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Ms Joanne Reid
Director, Operations 3
International Trade Remedies Branch
Australian Customs and Border Protection Service
Customs House
5 Constitution Avenue
CANBERRA ACT 2601

Dear Ms Reid

Public File

Aluminium Zinc coated steel and Galvanized Steel exported from China, Korea and Taiwan – BlueScope comments re Chung Hung Steel Corporation Exporter Visit Report

Exporter Visit Report

I refer to the Chung Hung Steel Corporation (“CHSC”) Exporter Visit Report (the “Report”) recently placed on the electronic public file. BlueScope Steel Limited (“BlueScope”) seeks to comment on matters contained in the Report.

Related Parties

CHS is a subsidiary of China Steel Corporation (“China Steel”). CHSC has a 100 per cent ownership stake in Hung Li Corporation (“Hung Li”) which is a producer of galvanised steel. It is stated that CHSC and Hung Li’s *“costs and sales are accounted for and maintained as separate entities”*.

CHSC’s exporter questionnaire response indicates that it purchases raw materials including steel slabs, hot-rolled bands, hot-rolled coils, and cold-rolled coils. The exporter visit report indicates (see Section 7.2.2) that coils (presumably hot and cold-rolled) are produced by CHSC. Customs and Border Protection indicates that it is satisfied that the purchased slab price reflected market prices.

BlueScope notes, however, that the steel slab purchased by CHSC is principally from a related party (with two small volume purchases from unrelated parties). It is unclear from the public file version of the report whether the parent company China Steel has supplied the steel slab, although it is recognised to be from a related party. Customs and Border Protection has commented that in the recent Hot Rolled Coil investigation it *“considered the prices of slabs to reflect market prices”*.

BlueScope would highlight that the examination of CHSC’s data in the Hot Rolled Coil investigation was a “desk audit” only and CHSC was not subject to a verification visit. BlueScope therefore questions whether the price for steel slab from the related party can be considered to reflect market prices when the slab purchase prices have not been adequately verified.

Further, it would be likely that the related party supplier is China Steel and Customs and Border protection’s market situation finding in China in respect of coated steel would indicate that slab prices in China (and therefore Chinese export prices for slab) are heavily influenced by the Government of China.

BlueScope does not consider that CHSC's slab price has been adequately verified as to whether it is representative of market selling prices.

Confidentiality of information

The CHSC Report has a significant number of redactions where there is an absence of an adequate non-confidential summary of the redacted information. For example, at Section 7.2.3 a large extract of text in the Report has been redacted, and three words "*Confidential commercial arrangements*" is included as an outline of the information removed.

The non-confidential summary is entirely inadequate and CHSC is requested to provide an adequate non-confidential summary of the deleted sections on Pages 31 and 32 of the Report. Further, there is a redaction on P. 34 (third point) that also requires an adequate description in non-confidential form.

Production of export sales to Australia

Although it is not clear from the CHSC Report, it would seem that some of the galvanized steel exported to Australia has been manufactured by CHSC's subsidiary company Hung Li. This assessment is based upon the provision of information that relates to Hung Li by CHSC.

The Report indicates that for the ordinary course of trade test (and presumably for normal value purposes), Customs and Border Protection has used domestic sales by CHSC. BlueScope does not consider that the domestic sales for CHSC can be fairly compared with the export selling prices for galvanized steel manufactured by Hung Li. It would be expected that for this to occur, some analysis of CHSC's domestic sales with Hung Li's domestic sales should have occurred.

It is noted that both CHSC and Hung Li sell domestically in Taiwan. However, it is asserted that the respective companies "*do not compete with each other for the same customers*". It may be that CHSC and Hung Li sell to separate market segments within Taiwan. Whilst this is not stated in the Report, the possibility of CHSC's weighted-average domestic prices being lower than Hung Li's exists. If the companies did sell into different market segments, it would seem unlikely that the domestic sales by CHSC have been fairly compared with all export sales of the goods under consideration to Australia.

BlueScope contends that in determining normal values based upon domestic sales in Taiwan (and for ordinary course of trade purposes) all domestic sales by CHSC and Hung Li should have been included, as both companies have produced the goods sold domestically and for export to Australia.

Conclusions

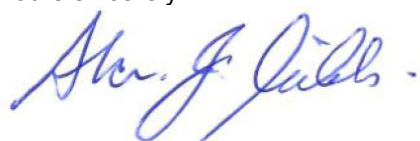
The CHSC Exporter Visit Report includes matters that BlueScope considers should be re-examined. These matters include:

- CHSC's raw material steel slab prices have not been sufficiently verified as to whether the prices paid are consistent with prevailing market selling prices for steel slab prices in Taiwan;

- Instances of redactions from the Report on the basis of commercially sensitive information have not been adequately summarized in a non-confidential manner; and domestic sales by Hung Li should be included in normal value (and ordinary course of trade) assessments for determining whether CHSC's export sales to Australia were at dumped prices.

If you have any questions concerning this letter, please do not hesitate to contact me on (02) 4275 3858.

Yours sincerely



Alan Gibbs
Development Manager – International Trade