REVIEW OF ADC'S PRELIMINARY DUMPING MARGIN CALCULATION – DALIAN STEELFORCE

Identified errors

1. **DEDUCTIVE EXPORT PRICE**
   a) Error in SFA SG&A calculation

The Commission's calculation of SFA's SG&A rate is overstated as it incorrectly includes delivery expenses which are then deducted from the reported SFA net selling prices. The SFA net selling prices ████████████████████████ ████████████████████████████████.

As explained to the importer visit team, the requested and submitted stock sales report showing sales of HSS from each of the SFA distribution centres, ████████████████████████████████████ ████████████████████████████.

This is confirmed and supported by the SFA ex-DC stock report and the selected invoices requested by the importer visit team, which showed that ██████████████████████████████████████ ██.

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To highlight more clearly, attached is a spreadsheet for each of the 11 sample sales selected and verified by the importer visit team, with each file containing the following:
- SFA ex-DC stock report for the selected month, distribution centre and product code;
- the detailed sales report for the above grouping of sales showing all transactions;
- the provided list of sample sales selected by the importer visit team; and
- copy of the sales invoice for the individual selected sale.

As is clearly shown, the freight charge on those delivered sales is separate from the reported revenue for the individual goods on the invoices. Therefore, the revenue for the goods reflect ███████████████ prices, and it is these values which are recorded in the ████████████, and the basis for the deductive export price. To correct this, SFA's SG&A rate ought to be calculated after ████████████████████ reported in cell B30 of the Steelforce Group P&L. Based on our calculations the correct SG&A rate is ██% after deducting delivery expenses.

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   b) Error in importation cost calculation

The deductive export price calculation correctly deducts importation costs in order to arrive at the "FOB net invoice value (excl customs duty adjustment) (AUD/tonne)" reported in Column V. The deducted importation costs recorded in cell T4 shows a unit amount of $██/tonne. As highlighted in cell T3, that amount excludes Customs duty, which is separately deducted in Column W.

In the absence of the importer verification team's actual and final calculations, we have been able to reconstruct the calculation of the importation costs using the verified Part B of the Steelforce Trading importer questionnaire response. It shows that the amount of $██/tonne includes the Customs Duty reported in Row 42. By including the Customs Duty in the importation costs and then subsequently deducting Customs Duty again in Column W, Customs Duty has been double-counted and thereby overstated.

Refer to the attached Importer Questionnaire Spreadsheets for our calculation and identification of the included Customs Duty and double-count. To correct – the amount in cell T4 of Appendix 1 should be changed to $██ / tonne.

   c) Error in timing between SFA sale month and actual FOB export month.

During the previous review (case 379) and the current review (case 419), the importer verification teams requested and were provided with SFA's sales information for a ██████ period which covered the relevant review period and subsequent █ months. In the case of review 419, this involved sales for the period ████████████████████.

In addition, the importer team requested and were provided with the average inventory turnover period for each distribution centre. The average inventory turnover by DC for the review period and as verified by the importer visit team are shown in the table below.

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This shows that goods are held in inventory for approximately ▮▮▮ and clearly sold by SFA at least ▮▮▮ after they were exported by Dalian Steelforce. So a SFA sale made in ▮▮▮ was actually exported from Dalian, China in ▮▮▮.

To address the obvious timing difference between the date of the export sales and the date of SFA's sales into the Australian market, and to ensure that the deductive export prices can be properly compared with the constructed normal values in the same period, in Review 379 the Commission applied the average inventory turnover periods to the SFA sale month to calculate the correct importation month. The deductive export prices were then calculated using the appropriate importation month and compared to the corresponding monthly normal value.

See screenshot below taken from the Commission's deductive export price calculations for case 379 which shows the SFA sale month (highlighted in blue), the average inventory turnover period (highlighted in orange), and the calculated importation month (highlighted in red) after deducting the average inventory periods. The deductive export prices were correctly calculated on the importation month as this more closely corresponds and aligns with the actual date of export and the corresponding constructed normal values.

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By contrast, the preliminary calculations for review 419 make no such adjustment to the timing difference between the SFA sales and the determined normal value or the actual date of export. In the worksheet titled "(a) DM 1 - Aust Sales " in Appendix 5, the INDEX formulas in Column AZ refer to the actual month of export (ie bill of lading date), but then input the deductive export price for SFA sales made in that same month. That is, the deductive export price for an export sale made by Dalian Steelforce in ▮▮▮ is based on a corresponding SFA sale made in ▮▮▮. As verified by the Commission, this is not correct as an export sale by Dalian Steelforce in ▮▮▮ would correspond to a sale made by SFA in ▮▮▮. Alternatively, the SFA sale made in ▮▮▮ relates to goods exported by Dalian Steelforce in ▮▮▮.

To properly correct the timing difference between the month of the SFA sales and the actual month of the exported goods and constructed normal values, the Commission should apply the average inventory turnover and calculate the importation month as it did in case 379. Please note that to properly calculate the importation months for the ▮▮▮, the list of SFA sales in Appendix 1 requires updating to include the stock report for the ▮▮▮. This stock report was specifically requested by the Commission for this purpose and provided during the importer verification visit, and we resubmit it again for your information.

2. **CALCULATION OF DUMPING MARGIN**

The tab titled "(a) DM 1 – Aust Sales" in the Appendix 5 – DM spreadsheet has sales totalling ▮▮▮ tonnes. Column AU of this tab shows which of those sales related to goods under consideration ("Goods") and which are <u>not</u> goods under consideration ("Not GUC"). To properly calculate a Dumping Margin, the calculation should only include the ▮▮▮ tonnes of goods under consideration.