

HSS Exporter Visit – Hengshui Jinghua

Key comments

1. *Ownership*

Hengshui Jinghua's ownership details have been removed from the Public File version of the Questionnaire Response. OneSteel ATM (ATM*) questions how the ownership of the company is confidential. These details should not have been omitted. It would appear that Hengshui Jinghua is concerned that the company owners may be linked to the Government of China.

2. *Domestic v Export HSS*

ATM notes that Hengshui Jinghua has indicated that its sales of domestic HSS are manufactured in accordance with Chinese Standards and the goods exported to Australia are produced in accordance with BS 1387 (for black and HDG circular HSS). As per ATM's earlier briefing note for Verification Visits to Chinese HSS exporters, the goods exported to Australia are of a higher specification (i.e. tolerances required by BS 1387) to domestically produced goods. An upward adjustment of Hengshui Jinghua's normal value is therefore required to account for the specification adjustment.

3. *Related party sales*

Hengshui Jinghua has indicated that it has some related party transactions for raw material HRC. C&BP to compare Hengshui Jinghua's purchase price from related party to third party purchase prices. Similarly, Hengshui Jinghua has some domestic sales to related parties. These sales should be 'tested' to assess whether the relationship affects the price and, exclude if the price is so affected.

4. *Fair comparison*

It is suggested by Hengshui Jinghua that there are two factors affecting price comparability, namely:

- (i) declaration expenses for inspection; and
- (ii) nominal weight for export v actual weight for domestic.

ATM anticipates that Hengshui Jinghua's normal value will be uplifted for the inspection costs associated with the exported goods. As per earlier briefing notes, the theoretical v actual claim requires testing by C&BP.

5. *Third country sales*

Hengshui Jinghua indicates that sales to third countries are different to sales to Australia. C&BP to inquire as to relevant standards exports to third countries are manufactured and contrast with export sales to Australia (including comparison of export prices).

6. *Sales to domestic traders*

Hengshui Jinghua sells domestically to traders. C&BP will need to establish whether domestic sales to traders were in fact sales that were consumed domestically (as opposed to export).

7. *Costs*

The company indicates that its HSS prices take account of "raw material costs, market demands, selling areas and other market conditions". It would seem that the HRC price influence's Hengshui Jinghua's selling price for HSS. Section G of the Response provides little insight into cost allocation methodologies – however, it is stated that the company does not manufacture any other goods than HSS. C&BP to be satisfied this is the situation and that all costs & expenses are reflected in Hengshui Jinghua's CTM&S.

There is mention that Hengshui Jinghua does not have an Annual Report. C&BP to be satisfied that claimed costs & expenses have been audited.

Hengshui Jinghua states *"packing costs are negligible because the material and labour costs associated with the packing the goods are very cheap"*. The company does not seek an adjustment to normal values. It is ATM's understanding that export packaging costs are higher than costs for domestic sales, and an upward adjustment to normal value is required.

8. *Approvals required by Producer*

At P.50 of the Response, reference is made to "Removal & Technical Innovation Steel Investment in May 2010". It would appear that as the required approvals were outside the period of investigation, it is not relevant to this investigation. The approval may, however, impact the investigation period and C&BP should inquire further.