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25 November 2015

Director Operations 2
Anti-Dumping Commission
Level 35, 55 Collins Street
Melbourne, VIC 3000

Anti-circumvention – Hollow Structural Sections exported from the Peoples Republic of China

Dear Director,

This submission is made by Dalian Steelforce Hi-Tech Co., Ltd. (Dalian Steelforce) and Steelforce Trading Pty Ltd (Steelforce Trading) in response to the preliminary findings outlined in Statement of Essential Facts Report No. 291 (SEF 291).

At the outset, Dalian Steelforce firstly wishes to reinforce its strong view that its exports of alloyed hollow structural sections (HSS) to Australia clearly do not fall within the parameters of the goods described in the dumping and countervailing duty notices relevant to carbon or non-alloyed HSS. Further, at no time has Dalian Steelforce's exports of alloyed HSS been found to be dumped and/or subsidised, or causing material injury to the Australian industry producing like goods.

A separate submission prepared by Moulis Legal on behalf of Dalian Steelforce has been provided to the Commission which presents that:

- there has been no slight modification of the goods;
- there can be no finding that the relevant circumvention activity has occurred prior to 1 April 2015; and
- the proposed amended notices should not be applied retroactively.

This submission presents Dalian Steelforce's views and comments on the individual factors examined by the Commission in determining whether slight modification occurred.

Pattern of trade and export volumes

As the Commission has explained in SEF 291, the factors listed under sub-regulation 48(3) of the *Customs (International Obligations) Regulation 2015* (the Regulations), are to be considered for the purposes of determining whether the alloyed HSS has been slightly modified.

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In the case of pattern of trade and export volumes, SEF 291 highlights that exports of alloyed HSS by Dalian Steelforce commenced in 2013 and the data presented showed *'a corresponding decline in Dalian Steelforce's exports of non-alloyed HSS at levels similar to the increase in volumes of the alloyed goods...'*. From this the Commission concludes that the data shows *'a clear switch in volumes from non-alloyed HSS to alloyed HSS...'*.

It is undeniable that it is impossible for a manufacturer of HSS to produce carbon or non-alloyed HSS and slightly modify it in such a way so as to transform it into alloyed HSS. So the observed switch in Dalian Steelforce's exports between non-alloyed HSS and alloyed HSS simply reflects a substitution in trade between two distinct product groups, and not as is being suggested, a switch to alloyed HSS following a slight modification of non-alloyed HSS by Dalian Steelforce.

It is also worth noting that Dalian Steelforce exports both alloyed HSS and non-alloyed HSS to [REDACTED] where there is no imposition of dumping and/or countervailing duties. This information has been provided to the Commission as part of the exporter questionnaire response to the current review of measures (case 285). This refutes the suggestion made in SEF 291 that any pattern of trade is a direct result of the imposition of dumping and countervailing duties on non-alloyed HSS products.

Physical modifications

The Commission finds that there is essentially no difference in the manufacturing process to produce non-alloyed HSS and alloyed HSS, and that the only difference is the need to purchase already alloyed hot rolled coil (HRC) for processing of alloyed-HSS, rather than non-alloyed HRC to produce the non-alloyed HSS. It preliminarily concludes that there *'is little to no difference in the general physical characteristics other than the presence of the alloy'* and *'difference in the manufacturing process through the purchase and use of alloyed HRC instead of non-alloyed HRC with no other modifications to the manufacturing process.'*

Dalian Steelforce agrees with the applicant's statements and Commission's findings that separate processes exist for the manufacturing of non-alloyed HSS and alloyed HSS, and that the key difference between the two manufacturing processes, is the raw material inputs used to produce non-alloyed and alloyed HSS. At no point during its manufacturing process, can or does Dalian Steelforce modify its non-alloyed HSS into alloyed HSS products. It continues to separately manufacture and export both alloyed and non-alloyed HSS products from separate HRC feed material which it sources from unrelated steel producers in China. Therefore, Dalian Steelforce requests that the Commission clearly state and conclude in its report to the Minister, that Dalian Steelforce does not and cannot slightly modify its non-alloyed HSS products and transform them into alloyed HSS products.

In terms of the differences between the non-alloyed HRC and alloyed HRC feed material, Dalian Steelforce notes the applicant's views contained in their presentation¹ to the Commission. The applicant provides a diagram and explanation of the process for manufacturing alloyed HRC which involves the addition of boron *'during the steelmaking stage through the addition of ferro boron to the melt'*. The applicant further adds that *'in a 270 tonne batch of steel, 4-5 x 5kg bags of boron are added to*

¹ EPR 291, Record No. 007.

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achieve the minimum amount necessary to qualify the steel as "alloy" and that the process cost of adding boron 'occurs when the molten steel passes through the ladle treatment station where micro additions and temperature control is undertaken'.

Dalian Steelforce agrees with the applicant's overview of the alloyed HRC manufacturing process but notes that the composition of other chemical elements in the alloyed HRC are also different from those found in non-alloyed HRC, not simply the addition of boron. We consider that this clearly confirms that no modification is undertaken by the HRC steel producers which results in non-alloyed HRC being modified and transformed into alloyed HRC. Each type of HRC is manufactured using a discrete process with the inclusion of specific raw material inputs designed to meet certain technical specifications and international standards relevant to either non-alloyed or alloyed steel.

With respect to the specific inclusion of boron in the HRC used to manufacture alloyed HSS, the Commission correctly notes that the goods exported by Dalian Steelforce had concentrations of boron of 0.0008% and above. Dalian Steelforce considers this particularly relevant to understanding the perceived differences between the alloyed and non-alloyed HSS as a result of the boron content.

On 20th April 2015, the Australian Steel Institute (ASI) and the Welding Technology Institute of Australia (WTIA) issued a product alert (**Attachment A**) to its members explaining the possible impact of steel containing boron above the threshold of 0.0008% or 8 parts per million, and in particular its compliance with the relevant welding Standards. The relevant statements from that advice to this inquiry, in relation to the addition of boron above the allowable limits of 0.0008% are:

- such steel products can cause weld cracking unless welding procedures are adjusted and qualified;
- fabricators cannot use the prequalified provisions of the welding Standard and subsequently have to undertake more rigorous qualification, testing and documentation procedures in order to comply with the Standard; and
- the AS/NZS 1554 suite of Standards are based on structural steels where Boron was not added as an alloying element to the steel and the Standard has now set maximum limits on Boron.

In November 2015, the WTIA again issued technical information (**Attachment B**) to its members advising that for steel containing boron equal to or exceeding 8 parts per million, that:

- it should be treated as non-prequalified; and
- when qualifying these steels, weld heat affected zone Charpy testing shall be performed in lieu of the parent plate Charpy tests (only applicable to Parts 1 and 5).

The technical advice from the relevant independent bodies contained in Attachments A and B strongly suggests that those bodies consider that significant differences exist in the physical characteristics between the alloyed and non-alloyed HSS, where the boron content exceeds 8 parts per million. It is expected that the applicant ought to have been aware of this technical advice being issued and presented its views to the Commission.

The independent technical advice issued by the WTIA and endorsed by the ASI clearly highlights that in some circumstances, the influence of the inclusion of boron above 0.0008% can have a

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significant impact on the physical properties of the alloyed HSS when compared to that of non-alloyed HSS.

Manufacturing cost and selling price

SEF 291 states that whilst Dalian Steelforce indicated a cost difference between manufacturing alloyed and non-alloyed HSS, it did not quantify this difference. The Commission ultimately concluded *'that there is little to no difference in the cost to produce each good'* and that in respect of selling prices, *'the modifications of alloyed HSS exported by Dalian Steelforce are greater than 'slight'.*

Dalian Steelforce wishes to bring to the Commission's attention, supporting information and documentation presented and available to the Commission which was submitted to the current review of measures applicable to carbon HSS (case 285). This information is at **Confidential Attachment C** and would allow the Commission to calculate the actual difference in Dalian Steelforce's cost of purchasing alloyed and non-alloyed HRC.

This information confirms that separate and distinct HRC material is purchased and used as feed material in the production of alloyed and non-alloyed HSS. It also demonstrates that the different costs associated with alloyed and non-alloyed HRC are reflected in the cost of manufacturing the separate and distinct alloyed HSS and non-alloyed HSS. It also substantiates that Dalian Steelforce does not undertake any modification of its non-alloyed HSS products and transform them into alloyed-HSS goods. Each product is manufactured using different feed material from HRC manufacturers unrelated to Dalian Steelforce.

In terms of the impact on selling prices, as outlined in its questionnaire response, Dalian Steelforce reiterates that its selling prices are heavily influenced by the price of the relevant HRC. With the selling price levels of alloyed HRC being generally priced at a premium above non-alloyed HRC, alloyed HSS is more expensive than non-alloyed HSS, all other factors of the sale being the same.

Interchangeability, end use, customer preference and expectations

On the question of end use and interchangeability, the Commission submits that the response by Dalian Steelforce and the importer, Steelforce Trading, *'did not directly address the questions, particularly in providing a comparison between alloy and non-alloyed HSS exported by the company.'* The Commission states that it *'found that the goods can be used interchangeably and the end use of each good has not changed.'* Further, the Commission states that it *'found that there is no difference between the alloyed and non-alloyed HSS'.*

Firstly, the response by Dalian Steelforce and Steelforce Trading was not intended to be deliberately vague and certainly not an attempt to avoid directly answering the question. Given the wide and varied uses for HSS, Dalian Steelforce is simply not in a position to provide the Commission with a detailed understanding of the interchangeability, end-use, customer preferences and expectations between alloyed and non-alloyed HSS.

To highlight by example, fabricating members of the WTIA have been provided technical advice on the use of alloyed HSS containing boron exceeding 8 parts per million, and the risks specific to welding fabrication and how this type of steel cannot be prequalified to the provisions of the welding Standard AS/NZS 1554. Therefore, a fabricating customer that may have previously

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purchased non-alloyed HSS may refuse to purchase alloyed-HSS given the advice surrounding prequalification to the welding standard. In that circumstance, the customer has decided that the characteristics of alloyed HSS and non-alloyed HSS are sufficiently different to prevent simply substituting one for the other.

Alternatively, another customer may also consider that the characteristics are significantly different between alloyed HSS and non-alloyed HSS, but instead choose to source alloyed-HSS and comply with the recommended additional testing and documentation requirements in order to comply with the relevant standard. However, the additional testing and procedural costs required to ensure compliance would likely be significant, and would further demonstrate that the two product categories are sufficiently different from the perspective of that particular customer.

For these reasons, Dalian Steelforce and Steelforce Trading simply cannot comment or present views on the interchangeability or customer expectations and preferences. However, it is noted that the product alert released by the ASI at Attachment A, states that *'Boron is a chemical element traditionally used to achieve high hardenability in alloyed steels for subsequent heat-treatment. In Australia, the addition of Boron has primarily been used for quenched and tempered steel grades used for abrasion or wear resistant applications.'* This appears to present and support a view from these independent technical bodies that alloyed HSS is substantially different to non-alloyed HSS.

Conclusion

In conclusion, Dalian Steelforce requests that the Commission reconsider its preliminary findings in light of the submissions and supporting information presented in this response.

Yours sincerely,

John Bracic



AUSTRALIAN STEEL INSTITUTE



Product Alert

For the information of ASI Member Fabricators

In November 2014 various parts of the AS/NZS 1554 suite of welding Standards were revised with a number of changes. From this, there is an additional significant change that was not covered in our engagement sessions held nationally last year culminating at our Fabricator Forum at the ASI Convention. The issue that we now need to bring to your attention relates to Boron additions to steel.

The serious nature of Boron additions is that it can cause weld cracking unless you make the necessary adjustments to your welding procedures and qualify them. **Consequently, the ASI recommends that fabricators wanting to be compliant with prequalified welding procedures of AS/NZS 1554 Parts 1, 5 and 7, order steel from your suppliers with reported Boron within the allowable limits.**

As you may be aware, Boron is a chemical element traditionally used to achieve high hardenability in alloyed steels for subsequent heat-treatment. In Australia, the addition of Boron has primarily been used for quenched and tempered steel grades used for abrasion or wear resistant applications. More recently, Boron has been found in some imported structural steels in elevated amounts. This has been particularly prevalent for structural steel hollow sections supplied to AS/NZS 1163 and, to a lesser extent, for hot-rolled sections, plate, merchant bar and welded plate sections.

Parts 1, 5 and 7 are the relevant parts of AS/NZS 1554 which have had the Boron revision. In those instances, Boron must be reported and be at amounts of less than 0.0008% (i.e. 8 parts per million). Hence, as long as the steel chemistry meets this limit, the prequalified provisions of AS/NZS 1554 can be applied. If this requirement is not met, then fabricators cannot use the prequalified provisions of the Standard and subsequently have to undertake more rigorous qualification, testing and documentation procedures in order to comply with the Standard.

Apart from Part 4 which deals with heat-treated steels, the AS/NZS 1554 suite of Standards are based on structural steels where Boron was not added as an alloying element to the steel and the Standard has now set maximum limits on Boron.

Anyone who has purchased steel with added boron and has concerns about welding should contact the supplier for advice on correct welding procedures. See clause 5.3.1 of AS/NZS 1554 Part 1:2014

This matter has been reported on in our Steel Australia magazine and in subsequent media publications following concerns also being expressed by our sister associations overseas on this matter.

[ASI Product Alert April 2015](#)

For further information on compliance see the ASI website on <http://steel.org.au/key-issues/compliance>

For welding issues contact the WTIA Hotline on 1800 620 820.

INDUSTRY ALERT

CHANGES TO AS/NZS 1554 STRUCTURAL STEEL WELDING STANDARDS

For internal procedural and governance reasons, Standards Australia have removed the provisions in AS/NZS 1554 Parts 1, 5 and 7 via a correction amendment published on published on 23 September 2015. Specifically, this involves Clauses 2.1, 4.7.7.2 (for Parts 1 and 5 only) and 5.3.1 relating to the use of steel with boron content equal to or greater than 8ppm (i.e. 0.0008% by weight).

Regardless of this published amendment, the WTIA technical advice remains as follows:

1. Members are to satisfy themselves of the chemical content of steel to be welded including total boron. As not all suppliers list all the required elements on their test certificates, fabricators should request the information in writing from their supplier. If not forthcoming:
 - a. assume non-compliance if not disclosed; or
 - b. get their own chemical analysis performed; or
 - c. purchase steel from a supplier who will provide the required information.

2. Parent material containing total boron equal to or exceeding 8ppm should be treated as non-pre-qualified. When qualifying these steels, weld heat affected zone (HAZ) Charpy testing shall be performed in lieu of the parent plate Charpy tests (only applicable to Parts 1 and 5).

3. For steels containing total boron equal to or exceeding 8ppm advice should be sought from the parent material manufacturer regarding welding and preheat requirements.

If you are in any doubt, please call the WTIA Hotline 1800 620 820.



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