

STAUGHTONS

Staughtons Trade Advisory Group Pty Ltd – ABN 65 605 424 459

PO Box 867, Bacchus Marsh, Vic., 3340

Ph +61 (0) 459 212 702

PUBLIC RECORD VERSION

April 9,2018

The Director,
Investigations 4,
Anti-Dumping Commission,
GPO 2013,
Canberra ACT 2601.

SEF No 419
Response on behalf of 'Tianjin Youfa'

Dear Director,

Please consider the following response to SEF 419 on behalf of the Youfa Steel Pipe Group (Tianjin Youfa).

The commission is respectfully requested to reconsider the current dumping duty determination of 10.2% for the reasons outlined in this response.

Based on the data detailed in the attached confidential spreadsheets Nos 1 to 4, the claimed dumping duty determination with the exclusion of the [REDACTED] is [REDACTED] (Refer Conf attachment No 4) and the Commission is requested to contact the writer for any clarification or explanation relating to the detailed analysis and calculations. Our claimed dumping duty determination inclusive of the [REDACTED] is [REDACTED] and our reason for considering it to be inappropriate is a reliance on article 2.4 of the WTO agreement. (ie; 'fair comparison' analysis)

1. Tianjin Youfa is the exporter:

Tianjin Youfa considers the Commission's adjustment for a [REDACTED] to be inappropriate given the scale and functional organisation of the Group in that there is no intermediary involved in the Australian sales transaction and Tianjin Youfa is the exporter.

The concern therefore is that the Youfa Group may have been treated differently to other exporters that do not transact via an intermediary on the likely basis that the Youfa Group's structure and size is considered to be different to the other exporters involved as contrary to the other exporters, the Youfa Group comprises several branches producing the range of ERW steel pipe and tube products from HRC and 'narrow strip' but not including Pre Galvanized RHS /CHS from Zinc Coated steel.

Tianjin Youfa International Trading Co. is part of the Group and as evidenced in submissions, it not only arranges the export sales but it also has domestic sales.

The relevant consideration in our view is that for very practical reasons and efficiency the Australian importer should not be expected to have to deal with a number of 'Youfa' branches when negotiating and ordering product for the Australian market and for this reason, that function within the Youfa Group is performed by the so named Tianjin Youfa International Trading Co being part of the Group, & there is no basis for a [REDACTED]

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2. Uplifted HRC Prices:

Whilst Tianjin Youfa would prefer the Commission's uplifted steel material costs to be based on third party transparent pricing data, the accuracy of the Commission's applied uplifts on verified HRC pricing data from Korean and Taiwan exporters is considered problematic for reasons including comparable HRC pricing data for the East Asia region from the reporting service [REDACTED] and the understanding that all but one of the Korean and Taiwan exporters in question also produce Pre-Galvanized RHS etc from Zinc Coated steel coil (Galvanized steel) which as the applicant stated in a submission is

* A\$150 per tonne more than the price of HRC. (*ATM –Sub.# 17 of 18/9/2017 refers)

Our understanding based on the market supply situation of Korean and Taiwan exporters is the following: Table No 1-Illustrative outline:

Exporter	Product	Steel Base
Kukje	Pre-Galvanized RHS	Zinc Coated Steel
	Blue painted RHS	HRC
Shin Yang	Pre –Galvanized RHS	Zinc Coated Steel
Ta Fong	Pre –Galvanized RHS	Zinc Coated Steel
Ursine	Pre –Galvanized RHS	Zinc Coated Steel

Supporting our concern on the HRC prices is the comparable HRC prices for the region which includes Korea and Taiwan as reported by [REDACTED] and which the Australian producer of HRC & Zinc Coated steel, Bluescope refers to in its FY 17 Financial Results Presentation –(copy attached) The Bluescope presentation cites the 1H FY 17 & 2H FY17 HRC prices for the East Asian market as being US\$ 419, and US\$ 474 respectively.

Whilst it is recognised that the Commission's methodology on uplifting HRC prices is based on verified actual HRC costs of the Korean & Taiwan exporters, and that many variables are involved in terms of grade, size, etc., the prima facie price differential with 'our reputable sources' does, we submit reasonably warrant our request that the Commission revisit this factor, particularly given the increasing volume of pre-galvanized product on the Australian market and to ensure against the possibility that only Korean HRC was used to uplift the 'Youfa Group' prices.

3. HRC price premium.

We respectfully submit that the basic tenet of Australia's anti-dumping system for both 'dumping' and 'countervailing' determinations is that the findings be based on the goods produced for the Australian sales and that it follows therefore that only the steel materials used to produce those Australian goods should be taken into consideration.

The DSB report being a WTO Panel report on Anti-Dumping Measures on Biodiesel ex Argentina (DS 473) would seem to support this view in that it stated, inter alia
' benchmark cost of production shall be in line with records kept by the producer'

In the case of the Youfa Steel Pipe Group, it is claimed that only the following branches are relevant for purposes of comparing steel material prices:-

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

4. FACTUALS:

The [REDACTED] branch was the only branch to produce [REDACTED] for the Australian market and this RHS was produced to the structural grade AS 1163 from HRC only. (Non circular product)

The other 3 branches only produced [REDACTED] from the 'narrow strip' steel material which was produced to the non-structural grade AS 1074 (Circular product)

As detailed on Confidential Attachment No 1, all four branches purchased both HRC and 'narrow strip' during the review period and it is submitted that only those purchases be considered for determining the HRC price premium relevant for the claimed adjustment on steel material input costs.

Confidential Attachment No 1 details the relevant purchases of HRC and 'narrow strip' by those relevant branches, and as noted in a previous investigation Case 177, 'narrow strip' is unique to the China market and could not be compared to the HRC used by the Korean and Taiwan exporters to produce the non-circular, structural grade RHS to AS 1163.

The adjustment by way of the demonstrated premium for HRC steel material has been applied for the production cost of the volume product the Youfa group exported to Australia which results in a lower dumping margin than the 10.2% published in the SEF.

5. Other Issues:

It is noted that in respect to the volume non-structural grade CHS pipe that the Youfa group exported to Australia those exports comprised circa [REDACTED]% of the imported market supply with around half of the total imports being supplied by Indian, UAE, Pakistan, New Zealand exporters which are clearly treated as being non-injurious imports regardless of whether they are 'dumped' or 'subsidised'.

The current situation in our view is considered to be bordering on 'farical' when, based on historical market data and market intelligence, the vast majority of the circular pipe imports are of a finish that no Australian producer has the physical capability to produce. Should the same 'Youfa' product be treated differently by way of an adverse recommendation by the Commission to the Assistant Minister in this case it may be viewed as applying the ultimate sanction, namely 'selective prohibition' of 'identical imports'.

Regards,



M J Howard

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ATTACHMENTS PROVIDED:

- Confidential attachment No 1-CHS –HDG data
- Confidential attachment No 2-RHS data
- Confidential attachment No 3-CHS data
- Confidential attachment No 4-Dumping Analysis –Claimed margin etc.
- Non Confidential Bluescope extract on East Asian HRC prices.