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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) in response to the Anti-Dumping Commission's (the Commission) file note advising of the correction to errors found in the preliminary dumping and countervailing calculations.

Dalian Steelforce submits that whilst the formula errors highlighted by the Commission in the file note placed on the EPR on 27 November 2015, have been corrected, significant errors remain in the Commission's calculation of the substituted hot rolled coil (HRC) costs for the purposes of determining the constructed normal values.

As outlined in its submission of 17 August 2015, Dalian Steelforce does not consider that the Commission has replaced and substituted its HRC purchase costs with costs determined by the Commission to be competitive market costs. This is abundantly evident from the table below which shows that for each month of the review period, the substituted HRC costs for both black and pre-galvanised HRC were either greater than or less than the competitive market costs determined by the Commission.

[TABLE COMPARING HRC COSTS – CONFIDENTIAL]

The methodology adopted by the Commission in this review is inconsistent with each and every previous investigation which involved the replacement of exporter's costs due to those costs being found to not properly reflect a competitive market cost in accordance with the relevant regulations. That includes:

- Aluminium extrusions (case 148)
- Aluminium extrusions (case 248)
- Aluminium road wheels (case 181)
- Aluminium zinc coated steel (case 190);
- Hot rolled plate steel (case 198)

- Silicon metal (case 237)
- Zinc coated (galvanised) steel (case 190);
- Zinc coated (galvanised) steel (case 274); and
- Wind towers (case 221).

In each of the cases outlined above, the Commission replaced and substituted the exporter's actual cost with a comparable competitive market cost. It is inconceivable then that the Commission would adopt a completely different and inconsistent methodology in this review to that followed in each of the cases listed above.

In this particular review, the Commission has adopted an approach that uplifts Dalian Steelforce's actual HRC costs by the amount of benefit conferred by subsidy program 20 (expressed as a percentage of the ascertained export price). This approach is without doubt erroneous as it leads to outcomes inconsistent with the requirements of the Regulations.

The Commission's approach involves determining contemporary quarterly competitive market costs for each different type of HRC purchased by Dalian Steelforce. These separate and distinct HRC costs are then compared against Dalian Steelforce's actual purchase prices of the corresponding type and quarter. However, the Commission then inexplicably calculates a single average rate of difference for each type of HRC for the entire review period. These single rates are then used to uplift Dalian Steelforce's verified HRC costs in determining the revised cost to make and sell.

It is worth highlighting that under the Commission's preliminary methodology for replacement of HRC costs, where actual HRC costs are found to be higher than the prevailing competitive market cost, they are further increased. This is inconsistent with the Commission's policy and practice of increasing and/or decreasing an exporter's actual costs to the level of the prevailing competitive market cost, upon making a determination that an exporter's costs do not reflect a competitive market cost.

The Commission expressed the basis of its policy on this matter in response to an interpretation from the aluminium extrusions industry that it was unreasonable to replace an exporter's actual costs where those costs are found to be above the prevailing competitive market cost. The Commission responded[1]:

> In these circumstances, Customs and Border Protection considers its approach to calculating Tai Ao's domestic primary aluminium costs is reasonable as it has determined that:
>
> - all of Tai Ao's costs of domestic primary aluminium throughout the investigation period are not reasonably reflective of competitive markets costs, and hence should not be used in any circumstances, and this is due at least in part to Government of China (GOC) interventions in the domestic primary aluminium market (see SEF148A at Section 4.2);

[1] Report 148A-(2), Termination of a resumed investigation, Certain aluminium extrusions from China, pages 17-18.

> - the LME price was a competitive market price for primary aluminium throughout the entirety of the investigation period (see SEF148A at Sections 4.3 and 4.4); and
> - the application of the LME to Tai Ao's domestic primary aluminium costs adjusts the costs to align them with what Customs and Border Protection considers a competitive market cost of primary aluminium in China would have been (discussed within SEF148A at Section 4.5), reasonably removing the distorting forces on the costs of domestic primary aluminium paid by Tai Ao (including the effects of GOC interventions).
>
> Customs and Border Protection then considers that, once it has aligned Tai Ao's costs of domestic primary aluminium with what it is reasonably considered they would have been if the Chinese market was a competitive market, these costs are suitable and reasonable to use in constructing Tai Ao's normal values.
>
> Customs and Border Protection considers that the fact <u>that this approach may at times lower and at other times raise</u> Tai Ao's constructed normal values from what they would have been had the LME-based proxy not been applied is immaterial. Customs and Border Protection's aim in making this modification to Tai Ao's costs is to arrive at normal values that reasonably reflect what the normal values would have been in a competitive market. [Emphasis added]

The Commission's stated policy and practice in TER148A-(2) was clearly not applied in the substitution of Dalian Steelforce's HRC costs. All HRC costs were adjusted upwards irrespective of whether they were above or below the prevailing competitive market cost, which results in the substituted HRC costs being higher than the determined competitive market costs for the vast majority of the review period.

More precisely, the Commission's flawed approach to uplifting HRC costs results in the following inaccuracies:

- substituted pre-galvanised HRC costs are [redacted] (costing information);
- substituted black HRC costs are [redacted] (costing information);
- the substituted black HRC cost is above the corresponding substituted pre-galvanised HRC cost for two months of the review period. This is a clear error given that the Commission's own calculations of the competitive market costs shows that pre-galvanised sells at a premium of approximately 17% above black HRC;

The results outlined above highlight that the Commission has not complied with the requirements of the Regulations, which are aimed at ensuring that the costs of production of like goods reasonably reflect competitive market costs. It is clear that the Commission's calculations do not lead to costs of production which reasonably reflect competitive market costs.

Dalian Steelforce therefore requests the Commission to review its preliminary methodology to the determination of the substituted HRC costs and recalculate normal values by ensuring the substituted HRC costs reflect the determined competitive market costs for HRC. To avoid repeating any further errors in its calculations, Dalian Steelforce kindly requests that it be provided with an opportunity to review the Commission's final calculations prior to the recommendations being made to the Parliamentary Secretary.

Yours sincerely

John Bracic