



J.BRACIC & ASSOCIATES
TRADE REMEDY ADVISORS

PO Box 3026
Manuka, ACT 2603
Mobile: +61 499 056 729
Email: john@jbracic.com.au
Web: www.jbracic.com.au

1 December 2015

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

Review of hollow structural sections exported by Dalian Steelforce

This submission is made on behalf of Dalian Steelforce Hi-Tech Co., Ltd. (Dalian Steelforce) following the invitation from the Anti-Dumping Commission (the Commission) for interested parties to provide further comments on the appropriate use of published data for the purposes of determining normal values and benefits conferred in the review of measures applying to certain hollow structural sections (HSS) exported by Dalian Steelforce.

Dalian Steelforce firstly wishes to thank the Commission for reconsidering its position on the disclosure of the relevant data used to benchmark hot-rolled coil (HRC) prices. As previously explained, the disclosure of such information provides a reasonable basis upon which interested parties can make informed comments to the review.

Second, the comments presented in this submission are supplementary to the views outlined in submissions made by Dalian Steelforce on 17 August 2015 and in response to Statement of Essential Facts Report No. 285 (SEF 285). Those submissions provided clear evidence of the following:

- the Australian industry's views on the appropriateness of East Asian HRC prices are inconsistent and contradict their previous statements and publicly available documents;
- the available data refutes the Australian industry's assertion that East Asia HRC prices exhibited volatility relative to other proposed HRC prices such as Korea, Taiwan or Japan;
- the proposed Korean domestic HRC prices published by MEPS International (MEPS) do not represent relevant prices from HRC producers to processing customers, when a proper comparison is undertaken against verified information available to the Commission.

- East Asia HRC prices are the most appropriate benchmark for determining a competitive market HRC cost as the Commission has concluded in previous relevant reviews and duty assessments.

1. Australian industry's grounds for proposing MEPS

Before discussing the relevance and merits of the published MEPS data, it is worth firstly outlining the reasoning provided by the Australian industry for the Commission to deviate away from previously used South East Asia HRC pricing data published by Steel Business Briefing (SBB).

In its submission¹ to Review 267, the Australian industry submits that *'[t]he East Asian import price index reflects sales of HRC on the spot market'* and that 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.'*

In submissions² to the current review, the Australian industry proposed the use of HRC prices from what we now know to be MEPS published data, as in their view, *'the Commission will not have access to contemporary HRC prices from cooperative HSS exporters of HSS in Korea, Malaysia and Taiwan'*.

Notwithstanding the above, in a subsequent submission³ the Australian industry referred *'the Commission to actual domestic HRC prices available to it from the recent HSS review of measures for Kukje Steel Co., Ltd. The Commission can adjust for movements in HRC pricing for Dalian Steelforce for black and pre-gal HRC by referencing Kukje's movement in HRC prices for the investigation period versus the 2010/11 investigation period in Investigation No. 177.'* [original emphasis]

Therefore, the totality of the statements and information presented by the Australian industry are:

- i) South East Asian HRC prices are based on volatile spot prices;
- ii) domestic HRC prices which are based on less volatile long-term contract prices;
- iii) contemporary domestic HRC pricing from Korea, Malaysia and Taiwan is not readily available to the Commission;
- iv) contemporary domestic HRC prices were available from the recent review of measures applying to the HSS exporter from Korea, Kukje Steel Co., Ltd (Kukje); and
- v) that MEPS published domestic HRC prices in Korea and Taiwan provide a reasonable source for benchmarking HRC prices.

In Dalian Steelforce's view, no supporting evidence has been provided to validate the first two claims about the relative volatility. Neither has the Australian industry provided any

¹ EPR 267, Record no. 011,

² EPR 285, Record no. 006 and Record no. 007

³ EPR 285, Record no. 012

additional information or responses to the deficiencies highlighted in Dalian Steelforce's submissions in response to SEF 285.

As such, Dalian Steelforce requests that in making its determination on the appropriate source for calculating benchmark HRC prices, that the Commission carefully weigh up the evidence and supporting evidence submitted by all interested parties. By doing so, Dalian Steelforce contends that the evidence will clearly highlight that the Australian industry's assertions are entirely self-serving and opportunistic that contradict their previously submitted views.

2. Commission's preliminary grounds for relying on MEPS published prices

In SEF 285, the Commission proposed the use of published MEPS data consistent with its findings in Report 267, outlining that *'the reason for this change in approach is the Commission's view of the relatively higher volatility of the East Asian HRC price.'*

In Report 267, the Commission outlined its reasons for preferring to use MEPS published prices due to *'the relatively higher volatility of the East Asian price and the fact that the original benchmark was based on domestic prices which included those countries'.*

Beyond the mere statements referenced above, none of the Commission's preliminary or final reports from Review 267 or Review 285 provide or contain any assessment or analysis in support of its conclusion that East Asian prices exhibited relatively higher volatility. Dalian Steelforce presumes that this lack of assessment and analysis of the MEPS data relative to East Asian HRC prices stems from the Australian industry's refusal to disclose the actual MEPS data, the identity of the data provider and to allow for a reasonable graphical summary of the submitted data to be placed on the public record.

Further, Dalian Steelforce notes that the Commission has not referenced any comparative or evaluative assessment of the MEPS published data against other relevant and reliable information available to the Commission.

3. Dalian Steelforce comments on relevance of MEPS published data

As outlined in its earlier submission, Dalian Steelforce considers that the Australian industry's statements about the reliability and relevance of SBB East Asian HRC prices are not consistent with previous statements made by both industry members in the context of submissions made to other dumping investigations and public announcements. These are referenced in attachments 1 to 6 of Dalian Steelforce's submission dated 17 August 2015 and attachment 1 to Dalian Steelforce's submission dated 31 August 2015.

Given the contradictory and inconsistent statements made by the Australian industry, Dalian Steelforce considers that the Commission should dismiss their claims and statements as plainly self-serving. In any case, the Commission is urged to undertake a proper examination of the readily available relevant information outlined below and properly compare with the MEPS published HRC prices. The proposed assessments of the available information will clearly show that the Australian industry's claim are without foundation.

Kukje Steel

Notwithstanding the inconsistent statements from the Australian industry about the lack of contemporary domestic HRC pricing information from Korea, Malaysia and Taiwan, and their request for the Commission to rely on verified information submitted by Kukje to Review 266, Dalian Steelforce agrees with the Australian industry and submits that the Commission should carefully examine all information provided by Kukje and available to the Commission.

In particular, Dalian Steelforce requests the Commission to undertake the following cost and price comparisons which would be useful in assessing whether the MEPS published data is reliable for the intended purposes:

1. compare Kukje's verified HRC costs from the original investigation period in case 177 (1 July 2010 to 30 June 2011), which were used to calculate the original weighted average HRC benchmarks, against MEPS published data for the same period;
2. compare Kukje's determined quarterly HSS normal values from the original investigation period in case 177 (1 July 2010 to 30 June 2011), against MEPS published data for the same period;
3. compare Kukje's verified HRC costs from the review period in case 266 (1 July 2013 to 30 June 2014) against MEPS published data for the same period;
4. compare Kukje's determined HSS quarterly normal values from the review period in case 266 (1 July 2013 to 30 June 2014) against MEPS published HRC data for the same period.

Dalian Steelforce considers that the comparisons outlined above will clearly show that the MEPS published Korean HRC prices do not reflect and are not an accurate measure of HRC prices to HSS processors such as Kukje. Instead, the data will strongly support the view that the MEPS HRC prices are distributor prices to end-users.

This is a critical assessment to be undertaken by the Commission given its reliance on Kukje's HRC purchase prices during the original investigation. It is simply inadequate for the Commission to ignore Kukje's actual verified HRC pricing information in assessing whether the assertions made by the Australian industry have any grounds.

Korean HRC normal values

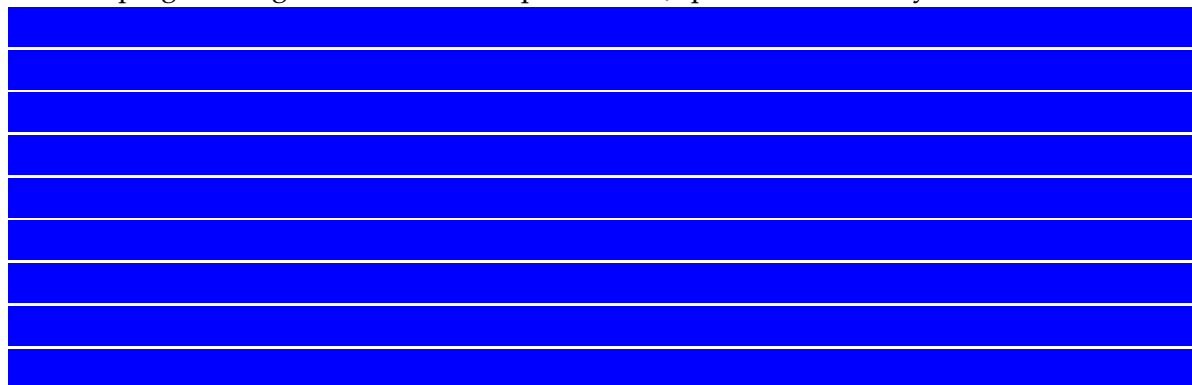
As previously highlighted, the MEPS International Steel Review publication identifies that the referenced Korean HRC data is '*ex-stock mill sales through selected outlets.*' This is further supported by the similar distributor steel prices published in Korea by the primary source of steel data, Korean Steeldaily.

As further confirmation that the MEPS published HRC data does not properly reflect selling prices to HSS processors such as Kukje, Dalian Steelforce requests the Commission to undertake a comparison of normal values determined for Korean exporters in case 188 during the investigation period 1 April 2011 to 31 March 2012, against MEPS published HRC prices for the same period.

Dalian Steelforce expects that this data comparison will further confirm that the MEPS published Korean HRC prices do not reflect selling prices from Korean HRC producers but instead are distributor/stockist prices to end-users.

Taiwan HRC prices

It is noted that OneSteel Australian Tube Mills was identified as an importer of HRC during the dumping investigation into HRC exports from Japan, Korea, Malaysia and Taiwan⁴.



[Confidential export information]

Further, the Commission is requested to compare verified HRC costs and prices from cooperating Taiwanese exporters to the recently completed investigation into hot rolled plate steel (case 284) and relevant information presented by cooperating exporters to the current anti-circumvention inquiry into galvanised steel from Korea and Taiwan (case 290). Dalian Steelforce again expects that the data will support its view that the MEPS published HRC prices do not reflect accurate selling prices from the HRC producer to a processor in the domestic market.

4. Alternative sources for determining benchmark prices

As highlighted in its previous submissions to the review, Dalian Steelforce submits that the SBB East Asia HRC CFR Import price provides a reasonable basis for determining a competitive market cost for HRC. As noted earlier, the East Asian HRC prices have been referenced by the Australian industry as a reliable measure of HRC prices in the Asian region. It has also been previously relied upon by the Commission in determining HRC benchmarks for Dalian Steelforce's duty assessments and the HRC benchmark in the accelerated review of galvanised coil by Jiangyin Zongcheng.

⁴ EPR 188, Record no. 052.

Further, in calculating the relevant benchmark prices, Dalian Steelforce submits that there is no justification for the Commission departing from its previous practice of calculating the benchmark prices and indexed rates using HRC prices denominated in Chinese RMB. Dalian Steelforce requests the Commission to ensure its approach is consistent with that used in the original investigation and recent duty assessments, and calculate the quarterly indexed rates using HRC prices denominated in Chinese RMB so that they are accurately and consistently applied to the HRC benchmark prices which are denominated in Chinese RMB.

5. Conclusion

In conclusion, Dalian Steelforce considers that it has identified and already provided the Commission with a vast assortment of information that plainly demonstrates that the MEPS HRC pricing data proposed by the Australian industry, is not a representative and reliable measure of domestic HRC prices in Korea and Taiwan to manufacturing processors. Instead, the MEPS data appears to be indicative of distributor prices to end-users.

Yours sincerely

John Bracic