

22 May 2015

Mr Geoff Gleeson
Director Operations 1
Anti-Dumping Commission
C/o Industry House
10 Binara Street
CANBERRA ACT 2601

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Dear Mr Gleeson

Review of Measures - Hollow Structural Sections exported from The People's Republic of China by Tianjin Youfa Steel Pipe Group Co. Ltd – Statement of Essential Facts No. 267

Introduction

Statement of Essential Facts No. 267 (“SEF No 267”) was published on 4 May 2015 in respect of exports of hollow structural sections (“HSS”) to Australia by Tianjin Youfa Steel Pipe Co. Ltd (“Tianjin Youfa”). The Anti-Dumping Commission (“the Commission”) has determined variable factors for Tianjin Youfa, and is proposing that the Parliamentary Secretary apply the new variable factors for Tianjin Youfa.

Tianjin Youfa's exports to Australia

Tianjin Youfa was not an identified exporter in Investigation No. 177 that resulted in the application of anti-dumping and countervailing measures on exports of HSS from the People's Republic of China (“China”). Tianjin Youfa has emerged as a new exporter of the goods to Australia and has been the subject of interim anti-dumping and countervailing duties at the rates applicable to “Non-Cooperative” exporters on its exports.

Tianjin Youfa's application for the review of variable factors is aimed at securing individual variable factors for exports of HSS to Australia by Tianjin Youfa and its associated companies within the Tianjin Youfa group that include:

- **Branches:**
 - (i) Tianjin Youfa Steel Pipe Group Co., Ltd – No. 1 Branch; and
 - (ii) Tianjin Youfa Steel Pipe Group Co., Ltd – No. 2 Branch;

- **Subsidiaries:**
 - (i) Tianjin Shiyou Steel Pipe Manufacture Co., Ltd;
 - (ii) Tianjin Youfa Dezhong Steel Pipe Co., Ltd;
 - (iii) Tangshan Fengnan Xinlida Steel Pipe Co., Ltd;
 - (iv) Tangshan Youfa Steel Pipe Manufacture Co., Ltd;
 - (v) Tangshan Zhengyuan Steel Pipe Co., Ltd; and
 - (vi) Handan Youfa Steel Pipe Co., Ltd.

Review inquiry

Tianjin Youfa has provided the Commission with information in response to the Exporter Questionnaire provided by the Commission. The Commission has followed a methodology for determining normal values for Tianjin Youfa based upon the same methodology applied in Inquiry No.

177. That is, due to the particular market situation finding on HSS in China, constructed normal values were established for Chinese exporters based upon costs of production, with a raw material cost for hot rolled coil (“HRC”) substituted from a market economy benchmark.

In this review inquiry, the Commission has examined the costs of production for each branch and subsidiary company of Tianjin Youfa, applied amounts for selling and general administrative costs, and an average profit for the group. Individual normal values were established for each of Tianjin Youfa’s Branches and Subsidiary companies. The Commission has indicated that for the purposes of the HRC benchmark¹,

“The benchmark used is the same benchmark determined in the original investigation which has been indexed to the review period. The indexation is based upon the change in the East Asian import price of hot-rolled coil since the original investigation, which has demonstrated that the benchmark cost of raw material has decreased since the original investigation by 26% in terms of US dollars.”

Normal values for each grade of HSS by quarter during the investigation period were established for each of the Tianjin Youfa entities.

As Tianjin Youfa did not export HSS during the review period (1 July 2013 to 30 June 2014) the Commission has recommended that export prices for Tianjin Youfa be determined at the level of the normal value².

The Commission has proposed that the non-injurious price for Tianjin Youfa and its entities be based upon ATM’s cost-to-make-and-sell (“CTM&S”) HSS in the review period, plus an amount of profit based upon ATM’s profit in the period January to September 2008.

Whilst it is noted by ATM that Tianjin Youfa has not exported the goods the subject of the notices to Australia during the review investigation period, ATM requests the Commission to consider whether Tianjin Youfa has exported HSS that includes boron during the investigation period. Where it is found that Tianjin Youfa has exported HSS incorporating boron, these goods are considered ‘like goods’ and the export prices are relevant for the purposes of this review inquiry.

ATM’s comments

ATM does not agree with the Commission’s decision to not conduct an on-site verification with Tianjin Youfa to validate data included in its EQR. The non-verification of the data establishes an unacceptable risk to the integrity of data used in the determination of normal values, export prices and non-injurious prices in anti-dumping investigations.

It is ATM’s view that cooperating exporters must be the subject of a full and thorough verification audit – and even more so when a new exporter (i.e. Tianjin Youfa) is involved.

ATM has made previous submissions concerning the non-verification of exporter financial data (e.g. Kukje Steel Co., Ltd Inquiry No. 266). ATM is concerned that a regular pattern is emerging and that exporters will pre-empt non-visits in request for review applications. In investigations involving the absence of a visit to the exporter to verify data contained in the EQR, it could be expected that an increased level of transparency would occur. In this investigation no public file version of the Tianjin Youfa EQR was placed on the public file. This would seem to be inconsistent with the Federal Government’s objective of raising the standard associated with adequate disclosure of information relied upon for the Parliamentary Secretary to base decisions upon.

It is not clear to ATM how the Commission can be satisfied that employing “*various other means for testing the accuracy, relevance and reliability of data to a satisfactory level*” that includes the examination of data obtained from the original Investigation No. 177, the ACBNPS import database, independent sources of information relating to the raw material used in HSS manufacture, can be

¹ Statement of Essential Facts No. 267, P.16.

² Ibid, Section 4.3, P. 16.

considered to be sufficient in order that the Commission is “satisfied” as to the reliability of a new exporter’s data.

The Commission’s comments cannot be interpreted as relating to Tianjin Youfa’s conversion costs as these are different for every HSS manufacturer and relate to key considerations including plant capacity, and mix of grades of HSS manufactured by each entity.

ATM is further concerned by the Commission’s selection of the benchmark for examining trends in HRC price movements since the original investigation. The East Asian import price index reflects sales of HRC on the spot market. The index is subject to regular volatility unlike domestic HRC prices as sourced in the original investigation in Korea, Malaysia and Taiwan. The latter prices are typically based upon longer-term agreements, and do not reflect the same level of price volatility as the East Asian import price index that is commonly attached to “spot” pricing volumes.

ATM has examined the [Company name] East Asia HRC benchmark prices for 2010/11 and contrasted these with the 2013/14 investigation period in the current inquiry. ATM can identify an average 18 per cent decline in the HRC price over the two periods (in US\$ terms)³, but cannot evidence the stated 26 per cent decline as referenced in SEF No. 267⁴. The Commission is requested to re-examine the reduction in the HSS benchmark price as referred.

It is noted by ATM that the Commission has identified four programs that have afforded Tianjin Youfa with financial benefits in the review period. The absence of a verification visit by the Commission limits the Commission’s ability to adequately assess whether government benefits provided to Tianjin Youfa and its associated entities are limited to the four identified programs.

Conclusions

ATM reaffirms earlier representations that it is concerned by the Commission’s decision not to visit Tianjin Youfa to verify and validate information included in its EQR. A consequence of not visiting the exporter the subject of the review should involve an increased level of transparency of information relied upon by the Commission in reviewing variable factors. In this case, an EQR for the exporter was not included on the public file.

ATM does not consider that the East Asia import price index is a reasonable benchmark for the purposes of adjusting HRC raw material costs in Tianjin Youfa’s constructed normal values. An appropriate benchmark is a less volatile domestic HRC benchmark in countries that were considered in Investigation No. 177.

The Commission cannot be assured that subsidy benefits received by Tianjin Youfa as identified in the EQR are limited to four programs. A complete verification visit would likely involve the identification of additional subsidy programs as been identified in recent investigations involving China (e.g. ARWs, coated steel).

If you have any questions concerning this letter please do not hesitate to contact ATM’s representative Mr John O’Connor on (07) 3342 1921 or Mr Matt Condon on (02) 8424 9880.

Yours sincerely



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Manager – Strategy and Business Planning

³ Confidential Attachment 1 – Benchmark East Asia Import HRC prices.

⁴ Ibid, Section 5.5.1, P. 16.