



**Australian Government**  
**Department of Industry, Science,  
Energy and Resources**

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**Anti-Dumping  
Commission**

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## **Consideration report number: 550**

Application for a dumping duty notice and countervailing duty notice

In relation to precision pipe and tube steel exported to Australia from the People's Republic of China and the Socialist Republic of Vietnam

- and -

Application for a dumping duty notice

In relation to precision pipe and tube steel exported to Australia from the Republic of Korea and Taiwan

Submitted by: Orrcon Manufacturing Pty Ltd

**31 March 2020**

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<b>ABBREVIATIONS</b>	
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Abbreviation / short form	Full reference
ABF	Australian Border Force
the Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
the application	the application lodged by Orrcon with the Commission on 16 March 2020 as described in chapter 2.1.2
AS	Australian Standard
BlueScope	BlueScope Steel Limited
CBSA	Canada Border Services Agency
China	the People’s Republic of China
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CTMS	cost to make and sell
the Direction	<i>Ministerial Direction on Material Injury 2012</i>
EPR	electronic public record
EXW	Ex Works
FOB	Free on Board
GOC	Government of the People’s Republic of China
the goods	precision pipe and tube steel
GOV	Government of the Socialist Republic of Vietnam
HRC	hot rolled coil
HSS	hollow structural sections of steel
investigation period	1 January 2019 to 31 December 2019
Korea	the Republic of Korea
the Minister	the Minister for Industry, Science and Technology
Orrcon	Orrcon Manufacturing Pty Ltd
REP 419	<i>Anti-Dumping Commission Report No. 419</i>
SG&A	selling, general and administration
the subject countries	collectively, China, Korea, Taiwan and Vietnam
VAT	value added tax
Vietnam	the Socialist Republic of Vietnam
WTO	World Trade Organization
YE	year ending

# 1 FINDINGS AND RECOMMENDATIONS

This report provides the result of the consideration by the Anti-Dumping Commission (the Commission) of an application under section 269TB(1) of the *Customs Act 1901* (the Act)<sup>1</sup> by Orrcon Manufacturing Pty Ltd (Orrcon or the applicant). Orrcon seeks the publication of a dumping duty notice in respect of precision pipe and tube steel (the goods) imported into Australia from the People's Republic of China (China), the Republic of Korea (Korea), Taiwan and the Socialist Republic of Vietnam (Vietnam) (collectively, the subject countries) and a countervailing duty notice in respect of the goods from China and Vietnam.

Orrcon alleges that the Australian industry for like goods has suffered material injury caused by precision pipe and tube steel exported to Australia from:

- China and Vietnam at dumped and subsidised prices; and
- Korea and Taiwan at dumped prices.

The legislative framework that underpins the making of an application and the Commission's consideration of an application is contained in Divisions 1 and 2 of Part XVB.

## 1.1 Findings

In accordance with section 269TC(1), the Commission has examined the application and is satisfied that:

- the application complies with the requirements of section 269TB(4) (as set out in chapter 2.2 of this report);
- there is an Australian industry in respect of like goods (as set out in chapter 2.4 of this report); and
- there appear to be reasonable grounds for the publication of a dumping and/or a countervailing duty notice in respect of the goods the subject of the application exported from the subject countries (as set out in chapters 3, 4, 5 and 6 of this report).

## 1.2 Recommendations

Based on the above findings, the Commission recommends that the Commissioner of the Anti-Dumping Commission (Commissioner) decide not to reject the application and initiate an investigation to determine whether a dumping and/or a countervailing duty notice in respect of the goods exported from the subject countries should be published.

The Commission further recommends that:

- exports to Australia during the period 1 January 2019 to 31 December 2019 (the investigation period) be examined for dumping and/or subsidisation; and
- details of the Australian market from 1 January 2016 be examined for injury analysis purposes.

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<sup>1</sup> All legislative references in this report are to the *Customs Act 1901* unless otherwise specified.

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If the Commissioner agrees with these recommendations, the Commissioner must give public notice of the decision in accordance with the requirements set out in section 269TC(4).<sup>2</sup>

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<sup>2</sup> The Commission notes that, if the investigation is initiated, Orrcon will be asked to provide updated data and information for the most recently completed quarter, 1 October 2019 to 31 December 2019. The Commission will use the contemporary data in its analysis for the purposes of the investigation. This necessarily means that certain preliminary conclusions in this report are subject to change.

## 2 THE APPLICATION AND THE AUSTRALIAN INDUSTRY

### 2.1 Lodgement of the application

#### 2.1.1 Legislative framework

The procedures for lodging an application are set out in section 269TB. The procedures and timeframes for the Commissioner's consideration of the application are set out in section 269TC.

#### 2.1.2 The Commissioner's timeframe

Event	Date	Details
Application lodged & receipted by the Commissioner under sections 269TB(1) and (5)	16 March 2020	The Commission received an application from Orrcon alleging the Australian industry has suffered and continues to suffer material injury caused by precision pipe and tube steel imported into Australia from the subject countries at dumped and/or subsidised prices.
Consideration decision due under section 269TC(1)	6 April 2020	The Commissioner shall decide whether to reject or not reject the application within 20 days of receiving a formally lodged application, being the first working day after the deadline.

Table 1: Timeframe for Commissioner's decision

### 2.2 Compliance with section 269TB(4)

#### 2.2.1 Finding

Based on the information submitted by Orrcon, the Commission considers that the application complies with section 269TB(4).

#### 2.2.2 Legislative framework

Section 269TC(1) requires that the Commissioner reject an application for a dumping and/or a countervailing duty notice if, among other things, the Commissioner is not satisfied that the application complies with section 269TB(4).

#### 2.2.3 The Commission's assessment

The table below summarises the Commission's assessment of compliance with section 269TB(4).

Requirement for the application	Details
Lodged in writing under section 269TB(4)(a)	Orrcon lodged, in writing, confidential and non-confidential versions of the application. The non-confidential version of the application can be found on the electronic public record (EPR) on the Commission website at <a href="http://www.adcommission.gov.au">www.adcommission.gov.au</a> .
Lodged in an approved form under section 269TB(4)(b)	The application is in the approved form (B108) for the purpose of making an application under section 269TB(1).

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Requirement for the application	Details
Contains such information as the form requires under section 269TB(4)(c)	<p>Orrcon provided:</p> <ul style="list-style-type: none"> <li>• a completed declaration;</li> <li>• answers to all questions that were required to be answered by Orrcon;</li> <li>• all relevant appendices; and</li> <li>• sufficient detail in the non-confidential version of the application to enable a reasonable understanding of the substance of the information submitted in confidence.</li> </ul>
Signed in the manner indicated in the form under section 269TB(4)(d)	The application was signed in the manner indicated in form B108 by a representative of Orrcon.
Supported by a sufficient part of the Australian industry under section 269TB(4)(e) and determined in accordance with section 269TB(6)	<p>Orrcon claims it is the only Australian manufacturer of the goods. Given the similarities between hollow structural sections of steel (HSS) and the goods,<sup>3</sup> the Commission has examined whether other manufacturers of HSS in Australia may also manufacture precision pipe and tube steel.</p> <p>As a result of its review of product catalogues and verified data available to the Commission from previous cases (set out in <b>Confidential Attachment 1</b>), the Commission has been unable to identify any other Australian industry members who manufacture precision pipe and tube steel. Accordingly, the Commission is satisfied that Orrcon represents the entire Australian industry and accounts for more than 50 per cent of the total production of the goods.</p>
Lodged in the manner approved under section 269SMS for the purposes of section 269TB(4)(f)	The application was lodged in a manner approved in the Commissioner's instrument made under section 269SMS, being by email to the Commission's nominated e-mail address provided in that instrument. <sup>4</sup>

**Table 2: Commission's assessment of compliance with section 269TB(4)**

## 2.3 The goods the subject of the application

The table below outlines the goods as described in the application.

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<sup>3</sup> See chapter 2.4.3 for further discussion of the comparison of HSS to the goods.

<sup>4</sup> The instrument is available on the Commission [website](#).



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Full description of the goods, as subject of the application
<p>Certain electric resistance welded pipe and tube made of carbon steel, whether or not including alloys, comprising circular, rectangular and square hollow sections in metallic coated and non-metallic coated finishes. Metallic finish types for the goods include galvanised and aluminised. Non-metallic finishes include hot-rolled and cold-rolled.</p> <p>Sizes of the goods are, for circular products, those equal to or less than 21 millimetres (“mm”) in outside diameter. Also included are air heater tubes to Australian Standard (AS) 2556, up to and including 101.6 mm outside diameter.</p> <p>For rectangular and square products, those with a thickness of less than 1.6 mm (being a perimeter up to and including 260 mm).</p> <p>Included within the goods are end-configurations such as plain, square-faced and other (e.g. threaded, swaged and shouldered).</p> <p>The goods include all electric resistance welded pipe and tube made of steel meeting the above description of the goods (and inclusions), including whether the pipe or tube meets a specific structural standard or is used in structural applications.</p> <p>Oval and other shaped hollow sections which are not circular, rectangular or square, are excluded from the goods.</p>
Further information
<p>The subject goods are covered by a range of Australian Standards, including but not limited to: AS 1450 ‘<i>Tube for Mechanical Purposes</i>’, AS 2556 ‘<i>ERW Steel Air Heater Tubes</i>’, and AS/NZS 2053.1 ‘<i>Conduits and fitting for electrical installations – General requirements</i>’. Precision pipe and tube steel is a light gauge product, with tight dimensional tolerances used in structural customised applications such as gates and fencing, furniture, racking and shelving, automotive components, conduit and heat exchangers.</p>
Previous investigations
<p>The Commission has previously examined HSS exported from a number of countries. While there are similarities between HSS and the goods the subject of the present application, including raw material composition and production likeness, there have been no previous investigations concerning precision pipe and tube steel in Australia.</p>
Other administrations
<p>The following anti-dumping measures are currently in force against the subject countries as imposed by other administrations, and which <u>may</u> be relevant to the subject goods.<sup>5</sup></p> <ul style="list-style-type: none"> <li>• Canada imposed measures against Vietnam – in force from 15 February 2019;</li> <li>• Mexico imposed measures against China – in force from 9 March 2018; and</li> <li>• Thailand imposed measures against China and Korea – in force from 20 July 2017.</li> </ul>

**Table 3: The goods**

### 2.3.1 Tariff classification

In its application, Orrcon indicated that the goods are generally classified in Schedule 3 to the *Customs Tariff Act 1995* as follows:

Tariff Subheading	Statistical Code	Description
7306	OTHER TUBES, PIPES AND HOLLOW PROFILES (FOR EXAMPLE, OPEN SEAM OR WELDED, RIVETED OR SIMILARLY CLOSED), OF IRON OR STEEL:	
7306.30.00	Other, welded, of circular cross-section, of iron or non-alloy steel:	
	30	Not exceeding 21 mm external diameter
7306.50.00		

<sup>5</sup> World Trade Organization *Integrated Trade Intelligence Portal*, viewed 14 January 2020: <https://i-tip.wto.org/goods/default.aspx?language=en>.

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	45	Other, welded, of circular cross-section, of other alloy steel
7306.6	Other, welded, of non-circular cross-section	
7306.61.00	<i>Of square or rectangular cross-section, of iron or non-alloy steel, not exceeding 279.4 mm perimeter:</i>	
	21	Wall thickness not exceeding 2 mm
7306.69.00	10	Of other non-circular cross-section

**Table 4: General tariff classification for the goods**

The Commission notes that imported air heater tubes are likely to be in diameters greater than 21 mm and in varying thicknesses of steel, and therefore other codes (namely, tariff classification 7306.30.00, statistical codes 31 to 36) may also be relevant.

The Commission does not consider that tariff classification 7306.69.00, statistical code 10 is applicable to the goods, as all square or rectangular precision pipe and tube steel within the goods description will be covered by tariff classification 7306.30.00, statistical code 21.

## 2.4 Like goods and the Australian industry

### 2.4.1 Finding

The Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application, on the basis that:

- Orrcon produces goods that are identical in all respects to, or closely resemble, the goods the subject of the application; and
- the goods are wholly manufactured in Australia.

### 2.4.2 Legislative framework

Section 269TC(1) requires that the Commissioner reject an application for a dumping or countervailing duty notice if, among other things, the Commissioner is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

Like goods are defined under section 269T(1). Sections 269T(2), (3), (4) and (4A) are used to determine whether the like goods are produced in Australia and whether there is an Australian industry.

### 2.4.3 Locally produced like goods

The table below summarises the Commission's assessment of whether the locally produced goods are identical to, or closely resemble, the goods the subject of the application and are, therefore, like goods.

Factor	Orrcon's claims	The Commission's assessment
Physical likeness	There is no discernible physical difference between imported precision pipe and tube steel and the locally produced precision pipe and tube steel (other than producer markings). The goods are produced in similar grades, weights, standards, and appearance.	The information presented by Orrcon indicates that the locally produced and imported goods appear to be traded in a similar range of lengths, diameters, grades, thicknesses and shapes, and this is supported by the Commission's own analysis of the Australian Border Force (ABF) import database. The Commission is therefore satisfied that the locally produced and imported precision pipe and tube steel have similar physical characteristics.

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Factor	Orrcon's claims	The Commission's assessment
Commercial likeness	<p>Locally produced precision pipe and tube steel competes directly with imports in the Australian market, as they are commercially interchangeable, use similar distribution channels and are sold on much the same terms regardless of origin.</p> <p>For non-circular precision pipe, the locally produced 1.6 mm thick product range competes with imported equivalents, primarily of thickness slightly less than 1.6 mm (typically 1.5 mm), which are directly comparable and substitutable.</p>	<p>The Commission reviewed the confidential attachments provided with the application and found that there appears to be direct price competition in the Australian market for precision pipe and tube steel between the imported and Australian industry produced goods. The Commission is therefore satisfied that the locally produced and imported precision pipe and tube steel are commercially alike.</p>
Functional likeness	<p>Locally produced and imported precision pipe and tube steel have comparable or identical end-uses. The goods and like goods are used to perform the same functions and have the same end-uses.</p>	<p>The Commission notes the interchangeable nature of the imported and Australian industry produced goods, in that they compete for sales to the same customers for similar (or the same) end-uses. The Commission is therefore satisfied that the locally produced and imported precision pipe and tube steel are functionally alike.</p>
Production likeness	<p>Locally produced precision pipe and tube steel is manufactured via a similar process to the imported precision pipe and tube steel.</p>	<p>The Commission considers that the key production steps in the manufacture of precision pipe and tube steel are similar to that of HSS and, in previous inquiries relating to HSS, the Commission has found that locally produced and imported HSS had similar production processes and raw material inputs.<sup>6</sup></p> <p>The Commission is therefore satisfied that the locally produced and imported goods are produced using the same or similar production process.</p>
<b>Commission's assessment</b>		
<p>Based on the analysis above, the Commission considers that locally produced precision pipe and tube steel goods have characteristics that closely resemble the goods comprising the subject of the application and are, therefore, like goods.</p>		

**Table 5: Like goods assessment**

#### 2.4.4 Manufacture in Australia

The table below summarises the Commission's assessment of whether the goods are wholly manufactured in Australia and whether the like goods are therefore considered to have been manufactured in Australia.

<b>Orrcon's claims</b>
<p>Orrcon claims that it manufactures the goods at its facility in O'Sullivan Beach, South Australia using locally sourced hot rolled coil (HRC) for its raw material input. Orrcon describes its production process on page 11 of its application.</p>

<sup>6</sup> See, for example, *Anti-Dumping Commission Report No. 379* concerning the continuation of anti-dumping and countervailing measures applying to HSS exported from China, Korea, Malaysia and Taiwan.

<b>The Commission's assessment</b>
Based on the description of the manufacturing process provided by Orrcon in the application, the Commission is satisfied that Orrcon transforms HRC into precision pipe and tube steel through a substantial slitting and tube forming process, and that this process takes place at facilities in Australia. The Commission is therefore satisfied that the goods are manufactured in Australia, with at least one substantial process in the manufacture of these goods being carried out in Australia.

**Table 6: Manufacture of the goods in Australia**

## **2.5 Australian industry information**

The table below summarises the Commission's assessment of whether Orrcon has provided sufficient information in the application to analyse the performance of the Australian industry.

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<b>Have the relevant appendices to the application been completed?</b>		
A1	Australian production	Yes
A2	Australian market	Yes
A3	Sales turnover	Yes
A4	Domestic sales	Yes
A5	Sales of other production	Yes
A6.1	Cost to make and sell (& profit) – Domestic sales	Yes
A6.2	Cost to make and sell (& profit) – Export sales	Not applicable
A7	Other injury factors	Yes
<b>General administration and accounting information – Orrcon</b>		
History	Welded Tube Mills started manufacturing precision products in 1999. It merged with the Hills' tubing division in October 2000 to become Orrcon.	
Ownership	Orrcon is a fully owned subsidiary of BlueScope Steel Limited (BlueScope), a publicly listed company on the Australian Stock Exchange.	
Operations	Orrcon is an Australian manufacturer of HSS and precision pipe and tube steel products.	
Financial year	1 July to 30 June	
Audited accounts and Annual reports	Orrcon referred to the Annual Report for its parent company, BlueScope. Copies of BlueScope's financial information, including its past annual reports, are available from the company's website at <a href="http://www.bluescope.com">www.bluescope.com</a> .  BlueScope's annual report indicates that BlueScope and certain Australian wholly owned subsidiaries, including Orrcon, are parties to a deed of cross-guarantee under which each company guarantees the debts of the others. By entering into the deed, Orrcon (and the other wholly owned subsidiaries) are not required to prepare a financial report. A consolidated income statement is provided instead.	
<b>Production and sales information</b>	<b>Cost to make and sell information</b>	<b>Other injury factors</b>
Orrcon has provided detailed production and sales information for the period 1 October 2018 to 30 September 2019.	Orrcon has provided detailed domestic cost to make and sell (CTMS) information for the period 1 October 2018 to 30 September 2019. Data has been provided based on various finish types as well as in aggregate.	Orrcon has provided data on other injury factors on a calendar year basis. It is noted that for 2019, only three quarters of data has been provided.
<b>The Commission's assessment</b>		
Based on the information in the application, the Commission is satisfied that there is sufficient data to analyse the performance of the Australian industry between 1 October 2018 and 30 September 2019.  Based on the information in the application, the Commission is satisfied that there is sufficient data to analyse the performance of the Australian industry for the purposes of this report. The analysis in chapters 3, 4, 5 and 6 has relied on the data submitted in the application.		

**Table 7: Australian industry information**

### 2.5.1 Market size

Orrcon has estimated the size of the Australian precision pipe and tube steel market based on its own data, import data from the Australian Bureau of Statistics (ABS) and data it

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obtained from third party commercial sources. Orrcon completed *Confidential Appendix A2* to the application, using the above data to estimate the size of the Australian market.

### Applicant approach to import data

In its determination of the size of the market, Orrcon based its calculation on imports classified under the following tariff classifications:

- 7306.30.00/30 – other tubes, pipes and hollow profiles, welded, of circular cross-section, of iron or non-alloy steel not exceeding 21 mm external diameter; and
- 7306.61.00/21 – other tubes, pipes and hollow profiles, welded, of non-circular cross-section, square or rectangular cross-section, of iron or non-alloy steel, not exceeding 279.4 mm perimeter with a wall thickness not exceeding 2 mm.

Based on its knowledge as a participant in both the precision pipe and tube steel and HSS markets, Orrcon estimates that a proportion of imports classified under these tariff subheadings are already subject to the anti-dumping measures applying to HSS. Orrcon contends that the remainder of imports under these tariff classifications (that are not subject to measures) make up the Australian market for the goods.

### Commission analysis

The Commission is satisfied that the tariff classifications identified by Orrcon are suitable for estimating the size of the Australian market.

In its examination of the volume of imports of the goods into Australia, the Commission has used data extracted from the ABF import database in respect of consignments declared under the identified tariff classifications. To exclude outlying data, which may distort any findings, the Commission has then filtered the data to exclude transactions where the Free on Board (FOB) price per tonne was outside a range of AUD\$100 to AUD\$10,000. This was considered a reasonable price range to use as a filter for the goods, based on the export price and normal values referred to in the application, and observations from previous investigations in respect of HSS.

Subsequently, the Commission has undertaken the following analysis:

- A. Data showing imports from all countries has been filtered to exclude imports subject to existing measures. As these excluded imports are considered to be HSS (and are therefore not the goods), the remaining import volumes provided a starting point for determining import volumes of the goods;
- B. Data showing imports from countries already subject to the anti-dumping measures applying to HSS<sup>7</sup> was separately extracted to determine the volume of imports from these countries already subject to measures, compared to the volume of imports not subject to measures. The ratio of HSS import volumes to import volumes without measures was determined;
- C. Using the all countries data obtained under (A), the ratio determined under (B) was then applied to the volume of imports from countries where no measures on HSS are in place (which includes Vietnam). This ratio adjustment is intended to exclude the likely volume of HSS imports from these countries. No adjustment was required for imports from countries with measures currently on HSS, as HSS had already been excluded from the data.

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<sup>7</sup> Anti-dumping measures on HSS are currently in place for China, Korea, Malaysia, Taiwan and Thailand.

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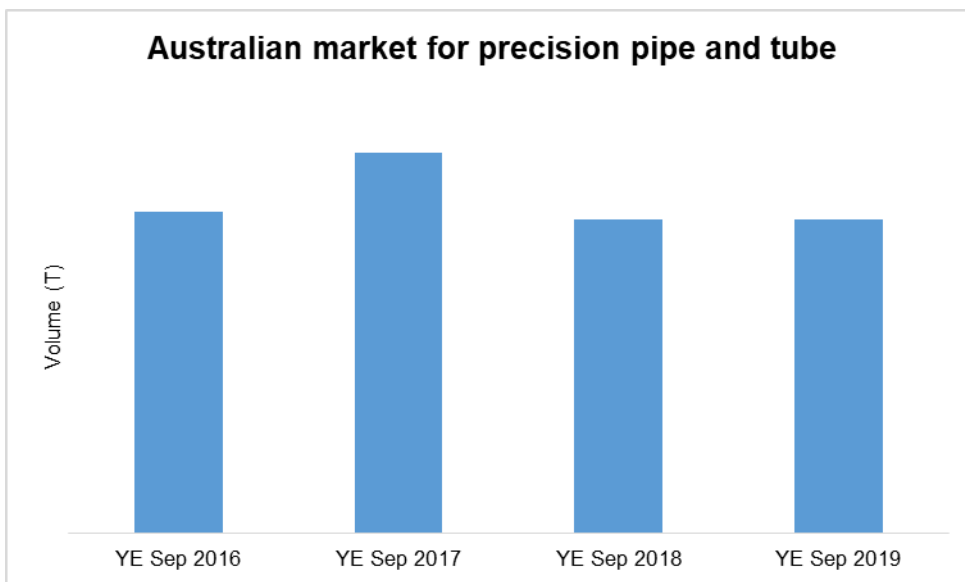
The above analysis is similar to that applied by Orrcon. However, ABF import data has been used by the Commission instead of ABS import data, and the proportion of imports subject to measures, compared with those without measures, has been determined using the ABF import data, rather than the proportion determined by Orrcon. The Commission understands that Orrcon has also had to make certain assumptions regarding the ABS import data, based on the third party data it obtained.

The Commission’s analysis of the size of the Australian market for the goods is provided at **Confidential Attachment 2**.

Findings

There is significant variance between Orrcon’s estimates of import volumes of the goods, from both the subject countries and non-subject countries, and the volumes calculated by the Commission. On account of this variance, the Commission has relied on data from the ABF import database (because it enables a more granular analysis of import data), and Orrcon’s sales volume in Australia to estimate the size of the Australian market for the goods.

Following from the approach above, the size of the Australian market is estimated as depicted in Figure 1. It should be noted that imports from subject and non-subject countries have been included. Figure 1 compares years ending (YE) 30 September.



**Figure 1 – Australian market for the goods**

The Commission estimates that the size of the Australian market for the goods has remained relatively steady since 2016, other than a temporary increase in 2017.

The market in YE September 2019 was approximately 22,000 tonnes. The Commission will examine further the size of the Australian market throughout the course of the investigation.

## **3 REASONABLE GROUNDS – DUMPING**

### **3.1 Findings**

Pursuant to section 269TC(1)(c), the Commission considers that there appears to be reasonable grounds to support the claims that:

- the goods have been exported to Australia from the subject countries at dumped prices;
- the estimated dumping margins are greater than 2 per cent and are therefore not negligible; and
- the estimated volume of goods from each of the subject countries that appear to have been dumped is greater than 3 per cent of the total Australian import volume of goods and is, therefore, not negligible.

### **3.2 Legislative framework**

Section 269TC(1) requires that the Commissioner reject an application for a dumping duty notice if, among other things, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of a dumping duty notice.

Under section 269TG, one of the matters that the Minister for Industry, Science and Technology (the Minister) must be satisfied of in order to publish a dumping duty notice is that the export price of goods that have been exported to Australia is less than the normal value of those goods, i.e. that dumping has taken place (to an extent that is not negligible). This issue is considered in the following sections.

### **3.3 Export price**

#### **3.3.1 Legislative framework**

Export price is determined by applying the requirements in section 269TAB, taking into account whether the purchase or sale of goods comprised an ‘arms length’ transaction under section 269TAA.

#### **3.3.2 Orrcon's estimate**

The table below summarises the approach taken by Orrcon to estimate export prices and the evidence relied upon:

<b>Country</b>	<b>Basis of estimate</b>	<b>Details</b>
China, Korea, Taiwan, Vietnam	ABS data and third party commercial data.	Orrcon has used import data from the ABS and a third party commercial source to determine export prices for goods classified under tariff and statistical codes 7306.30.00/30 and 7306.61.00/21 (discussed further above in chapter 2.5.1 in respect of import volumes) exported from the subject countries. Separate export prices were calculated for goods under each tariff and statistical classification, which have been aggregated to provide a single weighted average export price for the specific goods under consideration.

**Table 8: Orrcon’s estimate of export prices from the subject countries**



### **3.3.3 The Commission's assessment**

The Commission examined the export price calculations and supporting evidence provided by Orrcon. The Commission considers that Orrcon's approach to estimating export prices is reasonable, considering the potential limitations of the information available to Orrcon.

To assess the reliability of the export price estimated by Orrcon, the Commission has undertaken the following analysis:

- Export prices for each country in Orrcon's application have been compared to data obtained from the ABF import database. The Commission's approach was consistent with the approach taken in chapter 2.5.1 to filter the data;
- Export price estimates provided by Orrcon in relation to circular, rectangular and square goods were compared to export prices obtained from the relevant tariff classifications for each product variant in the ABF import database; and
- Major exporters within each subject country were identified using the ABF import database and their export prices were compared to Orrcon's estimates.

Orrcon's calculation of export price and the Commission's comparison is provided at **Confidential Attachment 3**.

As a result of this analysis, the Commission has observed only minimal variance between the weighted average export prices calculated by Orrcon for China, Korea and Taiwan, as compared to the export prices for major exporters within each of these countries calculated by the Commission using data from the ABF import database.

The Commission has calculated an export price for Vietnam on a whole-of-country level, and based on Vietnam's major exporters, and has come up with similar results. However, the variance between the export prices calculated by the Commission for Vietnam and Orrcon's estimate was more than 10 per cent.

In light of the above, the Commission considers that the export prices estimated by Orrcon for China, Korea and Taiwan are reasonable. For Vietnam, the Commission considers the ABF import data to be more reliable than the data used to form Orrcon's estimates as it has provided a similar result based on two different approaches (and allows for a more granular analysis of the import data). Therefore, the Commission has relied on the ABF import data to estimate export prices for Vietnam.

## **3.4 Normal value**

### **3.4.1 Legislative framework**

Normal value is determined by applying the requirements set out in section 269TAC, taking into account whether:

- the purchase or sale of the goods comprised an 'arms length' transaction under section 269TAA;
- the goods were sold in the 'ordinary course of trade' under section 269TAAD;
- there has been an absence (or low volume) of sales of like goods in the country of export; and
- the situation in the market of the country of export is such that sales in that country are not suitable for determining normal value under section 269TAC(1).

If there has been an absence (or low volume) of sales of like goods in the country of export or the situation in the market of the country of export is such that sales in that country are

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not suitable for determining normal value (referred to as “a particular market situation”), normal value is calculated to take into account, either:

- Section 269TAC(2)(c): the cost of production or manufacture of the goods in the country of export; plus administrative, selling and general costs associated with the sale and the profit on that sale; or
- Section 269TAC(2)(d): the price paid (or payable) for like goods sold in the ordinary course of trade in arms length transactions for exportation from the country of export to an appropriate third country.

**3.4.2 Orrcon's estimate of normal values**

The table below summarises the approach taken by Orrcon to estimate normal values for each country and the evidence Orrcon relied upon:

Country	Basis of estimate	Details
China and Vietnam	<p>Orrcon claims that there is a particular market situation in China and Vietnam (see below). On this basis, Orrcon has calculated constructed normal values using:</p> <ul style="list-style-type: none"> <li>• a HRC cost benchmark based on selling prices for Korea and Taiwan;</li> <li>• estimated conversion costs;</li> <li>• a labour cost adjustment;</li> <li>• estimated selling, general and administrative (SG&amp;A) costs; and</li> <li>• a profit margin.</li> </ul>	<p>Orrcon has estimated monthly normal values for precision pipe and tube steel for the YE 30 September 2019 at ex-works (EXW) terms on a constructed selling basis.</p> <p><u>Raw material costs</u></p> <p><i>China</i> On the basis that HRC prices have been distorted by government interference, raw material costs have been estimated by Orrcon using HRC selling prices in Korea and Taiwan (sourced from an independent steel industry subscription service) as a benchmark.</p> <p><i>Vietnam</i> On the basis that Vietnam does not have a significant domestic HRC manufacturing industry, prices for imported HRC into Vietnam (sourced from an independent steel industry subscription service) have been used as a benchmark.</p> <p><u>Conversion and SG&amp;A costs</u> Conversion and SG&amp;A costs have been estimated based upon Orrcon’s own costs to manufacture the goods as a benchmark. A downwards adjustment, based on independent third party data, has been made to account for labour cost variances, compared to the benchmark conversion and SG&amp;A costs.</p> <p><u>Profit margin</u> Orrcon has applied an amount of profit, based on a provisional agreement from an overseas jurisdiction, setting a minimum level of profitability to be expected under normal conditions of competition.</p>

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Country	Basis of estimate	Details
Korea and Taiwan	As Orrcon does not have access to domestic selling prices for the goods in Korea and Taiwan, it has used a similar method to calculate a normal value to the method it used for China and Vietnam.	<p>Orrcon has estimated monthly normal values for precision pipe and tube steel for the YE 30 September 2019 at EXW terms on a constructed selling basis.</p> <p><u>Raw material costs</u></p> <p>Raw material costs have been estimated by Orrcon using HRC selling prices in Korea and Taiwan sourced from an independent steel industry subscription service.</p> <p><u>Conversion and SG&amp;A costs</u></p> <p>Conversion and SG&amp;A costs have been estimated based upon Orrcon's own costs to manufacture the goods as a benchmark. A downwards adjustment, based on independent third party data, has been made to account for labour cost variances, compared to the benchmark conversion and SG&amp;A costs.</p> <p><u>Profit margin</u></p> <p>Orrcon has applied an amount of profit, based on a provisional agreement from an overseas jurisdiction, setting a minimum level of profitability to be expected under normal conditions of competition.</p>

**Table 9 - Orrcon estimate of normal values in the subject countries**

Orrcon informed the Commission that it determined normal values for each country at EXW level, while export prices were determined at the FOB level. As it does not have the relevant information to be able to do so, Orrcon has made no adjustments for:

- domestic inland freight costs;
- domestic and export credit terms;
- domestic and export packaging; and
- differences between value added tax (VAT) levied on domestic goods in China (17 per cent) and VAT levied on exported goods from China (9 per cent).

**3.4.3 The Commission's assessment**

The Commission must determine whether there appear to be reasonable grounds for supporting a claim that the goods have been exported at dumped prices. The Commission is therefore required to assess whether the estimated normal value provided in the application is a reasonable estimate.

For an estimated constructed normal value, as in the present application, the Commission will assess whether the costs used by Orrcon to construct the normal value reasonably reflect the costs of production in the subject countries. When making this assessment, the Commission is cognisant of the fact that applicants usually have access to limited data to enable them to estimate the costs in the country of production. The Commission considers it reasonable for applicants to use their own costs, but where it is reasonable and practicable to do so, the Commission considers that those costs should be adjusted to reflect costs in the country of production.

In certain circumstances, the Commission will have access to information which will enable it to make an assessment of the reasonableness of the information relied on by the applicant, on a comparison basis. The Commission may also have other sources of information that are directly relevant to the application, which the Commission may prefer to use in making its own assessment, particularly if that information is considered more relevant and reliable than the information relied upon by the applicant.

### Particular market situation claims

Orrcon has based its claim that a particular market situation exists within China primarily on previous findings by the Commission. The application specifically refers to findings relating to Government of China (GOC) influence in steel markets and the impact on HRC prices, which is the key raw material used in the manufacture of precision pipe and tube steel.<sup>8</sup>

Orrcon has based its claim that a particular market situation exists within Vietnam because the Government of the Socialist Republic of Vietnam (GOV) has intervened in the domestic steel industry through:

- electricity prices;
- Steel Master Plans;
- Industrial Development Strategy;
- State ownership of precision tube manufacturers;
- domestic price stabilisation initiatives;
- steel industry construction project and investment control; and
- steel industry subsidisation.

In the course of consultations (referred to in chapter 4.3), the GOV expressed a view that a particular market situation does not exist in the Vietnam market for precision pipe and tube steel. The GOV has indicated to the Commission that there have been changes to Steel Master Plans and the Industrial Development Strategy which means they no longer apply to the steel industry. The GOV also referred to previous findings of the Commission concerning zinc coated (galvanised) steel in Vietnam, which found that a particular market situation did not exist for that product.

Based on the information provided, the Commission considers it is appropriate to assess Orrcon's market situation claims during the normal course of the investigation, noting it is a key question to resolve in establishing the appropriate method to establish normal value. The Commission will seek the necessary information from exporters and from the GOC and GOV in order to independently assess Orrcon's claims.

### Normal value

The Commission considers the approach taken by Orrcon appears reasonable. The Commission notes that labour costs have not been separately itemised in the constructed value calculations, but an adjustment has been made to account for an estimated difference in labour costs in each of the subject countries.

The Commission has accordingly assessed the elements of the normal value calculations. In making its assessment of whether Orrcon's estimate of normal value is reasonable, the Commission has had regard to the information contained in the application and other information the Commission considers relevant.

### Raw material costs

The Commission considers the use of HRC selling prices sourced from an independent steel industry subscription service is a reasonable basis for estimating the domestic raw

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<sup>8</sup> See, for example, findings set out in *Anti-Dumping Commission Report No. 441* (steel pallet racking), *Anti-Dumping Commission Report Nos. 456 and 457* (aluminium zinc and zinc coated steels) and *Anti-Dumping Commission Report No. 379* (HSS).

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material costs of HRC in each of the subject countries. The Commission notes that Orrcon has used a benchmark comprising of HRC prices from Korea and Taiwan as a substitute for Chinese domestic prices, on the basis that Chinese domestic HRC prices have been distorted by government interference. Such a substitution was not required for Vietnam as Vietnam does not have a significant domestic HRC manufacturing industry (which is therefore unaffected by the alleged government interference).

Orrcon has adjusted the HRC selling price for each subject country to account for different finish types of HRC (bare, cold-rolled and galvanised) used in the manufacture of the goods, as the different types attract different price premiums. This adjustment has been based on Orrcon's own ratio of finish types used in its manufacture of the goods. The Commission considers Orrcon's approach to the assessment of raw material costs to be reasonable.

### Conversion and SG&A costs

The Commission considers the use of a benchmark, derived from Orrcon's own conversion and SG&A costs, in respect of the goods, to be a reasonable basis for estimating the conversion and SG&A costs in each of the subject countries. Orrcon has applied an adjustment to the benchmark to account for differences in labour costs between Australia and the respective subject countries.

The Commission has examined the verified labour and SG&A costs of exporters from the last major case involving HSS (as set out in *Anti-Dumping Commission Report No. 419* (REP 419)), the costs of which are likely to be similar to those incurred in the production and sale of the goods, to test the reasonableness of Orrcon's estimates. This comparison suggests that Orrcon's figures are a suitable basis to approximate these costs; because these amounts have been based on Orrcon's actual costs during the period 1 October 2018 to 30 September 2019, the Commission is satisfied that the method used by Orrcon is reasonable for the purpose of this report.

### Profit

The Commission considers that the profit margin applied by Orrcon in its construction of normal value is reasonable, as it is commensurate with profit margins found in REP 419.

### Adjustments

Orrcon has access to limited information to adjust the EXW normal value it has calculated to ensure a fair comparison with FOB export prices.

Accordingly, the Commission has had regard to information obtained for the purpose of REP 419 to make adjustments to the EXW normal value to estimate FOB normal values.

The Commission has made the following adjustments:

- added the cost of export packaging;
- added the cost of export inland transport;
- added the cost of export handling expenses; and
- upwards adjustment to account for the difference between domestic and export VAT (China only).

The Commission's analysis of normal value is provided at **Confidential Attachment 4**.

Orrcon's calculation of normal value is provided at **Confidential Attachment 5**.

### 3.5 Dumping margins

#### 3.5.1 Legislative framework

Dumping margins are determined in accordance with the requirements set out in section 269TACB.

Dumping margins and dumping volumes cannot be negligible, otherwise the investigation is terminated. Whether the dumping margins and dumping volumes are negligible is assessed under section 269TDA.

#### 3.5.2 The Commission's assessment

The table below summarises the dumping margins estimated by Orrcon and the dumping margins calculated by the Commission, using the method described in chapters 3.3.3 and 3.4.3.

Dumping margins are expressed as a percentage of the export price.

Country	Applicant estimate	Commission estimate
China	29% to 53%	52%
Korea	24% to 59%	39%
Taiwan	18% to 48%	36%
Vietnam	10% to 35%	10%

**Table 10: Estimated dumping margins**

Based on the Commission’s estimation of dumping margins for the subject countries, the Commission is satisfied that there appears to be reasonable grounds that the dumping margins are above negligible levels for the subject countries.

The Commission’s assessment of dumping is provided at **Confidential Attachment 6**.

#### 3.5.3 Volume of dumped goods

Sections 269TDA(3) and (4) provide that an investigation into dumping must be terminated if the total volume of goods exported to Australia over the relevant investigation period that may be dumped is negligible. A negligible volume of goods is less than 3 per cent of the total Australian import volume.

Using the method set out in chapter 2.5.1, the Commission has estimated the volumes of goods exported from each of the subject countries.

Based on the Commission’s assessment, the Commission is satisfied that there appears to be reasonable grounds to consider that the volume of dumped goods are above negligible levels for each of China, Korea, Taiwan and Vietnam.

## 4 REASONABLE GROUNDS - SUBSIDISATION

### 4.1 Findings

Pursuant to section 269TC(1)(c), the Commission considers that there appears to be reasonable grounds to support the claims that:

- the goods exported to Australia from China and Vietnam have been subsidised;
- the estimated subsidy margin for exports from both China and Vietnam is greater than 2 per cent and therefore is not negligible<sup>9</sup>; and
- the estimated volume of goods, from both China and Vietnam, that appear to have been subsidised is greater than 4 per cent of the total Australian import volume of the goods, and therefore is not negligible.

### 4.2 Legislative framework

Section 269TC(1) requires the Commissioner to reject an application for a countervailing duty notice, if (among other things) the Commissioner is not satisfied that there appear to be reasonable grounds for its publication. This requires, consistent with section 269TJ, satisfaction that subsidisation has taken place to an extent that is not negligible. This issue is considered in the following chapter.

### 4.3 Consultation with the Governments of China and Vietnam

In accordance with section 269TB(2C), the Commission invited the GOC and the GOV for consultations during the consideration phase. The purpose of the consultations was to provide an opportunity for the GOC and the GOV to respond to the claims made within the application in relation to countervailable subsidies.

To assist them in determining whether to undertake further consultation with the Commission and to comment on any issues they considered to be relevant, the GOC and the GOV were each separately provided with a non-confidential version of the countervailing application.

The GOV had previously made a submission to the Commission on 21 January 2020 in respect of another application for similar goods (that application was subsequently withdrawn). At the request of the GOV, the submission has been considered by the Commission in preparing this report.

The Commission will continue to seek information from the GOC and the GOV through the course of the investigation.

### 4.4 Subsidy programs

#### 4.4.1 Legislative framework

The determination as to whether there is a countervailable subsidy is made in accordance with sections 269T(1), 269T(2AA), 269TACC and 269TAAC.

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<sup>9</sup> China and Vietnam are developing countries and accordingly the threshold for determining whether countervailable subsidies are negligible is 2 per cent (section 269TDA(16) refers).

#### 4.4.2 Orrcon's claims – China

Orrcon claims that previous findings made by the Commission of subsidies received for goods manufactured from HRC in China would be applicable to precision pipe and tube steel. It is claimed that precision pipe and tube steel is manufactured from the same feedstock as HSS (i.e. HRC), and both HSS and HRC have been the subject of findings in relation to countervailable subsidies from China. Consequently, Orrcon considers that precision pipe and tube steel from China would be in receipt of the same benefits.

The subsidy programs which Orrcon claims would be relevant to precision pipe and tube steel from China are those examined with respect to HSS exported from China and set out in REP 419. These programs are summarised in **Non-confidential Appendix 1**.

#### 4.4.3 Orrcon's claims – Vietnam

Orrcon relies on the findings of anti-dumping and countervailing cases conducted by the Canada Border Services Agency (CBSA) in relation to the provision of subsidies granted by the GOV, as well as Vietnam's notifications in March 2013<sup>10</sup> and September 2015<sup>11</sup> to the World Trade Organization (WTO) Committee on Subsidies and Countervailing Measures pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the WTO *Agreement on Subsidies and Countervailing Measures*.

The Commission has examined the claimed subsidy programs with respect to Vietnam in Orrcon's application and has identified 65 unique subsidy programs. These programs, and the evidence relied upon by Orrcon in its application, are summarised in **Non-confidential Appendix 2**.

#### 4.4.4 The Commission's assessment

The Commission assessed the claims made by Orrcon, with respect to the provision of subsidies granted by the GOC and the GOV, which exporters of precision pipe and tube steel from China and Vietnam may have received.

##### China

With respect to subsidy programs relevant to China, the Commission assessed the relevance of the Commission's previous findings in relation to HSS and considered those findings having regard for the goods comprising the subject of the application. In particular, the Commission had regard for the findings of REP 419, concerning a review of anti-dumping measures of HSS exported from China, Korea, Malaysia and Taiwan which Orrcon has also relied upon in its application.<sup>12</sup>

In REP 419, the Commission determined that all 45 assessed programs were countervailable in respect of HSS. The assessed programs appear to be also applicable to the production, physical, commercial and functional characteristics of precision pipe and tube steel, many characteristics of which are similar to HSS. The Commission considers

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<sup>10</sup> WTO Committee on Subsidies and Countervailing Measures (2013) *New and Full Notification Pursuant to Article XVI of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures – Vietnam*, G/SCM/N/155/VNM

<sup>11</sup> WTO Committee on Subsidies and Countervailing Measures (2015) *New and Full Notification Pursuant to Article XVI of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures – Vietnam*, G/SCM/N/253/VNM

<sup>12</sup> Refer [REP 419](#), EPR 419, document 056.



that there are, therefore, reasonable grounds to conclude that the benefits of the 45 countervailable programs assessed for HSS in REP 419 could be relevant for exports of precision pipe and tube steel from China.

### Vietnam

With respect to the subsidy programs relevant to Vietnam, the existence and nature of the subsidy programs appears to be confirmed by publicly available information reported on by the GOV to the WTO in accordance with its reporting obligations under the *Agreement on Subsidies and Countervailing Measures*.

The Commission has previously assessed subsidy programs from Vietnam. In *Termination Report No. 370*, the Commission identified three countervailable programs in relation to zinc coated (galvanised) steel exported from Vietnam. The Commission found negligible (less than 2 per cent) levels of subsidisation and terminated the countervailing investigation.<sup>13</sup>

In its application, Orrcon has detailed a large number of subsidy programs in addition to those previously examined by the Commission, relying on the findings of the CBSA anti-dumping and countervailing cases in relation to the export of commodities (steel and copper goods) exported from Vietnam to Canada. The Commission considered the relevance of the subsidy programs assessed by the CBSA. On review of the program names of the subsidy programs assessed by the CBSA, and considering that several programs relate to more than one type of commodity,<sup>14</sup> the subsidy programs assessed by the CBSA could reasonably apply to a range of commodities including precision pipe and tube steel.

The Commission considers the CBSA is a reputable agency of a comparable jurisdiction, and in the absence of contrary information, there appear to be reasonable grounds for the claims by Orrcon in its application that the subsidy programs it identified could be relevant for exports of precision pipe and tube steel from Vietnam to Australia.

### Conclusion

The Commission considers that the evidence relied on by Orrcon at chapters 4.4.2 and 4.4.3 establishes a reasonable basis for the alleged subsidy programs.

The Commission will further assess the existence of subsidy programs during the course of the investigation.

## **4.5 Amount of countervailable subsidy**

### **4.5.1 Legislative framework**

Subsidy margins are determined under section 269TACD.

The amount of the countervailable subsidisation and the volume of subsidised goods cannot be negligible. Whether the countervailable subsidisation and the volume of subsidised goods are negligible is assessed under section 269TDA.

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<sup>13</sup> Refer to the [report](#) on EPR 370, an inquiry concerning the investigation of dumping and countervailing applying to zinc coated (galvanised) steel from India, Malaysia, Vietnam.

<sup>14</sup> Refer **Non-confidential Attachment 2**.

For current purposes, the Commission must assess whether there appear to be reasonable grounds for asserting that the rate of countervailable subsidisation and the volume of subsidised goods are not negligible.

#### **4.5.2 The Commission's assessment**

Orrcon has not provided an estimated amount of subsidy received overall, or subsidy margins for the programs identified in chapter 4.4 in relation to exports of precision pipe and tube steel from China and Vietnam. However, the Commission accepts that an applicant can only provide information available to it. Evidence regarding amounts of subsidies received is not always publicly available and estimating subsidy margins can be difficult.

##### China

The subsidy margins calculated for HSS in REP 419 with respect to exports from China ranged from 1.3 per cent to 47.7 per cent. The Commission considers that, given the Commission's assessment in chapter 4.4.4, for the purposes of this report, the subsidy margins determined in REP 419 are a reasonable basis for concluding that the subsidy margins for exports of precision pipe and tube steel for China are not negligible.

##### Vietnam

As discussed in chapter 4.4.4, the Commission has previously assessed subsidy programs relevant to exports of zinc coated (galvanised) steel from Vietnam and found negligible (less than 2 per cent) levels of subsidisation. However, there are a number of programs in Orrcon's application that have not previously been assessed by the Commission, and the programs previously examined have not been assessed contemporaneously or in respect of precision pipe and tube steel.

The Commission notes that the CBSA has recently (in 2018) found subsidy margins which ranged from 6.5 per cent to 30.6 per cent for Vietnam, which are above the negligible threshold.<sup>15</sup> As the Commission considers the CBSA a reputable organisation from a comparable jurisdiction, in the absence of detailed information, the findings of the CBSA may comprise a reasonable basis for concluding that the subsidy margins are not negligible. The Commission will further examine whether subsidies are provided to Vietnamese exporters of the goods throughout the course of the investigation.

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<sup>15</sup> The Commission notes here and in **Non-confidential Attachment 2** that the CBSA subsidy margins were determined under circumstances in which the exporters and the GOV provided no (or insufficient) information. In its letter, the GOV has expressed its view that this is not a reliable evidentiary basis on which to conclude that subsidisation of precision pipe and tube steel exported to Australia has taken place.

## 5 REASONABLE GROUNDS - INJURY TO THE AUSTRALIAN INDUSTRY

### 5.1 Findings

Pursuant to section 269TC(1)(c), having regard to the matters contained in the application, the Commission considers that there appear to be reasonable grounds to support the claims that the Australian industry has experienced injury in the form of:

- price suppression;
- loss of profits; and
- reduced profitability.

### 5.2 Legislative framework

Under sections 269TG and 269TJ, one of the grounds that must be satisfied before a dumping duty and/or a countervailing duty notice may be published is that the Australian industry has experienced material injury. This issue is considered in the following chapters.

### 5.3 Orrcon's claims

Orrcon claims that the Australian industry has been injured through:

- loss of sales volume;
- reduced market share;
- price depression;
- price suppression;
- loss of profits;
- reduced profitability;
- reduced employment;
- reduced productivity; and
- reduced return on investment.

Orrcon claims that injury commenced in the financial year 2017/18, following an increase in import volumes from the subject countries in the prior year.

### 5.4 Approach to injury analysis

#### 5.4.1 Legislative framework

The matters that may be considered when determining whether the industry has suffered material injury are set out in section 269TAE. The Commission has also had regard to the *Ministerial Direction on Material Injury 2012* (the Direction).

#### 5.4.2 The Commission's approach

This chapter analyses the economic condition of the Australian industry and provides an assessment as to whether there appear to be reasonable grounds to support a claim that the Australian industry has suffered material injury.

In its analysis of volume effects and market share, the Commission has used data provided by the applicant in *Confidential Appendix A2* in respect of Australian industry sales, and import data from the ABF imports database. The method for determining volumes is discussed in chapter 2.5.1. The Commission has also observed a minor error in Orrcon's *Confidential Appendix A6* which has impacted on the index calculations for the

fourth year of the period examined in its application. The Commission has corrected this error.

The Commission’s assessment of the economic condition of the Australian precision pipe and tube steel industry (and therefore the basis for the figures set out in this chapter) forms **Confidential Attachment 7**.

### **5.4.3 Injury analysis period**

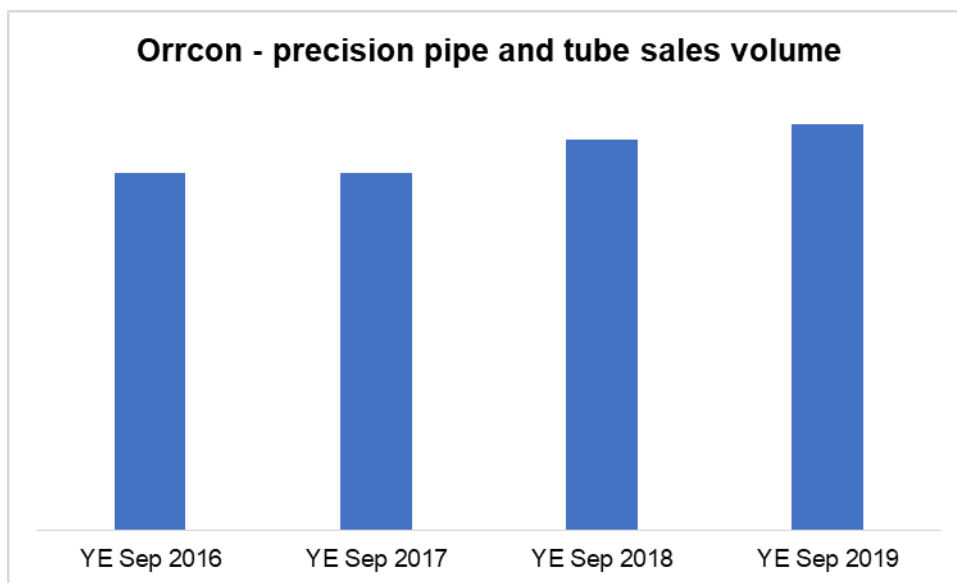
The purpose of the injury analysis period is to enable the Commission to identify and examine trends in the Australian market, which in turn assists the Commission in its examination of whether material injury has been caused by dumping. Orrcon has provided data from 1 October 2015 to 30 September 2019 for this purpose.

## **5.5 Volume effects**

Orrcon claims that its sales volumes have remained flat in an otherwise growing market, thereby suffering injury in the form of a loss of market share.

### **5.5.1 Sales volume**

The figure below depicts the applicant’s total sales volumes for the last four YE 30 September. The Commission notes that sales have remained generally steady over this period, albeit increasing slightly in the final and most recent year.



**Figure 2 – Australian industry sales volume**

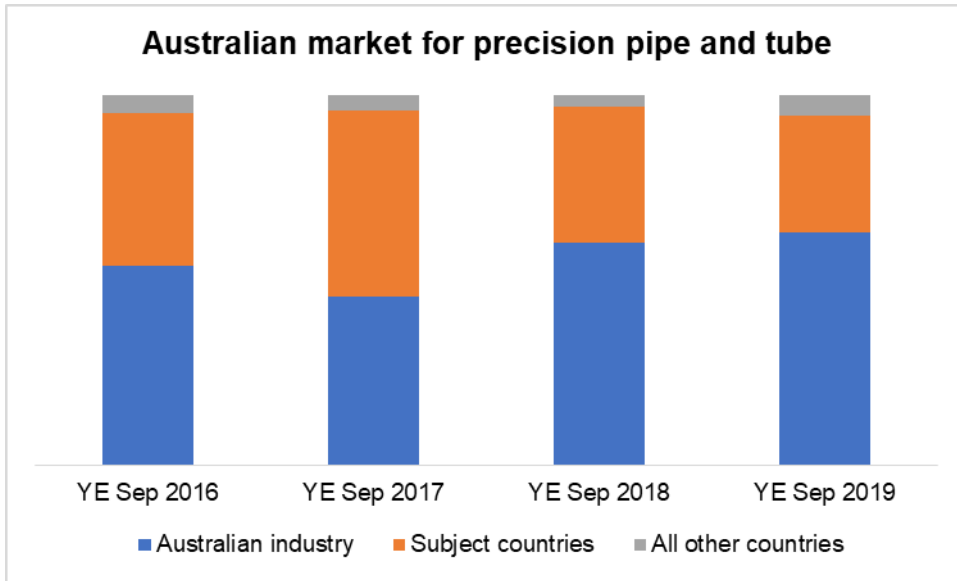
### **5.5.2 Market share**

Orrcon claims that the Australian market for the goods has grown by approximately 60 per cent since YE 30 September 2016. However, its own production volumes have not benefited from this claimed growth. Orrcon also claims that it has experienced a reduction in market share in each of the three subsequent years, and it has been unable to secure increased market share growth due to the lower-priced dumped imports from the subject countries.

The Commission’s analysis in chapter 2.5.1, which has relied on data from the ABF import database rather than ABS import data used by Orrcon, suggests that the Australian market has not grown as contended by Orrcon, and may have declined.

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The figure below sets out the Commission’s assessment of the market shares held by the Australian industry (made up solely by Orrcon), imports from the subject countries, and imports from all other countries since 1 October 2015.

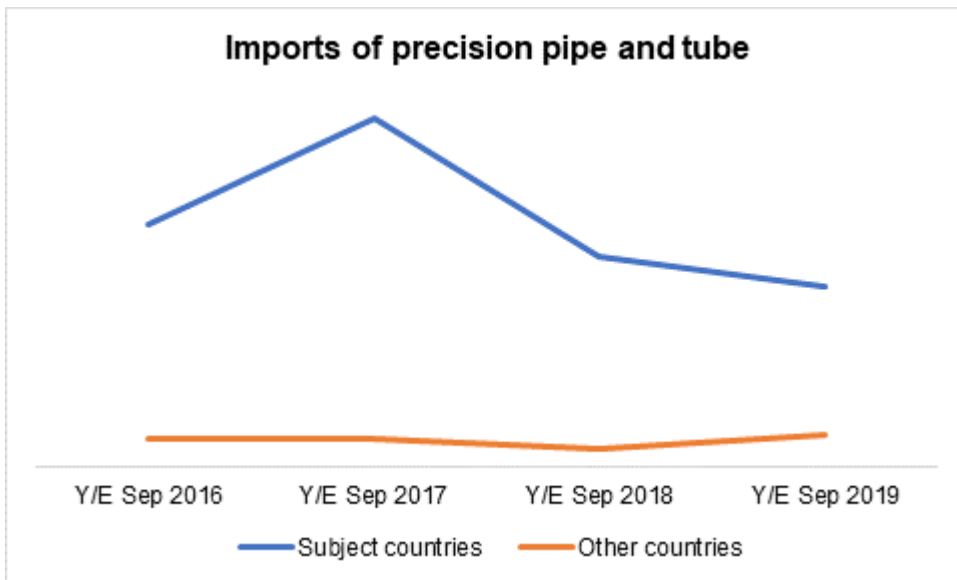


**Figure 3 – Australian market share for precision pipe and tube steel**

Orrcon’s market share has been largely stable in the last two years of the period examined, but was at its lowest in YE Sep 2017, which is when Orrcon submits that imports from the subject countries increased.

**5.5.3 Import volumes**

The figure below depicts import volumes from both subject and non-subject countries.



**Figure 4 – Imports of precision pipe and tube steel**

Import volumes from the subject countries have declined since a high in the YE 30 September 2017. Import volumes from other countries have remained relatively steady across the period, with a slight increase in 2019.

### 5.5.4 Conclusion – volume effects

The Commission’s analysis of volume from 1 October 2015 to 30 September 2019 is not consistent with the claims made by Orrcon in its application. The main reason for this is that the Commission used data from the ABF import database in its analysis, rather than data relied upon by Orrcon.

The Commission has found that, while Orrcon’s sales volumes have remained mostly steady, its share of the market has slightly increased as the overall market for the goods has shrunk. Accordingly, it does not appear that there are reasonable grounds to support the claim that the applicant has suffered injury in the form of lost market share.

### 5.6 Price effects

Price depression occurs when a company lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between prices and costs.

#### 5.6.1 Price effects – analysis

Orrcon claims that it has suffered both price depression and price suppression. It states in the application that:

Orrcon has experienced price depression in 2018/19 as it has been unable to increase selling prices to recover production cost increases – primarily for higher HRC costs. The coinciding sharp decline in unit profit as selling prices retreated despite higher production costs was at a time when there was an overall increase in imports from China, Korea, Taiwan and Vietnam.

The figure below depicts the movement in weighted average unit CTMS and unit selling prices since September, 2015.

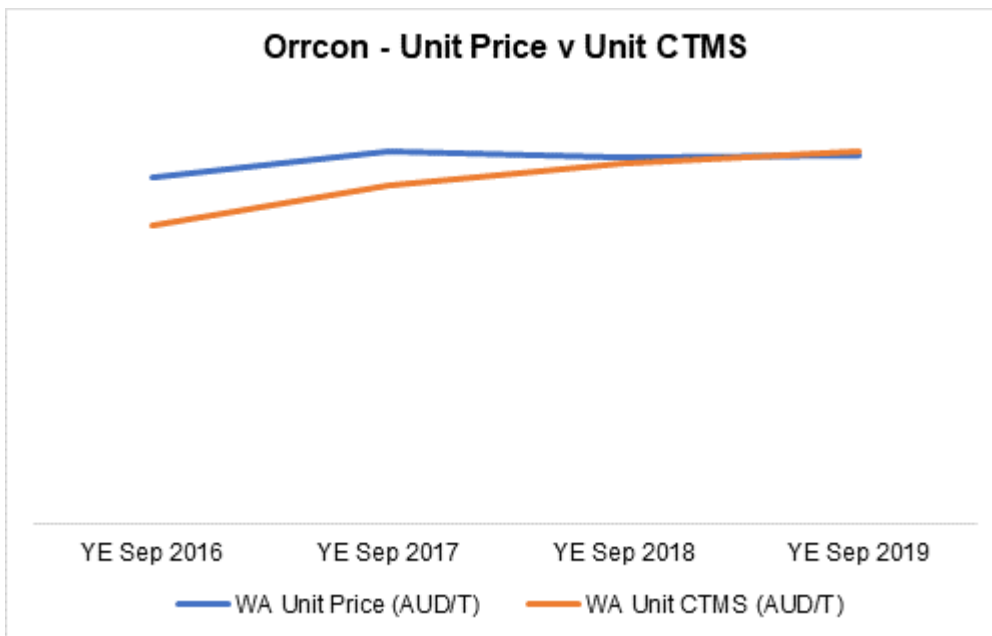


Figure 5 – Unit Price and Unit CTMS comparison

It can be seen that the margin between the unit price and unit CTMS for the goods has narrowed since YE 30 September 2016, with prices remaining steady while CTMS costs have risen each year.

### 5.6.2 Conclusion – price effects

Based on the above, there appears to be recent evidence of price suppression, with Orrcon maintaining its price for like goods while costs have increased.

### 5.7 Profit and profitability effects

Orrcon claims it has suffered material injury in the form of lost profit and profitability. It states in its application that:

Realised returns by the Orrcon precision pipe and tube business have deteriorated sharply in 2018/19. Coinciding with this profit deterioration has been the previously-noted upsurge in dumped imports from China, Korea, Taiwan and Vietnam (commencing in 2016/17) at prices that have undercut Orrcon’s selling prices.

The figure below depicts the applicant’s total profit and unit profitability in respect of the goods since September 2015.

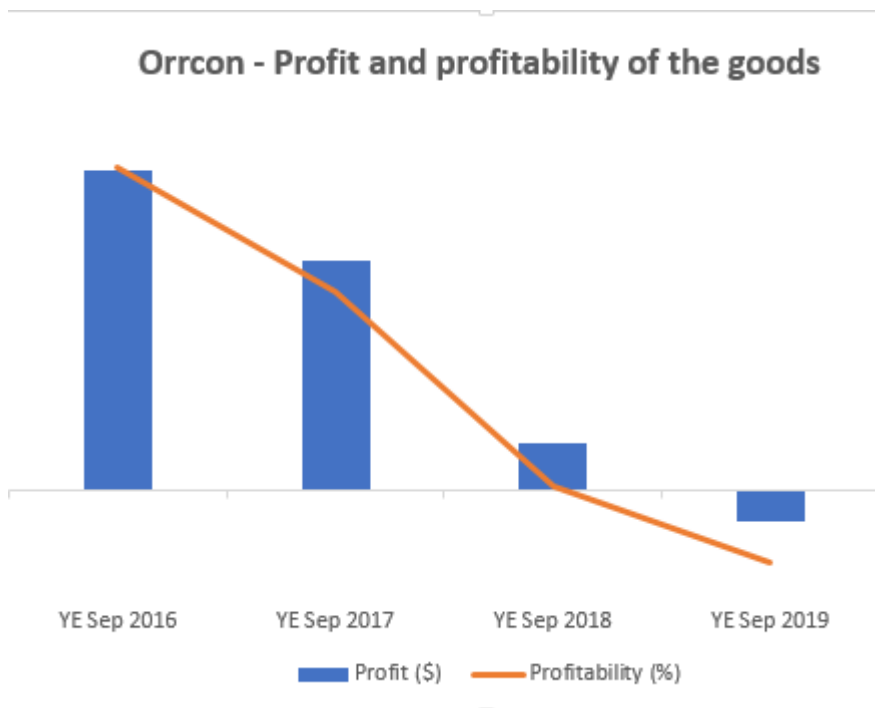


Figure 6 – Profit and profitability

Consistent with Orrcon’s application, there is a clear downward trend in both profit and profitability in respect of the goods, with Orrcon reporting a loss and negative profitability in respect of the goods for YE September 2019.

#### 5.7.1 Conclusion – profit and profitability effects

In light of the above, there appear to be reasonable grounds to support the claim that Orrcon has suffered injury in the form of lost profits and profitability.

### 5.8 Other injury factors

Orrcon also claims injury in the form of reduced return on investment, productivity and employment. The Commission has examined the data provided by the applicant in respect of each of these claims (set out in the indices on page 24 of its application). However, the Commission considers that it has insufficient data to assess Orrcon’s claims at this stage.

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The Commission will assess these, and other areas of injury, during the course of the investigation.

### **5.9 The Commission's assessment**

The Commission considers that there appear to be reasonable grounds to support claims that the Australian industry has experienced injury in the form of:

- price suppression;
- loss of profits; and
- reduced profitability.



## 6 REASONABLE GROUNDS - CAUSATION FACTORS

### 6.1 Findings

Having regard to the matters contained in the application and to other information considered relevant, the Commission considers that there appear to be reasonable grounds to support the claims that the Australian industry has suffered injury:

- caused by dumping (and that the injury caused is material); and
- caused by subsidisation (and that the injury caused is material).

### 6.2 Cause of injury to the Australian industry

#### 6.2.1 Legislative framework

Under sections 269TG and 269TJ, one of the matters that the Minister must be satisfied of in order to publish a dumping duty and/or a countervailing duty notice is that the material injury suffered by the Australian industry was caused by dumping and/or subsidisation. This issue is considered in the following chapters.

Matters that may be considered in determining whether the Australian industry has suffered material injury caused by dumped or subsidised goods are set out in section 269TAE.

#### 6.2.2 The Commission's assessment

##### Margins of dumping and subsidisation

Under section 269TAE(1)(aa) the Minister may have regard to the size of the dumping margins worked out in respect of the goods exported to Australia. As set out in chapter 3.5.2, there are reasonable grounds for concluding that the goods exported from the subject countries are dumped, and by significant margins.

Under section 269TAE(1)(ab) the Minister may have regard to the particulars of any countervailable subsidy received in respect of the goods exported to Australia. As set out in chapter 4.5.2, the Commission considers that there are reasonable grounds for concluding that the amount of countervailable subsidy received in respect of the goods exported from China and Vietnam is greater than 2 per cent.

##### Volumes of dumping and subsidisation

The Commission has had regard to the information provided by Orrcon, and has compared this with the ABF import database for the period from 1 October 2015 to 30 September 2019. The Commission has also had regard to the Direction.

The Commission's analysis of the ABF import database (as set out in **Confidential Attachment 2**) shows that the volume of:

- dumped goods from each of the subject countries is greater than 3 per cent of the total Australian import volume; and
- subsidised goods from each of China and Vietnam is greater than 4 per cent of the total Australian import volume.

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Accordingly, the volume of dumped goods and subsidised goods are not negligible volumes.<sup>16</sup>

### Conditions of competition

The Commission's findings in chapter 2.4.3 are that there appears to be direct price competition in the Australian market for precision pipe and tube steel between the imported and Australian industry produced goods, and these goods are interchangeable (in that they compete for sales to the same customers for similar (or the same) end-uses).

### Accumulation of injury

Section 269TAE(2C) sets out the requirements for assessing the cumulative material injury effects of exports of goods to Australia from different countries. Where exports are from more than one country and are simultaneously the subject of an investigation, the Minister may cumulatively assess the effects of such imports if:

- the margin of dumping established for each exporter and/or the amount of countervailable subsidy received is not negligible;
- the volume of dumped and/or subsidised imports from each country is not negligible; and
- a cumulative assessment is appropriate in light of the conditions of competition between the imported goods, and between all of the imported goods and the like domestic goods.

### Conclusion

The Commission considers that there are reasonable grounds to conclude that:

- the dumping margin for exporters from the subject countries is not negligible;
- the overall volume of dumped imports is not negligible;
- the amount of the countervailable subsidy margin for exporters from China and Vietnam is not negligible;
- the overall volume of subsidised imports is not negligible; and
- the conditions of competition between the imported goods, and between all of the imported goods and the like domestic goods, are essentially the same.

Accordingly, for the purposes of this report the Commission considers that the requirements of section 269TAE(2C) have been satisfied and that it is appropriate to examine the cumulative effect of the exports from the subject countries to determine whether the Australian industry has experienced injury caused by dumped goods.

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<sup>16</sup> Sections 269TDA(4) and (8) refer.

### 6.3 Orrcon’s claims

The table below summarises the causation claims of Orrcon.

Injury caused by dumping and/or subsidisation
<p><u>Volume effects</u></p> <ul style="list-style-type: none"> <li>Orrcon claims that while its production volumes have remained steady, these have not increased in line with growth in the Australian market for the goods generally, resulting in a loss of market share. The volume of, and market share held by, imports of the dumped and/or subsidised goods from the subject countries has substantially increased since 2015/16.</li> <li>Orrcon has provided a series of examples in which it lost sales volumes to goods imported from the subject countries.</li> </ul> <p><u>Price effects</u></p> <ul style="list-style-type: none"> <li>Orrcon claims its production costs have increased year-on-year since 2015 as a result of increases in global HRC prices. However, it has been unable to maintain its profit margins by also increasing its selling price for the goods.</li> <li>Exporters of the goods from the subject countries are selling the goods in Australia at prices which undercut Orrcon’s selling prices. As a result of this price undercutting, the Australian industry is suffering price depression and price suppression in order to compete and retain customers.</li> <li>Orrcon has provided a series of examples in which it reduced its prices in order to compete with the goods imported from the subject countries.</li> </ul> <p><u>Profit and profitability</u></p> <ul style="list-style-type: none"> <li>The presence of dumped and/or subsidised imports has prevented price increases and a narrowing of the gap between cost and price, leading to a decline in per unit profit and profitability.</li> </ul>
Injury caused by other factors
<ul style="list-style-type: none"> <li>Orrcon claims that there has been an increase in energy costs recently within Australia. However, it has not been able to pass on these cost increases due to price undercutting from rapidly increasing volumes of dumped and/or subsidised goods from the subject countries.</li> </ul>

Table 11: Orrcon’s injury claims

### 6.4 The Commission’s assessment

#### 6.4.1 Volume effects

As noted in chapter 5.5 and in **Confidential Attachment 7**, the Commission considers that Orrcon’s sales volumes have been relatively stable in the period from 1 October 2015 to 30 September 2019. The Commission also considers that, based on its analysis of the ABF import database, Orrcon has largely maintained or increased its market share in the YE 30 September 2019. As a result, the Commission’s preliminary view is that there do not appear to be reasonable grounds to establish that the Australian industry has experienced volume injury as a result of dumped or subsidised goods exported from the subject countries.

#### 6.4.2 Export price analysis

The Commission accepts that customers can purchase either from the Australian industry or from an import supply source. Import offers and movement in the price of import offers can therefore be used to negotiate prices with the Australian industry. Based on previous investigations, reviews and inquiries into HSS, where it was found that the Australian market for HSS was price sensitive, the Commission considers it reasonable to consider that the Australian market for precision pipe and tube steel is similarly price sensitive.

This view is supported by the examples of sale negotiations presented by Orrcon in its application.<sup>17</sup> The Commission considers it reasonable to conclude that the Australian industry is therefore required to respond to the price of imports in order to remain price competitive.

The Commission's analysis in **Confidential Attachment 7** indicates that FOB export prices for precision pipe and tube from the subject countries have followed a similar pattern over the period from 1 October 2018 to 30 September 2019. This pattern is similar to movements in Orrcon's domestic prices.

#### **6.4.3 Price undercutting**

Orrcon has provided examples in its application to claim it has lost sales as a result of price undercutting by exporters from the subject countries. The examples provided are based on Orrcon's own experiences within the Australian market for the goods.

The Commission has examined the export prices for the goods recorded in the ABF import database, reported at FOB terms. In order to compare these with Australian industry sales values actually achieved to assess whether undercutting has occurred, the Commission subtracted Orrcon's actual profit achieved from its weighted average quarterly prices. The Commission then removed an amount for importation costs that was derived from an analysis undertaken in REP 419, and an amount for customs duty (4 per cent for goods from Vietnam only).

The Commission's analysis (**Confidential Attachment 7** refers) indicates that the goods exported from the subject countries have been sold at prices lower than Orrcon's prices in all quarters of the YE September 2019, by between 28 and 38 per cent, which appears to support Orrcon's claims of price undercutting.

#### **6.4.4 Profit effects**

In the Commission's view, the examples of price undercutting provided by Orrcon in its application (and referred to above) support Orrcon's claims that it has reduced its prices in response to import price offers in order to maintain sales volume. The examples also indicate that Orrcon has lost sales to lower priced imports. As shown in Figure 6, Orrcon's profit and profitability has declined over each of the four years to YE September 2019, which has coincided with Orrcon's claimed experience of increased pricing pressure from the subject countries.

The Commission considers that there appear to be reasonable grounds to support Orrcon's claim that the dumped and/or subsidised goods have caused injury to the Australian industry in the form of reduced profit and profitability.

#### **6.4.5 Injury caused by factors other than dumping**

As set out in its application, Orrcon has acknowledged that it experienced an increase in its energy and HRC costs over the period from 1 October 2015. The Commission is unable to establish at this point in time the degree to which these increased costs may have contributed to the injury experienced by Orrcon.

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<sup>17</sup> Application, pp. 25-32.

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In accordance with section 269TAE(2A), the Commission will assess other potential causes of injury to the Australian industry during the course of the investigation.

### 6.4.6 Is the injury material?

The Direction provides that injury from dumping and/or subsidisation need not be the sole cause of injury to the industry, but the injury caused must be material in degree. In making this assessment, the Direction further provides that the materiality of injury caused by a given degree of dumping and/or subsidisation can be judged differently, depending on the economic condition of the Australian industry experiencing the injury. As such, in considering the circumstances of each case, the Commission must consider whether an industry that at one point in time is healthy and could shrug off the effects of the presence of dumped and/or subsidised products in the market, could at another time, weakened by other events, suffer material injury from the same amount and degree of dumping and/or subsidisation.

Based on information available at this time, the Commission considers it is reasonable to find that increasing energy and raw material costs have likely impacted the Australian industry in the YE 30 September 2019. However, these increased costs have occurred at a time when the Australian market appears to have been impacted by the presence of dumped and/or subsidised goods, which have been sold at prices which appear to substantially undercut Orrcon's prices. On the basis that Orrcon has reduced its margins to respond to import price offers, and noting the corresponding decline in its profit and profitability outcomes, the Commission considers there appear to be reasonable grounds to conclude that any injury to the Australian industry caused by dumping and/or subsidisation is material in degree.

## 6.5 Conclusion

The Commission considers that:

- the level of the dumping and/or countervailing margins indicated in the application and in the Commission's calculations;
- the preliminary assessment of price suppression and depression; and
- the preliminary assessment of reduced profit and profitability,

provide reasonable grounds to support Orrcon's claim that exports of the goods from the subject countries at dumped and/or subsidised prices have caused material injury to the Australian industry.

**7 APPENDICES AND ATTACHMENTS**

Attachments	Title
<b>Confidential Attachment 1</b>	Commission assessment of HSS manufacturers
<b>Confidential Attachment 2</b>	Commission Australian market analysis
<b>Confidential Attachment 3</b>	Commission export price analysis
<b>Confidential Attachment 4</b>	Commission normal value analysis
<b>Confidential Attachment 5</b>	Orrcon normal value calculation
<b>Confidential Attachment 6</b>	Commission dumping margin calculations
<b>Confidential Attachment 7</b>	Commission injury analysis
<b>Non-confidential Attachment 1</b>	Orrcon claims of Chinese countervailable programs
<b>Non-confidential Attachment 2</b>	Orrcon claims of Vietnamese countervailable programs

**8 NON-CONFIDENTIAL ATTACHMENT 1**

Summary of Orrcon’s claims of countervailable programs relevant to China.

No.	Program name	Type
1	Preferential Tax Policies for Enterprises with Foreign Investment Established in the Coastal Economic Open Areas and Economic and Technological Development Zones	Tax
2	One-time Awards to Enterprises Whose Products Qualify for ‘Well-Known Trademarks of China’ and ‘Famous Brands of China’	Grant
5	Matching Funds for International Market Development for Small and Medium Enterprises	Grant
6	Superstar Enterprise Grant	Grant
7	Research & Development (R&D) Assistance Grant	Grant
8	Patent Award of Guangdong Province	Grant
10	Preferential Tax Policies for Foreign Invested Enterprises– Reduced Tax Rate for Productive Foreign Invested Enterprises scheduled to operate for a period of not less than 10 years	Tax
11	Preferential Tax Policies for Enterprises with Foreign Investment Established in Special Economic Zones (excluding Shanghai Pudong area)	Tax
12	Preferential Tax Policies for Enterprises with Foreign Investment Established in Pudong area of Shanghai	Tax
13	Preferential Tax Policies in the Western Regions	Tax
14	Tariff and VAT Exemptions on Imported Materials and Equipment	Tax
15	Innovative Experimental Enterprise Grant	Grant
16	Special Support Fund for Non State-Owned Enterprises	Grant
17	Venture Investment Fund of Hi-Tech Industry	Grant
18	Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment	Grant
19	Grant for key enterprises in equipment manufacturing industry of Zhongshan	Grant
20	Hot rolled steel provided by government at less than fair market value	Less than adequate remuneration (LTAR)
21	Water Conservancy Fund Deduction	Grant
22	Wuxing District Freight Assistance	Grant
23	Huzhou City Public Listing Grant	Grant
27	Huzhou City Quality Award	Grant
28	Huzhou Industry Enterprise Transformation & Upgrade Development Fund	Grant
29	Land Use Tax Deduction	Tax
30	Wuxing District Public Listing Grant	Grant
31	Anti-dumping Respondent Assistance	Grant
32	Technology Project Assistance	Grant
34	Balidian Town Public Listing Award	Grant
35	Preferential Tax Policies for High and New Technology Enterprises	Tax

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<b>No.</b>	<b>Program name</b>	<b>Type</b>
36	Local Tax Bureau Refund	Tax
37	Return of Farmland Use Tax	Tax
38	Return of Land Transfer Fee	Tax
39	Return of Land Transfer Fee From Shiyou	Tax
40	Dining lampblack governance subsidy of Jinghai County Environmental Protection Bureau	Grant
41	Discount interest fund for technological innovation	Grant
42	Energy conservation and emission reduction special fund project in 2015	Grant
43	Enterprise famous brand reward of Fengnan Finance Bureau	Grant
44	Government subsidy for construction	Grant
45	Infrastructure Construction Costs Of Road In Front Of No.5 Factory	Grant
46	New Type Entrepreneur Cultivation Engineering Training Fee Of Jinghai County Science And Technology Commission	Grant
47	Subsidy for Coal-Fired Boiler of Fengnan Subtreasury	Grant
48	Subsidy for Coal-Fired Boiler Rectification	Grant
49	Subsidy for District Level Technological Project	Grant
50	Subsidy For Pollution Control Of Fengnan Environmental Protection Bureau	Grant
51	Subsidy from Science and Technology Bureau of Jinghai County	Grant
52	Subsidy of Environment Bureau transferred from Shiyou	Grant

**Table 12: Summary of applicant's claims of countervailable programs relevant to China**



**9 NON-CONFIDENTIAL ATTACHMENT 2**

Summary of Orrcon’s claims of countervailable programs relevant to Vietnam.

No.	Program name	Summary of claims
27	Accelerated Depreciation of Fixed Assets	Orrcon claims that these programs were the subject of CBSA investigations: <ul style="list-style-type: none"> <li>• CBSA Corrosion resistant steel (2019) which was initiated on 22 November 2019;<sup>18</sup></li> <li>• CBSA Cold rolled steel (2018) which found a subsidy rate of 6.5%;<sup>19</sup></li> <li>• CBSA Certain copper pipe fittings (2018) which found a subsidy rate of 30.6%;<sup>20</sup> and</li> <li>• CBSA Oil Country Tubular Goods (2015) which found a subsidy rate of 19%.<sup>21</sup></li> </ul> All the subsidy margins were determined under circumstances in which the exporters and the GOV provided no or insufficient information.
33	Exemptions/reductions of Land Rent, Tax, and Levies (consisting of five separate programs)	
22	Acquisition of State Assets at Less Than Fair Market Value	Orrcon claims that these programs were the subject of CBSA investigation of Oil Country Tubular Goods (2015) which found a subsidy rate of 19%. <sup>22</sup> The subsidy margin was determined under circumstances in which the exporters and the GOV provided no or insufficient information.
24	Export Support Loans at Preferential Rates	
25	Interest Rate Support Program under the State Bank of Vietnam	
26	Preferential Lending under the Viet Bank Export Loan Program	
28	Additional Income Tax Preferences for Exporters	
36	Preferential Provisions for Carry-forward of Losses	
40	Tax Exemptions and Reductions for Investments in Economic Zones or High-Tech Industrial Parks	
42	Excessive Duty Exemptions for Imported Raw Materials for Exported Goods	

<sup>18</sup> CBSA Corrosion-Resistant Steel Sheet 2, *Certain corrosion-resistant steel sheet*, November 2019, Initiation - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/cor22019/cor22019-in-eng.html>

<sup>19</sup> CBSA Cold-Rolled Steel, *Certain cold-rolled steel in coils or cut lengths*, November 2018, Final Determination - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/crs2018/crs2018-fd-eng.html>

<sup>20</sup> CBSA Copper Pipe Fittings 2, *Certain copper pipe fittings*, May 2018, Final Determination - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/cpf22017/cpf22017-fd-eng.html>

<sup>21</sup> CBSA Oil country tubular goods (OCTG2), *Certain Oil Country Tubular Goods*, March 2018, Final Determination - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1404/ad1404-i14-fd-eng.html>

<sup>22</sup> Ibid.

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No.	Program name	Summary of claims
1	Preferential Import Tariff Rates contingent upon Localisation Ratios with respect to products and Parts of Mechanical-Electric-Electronic Industries (updating Programme II of Notification of Subsidies period 2003-2004)	Orrcon claims that Vietnam provided the WTO Committee on Subsidies and Countervailing Measures with a new and full notification pursuant to Article XVI.1 of the GATT and Article 25 of the Agreement on subsidies and countervailing measures. Orrcon claims that the notifications provided in March 2013 and September 2015 contained details of these programs. <sup>23</sup> These programs were assessed by the Commission in a previous inquiry. <sup>24</sup> Program 1 and 6 were found to be countervailable subsidies with respect to some Vietnamese exporters of zinc coated (galvanised) steel.
2	Support for the Implementation of Projects Manufacturing Priority Industrial Products (Updating Programme III of 2003-2004)	
3	Investment Incentives Contingent upon Export Performance For Domestic Businesses (Updating Programme IV of 2003-2004)	
4	Other Investment Incentives for Domestic Businesses (Updating Program V of Period 2003-2004)	
5	Investment Incentives Contingent upon Export Performance for Foreign Invested Enterprises (Updating Programme VI of the Period 2003-2004)	
6	Other Investment Incentives for Foreign Invested Enterprises (Updating Programme VII for Period 2003-2004)	
7	Preferential Investment Credit for Development Contingent upon Export Criteria (Updating Programme VIII of Period 2003-2004)	
8	Preferential Development Credit for Investment Contingent Upon Localisation Ratios (Updating Programme IX of Period 2003-2004)	
9	Other Preferential Investment Credit for Development (Updating Program X of Period 2003-2004)	
11	Trade Promotion (Updating of Programme XIII of Period 2003-2004)	
12	Support for Mechanical Products (Updating Program XV of Period 2003-2004)	
13	Support for Shipbuilding Industry (Updating of Programme XV of Period 2003-2004)	

<sup>23</sup> WTO Committee on Subsidies and Countervailing Measures, *New and Full Notification Pursuant to Article XVI of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures – Vietnam: G/SCM/N/155/VNM (2013) and G/SCM/N/253/VNM (2015)*

<sup>24</sup> Refer to the [Termination Report 370](#) on EPR 370, an inquiry concerning the investigation of dumping and countervailing applying to zinc coated (galvanised) steel from India, Malaysia, Vietnam.

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No.	Program name	Summary of claims
14	Assistance for Commercial Development in Mountainous, Island and Ethnic Minority Areas (Updating Programme XVI of Period 2003-2004)	
16	Incentives for Investment Projects in Science and Technology (Updating Programme XVIII of Period 2003-2004)	
15	Assistance to Enterprises Facing Difficulties due to Objective Reasons	<p>Orrcon claims that Vietnam provided the WTO Committee on Subsidies and Countervailing Measures with a new and full notification pursuant to Article XVI.1 of the GATT and Article 25 of the Agreement on subsidies and countervailing measures. Orrcon claims that the notifications provided in March 2013 and September 2015 contained details of this program.<sup>25</sup></p> <p>Additionally, Orrcon claims that this program was the subject of CBSA investigations:</p> <ul style="list-style-type: none"> <li>• CBSA Corrosion resistant steel (2019) which was initiated on 22 November 2019;<sup>26</sup></li> <li>• CBSA Cold rolled steel (2018) which found a subsidy rate of 6.5%;<sup>27</sup> and</li> <li>• CBSA Oil Country Tubular Goods (2015) which found a subsidy rate of 19%.<sup>28</sup></li> </ul> <p>All the subsidy margins were determined under circumstances in which the exporters and the GOV provided no or insufficient information.</p> <p>This program was assessed by the Commission in a previous inquiry and found not to be countervailable with respect to Vietnamese exporters of zinc coated (galvanised) steel.<sup>29</sup></p>
29	Enterprise Income Tax Exemption/Reduction for Business Expansion and Intensive Investment Projects	Orrcon claims that these programs were the subject of CBSA investigations regarding certain copper pipe fittings (2018) which found a subsidy rate of 30.6%. <sup>30</sup> The subsidy margin was determined under circumstances in which the exporters

<sup>25</sup> WTO Committee on Subsidies and Countervailing Measures, *New and Full Notification Pursuant to Article XVI of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures – Vietnam: G/SCM/N/155/VNM (2013) and G/SCM/N/253/VNM (2015)*

<sup>26</sup> CBSA Corrosion-Resistant Steel Sheet 2, *Certain corrosion-resistant steel sheet*, November 2019, Initiation - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/cor22019/cor22019-in-eng.html>

<sup>27</sup> CBSA Cold-Rolled Steel, *Certain cold-rolled steel in coils or cut lengths*, November 2018, Final Determination - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/crs2018/crs2018-fd-eng.html>

<sup>28</sup> CBSA Oil country tubular goods (OCTG2), *Certain Oil Country Tubular Goods*, March 2018, Final Determination - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1404/ad1404-i14-fd-eng.html>

<sup>29</sup> Refer to the [Termination Report 370](#) on EPR 370, an inquiry concerning the investigation of dumping and countervailing applying to zinc coated (galvanised) steel from India, Malaysia, Vietnam.

<sup>30</sup> CBSA Copper Pipe Fittings 2, *Certain copper pipe fittings*, May 2018, Final Determination - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/cpf22017/cpf22017-fd-eng.html>

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No.	Program name	Summary of claims
35	Preferential Income Tax Rates for Enterprises within Economic Zones or Industrial Parks	and the GOV provided no or insufficient information.
41	Tax Preferences for Investors Producing and/or Dealing in Export Goods	
21	Investment Support (consisting of two separate programs)	<p>Orrcon claims that these programs were the subject of CBSA investigations:</p> <ul style="list-style-type: none"> <li>• CBSA Corrosion resistant steel (2019) which was initiated on 22 November 2019;<sup>31</sup> and</li> <li>• CBSA Cold rolled steel (2018) which found a subsidy rate of 6.5%.<sup>32</sup></li> </ul> <p>All the subsidy margins were determined under circumstances in which the exporters and the GOV provided no or insufficient information.</p>
23	Export & Import Support in the Form of Preferential Loans, Guarantees, and Factoring (consisting of five separate programs)	
30	Enterprise Income Tax Preferences, Exemptions, and Reductions (consisting of seven separate programs)	
43	Exemptions of Import Duty (consisting of seven separate programs)	
44	Refund of Import Duty	
31	Establishments Dealing with Exported Goods	<p>Orrcon claims that this program was the subject of CBSA investigations:</p> <ul style="list-style-type: none"> <li>• CBSA Cold rolled steel (2018) which found a subsidy rate of 6.5%.<sup>33</sup></li> <li>• CBSA Certain copper pipe fittings (2018) which found a subsidy rate of 30.6%.<sup>34</sup></li> </ul> <p>All the subsidy margins were determined under circumstances in which the exporters and the GOV provided no or insufficient information.</p>
32	Exemption of Import Tax on Equipment and Machinery Imported to Create Fixed Assets	<p>Orrcon claims that these programs were the subject of CBSA investigations:</p> <ul style="list-style-type: none"> <li>• CBSA Certain copper pipe fittings (2018) which found a subsidy rate of 30.6%;<sup>35</sup> and</li> <li>• CBSA Oil Country Tubular Goods (2015) which found a subsidy rate of 19%.<sup>36</sup></li> </ul> <p>All the subsidy margins were determined under</p>
34	Land-Use Levy Exemptions/Reductions	
37	Tax Exemptions and Reductions for Encouraged Sectors	

<sup>31</sup> CBSA Corrosion-Resistant Steel Sheet 2, *Certain corrosion-resistant steel sheet*, November 2019, Initiation - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/cor22019/cor22019-in-eng.html>

<sup>32</sup> CBSA Cold-Rolled Steel, *Certain cold-rolled steel in coils or cut lengths*, November 2018, Final Determination - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/crs2018/crs2018-fd-eng.html>

<sup>33</sup> Ibid.

<sup>34</sup> CBSA Copper Pipe Fittings 2, *Certain copper pipe fittings*, May 2018, Final Determination - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/cpf22017/cpf22017-fd-eng.html>

<sup>35</sup> Ibid.

<sup>36</sup> CBSA Oil country tubular goods (OCTG2), *Certain Oil Country Tubular Goods*, March 2018, Final Determination - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1404/ad1404-i14-fd-eng.html>

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No.	Program name	Summary of claims
38	Tax Exemptions and Reductions for Foreign-Invested Enterprises	circumstances in which the exporters and the GOV provided no or insufficient information.
39	Tax Exemptions and Reductions for Investment in Disadvantaged Regions	
10	Export Promotion	<p>Orrcon claims that these programs were the subject of CBSA investigations:</p> <ul style="list-style-type: none"> <li>• CBSA Corrosion resistant steel (2019) which was initiated on 22 November 2019;<sup>37</sup></li> <li>• CBSA Cold rolled steel (2018) which found a subsidy rate of 6.5%.<sup>38</sup></li> </ul> <p>All the subsidy margins were determined under circumstances in which the exporters and the GOV provided no or insufficient information.</p> <p>Additionally, Orrcon claims that Vietnam provided the WTO Committee on Subsidies and Countervailing Measures with a new and full notification pursuant to Article XVI.1 of the GATT and Article 25 of the Agreement on subsidies and countervailing measures. Orrcon claims that the notifications provided in March 2013 and September 2015 contained details of these programs.<sup>39</sup></p> <p>This program was assessed by the Commission in a previous inquiry and found not to be countervailable with respect to Vietnamese exporters of zinc coated (galvanised) steel.<sup>40</sup></p>
20	Grants to Firms that Employ more than 50 Employees	<p>Orrcon claims that these programs were the subject of CBSA investigations:</p> <ul style="list-style-type: none"> <li>• CBSA Cold rolled steel (2018) which found a subsidy rate of 6.5%;<sup>41</sup></li> <li>• CBSA Certain copper pipe fittings (2018) which found a subsidy rate of 30.6%;<sup>42</sup> and</li> <li>• CBSA Oil Country Tubular Goods (2015) which found a subsidy rate of 19%.<sup>43</sup></li> </ul> <p>All the subsidy margins were determined under circumstances in which the exporters and the GOV provided no or insufficient information.</p>

<sup>37</sup> CBSA Corrosion-Resistant Steel Sheet 2, *Certain corrosion-resistant steel sheet*, November 2019, Initiation - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/cor22019/cor22019-in-eng.html>

<sup>38</sup> CBSA Cold-Rolled Steel, *Certain cold-rolled steel in coils or cut lengths*, November 2018, Final Determination - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/crs2018/crs2018-fd-eng.html>

<sup>39</sup> WTO Committee on Subsidies and Countervailing Measures, *New and Full Notification Pursuant to Article XVI of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures – Vietnam: G/SCM/N/155/VNM (2013) and G/SCM/N/253/VNM (2015)*

<sup>40</sup> Refer to the [Termination Report 370](#) on EPR 370, an inquiry concerning the investigation of dumping and countervailing applying to zinc coated (galvanised) steel from India, Malaysia, Vietnam.

<sup>41</sup> CBSA Cold-Rolled Steel, *Certain cold-rolled steel in coils or cut lengths*, November 2018, Final Determination - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/crs2018/crs2018-fd-eng.html>

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No.	Program name	Summary of claims
19	Incentives on non-agricultural land use	<p>Orrcon claims that these programs were the subject of CBSA investigations:</p> <ul style="list-style-type: none"> <li>• CBSA Corrosion resistant steel (2019) which was initiated on 22 November 2019;<sup>44</sup></li> <li>• CBSA Cold rolled steel (2018) which found a subsidy rate of 6.5%;<sup>45</sup> and</li> <li>• CBSA Certain copper pipe fittings (2018) which found a subsidy rate of 30.6%.<sup>46</sup></li> </ul> <p>All the subsidy margins were determined under circumstances in which the exporters and the GOV provided no or insufficient information.</p> <p>This program was assessed by the Commission in a previous inquiry and found not to be countervailable with respect to Vietnamese exporters of zinc coated (galvanised) steel.<sup>47</sup></p>
17	Preferential Import Tariff Rates for enterprises investing in regions or sectors entitled to investment incentives	<p>Orrcon did not identify these programs in its application, however the Commission identified and assessed them in a previous inquiry.<sup>48</sup> The Commission considers that the programs may be relevant to the goods. Program 18 was found to be countervailable with respect to zinc coated (galvanised) steel.<sup>49</sup></p>
18	Incentives on corporate income tax for enterprises operating in regions or sectors entitled to incentives	

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<sup>42</sup> CBSA Copper Pipe Fittings 2, *Certain copper pipe fittings*, May 2018, Final Determination - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/cpf22017/cpf22017-fd-eng.html>

<sup>43</sup> CBSA Oil country tubular goods (OCTG2), *Certain Oil Country Tubular Goods*, March 2018, Final Determination - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1404/ad1404-i14-fd-eng.html>

<sup>44</sup> CBSA Corrosion-Resistant Steel Sheet 2, *Certain corrosion-resistant steel sheet*, November 2019, Initiation - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/cor22019/cor22019-in-eng.html>

<sup>45</sup> CBSA Cold-Rolled Steel, *Certain cold-rolled steel in coils or cut lengths*, November 2018, Final Determination - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/crs2018/crs2018-fd-eng.html>

<sup>46</sup> CBSA Copper Pipe Fittings 2, *Certain copper pipe fittings*, May 2018, Final Determination - Statement of Reasons: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/cpf22017/cpf22017-fd-eng.html>

<sup>47</sup> Refer to the [Termination Report 370](#) on EPR 370, an inquiry concerning the investigation of dumping and countervailing applying to zinc coated (galvanised) steel from India, Malaysia, Vietnam.

<sup>48</sup> Ibid.

<sup>49</sup> Ibid.