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30 January 2017

The Director – Operations 4
Anti-Dumping Commission
Level 35, 55 Collins Street
GPO Box 1632
Melbourne VIC 3001

DUMPING AND COUNTERVAILING INVESTIGATION 355 – STEEL SHELVING UNITS EXPORTED FROM THE PEOPLE’S REPUBLIC OF CHINA

**Submission by the Australian Industry - Response to the Statement of Essential Facts 355 (SEF355),
Published on 9 January 2017**

Dear Director

Summit Select Pty Ltd (Summit), the applicant and sole Australian member to the above investigation, wishes to submit the below response to the publication of SEF355.

1. The goods and like goods

At Section 3.4 of SEF355, the Anti-Dumping Commission (the Commission) states that

Summit submitted that load bearing capacity of 200 kg per shelf is a reasonable and accurate identifier of shelving units that are heavy duty commercial shelves, and therefore are defined as industrial shelving.¹[Emphasis added]

Summit Select’s position, as outlined in its submission on the electronic public record (EPR) dated 30 September 2016², is that steel shelving units with a load bearing of **above 200kg** per shelf should be considered ‘industrial shelving’ and hence excluded from the investigation.

Summit Select supports the Commission’s conclusion that

‘industrial’ shelving refers to shelving with more than 200kg load bearing capacity per shelf and may be excluded from the application.³

2. Approach to steel raw materials in SEF355:

¹ SEF355 – Page 9

² EPR – No. 43

³ SEF355 – Page 9

Summit Select supports the following findings by the Commission:

1. The cost of steel raw materials (hot rolled coil (HRC), cold rolled coil (CRC), or galvanised steel) is the major proportion of the cost of producing steel shelving units.⁴
2. The cost of steel raw materials recorded by exporters of steel shelving does not reflect competitive market costs within the meaning of subsection 43(2) of the Regulation. It is therefore necessary for the Commission to substitute steel raw material costs with substitute costs based on an appropriate benchmark⁵ when constructing normal values under s.269TAC(2)(c) of the Act.
3. The cost of steel raw materials in China when manufactured by state-invested enterprises (SIEs) is not sold at adequate remuneration when the manufacturing SIE sells those products directly to exporters of the goods, representing a countervailable subsidy.

However, Summit does not support the Commission's finding that SIE-manufactured steel raw materials in China, when sold to exporters of the goods via non-SIE traders of those goods (whether the trader further works those goods or not) does not amount to a countervailable subsidy in relation to the goods (as the Commission has found there has been no 'pass through' of any benefit received by the trader when purchasing steel raw materials themselves). See further discussion below.

3. Accuracy of benchmarks used

Summit's understanding is that the benchmark, used to determine adequate remuneration for the steel raw material subsidy programs and to replace steel raw material costs in constructed normal values, is based on the *SBB Japan Hot Rolled Coil (HRC) Index*.

Further, Summit understands that the Commission modified the *SBB Japan Hot Rolled Coil Index* benchmark to arrive at cold-rolled coil (CRC) and galvanised coil benchmarks by adding galvanising and cold-rolling processing costs to the HRC benchmark, based on information available to the Commission from other investigations and reviews that related to those steel inputs.

Firstly, SEF355 does not provide any details that identify which the investigations and reviews the Commission has relied on to source the galvanising costs (or the period the galvanising costs relate to). Consequently, it is not clear to Summit if the manner in which the Commission establishes the CRC and galvanising costs is as accurate as sourcing actual pricing for CRC and galvanised steel.

Summit considers that this failure of SEF355 to include these important details amounts to an inadequacy of SEF355 to contain the essential facts required by interested parties to properly assess the reasonableness of the findings of the Commission, and hence defend their interests in this case.

Secondly, without fully knowing what galvanising and cold rolling processing costs were used, Summit does have significant concerns regarding the methodology used by the Commission to calculate the CRC and galvanised steel raw material benchmarks used by the Commission.

Summit considers it is likely that the Commission's galvanising benchmark may be inaccurate if it is not based on galvanising pricing in the investigation period itself (i.e. compared to the Commission

⁴ SEF355 – Page 30

⁵ SEF355 – Page 31

using galvanising prices from some other time period from a previous investigation or review). This is due to the fact that the cost of processing HRC into galvanised steel is driven predominantly by the price of zinc that is used in the galvanising process and the average coating mass of zinc on both surfaces. Zinc is an expensive metal and a global commodity that is subject to significant pricing fluctuations over time.

During the investigation period, 1 April 2015 to 31 March 2016, movements in zinc prices were quite volatile, as were prices over the previous years (which may have been used by the Commission in this case). The graph at Attachment A that shows zinc price movements for the last 5 years support's Summit Select's position with regard to zinc price movements. Use of incorrect galvanising processing cost using data that does not relate to the investigation period will likely have an impact (which may be significant, depending on what data was used) on the dumping and subsidy margins determined by the Commission.

Summit requests the Commission urgently review this mater, and look to determine a galvanised steel benchmark that relates directly to the investigation period. Summit suggests that the most reasonable approach would be using an index for CRC for the CRC benchmark and using an index for hot dipped galvanised coil for the galvanised benchmark.

A further concern for Summit is that the CRC and galvanising benchmarks may be inaccurate if, when the Commission amended the HRC benchmark to add on the cost of galvanising and cold rolling processing, the Commission added a processing cost only and did not include an amount for the profit associated with that processing.

When determining selling prices for steel raw materials, steel manufacturers routinely take a 'cost plus percentage profit' approach to determining selling prices of goods produced.

Summit requests the Commission to review the CRC and galvanising benchmarks to ensure that they have not been distorted by the above mentioned factors.

4. Subsidies - the provision of steel purchases for less than adequate remuneration

It is Summit's understanding that when looking at the provision of steel purchases for less than adequate remuneration (Programs 26 and 28)⁶, the Commission identified whether the shelving manufacturer/exporter of the goods was purchasing steel raw materials either directly from a state-invested enterprise (SIE) manufacturer or a non-SIE trader of those materials.

Summit supports the Commission's determination that a **countervailable subsidy** (equal to the difference between the actual costs incurred in the purchase of HRC and galvanised steel and the applicable established benchmark) **had been received for purchases made directly from an SIE manufacturer of the raw materials**.

On the other hand Summit **strongly disagrees with the Commission finding that purchases of raw materials from non-SIE traders did not involve a countervailable subsidy** as no benefit has been passed through to exporters of the goods when they purchase these goods from a trader, and requests that this be re-examined.

⁶ SEF355 – Appendix 4

SEF355 states that

The Commission found no evidence that the traders involved were passing on the benefits of subsidies or that they lower their prices when selling to shelving manufacturers⁷.

Summit notes that SEF355 provides no details on the Commission's approach for analysing and determining the pass through of any benefits of the countervailable subsidy that has been received for purchases of raw materials made directly from an SIE.

Again, Summit considers that this failure of SEF355 to include these important details amounts to an inadequacy of SEF355 to contain the essential facts required by interested parties to properly assess the reasonableness of the findings of the Commission, and hence defend their interests in this case.

It is Summit's position that the non-SIE traders that sell raw materials to shelving manufacturers receive a **benefit** by acquiring steel from SIE steel manufacturers and the benefit is passed through the transaction between the non-SIE trader and the shelving manufacturer.

Summit's understanding is that the transaction between the SIE and the non-SIE trader is at a price that covers the purchase price between the SIE and the non-SIE trader plus the non-SIE trader's expenses (including processing costs where the trader is undertaking such actions as slitting the steel) and that the non-SIE trader's involvement in the transaction **has not substantially affected the price of steel paid by the shelving manufacturers.**

Summit requests the Commission test the non-SIE trader's involvement in affecting pricing of raw material purchases from SIEs by analysing comparisons of the transactions between the SIE manufacturer of the raw materials and the non-SIE trader and the non-SIE trader and the shelving manufacturer/exporter, with the established benchmark.

Summit submits that if the purchase price between the non-SIE traders and the shelving manufacturers is less than the established benchmark then this supports Summit's claim that the purchases from the non-SIE trader are still at less than adequate remuneration and the non-SIE trader's involvement in the transaction has not substantially affected the price of steel paid by the shelving manufacturer/exporter and that the Commission should find that there has been pass through of a countervailable subsidy for purchases made by the shelving manufacturer/exporter from an non-SIE trader of the of the goods.

Summit submits that the Commissioner determine that the shelving manufacturers/exporters received a countervailable subsidy, equal to the difference between the actual costs incurred in the purchase of HRC and galvanised steel and the applicable established benchmark, for:

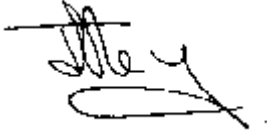
- HRC and galvanised steel purchases made directly from an SIE manufacturer of the raw materials, and
- HRC and galvanised steel purchases made from non-SIE traders.

⁷ SEF – Page 48

Public Record

Should you have any questions please do not hesitate to contact me.

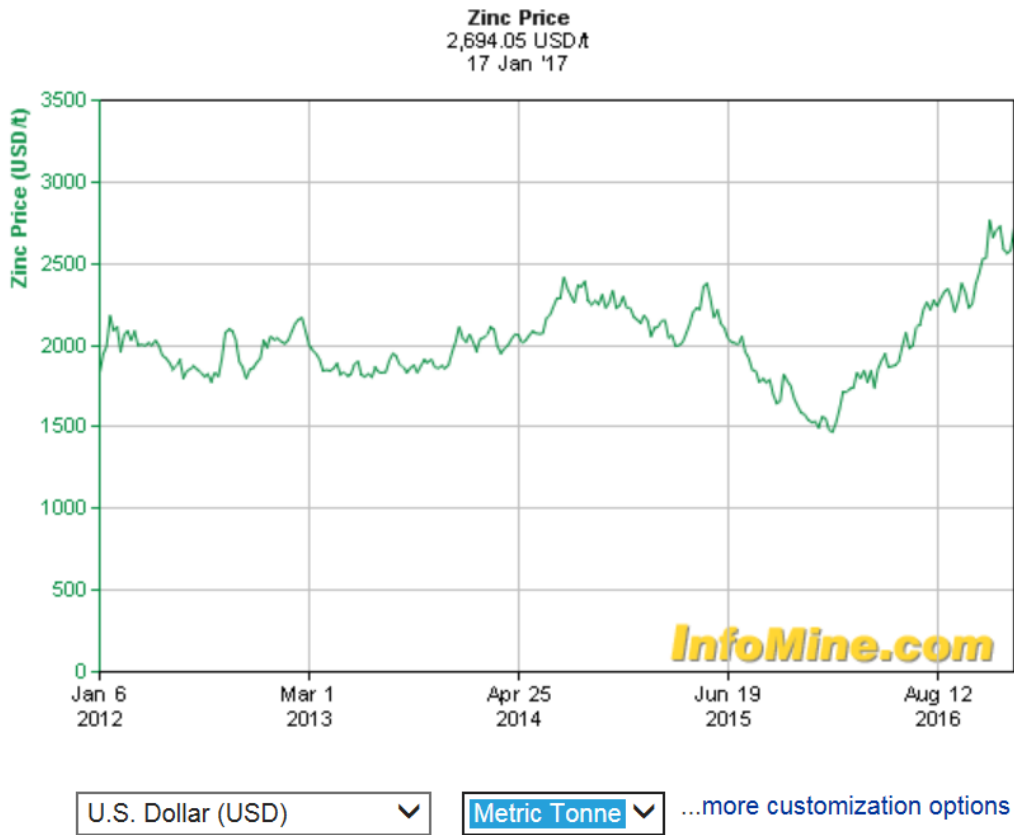
Kind regards

A handwritten signature in black ink, appearing to read 'Janice Riley', with a horizontal line above the first few letters and a large, sweeping flourish at the end.

Janice Riley

Executive Director

Attachment A



Source: <http://www.infomine.com/investment/metal-prices/zinc/5-year/>