

6 April 2018

The Director  
Investigations 4  
Anti-Dumping Commission  
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## PUBLIC FILE

Dear Director

### **Review of Measures Investigation No. 419 – Hollow Structural Sections exported from the People's Republic of China, Korea, Malaysia and Taiwan – Statement of Essential Facts**

#### I. Introduction

Orrcon Manufacturing Pty Ltd (“Orrcon”) is a manufacturer of hollow structural sections (“HSS”) the subject of anti-dumping measures on all exporters in the People’s Republic of China (“China”), Korea, Malaysia and Taiwan. Exports of HSS from China are also the subject of countervailing measures.

On 14 July 2017, the Commissioner initiated a review investigation into the variable factors applicable to exports of HSS from China, Korea, Malaysia and Taiwan. The commencement of the review investigation followed an application for the review of the applicable measures by Austube Mills Pty Ltd (“ATM”).

Orrcon has cooperated with the Anti-Dumping Commission (“the Commission”) in this review investigation. The Commission has conducted a verification visit with Orrcon, and an industry verification report has been placed on the public record (refer EPR Document No. 34).

Orrcon has reviewed Statement of Essential Facts No. 419 (“SEF 419”). Orrcon has addressed matters below requiring the Commission’s consideration.

#### II. Determination of variable factors

Orrcon seeks to comment on the Commission’s assessment of normal values for the identified exporters hereunder.

##### *(a) Dalian Steelforce*

It is noted that the Commission has determined normal values for Dalian Steelforce under subsection 269TAC(2)(c) as in past HSS investigations. Orrcon queries the absence of an upward adjustment for export packing for Dalian Steelforce that is evident in the normal value determination for other exporters (e.g. Tianjin Youfa, Kukje, FEMCO, Shin Yang, Ursine, etc).

It is noted that Dalian Steelforce is disputing the Commission’s deductive export price calculations (refer EPR Document No. 42). Dalian Steelforce argues that:

- Steelforce Australia’s (SFA’s) selling and general administration (S,G&A) expenses are overstated;
- The customs duty is double counted in the DEP calculations; and
- The timing difference calculation is incorrect.

It is Orrcon’s position that the matters referred to in EPR Document 42 would have been raised with the Commission at the time of verification. It cannot be argued subsequent to the verification visit that these items

should be corrected by the provision of examples and scenarios that are only offered subsequent to the verification visit. Orrcon does not consider that the Commission can reasonably assess the matters raised by Dalian Steelforce post the verification. The Commission's findings as determined during the verification visit must stand.

*(b) Huludao City Steel Pipe Industrial Co., Ltd*

Huludao has received a downward adjustment for inventory carrying cost for domestic sales. It is Orrcon's understanding that Huludao that the exporter sells for export from a central stock holding and hence an upward adjustment for carrying inventory for export sales is also required.

*(c) Tianjin Youfa International Trade Co., Ltd*

Tianjin Youfa's submission (EPR Document 41) continues to seek an adjustment for the cost of narrow strip that it alleges is priced below prevailing hot rolled coil ("HRC") prices in China. It is argued on behalf of the exporter that the narrow strip is 'unique' to Chinese producers of HSS and does not command the price premium of higher grade and higher quality HRC. It is further argued that the price differential between narrow strip and HRC is evident in the costs for HSS sold to AS 1074 and AS 1163.

Orrcon does not consider that Tianjin Youfa can adequately demonstrate the existence of a verifiable price differential between narrow strip and HRC. The suggested description of 'higher quality' and 'higher grade' HRC imply that HRC sells at a premium. This can only be evidenced through price comparisons as evidenced with the exporter.

*(d) Kukje Steel Pipe Co*

The Commission has determined a negative 3.6 per cent dumping margin for Kukje. It is noted that the Commission has made adjustments for specification differences where domestic sales for the exported goods were not available. Orrcon also notes that timing adjustments were made in relation to certain sales by Kukje.

It is recalled that HRC prices increased sharply across the 1 July 2016 to 30 June 2017 review investigation period. It is not clear from the exporter verification report or SEF 419 how the Commission was able to accurately address rising HRC prices in any specification or timing adjustments. Orrcon holds concerns that Kukje has not passed on HRC prices in full in its domestic sales (as they occurred) and this has not been adequately reflected in Kukje's normal value assessments.

Orrcon also notes the recommendation in SEF 419 not to apply the revised variable factors until the Assistant Minister accepts the Commission's final report.

*(e) Far East Machinery Co. Ltd*

FEMCO has submitted to the Commission (EPR Document No. 43) that there was an error in its sales listing and is requesting the Commission to accept the unverified, amended listing.

Orrcon does not consider that the Commission can readily accept amended sales information subsequent to a verification visit that cannot be satisfactorily verified.

III. Comparative export prices

Orrcon welcomes the Commission's review of variable factors that will ultimately deliver contemporary variable factors on HSS exported to Australia from China, Korea, Malaysia and Taiwan.

The dumping margin findings, however, raise concerns about the relativity of export prices from Korea and Taiwan, for example, across the investigation period. The negative dumping margin determined for Kukje,

contrasted with the positive margins for Taiwanese exporters does not reflect the selling price differentials that Orrcon understands exist in the Australian market.

Orrcon is therefore requesting that the Commission undertake a quality and comparative check of export prices across the investigation period to confirm prices reflect traded HRC prices at the time. This is particularly of concern as it is Orrcon's view that there was dumping by the exporters in the second half of the investigation period as HRC prices continue to increase.

If you have any questions concerning this submission, please do not hesitate to contact me on (02) 4240 1214.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C Uphill', written in a cursive style.

Chad Uphill  
Senior Commercial Specialist – International Trade Affairs  
BlueScope Steel Limited