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

Investigation into Steel Reinforcing Bar exported from Taiwan – Power Steel Co., Ltd

Dear Director,

Following the publication of the Power Steel Co., Ltd (PSCO) normal value verification report, PSCO wishes to comment on the specification adjustment recommended by the verification team.

As verified by the Commission, PSCO manufactures steel reinforcing bars from two different grades of billet which require the use of two different manufacturing processes to achieve the necessary mechanical properties of the specific products. The two types of billet are:

a) normal grade SD280, and
b) high alloy grade SD420 (micro-alloyed with vanadium).

As verified, the cost of normal grade billet SD280 is substantially cheaper than the high alloy SD420 grade billet due to the inclusion of the high cost alloys such as vanadium. This is also supported by statements in OneSteel Manufacturing Pty Ltd's (OneSteel) application[1]:

> *Manufacturing processes*
>
> *Rebar that has attained the required yield strength through a chemical addition at the steelmaking stage of a micro-alloy e.g. ferrovanadium or ferroniobium, will be more expensive to produce (due to the special alloy addition) than rebar that has been exposed to a thermo-mechanical (water quench) process in order to attain the strength required. This may affect a fair price comparison and require adjustment.* [emphasis added]

Further, verification of PSCO's production costs showed that the cost of normal grade billet used in the manufacture of the exported goods, were up to [redacted]% lower than the cost of high grade billet used in the production of SD420 grade steel reinforcing bars.

[1] EPR 418, Record 001, page 84.

Therefore, PSCO agrees with the Commission and OneSteel, that adjustment ought to be made for cost differences arising from the consumption of normal and high alloy grade billet in the manufacture of the export and domestic like models respectively.

It is also worth noting that OneSteel stated and agreed in the original steel reinforcing bar investigation (REP 264), that grounds for adjustment due to billet grade and the corresponding method of production was warranted[2]:

> *It is OneSteel's view that grounds for applying adjustments may include the following:*
>
> - *A different method of production is employed for a given grade (G500N) of rebar when produced for the domestic market compared to the export market. An assessment of the different production methods for a given grade may show an additional cost of production (e.g. an expensive alloy addition such as vanadium) for one method which is not applicable to the other production method (for example water-quench). This difference in production cost may be factored into the sales prices of the goods. In this instance, an appropriate adjustment must be made to ensure a fair comparison between export price and normal value. An example of the differences in pricing for "V-added" versus "quench" rebar of the same strength is available in the attached (Confidential Attachment 3).*

OneSteel's identification of an adjustment for cost differences in the grade of billet and production method is fully supported by PSCO, and demonstrated in the comparison submitted by OneSteel in its submission to EPR 264[3]:

Public File

Rebar production methods

	Production Method	Treatment	Benefit / Downside
1	Micro-alloying	Addition of small amounts of alloys (vanadium or niobium typically) at steelmaking stage. Strength achieved chemically via changes to steel microstructure.	• Most expensive due to price of alloy • Delivers consistent outcome across range of rebar diameters
2	Quench & Self-Temper (also called Tempcore or water-quench or thermo-mechanical treatment TMT)	During final stages of rolling, bar passes through water sprays which rapid quench the outer surface (makes it strong but brittle). The core heat retained in the bar then radiates out towards the surface during cooling which tempers the bar making it ductile while retaining strength.	• Cost effective (no alloy addition) • Requires good control of water spray system • Can deliver inconsistent results especially on larger diameter rebar

Using OneSteel's explanation and cost comparison highlighted above, PSCO utilises the lower cost normal grade billet and the water-quenching method to manufacture the exported goods on a 'cost

[2] EPR 264, Record 027, pages 3-4.
[3] EPR 264, Record 043, page 9.

effective' basis, relative to the high grade micro-alloy billet used to manufacture the domestic grade chosen by the Commission as the preferred like model. The higher costs associated with the high-alloy domestic model incur a premium over the normal grade domestic model which also utilises the normal grade billet. This demonstrates as OneSteel has previously acknowledged, that the production cost differences associated with the high grade micro-alloyed billet does affect price.

As such, it is evident that the Commission, OneSteel and PSCO all agree that a downward adjustment is required to the domestic selling prices of the preferred domestic model to ensure proper comparison with the exported goods.

To quantify the adjustment, PSCO considers that the Commission should follow its normal practice of applying the average raw material cost difference over the investigation period ([redacted]%) between the normal billet grade used in the production of the exported goods, and the high grade micro-alloyed billet used in the production of the domestic like goods. In addition to the verified absolute cost differences in billet, as per the Commission's policy, PSCO submits that the cost differences are required to be grossed up to reflect the addition gross margin reflected in the adjusted selling price.

Yours sincerely,

John Bracic