

Non-Confidential

By email:  
The Director  
Operations 3  
Anti-Dumping Commission  
1010 La Trobe Street  
MELBOURNE VIC  
3002  
[operations3@adcommission.gov.au](mailto:operations3@adcommission.gov.au)

23<sup>rd</sup> March, 2015

Re: Comments on the Statement of Essential Fact ("SEF") by Quintain Steel Co. Ltd In Investigation Case 240 - Alleged Dumping Of Hot Rolled Rod In Coils Exported From The Republic Of Indonesia, Taiwan And The Republic Of Turkey

The Commission did not accept our claim to establish normal value based on the domestic price of either [Confidential sales information] (for comparison with export price in [Confidential sales information] only), [Confidential sales information] because the Commission held that their sales in the ordinary course of trade did not occur in as many months and were in lower volumes than [Confidential sales information]. On this specific issue, Quintain Steel Corporation ("QSC") wishes the Commission to reconsider the aforesaid decision and to follow the model matching criteria to select the proper surrogate models in accordance with s.269TAC Customs Act 1901 and Chapter 7 of the Manual.

#### **I. Model Matching Criteria Shall Prevail In Selecting Closely Resembling Models**

The Manual explicitly points out that model matching criteria shall be followed to select the closely resembling goods for determining normal value. It reads:

“For normal value to be ascertained under s. 269TAC(1), the Commission first examines whether there are suitable sales of like goods for home consumption in the country of export by the exporter, made in the ordinary course of trade and at arms-length over the investigation period. Model matching criteria will be followed in order to identify identical goods sold on the exporter’s domestic market; or absent identical goods which goods most closely resemble the goods under consideration.” (page 30, underline added)

The Commission itself admitted in page 39 of SEF that “[m]odel matching criteria will be followed in order to identify identical goods sold on the exporter’s domestic market; or absent identical goods the goods that **most closely resemble the goods under consideration.**”

Nonetheless, the Commission’s designation of [Confidential sales information] as the surrogate

model for [Confidential sales information], in the presence of other more closely resembling models as elaborated below, fails to abide by the model matching criteria.

## II. [Confidential sales information] Was Sold With A Sufficient Quantity Of Profitable Sales In March 2013

Before we discuss what model matching criteria the Commission should have followed, we wish to stress again that the domestic price of the same [Confidential sales information] in [Confidential sales information] 2013 shall be accepted by the Commission as the normal value for comparison with export price in March, **because 100% of this model sold in March is profitable and the aggregate domestic quantity of this model ([Confidential sales information] tons in total within IP) is far more than 5% of the export quantity in the corresponding period ([Confidential sales information] tons in total), thus [Confidential sales information] domestic price sold in the ordinary course of trade must be used as the normal value.** As we submitted in our previous comments, the Commission has already found the unit EXW prices of [Confidential sales information] in March were 100% profitable. In accordance with the Manual and the Commission's own decision to adopt the monthly domestic prices for comparison, the sale prices of the same [Confidential sales information] in March 2013 should be used as the normal value, in lieu of using any other surrogate domestic price, for comparison with March 2013 export sales.

As for the export sales of [Confidential sales information] in other months than March 2013, the Commission shall follow the model matching criteria to select the surrogate models.

## III. [Confidential sales information] Are the Preferred Surrogate Models to [Confidential sales information] Due to Its Closer Resemblances in Carbon Content, Applications and Source of Billets Supply

1. It should be stressed at first that both [Confidential sales information] were sold with a sufficient quantity of profitable sales.

The volume of [Confidential sales information] sold to domestic market during the IP accounts for 72% and 64% of the their respective export sales to Australia, and **hence satisfying the 5% minimum volume requirement for normal value as set out in Section 269TAC (2) and (14) of Customs Act 1901.** Moreover, the aggregate domestic volume of [Confidential sales information] and [Confidential sales information], respectively, is close to [Confidential sales information]'s export volume to Australia ([Confidential sales information]). In term of the size of volume sold, therefore, these two models are comparable to the export model [Confidential sales information].

In addition, both [Confidential sales information] were sold with a substantial volume of profitable sales in multiple months, which covers 50% (6/12 months for [Confidential sales information]) and 83% (10/12 months for [Confidential sales information]), respectively, of

the longevity of IP.

2. [Confidential sales information] should form the preferred surrogate models due to the following reasons:

(1) Carbon content is the first and foremost characteristics of the subject product, and actually dictates the applications and usages, as well as the market price of the subject goods. The information of chemical compositions of QSC's billet grades, particularly carbon content percentages has already been provided and verified at the verification (see page 15 of QSC-VE-1). Indeed, the applications for metal processing and fasteners industry ([Confidential sales information] main applications) are generally priced higher than those applications for construction and hardware industries (main ones for [Confidential cost information]). As regards cost, lower carbon content rods, such as that of [Confidential cost information], must use more costly low-carbon billet grades and, thus, entail higher raw material cost.

(2) In accordance with the international standard (see page 15 of QSC-VE-1), [Confidential cost information], same as [Confidential cost information], fall in the range from [Confidential cost information] to [Confidential cost information] carbon content, and are sold for similar end uses and applications, namely, hardware industry, steel nails, black wire and galvanized steel wire. [Confidential cost information] carbon content is [Confidential cost information], and is overlapped in part with that of [Confidential cost information]. However, [Confidential cost information] carbon content is [Confidential cost information]. As such, [Confidential cost information] main applications are for household appliances, such as paper clips, display shelves, hand tools, and certain screws, with a customer base composed principally of metal processing industry, furniture industry and fasteners industry.

The Commission itself has recognized and accepted that the model matching criteria of this case were underpinned in, inter alia, carbon contents. Indeed, QSC's product codes for cost-reporting and for sales-reporting purposes were predicated upon carbon contents, and such responses had already been verified and accepted by the Commission. The Commission has also acknowledged that different product codes possess different yield strengths and tensile strengths owing to different carbon content of different billet grades (page 30 of SEF). Furthermore, the Commission has applied physical difference adjustment in the margin calculation (page 37 of SEF), which underscores the direct bearing of carbon content differences to the fair comparison process of the margin calculation. These combine to conclude that carbon content should form the critical, priority yardstick for the Commission to follow in carrying out its model-matching mission to identify the closely resembling model.

(3) Moreover, [Confidential cost information], use primarily the local billets as the feedstock,

thus choosing them as the surrogate models would forestall the skewed monthly comparison that would have been unavoidable when [Confidential cost information] was picked as the surrogate model. As evidenced in QSC’s Exhibit 2 attached in our first comments dated 28<sup>th</sup> October 2014, most of [Confidential cost information] billets were imported from foreign countries ([Confidential cost information], mainly), which were involved with usually 2-3 months lead time from order to delivery. Therefore, the purchase costs of [Confidential cost information] billets on QSC’s books were nearly a quarter behind the purchase costs of the local billets used for [Confidential cost information] with virtually no lead time. This means that the sales prices of the latter three models reflected their billet purchase cost on an instantaneous basis (i.e., either same month or a prior month), while the sales price of [Confidential cost information] did not, and could not, reflect its billet cost on the same instantaneous basis, but rather, generally, a quarter away from the sale price month.

To further compare [Confidential sales information] price trend with [Confidential sales information] (see the table as below), in June for instance, the price of [Confidential sales information] was down by 6% from the preceding month but that of [Confidential sales information] was up by 4% from the preceding month. The same divergence continued to July, where [Confidential sales information] price went up by 4%, but [Confidential sales information] price dipped further by 1%. Similar divergence also transpired in October and December.

Table : Unit EXW Price of [Confidential sales information] (NTD/Kg)

RIC	Jan	Feb	Mar	Apr	May	Jun
[Confidential sales/cost information]						
RIC	Jul	Aug	Sep	Oct	Nov	Dec
[Confidential sales/cost information]						

Source: Exhibit 3-Appendix 5 QSC Domestic Sales attached in QSC’s 1<sup>st</sup> comment .

- It follows that the model matching criteria of this case should lead the Commission to use [Confidential sales information] as the surrogate models for comparison. As presented in our last comments, and reproduced in the table below, [Confidential sales information] profitable domestic price in March 2013 should be used as the normal value, and [Confidential sales information]s profitable domestic price can be used as normal value in April, September, October and December where there were export sales to Australia. As for May, the profitable

EXW price of [Confidential sales information] can be used for normal value. As for the normal value in June and July, in line with the Commission’s own practice, [Confidential sales information]’s mid-point EXW prices of May and August may be used.

Table: Sales of Models

Market	Model	Qty sold in IP (ton)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
[Confidential sales information]														

source: Exhibit 3-Appendix 5 QSC Domestic Sales attached in QSC’s 1<sup>st</sup> comments

“\*” is the mid-point of EXW price in [Confidential sales information].

**IV. Conclusion**

In sum, the Manual does not set out that either the absolute volume or the frequency of appearance should form the decisive criteria for the Commission to follow to identify the closely resembling goods. Nor the Manual compel the Commission to stick to just one surrogate model for the fair comparison purposes where a monthly approach is adopted which, in nature, is susceptible to skewed comparison if and when the underlying price elements (inter alia, billet cost) of the surrogate normal value and the targeted export price are not contemporaneous to each other. Instead, the Manual directs that the model matching criteria should be followed to identify the closely resembling models. The Commission is, therefore, respectfully requested to re-consider our claim to choose profitable EXW prices of [Confidential sales information] as the relevant monthly normal values for comparison. Both [Confidential sales information] are the preferred surrogate models due to their carbon content, mechanical properties and applications that are either exactly the same or similar to that of [Confidential sales information].

Last but not least, we take note of the Commission’s statement in page 38 of SEF, as quoted below:

“The Commission compared the weighted average of exported prices (at FOB term) over the whole of the investigation period with the weighted average of corresponding normal values (at FOM terms over the whole of that period, in accordance with s.269TACB(2)(a) of the ACT)” (underline added)

The Commission seems to suggest hereinabove that the comparison between normal value and export price is switched to a yearly basis, from the monthly basis adopted for the preliminary determination. That is, one weighted average normal value over the entire IP is compared with

one weighted average export price in the same period. If our read is correct, then we submit that, even if [Confidential sales information] remained the surrogate model, the correct calculation will lead to a margin lower than 7.5%, as demonstrated in QSC's Appendix attached hereof.

Respectfully submitted,

A handwritten signature in black ink, appearing to be "A. Fu", written in a cursive style.

Enclosed: QSC's Appendix- Confidential Exhibit