

1 May 2018

The Director,  
Operations 4  
Anti-Dumping Commission

By Email: [investigations4@adcommission.gov.au](mailto:investigations4@adcommission.gov.au)

**PUBLIC FILE VERSION**

Dear Director,

***Review Inquiry No. 419 concerning hollow structural sections exported from China, Korea, Malaysia and Taiwan: Australian industry member's response to various submissions made pre and post-SEF 419***

Austube Mills Pty Ltd (ABN 21 123 666 679) (ATM), a member of the Australian industry producing like goods, refers to the various responses of exporters and traders to *Statement of Essential Facts No. 419 (SEF 419)* and makes the following observations. It is noted that the lack of verification reports for those parties undergoing desktop verification delayed the Australian industry member's ability to respond sooner to the post-SEF submissions.

**A. Submission of Ursine Steel Co., Ltd. (Ursine)<sup>1</sup>**

**1. Comparable domestic like products**

Ursine purports that:

"As highlighted in Ursine's questionnaire response at Exhibit C-3, the like goods table shown below outlines Ursine's view that the exported models of XXXX and the domestic models of XXXX have no differences between them in terms of grade, size, wall thickness, shape or finish. This is due to these two products being produced from identical coil feed material."<sup>2</sup>

This view cannot possibly be correct. Firstly, the models exported to Australia must necessarily meet the AS/NZS1163 standard, compared to the JIS G3466 standard applicable to domestic sales. Irrespective of any of the detailed differences between goods produced to the two standards, the most significant difference is the weight tolerance of (+/-) 10% for the domestic standard, compared to the more exacting tolerance of (-) 4% applicable to the Australian standard. A full comparison of the AS/NZS standard to the various domestic applicable standards were provided by ATM to the Commission<sup>3</sup>, an extract in relevant part forms NON-CONFIDENTIAL ATTACHMENT A.

Furthermore, to the extent that Ursine is attempting to compare Grades STKR400 with AS/NZS1163 C350:

"As highlighted in the table below, the export model XXXX and domestic model XXXX share common galvanised coil specifications (XXXX & XXXX). As such, they possess the same minimum yield strength as required by XXXX, despite the lower yield strength requirement stipulated in the XXXX standard. This

---

<sup>1</sup> EPR Folio No. 419/049

<sup>2</sup> EPR Folio No. 419/049, p. 2.

<sup>3</sup> EPR Folio No. 419/017, p. 31.

confirms that the closest structural grade of the subject goods sold on the domestic market during the review period is XXXX.”<sup>4</sup>

ATM refers the Commission to the model matching methodology provided in its exporter visit briefing.<sup>5</sup> In any event, the Commission is reminded that the making of any adjustments to the normal value must be made on the basis of price comparability.<sup>6</sup>

## 2. *Specification Adjustment*

ATM disagrees with Ursine’s attempt to decouple the grade/specification price differences applicable between different material standards. For example, where it suggests:

“Second, it is incorrect to calculate the price differential of [RHS product STKR400] and [STKR490] products, and apply this to [STK400] pipes. [RHS product to JIS G 3466 STKR400] and [Pipe to JIS G 3444 STK400STK] are not used for identical applications and as such have different factors affecting their prices. For instance, in the case of [JIS G3444 STK400] pipes, they are used for building support (eagle frame adjustable pillars), vehicle front tube, whilst [RHS product STKR400] pipes are used for large mechanical base, high strength pillars. The market characteristics of these individual products and the corresponding demand in these markets are very different and this directly impacts on the prices that Ursine Steel can achieve. As such, it is not reasonable to transpose the price differential from [RHS product STKR400] and [STKR490] across grades.”<sup>7</sup> [ATM’s deductions]

ATM supports the Commission’s approach in transposing the RHS grade specification price difference to CHS specification grades, as the grade of the finished product specification is the primary determinant of price, rather than the different standards.

## 3. *Date of sale*

In spite of Ursine’s request to depart from the Commission’s previously tested conclusions regarding the date of sale, ATM considers that the Commission applies the same approach to that adopted in REP 379 – an approach that has withstood challenge to date.

## B. **Submissions of Tianjin Youfa International Trade Co Ltd (Tianjin Youfa)**<sup>8</sup>

### 1. *Narrow Strip Factor*

Tianjin Youfa’s submission concerning a further downward adjustment to the competitive benchmark for narrow strip is unsound. The use of an adjustment to a competitive benchmark to take account of comparative advantages in the country of export cannot be applied to reintroduce the non-competitive market conditions to the construction of the normal value. Narrow strip is unique to the Chinese steel industry and the non-market competitive conditions inherent in it. This observation was made by the Canadian Border Services Agency in its *Statement of Reasons concerning certain carbon steel welded pipe exported from China*:

<sup>4</sup> EPR Folio No. 419/049, p. 2.

<sup>5</sup> EPR Folio No. 419/049, pp. 27 -28.

<sup>6</sup> Subsection 269TAC(8)

<sup>7</sup> EPR Folio No. 419/049, p. 2.

<sup>8</sup> EPR Folio Nos. 419/041, 419/047 and 419/053

“Based on the information reviewed during the verifications, the CBSA was able to ascertain that a significant majority of the narrow strip that is used by the cooperative producers was produced by state owned or state controlled companies. It should also be noted that the CBSA has already formed the opinion that the conditions of section 20 are applicable to the flat-rolled steel sector in China. This sector includes hot-rolled steel sheet and strip, the major raw material in carbon steel welded pipe production.

“It is clear that the GOC has and continues to influence the domestic prices in the hot-rolled sheet and strip sector. Given that narrow strip makes up the predominant cost of carbon steel welded pipe it is reasonable to assume that this domestic price distortion in that sector will be transferred through to the welded pipe sector.”<sup>9</sup>

Indeed, to ensure a proper competitive benchmark is applied, given that narrow strip is produced from billet, and not slab (noting that the feed material for hot rolled coil is slab), then in order to properly reflect any comparative domestic advantage (or disadvantage) of using narrow strip material in line with competitive market conditions, then an adjustment factor may be applied in accordance with the price premium (or discount) of billet, compared to slab. In fact, if this analysis is performed, then the Commission will observe that the price of billet and slab in the Asian region were closely aligned during the Review period.<sup>10</sup>

If no upward or downward adjustment is applied to the HRC benchmark used for narrow strip (on the basis of comparability of billet and slab prices over the period) then the Commission should as a minimum return to the position adopted in Continuation Inquiry No. 379<sup>11</sup> and upheld in ADRP Report No. 63<sup>12</sup> and not apply any adjustment for narrow strip to the benchmark coil price in the normal value determination for the reasons outlined above.

Finally, Austube Mills would like to confirm that Tianjin Youfa has correctly identified narrow strip purchases versus wide strip purchases in the information supplied to the Commission. Chinese Standard “GB/T 15574 - Steel products classification” adopts the internationally recognised classification of Narrow Strip as:

*“Hot-rolled narrow strip: after rolling, the nominal width is less than 600mm”.*<sup>13</sup> [emphasis added]

Austube Mills is concerned that Tianjin Youfa may be attempting to broaden the definition of Narrow strip to achieve a more favourable adjustment than that already applied for narrow strip at SEF 419.

## 2. Adjustments

Although Tianjin Youfa’s extensive redaction of its submissions impairs ATM’s ability to confidently deduce a reasonable understanding of the nature of the information provided, the Australian industry member would be concerned if the exporter is contesting the Commission’s determination of an amount for profit and an upward adjustment to the normal value on account of a trader’s margin<sup>14</sup>, given that the exporter (as determined) did not sell the goods to the importer, and Tianjin Youfa fulfilled the role of a trader.

<sup>9</sup> CBSA, 4214-16 (AD/1373) and 4218-24 (CVD/123), p. 51.

<sup>10</sup> Refer CONFIDENTIAL ATTACHMENT B.

<sup>11</sup> Final Report 379. P26.

<sup>12</sup> ADRP Report No. 63 p. 38.

<sup>13</sup> Defined by Chinese Standard GB/T 15574-2016 p.6

<sup>14</sup> SEF 419 p. 27

ATM would be surprised if Tianjin Youfa is seeking to contest the Commission's finding that the sale to the importer was by a trader, given publicly available information from the Youfa Steel Pipe Group website, which indicates that the trading company is clearly a large subsidiary in its own right.

"Tianjin Youfa International Trade Co., Ltd. (former Shengnuo (Beijing) Steel Co., Ltd.) was founded in March 010 and is a subsidiary to Youfa Group. The company is located at No. 12-24, Dafeng Rd., Hongqiao, Tianjin... We realize annual sales of steel products of nearly 200,000 tons.

"Driven by the comprehensive development strategies of the company, we extend our business and service to cover the global markets. In early 2010, the group company restructured foreign trade departments of various branch companies and established Tianjin Youfa International Trade Co., Ltd. which was responsible for importation and exportation business of the entire group company as well as development and services of major customers in China."<sup>15</sup>

It is important to note from above that Tianjin Youfa International Trade Co., Ltd does not handle domestic sales. This is in spite of the statement in their earlier submission<sup>16</sup> that they do. The role of determining an amount for profit capable of being realised by the seller of the goods in the domestic market, is an entirely different consideration to the selling expenses and profit of the trader of the goods sold into export markets. To allow one, and deny the other, does not take into account the profit necessary to be accounted for by both parties, one as an amount added to the normal value determined, and the other as an upward adjustment to achieve fair comparison between domestic and export sales.

## **B. Korean 'all other exporter' rate**

In SEF 419 in relation to 'all other exporters' from Korea the Commission concluded that:

### **"Export price**

The Commission considers that, for uncooperative and all other exporters from Korea, sufficient information has not been furnished, or is not available, to enable the export price of goods to be ascertained under subsections 269TAB(1) or 269TAB(2B).

The export price for uncooperative and all other exporters has been calculated under subsection 269TAB(3) using the lowest export price calculated for cooperating exporters.

### **Normal value**

The Commission consider that, for uncooperative and all other exporters from Korea, sufficient information has not been furnished or is not available to enable the normal value of goods to be ascertained under the subsections preceding subsection 269TAC(6), and therefore the normal value of those goods is such amount as is determined by the Minister having regard to all relevant information."

<sup>15</sup> <http://www.yfgg.com/en/class/view?id=63>

<sup>16</sup> EPR Folio No. 419/041, p. 2.

The normal value for uncooperative and all other exporters has been calculated under subsection 269TAC(6) using the highest normal value calculated for cooperating exporters.”<sup>17</sup>

ATM agrees with the view expressed by the representative for Kukje in response to SEF 419 that:

“The Commission’s preliminary methodology for calculating a dumping margin and ascertaining export price and normal value for non-cooperative exporters is flawed as it incorrectly attributes facts relating Kukje’s actual product mix of HSS exports during the review period, to other exporters without any reasonable basis. For this reason, the Commission should use an alternative method for establishing a dumping margin for non-cooperative exporters on the basis of relevant facts available.”<sup>18</sup>

The most appropriate alternative methodology for ascertaining the uncooperative exporter rate Korea may well be to establish the export price using the lowest export price model determined for the co-operating exporter, and ascertain uncooperative normal values using the highest normal value model determined for the co-operating exporter.

## **CONCLUSIONS**

In light of the above submissions the Commission is encouraged to review its proposed recommendations to the Minister.

Should you have any questions concerning this submission, please do not hesitate to contact ATM.

FOR AND ON BEHALF OF THE AUSTRALIAN INDUSTRY

AUSTUBE MILLS PTY LTD

---

<sup>17</sup> SEF 419 p. 30-31

<sup>18</sup> EPR Folio No. 419/045 at p3.

