

1 March 2021

Mr Corey Hawke  
Case Manager, Investigations 3  
Anti-Dumping Commission  
Level 6  
215 Spring Street  
Melbourne Victoria 3000

## Public File

Dear Mr Hawke,

### Anti-Dumping/Subsidisation Investigation No. 550 – Precision Pipe & Tube Steel exported from China, Korea, Taiwan, and Vietnam

#### I. Introduction

Orrcon Manufacturing Pty Ltd (“Orrcon”) is the manufacturer of the subject goods Precision pipe & tube steel in Australia. Orrcon was the applicant company that requested the Anti-Dumping and Subsidisation investigation applicable to Precision pipe and tube exported from the People’s Republic of China (“China”), the Republic of Korea, Taiwan, and the Socialist Republic of Vietnam (“Vietnam”) – refer ADN No. 2020/030.

Orrcon submits the below comments in relation to recently published exporter verification reports (“EVR’s”) placed on the electronic public record by the Anti-Dumping Commission (“the Commission”). Due to the volume of data placed on the record thus far, these comments cannot necessarily address all aspects of the EVR’s. These comments and representations are made to assist the Commission in its verification and review of the data for the purposes of a preliminary determination, and to provide Orrcon’s preliminary views on the record to-date.

#### II. Ta Fong Steel Co Ltd (Taiwan)

The Commission has undertaken a desktop exporter verification of the data submitted by Ta Fong Steel Co Ltd (“Ta Fong”), and is satisfied that:

- The goods manufactured by Ta Fong for sales on the Taiwanese domestic market have characteristics closely resembling those of the goods exported to Australia, and are therefore ‘like goods’<sup>1</sup> in accordance with section 269T(1);<sup>2</sup>
- The sales data provided by Ta Fong is complete, relevant, and accurate;<sup>3</sup>
- The Cost to Make and Sell (“CTMS”) data provided by Ta Fong is complete, relevant, and accurate, and reasonably reflects the costs associated with the production and sale of the goods under consideration;<sup>4</sup>
- All Australian export sales of the goods by Ta Fong were at arms-length, and that the export price be determined under section 269TAB(1)(a);<sup>5</sup> and
- There were sufficient sales volumes of like goods sold for home consumption in Taiwan that were arms-length and at prices within the Ordinary Course of Trade.<sup>6</sup>

Orrcon makes the following comments in relation to certain of the above findings.

<sup>1</sup> Ta Fong EVR, p.8.

<sup>2</sup> References in this submission to legislative provisions are those of the *Customs Act 1901*, unless otherwise stated.

<sup>3</sup> Ta Fong EVR, p.9-10.

<sup>4</sup> Ibid, p.11-13.

<sup>5</sup> Ibid, p.15.

<sup>6</sup> Ibid, p.21.

## Scrap Offset

At section 6.1/6.2 of the EVR, the Commission stipulated at Table 7 that Ta Fong did not offset scrap in its Cost to Make (“CTM”) costings:

Cost item	Method applied
Raw Materials	Raw material costs are allocated based on sales quantity.
Scrap Allocation	Ta Fong did not offset scrap in its CTM costings
Manufacturing Overheads	Based on actual costs as per the trail balance, allocated on sales quantity
Labour	Based on actual costs as per the trail balance, allocated on sales quantity
Depreciation	Based on actual costs as per the trail balance, allocated on sales quantity

**Table 7 Cost allocation method**

The Commission’s resolution for this was to offset scrap costs based on sales volumes.<sup>7</sup> Orrcon is unsure whether the scrap cost offset relates to revenue derived from the sale of scrap by Ta Fong, or if it reflects a cost credit from the re-entering of scrap into the production process at a certain point.<sup>8</sup> In any case, Orrcon questions the relevance and necessity of this CTM cost reduction adjustment.

In Hollow Structural Sections (“HSS”) Review Inquiry 529 (“Review 529”)<sup>9</sup>, the Commission verified Ta Fong’s Exporter Questionnaire Response (“EQR”), and whilst referencing scrap allocations, the Commission’s consideration of this CTMS component was fundamentally different. The Commission noted at Table 3 of the HSS verification that Ta Fong did not account for scrap revenue:

Cost item	Method applied
Raw Materials	Raw material costs are allocated to the goods based on production quantity.
Scrap Allocation	Ta Fong does not account for scrap revenue in its production costs.
Manufacturing Overheads	Manufacturing overheads costs are allocated to the goods based on production quantity.
Labour	Labour costs are allocated to the goods based on production quantity.
Depreciation	Depreciation costs allocated to the goods based on production quantity.
Variance	There is no variance as Ta Fong uses actual costs.

**Table 3 Cost allocation method**

The Commission did not identify this as an exception nor resolved to make an adjustment. Orrcon submits that Ta Fong’s scrap allocation arrangements are consistent, whether relating to HSS or Precision pipe & tube manufacture, and hence that the offset for scrap costs in the current inquiry is not warranted.

## Cost Allocations

The above-noted tables 7 and 3 highlight a further inconsistent approach by the Commission on cost allocations. Table 7 confirms that raw material, manufacturing overhead, labour, and depreciation costs are allocated based on

<sup>7</sup> Ta Fong EVR, p.12.

<sup>8</sup> This scenario is highly unlikely, as Ta Fong is not an integrated steel manufacturer (in other words, it does not manufacture feed hot-rolled coil steel from molten steel for further processing into precision subject goods). Ta Fong confirmed as much in its Exporter Questionnaire Response (at G-7, p.26) that the major raw materials used in the manufacture of the goods were steel coils, and that no raw materials were sourced as part of an integrated production process.

<sup>9</sup> The inquiry period of which was the twelve months ending September 2019, a cross-over period of nine months with this investigation.

sales revenue. In contrast, HSS table 3 in Review 529 allocated these costs based on production quantities. Production quantities have also been used as the allocation basis in the recently published EVR's for Chinh Dai Industrial Co Ltd.<sup>10</sup> and Dalian Steelforce High Tech. Co Ltd.<sup>11</sup>

Orrcon requests that the Commission confirm as to why the difference and inconsistency in cost allocation approach.

### Model Matching

Ta Fong exported one Precision Model Control Code ("MCC") category to Australia during the inquiry period, being a hot-rolled circular product of less than 16 millimetre outside diameter. In contrast, Ta Fong manufactured and sold 34 different MCC's on the domestic market; with hot-rolled, cold-rolled and zinc coated flat steel feed inputs. Orrcon represents these as follows:

Domestic Sales									
#	PCN	PRIME	BASE	GRADE	SURFACE	COATING MASS	SHAPE	THICKNESS	LENGTH
1	P-C-2-N-1-C-1-N-A-1-P	Prime	Cold Roll (Semi Bright)	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	<1.6 mm	≤4 m
2	P-C-2-N-1-C-1-N-A-2-P	Prime	Cold Roll (Semi Bright)	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	<1.6 mm	>4 m to ≤8 m
3	P-C-2-N-1-C-1-N-B-1-P	Prime	Cold Roll (Semi Bright)	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	≥1.6 mm to <3.2mm	≤4 m
4	P-C-2-N-1-C-1-N-B-2-P	Prime	Cold Roll (Semi Bright)	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	≥1.6 mm to <3.2mm	>4 m to ≤8 m
5	P-C-2-N-1-C-2-N-A-1-P	Prime	Cold Roll (Semi Bright)	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	<1.6 mm	≤4 m
6	P-C-2-N-1-C-2-N-A-2-P	Prime	Cold Roll (Semi Bright)	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	<1.6 mm	>4 m to ≤8 m
7	P-C-2-N-1-C-2-N-B-2-P	Prime	Cold Roll (Semi Bright)	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	≥1.6 mm to <3.2mm	>4 m to ≤8 m
8	P-C-2-N-1-R-N-2-A-2-P	Prime	Cold Roll (Semi Bright)	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Rectangular or Square	<1.6 mm	>4 m to ≤8 m
9	P-C-2-N-1-R-N-3-A-1-P	Prime	Cold Roll (Semi Bright)	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Rectangular or Square	<1.6 mm	≤4 m
10	P-C-2-N-1-R-N-3-A-2-P	Prime	Cold Roll (Semi Bright)	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Rectangular or Square	<1.6 mm	>4 m to ≤8 m
11	P-C-2-N-1-C-1-N-A-2-P	Prime	Cold Roll (Semi Bright)	C350	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	<1.6 mm	>4 m to ≤8 m
12	P-C-5-N-1-C-1-N-A-2-P	Prime	Cold Roll (Semi Bright)	Other	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	<1.6 mm	>4 m to ≤8 m
13	P-G-2-N-3-C-1-N-A-1-P	Prime	Galvanised	C250	No Oil or Paint	≥100 g/m <sup>2</sup> <275 g/m <sup>2</sup>	Circular	<1.6 mm	≤4 m
14	P-G-2-N-3-C-1-N-A-2-P	Prime	Galvanised	C250	No Oil or Paint	≥100 g/m <sup>2</sup> <275 g/m <sup>2</sup>	Circular	<1.6 mm	>4 m to ≤8 m
15	P-G-2-N-3-C-2-N-A-1-P	Prime	Galvanised	C250	No Oil or Paint	≥100 g/m <sup>2</sup> <275 g/m <sup>2</sup>	Circular	<1.6 mm	≤4 m
16	P-G-2-N-3-C-2-N-A-2-P	Prime	Galvanised	C250	No Oil or Paint	≥100 g/m <sup>2</sup> <275 g/m <sup>2</sup>	Circular	<1.6 mm	>4 m to ≤8 m
17	P-G-2-N-3-R-N-2-A-2-P	Prime	Galvanised	C250	No Oil or Paint	≥100 g/m <sup>2</sup> <275 g/m <sup>2</sup>	Rectangular or Square	<1.6 mm	>4 m to ≤8 m
18	P-G-2-N-3-R-N-3-A-1-P	Prime	Galvanised	C250	No Oil or Paint	≥100 g/m <sup>2</sup> <275 g/m <sup>2</sup>	Rectangular or Square	<1.6 mm	≤4 m
19	P-G-2-N-3-R-N-3-A-2-P	Prime	Galvanised	C250	No Oil or Paint	≥100 g/m <sup>2</sup> <275 g/m <sup>2</sup>	Rectangular or Square	<1.6 mm	>4 m to ≤8 m
20	P-G-3-N-3-C-1-N-A-1-P	Prime	Galvanised	C350	No Oil or Paint	≥100 g/m <sup>2</sup> <275 g/m <sup>2</sup>	Circular	<1.6 mm	≤4 m
21	P-G-3-N-3-C-1-N-A-2-P	Prime	Galvanised	C350	No Oil or Paint	≥100 g/m <sup>2</sup> <275 g/m <sup>2</sup>	Circular	<1.6 mm	>4 m to ≤8 m
22	P-G-3-N-3-C-2-N-A-1-P	Prime	Galvanised	C350	No Oil or Paint	≥100 g/m <sup>2</sup> <275 g/m <sup>2</sup>	Circular	<1.6 mm	≤4 m
23	P-H-2-N-1-C-1-N-A-1-P	Prime	Hot Roll	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	<1.6 mm	≤4 m
24	P-H-2-N-1-C-1-N-A-2-P	Prime	Hot Roll	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	<1.6 mm	>4 m to ≤8 m
25	P-H-2-N-1-C-1-N-B-1-P	Prime	Hot Roll	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	≥1.6 mm to <3.2mm	≤4 m
26	P-H-2-N-1-C-1-N-B-2-P	Prime	Hot Roll	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	≥1.6 mm to <3.2mm	>4 m to ≤8 m
27	P-H-2-N-1-C-2-N-A-1-P	Prime	Hot Roll	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	<1.6 mm	≤4 m
28	P-H-2-N-1-C-2-N-A-2-P	Prime	Hot Roll	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	<1.6 mm	>4 m to ≤8 m
29	P-H-2-N-1-C-2-N-B-2-P	Prime	Hot Roll	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	≥1.6 mm to <3.2mm	>4 m to ≤8 m
30	P-H-2-N-1-R-N-2-A-2-P	Prime	Hot Roll	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Rectangular or Square	<1.6 mm	>4 m to ≤8 m
31	P-H-2-N-1-R-N-3-A-1-P	Prime	Hot Roll	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Rectangular or Square	<1.6 mm	≤4 m
32	P-H-2-N-1-R-N-3-A-2-P	Prime	Hot Roll	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Rectangular or Square	<1.6 mm	>4 m to ≤8 m
33	P-H-3-N-1-C-1-N-B-1-P	Prime	Hot Roll	C350	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	≥1.6 mm to <3.2mm	≤4 m
34	P-H-3-N-1-C-1-N-B-2-P	Prime	Hot Roll	C350	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	≥1.6 mm to <3.2mm	>4 m to ≤8 m
Aust. Export Sales									
1	P-H-2-N-1-C-1-N-B-2	Prime	Hot Roll	C250	No Oil or Paint	<20 g/m <sup>2</sup> (including none)	Circular	≥1.6 mm to <3.2mm	>4 m to ≤8 m

Only one domestic MCC (P-H-2-N-1-C-1-N-B-2-P) is directly comparable to the circular Precision product exported by Ta Fong to Australia (as highlighted).

In putting into practice an MCC structure, the Commission's Dumping and Subsidy Manual states that:<sup>12</sup>

<sup>10</sup> Chinh Dai EVR, p.18.

<sup>11</sup> Dalian Steelforce EVR, p.16.

<sup>12</sup> Dumping and Subsidy Manual, November 2018, p.61.

“...the MCC structure will identify key categories. For any key category, the approach will be that sub-categories within each key category should be compared directly and should not be used as surrogate models for other sub-categories within that key category. This would generally be because the physical characteristics are significantly different and making an adjustment for physical differences would not be meaningful in terms of estimating a price difference.”

With ‘Shape’ as the key MCC category in this case, the Commission does not need to move beyond this point and further up the MCC hierarchy where there are insufficient domestic sales of either the like-for-like or similar circular models. Where there are insufficient sales of models within the circular shape category, normal values will need to be constructed under 269TAC(2)(c).

The Commission will also need to ensure that Ta Fong has not included non-subject goods sales in its home-market MCC’s. Mill test certificates will evidence whether the domestically manufactured and sold goods are produced to a recognised Taiwanese Standard governing Precision pipe & tube. Orrcon has evidenced this for the Australian market in its verification responses to the Commission; namely that the goods are manufactured in accordance with, inter alia, AS 1450 – *Steel Tubes for Mechanical Purposes*.

Orrcon highlights that the Commission will need to be vigilant of this issue during the remainder of this investigation to ensure that only subject goods are reflected in exporter data.

### Dumping Margin

Orrcon notes the preliminary dumping margin finding of negative 9.0 percent in Ta Fong’s EVR. In the Statement of Essential Facts (“SEF”) to Review 529 (again, to which there is a nine month investigation period cross-over with the current inquiry), Ta Fong was found to be dumping HSS on the Australian market by a **positive 32.5 percent**, subsequently reduced to **positive 5.9 percent** via the application of the Lesser Duty Rule (“LDR”).

Whilst Precision and HSS are different types of pipe and tube steel, Orrcon respectfully submits that a dumping margin difference of 14.9 percent (or 41.5 percent prior to the application of the LDR), as determined during an overlapping investigation period, is illogical. Orrcon therefore requests that the Commission review its calculations.

### III. Chinh Dai Industrial Co Ltd. (“CDI”) (Vietnam)

#### Ordinary Course of Trade

The Commission states at section 8.2 of CDI’s EVR<sup>13</sup> that:

*“The verification team have collected the necessary data to conduct an OCOT assessment, based on the reported costs and sales at the time of verification. The application has claimed that exporters’ records do not reasonably reflect competitive market costs associated with the production or manufacture of like goods. The Commission is currently considering this claim. Therefore, the assessment of whether domestic sales are in the OCOT has been referred to the case management team for consideration.”*

In addition to the above-noted claim of an absence of competitive market costs in Vietnam, Orrcon reiterates its earlier exporter verification discussion point that Vietnamese subject goods producers have likely sold at a loss during the investigation period.

CDI stated in their EQR that “...in Q4 2019...Vietnamese manufacturers were financially impacted because their domestic selling price was lower than the cost of goods sold. **Some even had to sell at a loss...**”<sup>14</sup> [emphasis added], and in their EQR response to section I-3(7) noted that:<sup>15</sup>

<sup>13</sup> CDI EVR, p.23.

<sup>14</sup> CDI EQR, p.60.

<sup>15</sup> CDI EQR, p.63.

7. Describe the relationship between selling price and costs to make and sell in the Vietnamese market. Does your company maintain a desired profit margin for the goods?

**Answer:** The selling price in the Vietnamese market is based on multiple factors. Costs to make and sell is one of the critical factors to establish the selling price. The Vietnamese market has a surplus of manufacturers and it is also very price sensitive to the change of future material price. Even though we strive to maintain our profit margin, there have been multiple times that the profit card is not in our favor.

2019 is the greatest example as the global market growth this year recorded its weakest pace since the global financial crisis a decade ago. The escalation of U.S and China trade wars caused the surge of cheap China steel to the Vietnamese market. Meanwhile, Vietnamese steel enterprises have increased their steel production capacity since the end of 2018. The world steel prices were in a strong downtrend due to oversupply. The picture of the domestic steel industry in 2019 was generally gloomy and the profit margin results, due to high raw material prices, global trade war and oversupply, were low and even negative for several months.

IV. Vina One Steel Manufacturing Corporation (“Vina One”) (Vietnam)

#### Accuracy of CTMS data

The Commission states at section 6.2 of Vina One’s EVR<sup>16</sup> that:

*“The verification team also compared Vina One’s HRC purchase price **against benchmark prices** for Vietnam and found these closely aligned. As HRC was the largest cost segment, this gave the verification team a further level of confidence in the accuracy of the CTMS data.” [emphasis added].*

Vina One’s EVR is silent on the source of these benchmark prices. Orrcon has earlier submitted that Vietnamese HRC pricing is lower than available Asia-regional price benchmarks, and that this therefore translates into a lower-than-competitive market price for subject goods selling prices in Vietnam.<sup>17</sup> To allow all interested parties to validate the Commission’s statement above, Orrcon requests that the Commission disclose the source of its benchmark prices.

If you have any questions concerning this submission, please do not hesitate to contact me on [REDACTED] [REDACTED].

Yours faithfully,

[REDACTED]  
Manager – Trade Measures

<sup>16</sup> Vina One EVR, p.15.

<sup>17</sup> Electronic Public Record, folio no. 39.