



14 November 2012

Ms Joanne Reid
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Dear Ms Reid

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Re: Aluminium zinc Coated Steel and Galvanized Steel exported from P R China, Korea and Taiwan

I refer to the following submissions from interested parties in the dumping investigations involving aluminium zinc coated steel and galvanized steel exported from P R China ("China"), Korea and Taiwan:

- KLE Pty Ltd submission dated 11 September 2012;
- B&R Enclosures Pty Ltd submission of 15 October 2012;
- Submission on behalf of Ace Gutters Coil Coaters Pty Ltd dated 12 October 2012;
- Submission on behalf of G M Holden Limited of 15 October 2012;
- Submission by Australian Steel Association Inc of 18 October 2012;
- Submission by Ford Motor Company of Australia Limited of 31 October 2012;
- Submission on behalf of the China Iron and Steel Association ("CISA") of 1 November 2012; and
- Letter dated 5 November 2012 on behalf of POSCO of Korea.

BlueScope Steel Limited ("BlueScope") takes this opportunity to address certain matters raised in the representations of the identified interested parties.

1. KLE Pty Ltd ("KLE")

BlueScope submits that the representations of KLE confirm that BlueScope's selling price for galvanized steel (in coil form) has been undercut by imported galvanized steel exported from China (in this case product exported by Jiangyin Xinsheng Metal products Co. Ltd).

2. B & R Enclosures Pty Ltd ("B&R")

B&R assert that the maximum width for galvanized steel supplied by BlueScope is 1400mm. and that BlueScope is operating at 120 per cent of capacity.

BlueScope, respectively, would like to correct these assertions. BlueScope can produce a wide range of galvanized steel products out to a width of 1525 mm at its Westernport facility. Further, BlueScope is not operating at 120 per cent of production capacity but, rather, at significantly reduced production levels well below capacity level.

3. Ace Gutters Coil Coaters Pty Ltd ("Ace Gutters")

The submission on behalf of Ace Gutters has raised a number of matters concerning 'like goods'. As background to these matters BlueScope confirms that the application of a surface treatment known as passivation or chromating is done in line via a spray dunk and squeegee wipe off process. The purpose of this particular surface treatment is to give further protection to the product whilst it is transported to customers, made into a finished product and during the transport and storage of the finished product on site until it is installed.

This is a standard process adopted across the industry.

Paint line owners seek unchromated product as they otherwise have to remove such surface treatments before painting and incur the extra costs involved. As such unchromated product is standard for paint line operators – including BlueScope.

It is suggested by Ace Gutters that BlueScope "does not produce for sale plain unchromated zinc aluminium coated steel suitable for use" on Ace Gutter's continuous coil coating line. This statement is incorrect. BlueScope does produce plain unchromated zinc aluminium coated steel that is suitable as input feed for any continuous coil coating line. This product has a registered brand name – GALVALUME® steel (and is used to feed BlueScope's five paint lines in operation throughout Australia).

At Section 3.5 it is suggested by Ace Gutters that there are three independent paint lines in Australia and that the product purchased for painting is a unique product not offered for sale in Australia by BlueScope. As stated above, this is incorrect. BlueScope does manufacture unchromated product and, as indicated, it is used by BlueScope in its paint lines and is available for purchase by any paint line operator.

Section 3.8 of the submission incorrectly suggests that the application is directed towards chromated product only. This is not the case. The application is intended to cover both chromated and unchromated aluminium zinc coated steel. The further statement that BlueScope does not produce plain unchromated aluminium zinc coated steel for sale is also incorrect, as BlueScope does supply product of this type for continuous coil coating lines (including BlueScope's lines).

For clarification, BlueScope considers that unchromated aluminium zinc coated steel is included within the goods description of the goods covered by the application.

The Ace Gutter's submission seeks to challenge BlueScope's claims on material injury. It is claimed that BlueScope's assessment of export volumes and the extrapolation undertaken due to an absence of published data at the time of lodging the application is incorrect. The extrapolation suggested that imports from China, Korea and Taiwan increased by 1.4 per cent in 2011/12, however, actual data confirms that exports from the three countries increased in aggregate by 10.6 per cent (i.e. from 2010/11 to 2011/12). This growth in export volumes completely aligns with the decline in BlueScope's sales volume in 2011/12.

BlueScope also rejects the suggestions that the injury experienced is representative of the normal 'ebb and flow of business'. A comment of this nature completely understates the impact of the price undercutting experienced by BlueScope during the injury period and fails to take full account of the significant increase in export volumes in 2011/12 from China, Korea and Taiwan. BlueScope would also highlight that it is aware of a substantial surge in Chinese exports of aluminium zinc coated steel to Australia during September 2012.

BlueScope does not consider that the assertions made on behalf of Ace Gutters concerning injury to BlueScope during the investigation period are based on anything more than conjecture. The BlueScope Visit Report confirms the injury experienced by the company during the investigation period.

4. G M Holden Limited ("Holden")

BlueScope notes that Holden has indicated that certain "tailor welded" galvanized steel is not produced by BlueScope. It is considered that further information on the specifications of the tailor welded galvanized steel is required to assess the claim that it is not available from BlueScope.

The remainder of the Holden submission is targeted at Customs and Border protection's Consideration Report No. 190 and includes a number of requests for Customs and Border Protection to assess particular matters. BlueScope recognizes that these matters will be examined and assessed by Customs and Border Protection during the conduct of the inquiries.

5. Australian Steel Association Incorporated ("ASA")

The ASA has challenged the export data relied upon by BlueScope to demonstrate injury in the aluminium zinc coated steel and galvanized steel dumping applications. BlueScope has relied upon ISSB published export data. Customs and Border Protection examined its own import data base for its own assessment of imports of the goods under consideration ("GUC"). In Consideration Report No. 190 Customs and Border Protection did not reject the basis upon which BlueScope determined export volumes to Australia from the nominated countries (hence the import data examined by Customs and Border protection supported the evidence provided by BlueScope).

As indicated above, the extrapolated data referred to in both applications (as a result of the data not being available at the time of lodgment of the applications) was understated by BlueScope.

The ASA has claimed that the applications by BlueScope are issues of "competition". BlueScope submits that the exports have been made at dumped prices that are injurious to the Australian industry's selling prices and, as a consequence of price depression and price suppression, BlueScope has experienced reductions in profit and profitability on the GUC during the investigation period.

BlueScope rejects the ASA's request for a termination of the investigations as Customs and Border Protection has not completed its investigations.

6. Ford Motor Company of Australia Limited ("Ford")

Ford's submission argues that product outside of BlueScope's product range "must be omitted from anti-dumping measures". The Ford submission, however, does not detail the specifications of coated steel (whether aluminium zinc coated steel or galvanized steel) that should be excluded from the investigation.

Ford suggests that product "*below the minimum thickness (and sometimes maximum width)*" as included in the application is *much* of what Ford requires. However, there is an absence of specific detail as to the specifications of coated steel for which exemption is required.

7. China Iron and Steel Association ("CISA")

A range of matters are discussed in the CISA submission. These are examined below.

'Like Goods' Issues

The China Iron and Steel Association ("CISA") has claimed that BlueScope does not produce "a number of goods under consideration" and that certain goods are not within the description of the goods the subject of the application.

It is appropriate to understand what goods CISA is contending are covered/not covered within the coated steel applications.

- *Customs has combined into one investigation two separate products*

BlueScope made separate applications for the two goods – aluminium zinc coated steel and galvanized steel. The investigations are being conducted in parallel, however, it is clear that BlueScope treated the goods separately.

- *Aluminium zinc coated steel and galvanized steel as 'like products'*

BlueScope has not stated that aluminium zinc coated steel and galvanized steel are like products.

- *Differences between Chinese and Australian products*

It is claimed by CISA that Chinese coated steel has a lower coating mass. Customs and Border Protection will examine the validity of claims about the coating thickness during verification visits to Chinese exporters.

- *Claims that BlueScope does not make certain products*

CISA claims that the BlueScope limits on thickness of HRC produced (i.e. 1.5mm to 12.7mm) and widths greater than 1550mm impact the downstream coated products; CISA further suggests that BlueScope does not produce above a maximum width of 1400mm; On its own this is not a correct statement as BlueScope can produce a wide range of metallic coated products out to 1525mm wide.

CISA is seeking a specific exemption for goods outside the nominated range.

- *reference is made to 'several' TCOs in place in respect of galvanized steel*

BlueScope is currently reviewing the validity of the two TCO's in place that relate to metallic coated.

State of Chinese Industry

CISA states that the goods the subject of the applications are supplied to the "building and construction industry, automotive industry and manufacturing industry". As well as to the distribution network, to on sell to these market sectors.

The CISA document identifies a range of Government of China ("GOC") policies that have been enacted to "limit the production capacity of the Chinese iron and steel industry". BlueScope contends that CISA's identification of the programs support's BlueScope's claims that the Chinese markets for the coated products are significantly influenced by the GOC (i.e. a market situation prevails).

It is further claimed by CISA that through these initiatives to curb Chinese production that it is unlikely Chinese exports of the goods will increase. The ISSB data for September 2012 exports of coated steel to Australia suggest otherwise, with significant increases in export volumes apparent.

Lack of Dumping

CISA claims that the 4 per cent uplift of the Chinese normal value (to account for the difference between the domestic 17 per cent VAT levied and the 13 per cent rebate available on exports) "overstates" the Chinese normal values for coated steel.

BlueScope rejects this argument. The uplift factor is consistent with Customs and Border Protection's approach on differentials between the domestic VAT levied and the export VAT rebate in previous inquiries involving China.

CISA also challenges the validity of the ISSB data relied upon by BlueScope for the purposes of both applications. BlueScope rejects suggestions that the ISSB data is unreliable as Customs and Border Protection has not rejected this source information in Consideration Report No. 190.

CISA points to the differences between the prima facie dumping margins included in BlueScope's applications versus the margins identified by Customs and Border Protection included in Consideration Report No. 190. The differences can be assigned to a number of factors, including the allowance for inland freight in the country of export, timing differences for actual exports v domestic prices, etc.

Lack of injury

CISA claims that the injury to BlueScope has not been caused by the Chinese exports. CISA attributes the injury to the global financial crisis of 2008, and the downturn in the economy in recent years. CISA also argues that BlueScope is "profit-shifting". CISA also claims that there are no measures applicable to coated steel in any other jurisdictions, and that BlueScope was the subject of investigation on its galvanized, GALVALUME® and pre-painted flat steel exported to Brazil. It is stated that in the absence of trade remedy investigations in other countries there is no likelihood that Chinese exporters would divert volumes to Australia.

The profit-shifting claim is a mere assertion and can be simply rejected. The absence of inquiries in other jurisdictions is not necessarily a guide for the current investigations.

Lack of Causation

CISA claims there is a 'lack of causation' between injury to BlueScope and the Chinese exports. CISA also claims that the BlueScope restructuring of its manufacturing operations is the cause of the injury.

BlueScope has demonstrated that Chinese export volumes have increased (and continue to increase) in both coated steel products to Australia when, overall sales volume have declined. This would suggest that price has been a determining factor.

Competition Law

CISA's suggestions that BlueScope is a monopoly player in a market and that there is "strong likelihood that competition in the Australian market for these goods will be substantially reduced".

BlueScope submits that its market share has been eroded down to the approximate 60 per cent level in both markets. Imports, therefore, account for approximately 40 per cent market share. The volume of imports for coated steel is not insignificant.

Conclusion on CISA submission

BlueScope does not consider that CISA has raised any matters that dispute the allegations contained in BlueScope's applications. Customs and Border Protection's investigations will assess in further detail the extent of CISA's assertions.

8. Submission on behalf of POSCO

POSCO has requested responses to the following questions:

- *Is it the case that BlueScope's external sales of "pre-painted" (i.e. painted) coated steel products exceed its external sales of coated steel?*

Painted coated steel is not included in the coverage of goods the subject of the applications. BlueScope's sales volumes of painted and coated steel are confidential to BlueScope.

- *Of the painted coated steel sold externally by BlueScope, what proportion has a zinc aluminium substrate as compared to a galvanized substrate?*

Painted coated steel is not included in the coverage of goods the subject of the applications. BlueScope's sales volumes of painted and coated steel are confidential to BlueScope.

- *What is the accounting treatment of internal transfers of coated steel from BlueScope's coating lines to its paint lines?*

Painted coated steel is not included in the coverage of goods the subject of the applications. Sales to related parties (including internal transfers) are comparable to unrelated customer sales

- *What is BlueScope's commercial policy in relation to the sale of coated steel to Australian companies with paint lines who compete with (or could compete with) BlueScope in the market for painted steel products?*

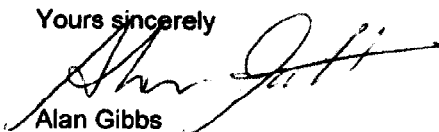
Sales to related parties (including internal transfers) are comparable to unrelated customer sales

- *BlueScope's painted coated steel is a product of the kind, and like goods, to the coated steel exported to Australia.*

Painted coated steel is not included in the coverage of goods the subject of the applications.

If you have any questions concerning this submission, please do not hesitate to contact me on (02) 4275 3859.

Yours sincerely



Alan Gibbs

Development Manager – International Trade