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The Director – Investigations 3
Anti-Dumping Commission
GPO Box 2013
CANBERRA ACT 2601

BY EMAIL: investigations3@adcommission.gov.au

Dear Director,

Investigation No. 550 (INV 550) concerning the alleged dumping of Precision Pipe and Tube Steel exported to Australia from The People’s Republic of China (China), the Republic of Korea (Korea), Taiwan and the Socialist Republic of Vietnam (Vietnam) and the alleged subsidisation relating to exports of Precision Pipe and Tube Steel from China and Vietnam

Exporter Submission – Statement of Essential Facts No 550 (SEF 550)

Dalian Steelforce Hi-Tech Co., Ltd (**Dalian Steelforce**), an exporter of Precision Pipe and Tube steel (**PPT**) from China provides the following submission in response to SEF 550.

1. Background

Dalian Steelforce exported pre-galvanised (**pre-gal**) PPT and painted PPT during the investigation period of 1 January 2019 to 31 December 2019 for INV 550, all exported PPT was of grade C250.

Dalian Steelforce’s information had been verified for Review 529¹ (**REV 529**) which had an overlapping review period, of October 2018 to September 2019, to the investigation period for INV 550. The verification for Dalian Steelforce for INV 550 referred to information verified during REV 529 as noted during the verification² and the exporter report³ for INV 550.

2. Preliminary findings – Market situation and cost adjustment

The Anti-Dumping Commission (**the Commission**) considered in SEF 550 whether a particular market situation applied in China for PPT and what adjustment to apply to coil costs used to manufacture PPT to account for the particular market situation in China.

¹ Review of anti-dumping measures applying to Hollow Structural Sections (**HSS**)

² Verification Requests Parts 2,3 and 4 of Dalian Steelforce verification.

³ EPR INV 550/046, p.7

The Commission's preliminary finding and view was that a particular market situation existed in respect of the domestic market for PPT in China for the investigation period.⁴

The Commission's consideration of the adjustment for coil included that:

*the difference in price between verified purchases by the cooperative Chinese exporter of steel coil (EXW, no delivery, excluding VAT) and a competitive benchmark based on MEPS Korean and Taiwan steel coil prices is representative of the level of distortion of Chinese steel coil prices; and MEPS data was preferred due to insufficient data provided by Korean and Taiwanese exporters to construct a benchmark price.*⁵

The Commission calculated the adjustment by:

*comparing the competitive benchmark cost to the exporter's actual costs for different coil types, in this case CRC and pre-galvanised coil, and applying the resulting variation as an adjustment to the exporter's records.*⁶

This adjustment was applied to Dalian Steelforce coil costs in the calculation of the normal value.⁷

3. Appropriate benchmark for coil

3.1 Relevant information

Dalian Steelforce submits that the Commission has not considered "all relevant information" in its consideration of the benchmark and adjustment for coil used for the exported pre-galvanised PPT and that there was sufficient data provided by verified exporters during REV 529 to calculate a benchmark and adjustment for the coil used for pre-galvanised PPT.

The Commission considered and applied an adjustment to coil costs for exporters from China in REV 529 in much the same manner as considered in INV 550 except for the use of data for the adjustment. The adjustment methodology in REV 529 followed the previous practice as noted:

*Consistent with the adjustment methodology followed in REP 177 and subsequent cases (including, most recently, REP 419), the Commission has used the verified HRC purchases in this review period from cooperating HSS exporters in Korea, Taiwan and Thailand.*⁸

The Commission also noted its preference for actual coil prices over alternative data sources such as Platts or a published South-East Asia price index.⁹

Dalian Steelforce submits that the Commission should have regard to the verified data from REV 529 and INV 550 in establishing the benchmark for coil for pre-galvanised PPT.

3.2 Benchmark for coil for pre-galvanised PPT

The Commission has verified in REV 529 and INV 550 that Dalian Steelforce used the same grade galvanised cold rolled coil (**CRC**) for both pre-gal 250 grade HSS and pre-gal 250 grade PPT.

⁴ SEF 550, p.45

⁵ SEF 550, p.59

⁶ SEF 550, p.60

⁷ SEF 550, p.67

⁸ REP 529, p.42

⁹ REP 529, p.42

The Commission has further verified that only that grade of coil was used in the production of pre-gal 250 grade PPT exported to Australia during the investigation period.¹⁰

REV 529 calculated the difference in coil purchases for the benchmark for each type of coil that Dalian Steelforce used, including for the coil used for pre-gal 250 grade PPT.

Dalian Steelforce submits that the differences calculated in REV 529 should be used for those quarters where available for the benchmark for INV 550. Dalian Steelforce further submits that the other periods should be benchmarked to the quarters that have a calculated difference using movement in the MEPS data for Korean and Taiwan steel coil prices.

The Commission has previously indexed verified prices to movements in MEPS data where there are unverified or missing quarters of verified information.¹¹

3.3 Benchmark for coil for painted PPT

Dalian Steelforce notes that there is no verified information from Korean or Taiwanese exporters for coil used for painted PPT during INV 550. Dalian Steelforce further notes that, as verified by the Commission, the only purchase of coil used for painted PPT during the investigation period was in the ■ quarter. *[commercially sensitive purchase information]*

Dalian Steelforce submits that adjustments for the ■ quarters should be benchmarked to the ■ quarter using movement in the MEPS data for Korean and Taiwan steel coil prices. *[commercially sensitive purchase information]*

3.4 Scrap credit

Dalian Steelforce notes the Commission did not make an adjustment for scrap credit as it did not consider that the particular marker situation would extend to the price achieved by Dalian Steelforce for the sale of its scrap.¹²

Dalian Steelforce further notes that in Anti-Dumping Review Panel Report No.88 (ADRP REP No. 88), regarding Review 419 into Hollow Structural Sections, the exporter argued for such an adjustment which the Commission agreed was warranted¹³.

Dalian Steelforce submits that given the similarities in HSS and PPT and the findings and adjustments the scrap credit should be applied in a manner consistent with the adjustment to coil input costs.

4. Termination of the dumping investigation

4.1 Dumping margin

Dalian Steelforce has calculated a dumping margin using the benchmarks and adjustments noted above. The methodology follows that of the Commission except for the change in scrap credit below. The dumping margin calculated is ■%. *[commercially sensitive]*

¹⁰ Verification request Part 2

¹¹ EPR 546/43, p.12.

¹² SEF 550, p.60

¹³ ADRP REP No. 88, p.59

4.2 Termination of the dumping investigation

Section 269TDA(1)(b)(ii) provides that the Commissioner must terminate a dumping investigation, in so far as it relates to an exporter of the goods, if satisfied that there has been dumping by the exporter of some or all of those goods, but the dumping margin for the exporter, or each such dumping margin, worked out under section 269TACB, when expressed as a percentage of the export price or weighted average of export prices used to establish that dumping margin, is less than 2%.

Dalian Steelforce submits that the dumping investigation as it relates to Dalian Steelforce be terminated pursuant to section 269TDA(1)(b)(ii) as the dumping margin of ■% is less than 2%. [*commercially sensitive*]

5. Subsidy finding

5.1 Programs

The Commission has found that Dalian Steelforce has received a subsidy from two programs, *Program 550-2 – Loan Interest Subsidy and Program 20 - Hot rolled steel* provided by government at less than fair market value. The amount received under Program 20 has been attributed to all of Dalian Steelforce sales and then allocated to the goods based on the export revenue over the investigation period.¹⁴ The calculation of the subsidy benefits was provided to Dalian Steelforce as *Confidential Attachment 34*¹⁵.

5.2 Calculation of the benefit for Program 20

To determine the adequacy of remuneration, the Commission compared data for purchases of Hot Rolled Coil (**HRC**) in China from private companies against purchases from State Owned Enterprises (**SOEs**). The Commission found that prices offered to Dalian Steelforce by SOEs were lower than prices offered by private companies. Accordingly, the Commission considers that a benefit was conferred under this program, equal to the difference between the price paid by Dalian Steelforce for the government provided HRC and the price that would otherwise have been paid to private suppliers¹⁶.

5.3 Calculation of the benefit under Program 20 for coil used for painted PPT

The Commission has calculated the benefit received for coil used for painted PPT by calculating the difference in the price paid by Dalian Steelforce to a private company for the cold rolled coil (**CRC**) used to manufacture the exported painted PPT to the prices paid by Dalian Steelforce to SOEs for HRC **used to manufacture painted and no oil or paint HSS**.

With respect, Dalian Steelforce submits that the Commission's calculations of the benefit received are incorrect.

The Commission has verified that Dalian's only purchases of plain CRC during the investigation period used for painted PPT were from a private company. As these purchases were from a private company there can be no benefit received under this program.

¹⁴ SEF 550, p.98

¹⁵ SEF 550, p.98

¹⁶ SEF 550, pps.167-168

Dalian Steelforce notes that all of the other coil referenced in the Commission's calculations were of coil **used to manufacture HSS** that are not the goods under investigation and are therefore not relevant to the consideration of whether of a benefit has been received for the goods.

Dalian Steelforce submits that based on the verified information the Commission should find that there was no benefit under Program 20 for coil used to manufacture the exported painted PPT.

5.4 Calculation of the benefit under Program 20 for coil used for pre-gal PPT

The Commission has calculated the benefit received for coil used for pre-gal PPT by calculating the difference in the price paid by Dalian Steelforce to a private company for the galvanised HRC **used to manufacture pre-gal HSS** to the prices paid by Dalian Steelforce to SOEs for galvanised HRC used to manufacture pre-gal HSS and the grade of galvanised **CRC** used to manufacture HSS and PPT.

With respect Dalian Steelforce submits that the Commission's calculations of the benefit received are incorrect.

Dalian Steelforce notes that the galvanised HRC purchased from the private company was only used to manufacture pre-gal HSS that are not the goods under investigation and are therefore not relevant to the consideration of whether a benefit has been received for the goods. Dalian Steelforce further notes that the comparison of prices to coil from SOEs are overwhelmingly those of galvanised HRC used to manufacture pre-gal HSS that are not the goods under investigation and that no allowance has been made for the differing grades of the galvanised coils in the price comparison.

Dalian Steelforce submits that the Commission use the benchmark as set out in *section 3.2*, above for the galvanised CRC in the calculations as to whether a benefit has been received under Program 20.

5.5 Subsidy margin

Dalian Steelforce has calculated a subsidy margin for Program 20 using the price paid for the galvanised CRC used to manufacture pre-gal PPT, the goods under investigation, and the difference in that price to the benchmarks and adjustments noted in *section 3.2*, above.

As submitted, Dalian Steelforce has not calculated a subsidy margin Program 20 for plain CRC used for painted PPT, the goods under investigation, as all of the purchases of the plain CRC during the investigation period were from a non-SOE as verified by the Commission.

The subsidy margin calculated for Program 550-2 and Program 20 is ■%. [*commercially sensitive*]

6. Data, calculations and notes

Source material, including information verified during REV 520 and INV 550, calculations and detailed notes are attached at **Confidential Attachments A-F**.

Dalian Steelforce is available to discuss any of the information provided in this submission with the Commission.

For and on behalf of Dalian Steelforce Hi-Tech Co Ltd.