, Malaysia, Taiwan and Thailand. Zongcheng submits that it is appropriate for the Commission to continue following its approach of using HRC purchase prices from cooperating exporters the subject of investigation.

In this particular circumstance, the Commission has information available from cooperating Vietnamese and Indian exporters on HRC purchases during the review period which are considered relevant and representative of competitive market prices in comparable markets. In addition, the pricing information corresponds to the period of review in relation to Zongcheng's measures.

It is also worth noting that [REDACTED]

[REDACTED]. [Approach to determination of normal values]. Therefore, if the Commission was unwilling to rely on unverified HRC prices from cooperating exporters from Vietnam and India, it would be reasonable [REDACTED] for SBB published South East Asia HRC prices to be used. As highlighted below, SBB South East Asia HRC prices are used by Bluescope as a performance indicator of the coated and industrial products segment of its business.

MEPS International - Korea

Zongcheng has reviewed the MEPS International Korea HRC prices and makes the following observations which should cause the Commission to doubt its reliability.

1. MEPS domestic Korean HRC prices reflect stockist/distributor retail prices and not prices from the HRC producers to processing manufacturers of galvanised coil or HSS. This supported by the Korean Steeldaily publication which publishes weekly steel prices. Confidential Attachment 1 includes the relevant page from last week's Steeldaily which shows HRC pricing from distributors ranging from 700,000KRW (US\$660/MT) on 30 May 2014 to 630,000KRW (US\$594/MT) on 19 December 2014.

In order to properly establish an equivalent benchmark Korean HRC price for Zongcheng, adjustments would need to be made to the MEPS prices to account for the distributor's gross margin and any volume discounts available to processing manufacturers.

2. The Korean steel industry is dominated by the integrated group of companies that hold 100% ownership and control of downstream processing and coating businesses and end-user operations. In effect, the Korean steel producers that manufacture the HRC feed material, also manufacture the processed galvanised coil via related entities and sell the finished goods to related downstream end-users involved in the automotive and construction sectors.
3. As a result, unlike other Asian markets such as China, Taiwan, Thailand, Malaysia, Indonesia and Vietnam, there are very few re-rollers in Korea. For this reason there are few truly arms-length unrelated sales of HRC in Korea to processing steel producers. Therefore,

the majority of domestic HRC sales in Korea are not considered representative of arms-length transactions;

4. The current MEPS Korea HRC price of US\$632/MT is significantly higher than the HRC normal value determined by the Commission in 2012 (Case 188). The ascertained normal value for [REDACTED] during the 2012 investigation period was [REDACTED], which is considered to be significantly higher than today's prices. Once again, this is due to the MEPS data reflecting distributor prices and not arms-length prices from the HRC producers to steel processors;
5. The MEPS prices are not consistent with the HRC purchase prices paid by [REDACTED], a producer and exporter of [REDACTED] from Korea, which have been accepted by the Commission [REDACTED]. This again supports the view that MEPS data does not accurately reflect a price from the HRC producer to further processor/producer;
6. The MEPS price for Korean galvanised coil is well above the prevailing normal value for Korean exporters which are currently subject to review;
7. The MEPS Korean prices are inconsistent with almost all other regional markets other than the US and Canada;
8. In its recent presentation to financial markets, BlueScope does not rely on MEPS data but instead uses published information reported by SBB, Platts, and CRU. Refer to page 30 of attached link.
<http://www.bluescope.com/media/328986/fy2014%20investor%20introductory%20pack%20-%20final.pdf>

Zongcheng submits that the issues outlined above provide sufficient reasons to doubt the reliability of the MEPS Korean HRC pricing information. Accordingly, the Commission should disregard MEPS published HRC prices in establishing a competitive market HRC cost to be substituted for Zongcheng's HRC costs.

Conclusion

Zongcheng considers that the Commission's past practice of using HRC pricing information from cooperating exporters and/or SBB published HRC prices, is equally applicable in the current accelerated review.

Bluescope's suggested use of MEPS International Korean HRC prices should be rejected given the numerous issues identified which raise doubts about the reliability of the published data.

Yours sincerely

John Bracic