

18 December 2014

Ms Andrea Stone
Manager, Operations 2
Anti-Dumping Commission
Customs House
5 Constitution Ave, Canberra ACT 2601

Dear Ms Stone

Deep Drawn Stainless Steel Sinks exported to Australia from the People's Republic of China

Supplementary submission regarding use of Stainless Steel Benchmark prices for the purposes of constructing normal values

We refer to the ADC's ongoing investigation 238 generally and specifically the ADC's proposed use of 'benchmark' stainless steel prices for the purposes of constructing normal values of the Goods for the purposes of the investigation.

We note that the ADC's proposed approach, set out in PAD 238 is to substitute a benchmark stainless steel input price for the purposes of calculating costs and determining the normal value of the goods, on the basis that the ADC is not satisfied that stainless steel prices in China are representative of adequate remuneration for stainless steel coil.

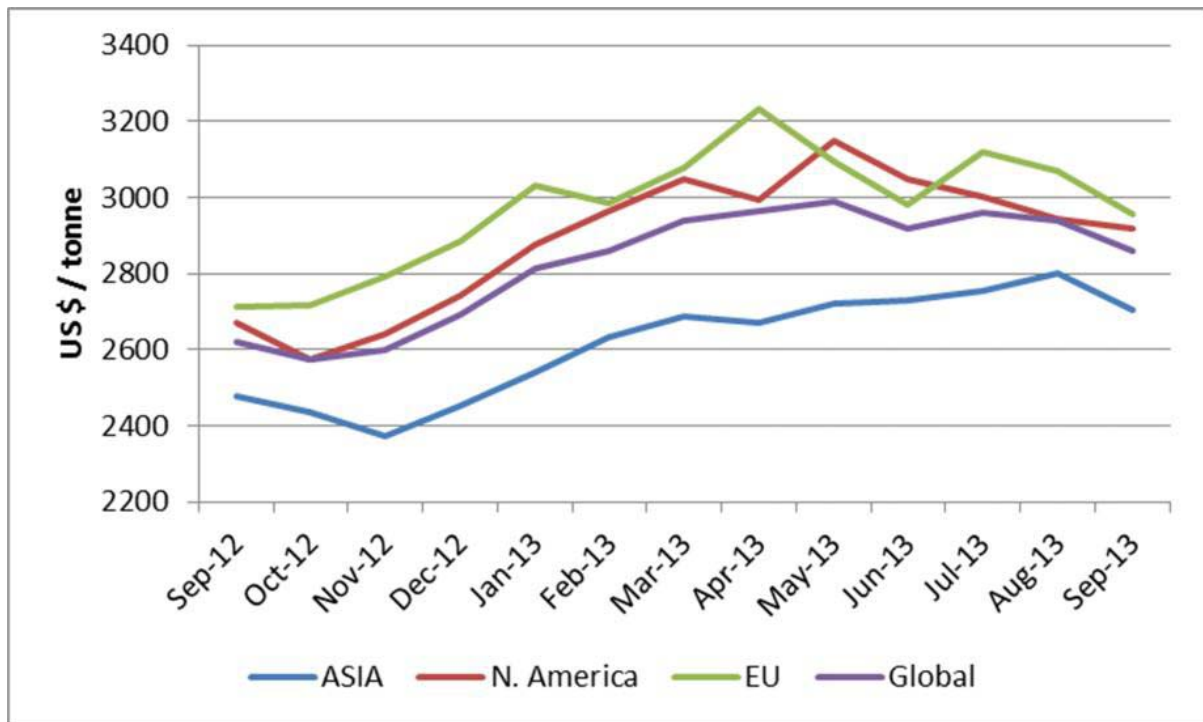
GWA understands from the PAD, and the report of the verification of the data supplied by its exporter, that the benchmark price used by the ADC reflects a composite (average) price of "MEPS International (MEPS) European and North American stainless steel prices". The ADC has advised parties that the composite price used by the ADC in its calculation of constructed normal values excludes "Asian" MEPS prices of stainless steel, on the basis that that price includes Chinese steel prices, and accordingly are 'contaminated' by prices that are not considered to reflect competitive market costs.

Whilst GWA reserves its rights in relation to the issue as to whether Chinese stainless steel prices reflect adequate remuneration for stainless steel coil, it remains concerned with the ADC's proposed approach to benchmarking for the purposes of determining the cost of production in accordance with Regulation 180 of the Customs Regulations 1926.

1) Current consolidated benchmark reflects overstated averages

GWA notes from Tasman's submission to the ADC that the argument against using prices of stainless steel as recorded in the exporters' records relating to the goods is based on the claim that Chinese prices of stainless steel are consistently lower than industry benchmarks of stainless steel in other geographic markets and therefore, are not appropriate for determining the 'fair market value' of the goods for the purposes of investigation 238.

GWA notes that the Tasman Sinks application relied upon findings of the Canadian authority in relation to its anti-dumping investigation in *Certain stainless steel sinks ex China* and data collated from MEPS to support this claim which was reproduced in the application in the table below.



GWA has no access to, and is not aware of the specific MEPS data that is relied upon by the ADC for the purposes of determining the benchmark average price. However, GWA is concerned that the data provided to the ADC by the applicant may provide an exaggerated, and misleading, picture of current market prices for the purposes of determining the cost of production for the GUC, by including types of stainless steel such as long products, that are not used in the production of the GUC.

GWA has sought clarification from MEPS directly regarding the scope of steel products that are included in the calculation of 'composite' averages. MEPS have confirmed that the composite average includes **all** steel products including flat and long. MEPS have also confirmed that, as plate and bar products are more expensive than CRC304 stainless steel on average, the inclusion of these products in the composite average increases the average price reported by MEPS. A copy of confidential correspondence from MEPS is attached as **confidential attachment 1**.

GWA submits that, if a benchmarked composite price is to be used for the purposes of determining costs under Regulation 180, then the ADC must ensure that the benchmark reasonably reflects competitive market costs associated with the production or manufacture of like goods, ie stainless steel sinks. Consequently, the benchmark used must only reflect the cost of raw material inputs used to produce these goods and should not be affected by the prices of products that are irrelevant to the production of the GUC.

To illustrate the disparity between the above data, and the average cost associated with raw materials used in the production of the GUC, GWA has requested current market information directly from MEPS relating to the Global benchmark price of CR304 stainless steel for calendar year 2013. **This is presented in confidential table 1 below. Source data is provided as confidential attachment 2.**

[Confidential table]

The above data, when analyzed relative to the data provided by the applicant, demonstrates that the global benchmark provided by the applicant does not follow the trend recorded by MEPS for CR304 steel and is consistently higher than the relevant benchmark of raw material used in the production of the GUC.

GWA finds this disparity concerning. We urge the ADC to review the accuracy and validity of the benchmarking data that is being used for the purposes of determining the cost of production to ensure that the data only includes the benchmark price of stainless steel that is actually used by manufacturers to produce the GUC.

GWA would be happy to provide the ADC with any additional information it should require to assist its verification of the data.

2) Use of geographic markets

Whilst the ADC, at a minimum, must ensure that any benchmark used relates only to the types of stainless steel consumed in the production of the goods, GWA respectfully disagrees with the proposed use of "*MEPS International (MEPS) European and North American stainless steel prices*" for the purposes of calculating the benchmark.

As previously submitted to the ADC by GWA, these prices relate to geographic markets that are irrelevant to the cost of production of the GUC in China and the Asian market in general (including Australia). This is supported by ABS data obtained by GWA that demonstrates that [REDACTED]. Consequently, the raw material cost associated with stainless steel used to produce the GUC in Australia is relative to the benchmark of the Asian market. **ABS import data is provided as confidential attachment 3 for your reference.**

The use of International, European and North American averages by the ADC is clearly unwarranted and presents a real risk of applying a benchmark that does not reasonably reflect competitive market costs associated with the production or manufacture of like goods.

GWA understands the ADC's concerns with using MEPS 'Asian' averages, given its prevailing view in relation to the reasonableness of Chinese stainless steel prices. However, these issues can be avoided by using MEPS prices for individual Asian countries over the period to derive a consolidated benchmark for Asian countries other than China.

To demonstrate how this can be calculated, GWA has acquired price information from MEPS for the POI in relation to 304 stainless steel in Japan, Taiwan, South Korea and China. This data enables the ADC to calculate average price, by country, for each month of the POI and to determine a consolidated Asian benchmark that excludes the potentially distortive impact of Chinese steel prices from the calculation.

This methodology will enable the ADC to determine benchmarked competitive costs for stainless steel in the Chinese market from market data derived from comparable geographic markets. Source data provided by MEPS is attached as **confidential attachment 4**.

Conclusion

GWA urges the ADC to carefully review the accuracy and reliability of the MEPS data that is currently being used for the purposes of calculating the consolidated benchmark used to determine the cost of production for all exporters.

GWA submits that the ADC must re-calculate the benchmark applied using Asian market data to ensure that the cost of production reflect competitive market costs in the Chinese market, and consequently mitigate the risk of overstating constructed normal values.

GWA would be happy to assist the ADC with any verification it may wish to perform in relation to this information.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'Trevor Smith', written in a cursive style.

Trevor Smith

Category Marketing Manager