

13 May 2021

Mr Corey Hawke  
Case Manager  
Investigations 3  
Anti-Dumping Commission  
GPO Box 2013  
Canberra ACT 2601

Email: [Investigations3@adcommission.gov.au](mailto:Investigations3@adcommission.gov.au)

Dear Mr Hawke

**Re: Statement of Essential Facts No. 553 – Painted steel strapping exported from China and Vietnam**

I. Executive Summary

On 23 April 2021 the Anti-Dumping Commission ("the Commission") published Statement of Essential Facts No. 553 ("SEF 553") into the dumping of painted steel strapping ("the goods") exported to Australia from the People's Republic of China ("China") and the Socialist Republic of Vietnam ("Vietnam") and the subsidisation of exports from China.

The Commission has determined that the goods exported by Chinese exporters, except for Qinhuangdao Jiashilun Packaging Materials Co., Ltd ("Jiashilun") were exported at dumped and subsidies prices. Goods exported by Jiashilun during the investigation period were found not to have been dumped and were subsidised at negligible levels.

The goods exported by the Vietnamese exporter Sam Hwan Vina Co., Ltd ("Sam Hwan") were found to be dumped, at a weighted-average margin of 1.7 per cent. The dumping by Sam Hwan was considered "negligible". All other exports from Vietnam were at dumped levels, although the volumes were considered negligible.

The Commission further determined that the dumped and subsidised exports from China had caused material injury to Signode Australia Pty Ltd ("Signode"), the sole Australian manufacturer of like goods to the imported goods. The Commission did not find that exports from Vietnam had caused material injury to the Australian industry as the dumping margins determined for Sam Hwan were negligible.

Subject to responses to SEF 553, the Commissioner proposes to:

- recommend that the Minister<sup>1</sup> publish a dumping duty notice and countervailing duty notice in respect of all exports from Chinese exporters (except for Jiashilun);
- terminate the investigation into exports by Jiashilun;
- recommend that the Minister not publish a notice in respect of all exports of the goods by Vietnamese exporters;
- terminate the investigation into exports by Sam Hwan.

---

<sup>1</sup> Minister for Industry, Science and Technology.



Signode supports the proposed recommendation to publish dumping and countervailing duty notices in respect of exports of the goods to Australia from China. Signode does not consider that the investigations into exports by Jiashilun and Sam Hwan should be terminated as grounds exist to establish that the exporters have been exporting at dumped prices following the investigation period (i.e. post 31 March 2020). Signode contends that Jiashilun and Sam Hwan have been exporting at dumped prices (above negligible levels) and that the Minister should recommend that notices be published concerning exports by Jiashilun and Sam Hwan, and all other exporters in Vietnam.

II. Particular market situation - China

The Commission concluded (Section 6.3.5 of SEF 553) that a particular market situation existed for painted steel strapping in China due to the significant influence of the Government of China ("GOC") over the Chinese steel market. Signode concurs with this finding.

III. Benchmark cost - China

The Commission has determined a competitive benchmark cost for raw material cold Rolled Coil ("CRC") that is used in the manufacture of painted steel strapping. The benchmark cost has been determined upon the average of the Korean CRC and Taiwan CRC MEPS International prices for the 1 April 2019 to 31 March 2020 investigation period. At Appendix A (Section A3.1) the states that:

*"As a result of previous cases and after considering the evidence before it for this investigation, the Commission considers that normal competitive market conditions prevail in the Korean and Taiwanese domestic markets for HRC (and hence CRC) and that purchases of HRC in these markets are not influenced by prices in China. The Commission therefore considers that purchases of HRC and CRC in these markets are suitable for comparison with purchases of HRC and CRC in China to quantify the effect of the GOC influence on Chinese prices during the investigation period."*

The Commission further stated that the MEPS International HRC and CRC prices were "adjusted to be at EXW including any delivery costs". It is not clear if this is an 'ex-works' price or whether the delivery costs would be those incurred from a domestic supplier.

IV. Normal value – China

In the conduct of the verification of the cooperative Chinese exporter Jiashilun's records, the Commission found:

*"...the Commission was not satisfied that its [Jiashilun] costs reasonably reflect competitive market costs associated with the production of like goods, due to the influence of the GOC in the domestic market for raw materials, in this case CRC. Specifically, the Commission considers that CRC costs in China, which make up a major proportion of the total costs of production of the goods, are distorted by government influence and do not reasonably reflect competitive market costs associated with the production or manufacture of the goods in terms of section 43(2)(b)(ii) of the Regulations. Accordingly, the Commission considers it appropriate that CRC costs relating to the costs of production in Jiashilun's records be adjusted to reflect competitive market costs".*

The Commission therefore substituted the benchmark CRC cost into Jiashilun's production costs to adjust for the effect of the GOC distortion on the raw material CRC cost.

Signode submits, however, the benchmark cost for CRC does not include the cost of slitting the coil for use in the manufacturing process of painted steel strapping. The steel strapping manufacturer purchases HRC/CRC that has already been slit. MEPS International prices do not reflect the additional cost of the slitting process that is incurred in supplying the CRC. The cost of slitting coil into 'mini-coils' suitable for use in the production of steel strapping is approximately A\$xxx per tonne if slit in-house by the steel strapping producer (or for third party slitting approx. \$xxx per tonne). The Commission is able to validate this cost with a domestic slitting company in Australia, [commercially sensitive company name].

The constructed cost for Jiashilun and the “all other Chinese exporters” therefore understates the true cost of the raw material CRC input as supplied to the steel strapping manufacturer’s premises in China.

Signode requests the Commission to re-calculate the normal values for Jiashilun and “all other Chinese exporters” to include a cost of slitting the HRC/CRC coil as appropriate. As a result of the changes to the normal value, the dumping margins determined for all Chinese exporters of the goods will be impacted.

V. Normal value – Vietnam

The Commission has concluded that a particular market situation for painted steel strapping in Vietnam does not exist. The Commission based its findings on:

- previous investigations by the Commission involving steel products exported from Vietnam;
- the expiry of the Government of Vietnam's Steel Master Plans in late 2018 with no evidence of any ongoing influence on the plans;
- the expiry of legislation implementing price stabilisation measures in 2014;
- the right of enterprises to determine their own prices at which goods and services which they manufacture are sold;
- the lack of evidence of a significant role for Vietnamese SOEs in the steel, HRC or painted steel strapping market;
- the minimal levels of subsidisation found in respect of upstream raw materials or the goods themselves;
- the level of import penetration in the domestic steel Vietnamese market; and
- evidence that raw materials for Vietnamese exporters are in line with benchmark costs in comparable countries.

Signode does not consider that the Commission has taken full account of the influence and impact of the recently expired Government of Vietnam (“GOV”) programs (including Steel Master Plan which expired from 2019 onwards) that, along with Chinese import prices for steel (including HRC), would have continued to influence and impact domestic steel prices in Vietnam long after the identified expiry dates. The Commission states that the raw material prices in Vietnam for HRC/CRC are consistent with the market prices in Korea and Taiwan, however, the latter prices are for CRC prices ex works that are not for slit CRC, and the Vietnamese prices are for slit CRC delivered into the Sam Hwan production facility. The prices, therefore, are not comparable.

Signode contends that the Commission’s assertions appear unreliable. The comparisons cannot be relied upon to conclude that Vietnamese purchase prices for CRC “*are in line with benchmark costs in comparable countries such as South Korea and Taiwan*”. It is Signode’s understanding that the overall lower prices for CRC in Vietnam is due to the influence of the Chinese CRC export prices to Vietnam. For this reason, Signode submits that raw material HRC/CRC prices in Vietnam are influenced by previous GOV programs and the export prices of HRC/CRC from China to Vietnam such that the steel prices in Vietnam are lower than they otherwise would be (and certainly lower than equivalent slit HRC/CRC prices in Korea and Taiwan).

It is therefore reasonable for the Commission to have concluded that painted steel strapping prices are artificially low and that a market situation prevails for the goods in Vietnam.

On this basis, the Commission should determine a particular market situation for the goods existed in Vietnam during the investigation period (noting that the commencement of the investigation period was immediately following the expiry of the Steel Master Plans) and that a benchmark HRC/CRC price should have been included in a constructed normal value for Sam Hwan (and uncooperative exporters in Vietnam) in accordance with subsection 269TAC(2)(c) and the *Customs (International Obligations) Regulation 2015* (the Regulations).

The impact of the proper determination of a particular market situation finding in respect of determined normal values for the Vietnam exporters (i.e. Sam Hwan) is that the consequent normal



values would have resulted in dumping margins determined above negligible levels, and anti-dumping measures would have been recommended by the Commissioner.

Signode is seeking the Commission to re-assess the particular market situation for Vietnam taking into account the comparable HRC/CRC selling prices that are for slit coils with the benchmark HRC/CRC in Korea and Taiwan (that require an uplift for slitting and associated costs – such as third party provision of slitting services).

Signode has also reviewed the Sam Hwan exporter verification report ("Sam Hwan Report"). It is noted that the Commission had made a number of exceptions to the determination of Sam Hwan's Cost to make and sell ("CTMS") including:

- scrap valuation;
- overheads allocations;
- S,G&A did not include financial expenses;
- S,G&A included indirect expenses.

Similarly, there were concerns identified with the allocation of costs (not on basis of production quantity) and the allocation of labour.

Signode questions whether the amended fully-absorbed cost for the painted steel strapping manufactured by Sam Hwan can be relied upon in light of the incorrect allocations identified. How can the Commission be satisfied that it has all of the relevant costs incurred by Sam Hwan in its verification?

As normal values for Sam Hwan (with the exception of one model) have been determined under subsection 269TAC(1) on the basis of domestic sales of the goods in Vietnam, the adjustments allowed by the Commission impact the assessed dumping margin. It is noted that the Commission has afforded Sam Hwan an adjustment for a sales commission "across all of its domestic sales". It is not clear who the sales commission is paid to or whether it is a commission paid to the related party on Sam Hwan's domestic market (who's sales were excluded from normal value calculations).

Signode queries the validity of a downwards adjustment for alleged sales commission paid on the domestic market by Sam Hwan. In the event that the agent is a related party (or the commission is paid to Sam Hwan's employees), the sales function and associated costs are already reflected in the selling price. No adjustment is required. If the domestic sales are via a third party, the role of the third party and the functions performed by it must be clarified. Signode does not consider the downward adjustment is a legitimate cost incurred on domestic sales in Vietnam as Sam Hwan is the producer and seller of the subject goods (similar to Signode's sales in Australia).

Signode notes that domestic sales commissions on the domestic market in Vietnam is not commonplace (refer Investigations 362 aluminium extrusions, 550 precision pipe, and 521 galvanised steel).

The determination of Signode's normal value and the subsequent determination of a 1.7 per cent dumping margin is tenuous. Signode requests that the Commission re-visit each of the particulars of the calculations associated with Sam Hwan's normal value determination, as well as examining the methodologies associated with the dumping margin calculations (i.e. weighted-average normal value with weighted-average export price, weighted-average normal values with single transaction export prices, as well as narrowing the weighted-average periods (i.e. from quarterly to two-monthly) to better align raw material cost inputs with selling prices for the goods).

#### VI. Dumping post investigation period

The Commission has identified Australian market trends at Section 10.3.4 of SEF 553 that includes an analysis of imports of the goods during the period 1 January 2020 to 31 March 2021. The trend line (Figure 26 – Total imports of the goods from all countries) confirms the Commission's

assessment that “imports of steel strapping have recovered from a drop during the middle of 2020 and are now higher than they were at the end of the investigation period.”<sup>2</sup>

At Section 10.5 of SEF 553, the Commission states that the Commissioner “is satisfied” that the exports of painted steel strapping from China will continue at dumped prices. This conclusion is not disputed by Signode.

Signode is, however, concerned about the absence of an assessment by the Commission as to the dumping that has occurred from Chinese and Vietnamese exporters of painted steel strapping exported to Australia during the periods immediately following the investigation period. The Commission was satisfied that Chinese exporters of the goods possessed available excess capacity to supply, would likely export at dumped prices, the government subsidies received would likely continue, and therefore concluded that material injury would continue from the dumping and subsidisation in the absence of measures.

The analysis as to the threat of dumping and material injury post the investigation period from exports (both China and Vietnam) was a consideration that the Commission should also have examined. This oversight was particularly relevant in respect of exports from Vietnam by Sam Hwan with a dumping margin of 1.7 per cent determined for the investigation period. Signode considers that the Commission should have examined Sam Hwan’s exports post the investigation period – to establish whether the those identifiable exports of Sam Hwan (for the period 1 April 2020 to 31 March 2021) could be considered to have been at dumped prices and whether they pose a future threat of material injury to the Australian industry.

Signode monitors pricing for HRC via a subscription service with the CRU Group. The HRC pricing provides a basis for which Signode agrees to pricing with its supplier for raw material HRC used in the manufacture of painted steel strapping. The HRC prices obtained from the CRU Group would reflect similar pricing trends for HRC/CRC that the Commission has obtained from MEPS International. The Commission therefore has access to MEPS International pricing for HRC and CRC for the benchmark countries (i.e. Korea and Taiwan) and is able to identify the pricing trends evident for the raw material inputs through until the end of March 2021 (being the same period for which the Commission has monitored import trends for painted steel strapping from all countries, including China and Vietnam).

Signode has also followed the HRC/CRC pricing trends post the investigation period in this inquiry. Across the twelve month investigation period, the average US\$ selling price for HRC<sup>3</sup> was US\$xxx per metric tonne. In the twelve month period post the investigation period in Investigation 553 (i.e. 1 April 2020 to 31 March 2021) the average HRC prices was US\$xxx per tonne. There was an 11 per cent increase in the HRC price in the twelve months post the investigation period. The HRC selling prices for the nominated countries monitored by Signode across the two twelve-month periods are included in Confidential Attachment 1 – HRC prices versus painted steel strapping ABS import prices (worksheet “HRC data”).

Across the two investigation periods, the import prices for painted steel strapping sourced from China and Vietnam have shifted. The import pricing – at the FOB level – has not reflected the increase in the selling price for HRC/CRC post the investigation period (and since the commencement of Investigation 553 on 27 May 2020).

Refer to Table 1 for detailed comparisons of HRC selling prices and FOB import prices for painted steel strapping.

**Table 1 – HRC selling prices versus ABS import prices for painted steel strapping (A\$/MT)**

	Investigation Period (1 April 2019 to 31 March 2020)	Post Investigation Period (1 April 2020 to 31 March 2021)	Increase/Decrease as a per cent

<sup>2</sup> Refer SEF 553, P.102.

<sup>3</sup> The “average” sell price for HRC includes the benchmarks Japan, Non-CIS Far East and China Domestic published prices by CRU Group.



<b>HRC</b>	\$xxxx	\$xxxx	↑5.4 per cent
<b>China</b>	\$xxxx	\$xxxx	↑5.5 per cent
<b>Vietnam</b>	\$xxxx	\$xxxx	↓8.6 per cent

Source: Confidential Attachment 1 – HRC prices versus painted steel strapping AB import prices

Table 1 confirms that Chinese FOB import prices have tracked increases in HRC selling prices in the period immediately following the Investigation period in Investigation 553. Vietnam FOB import selling prices for painted steel strapping have decreased in the period following the investigation period to be 8.6 per cent lower than FOB prices throughout the investigation period.

The Commission has confirmed that the Vietnamese exporter Sam Hwan exported to Australia during the investigation period at prices that reflected a 1.7 per cent dumping margin. With the increase in HRC/CRC selling prices in the post-investigation period (i.e. HRC increased 5.4 per cent in A\$ terms, and 11 per cent in US\$ terms (see Table 2 below), the reduction in Sam Hwan's export prices by 8.6 per cent confirms that Sam Hwan has been exporting during the post investigation period with dumping margins exceeding 10 per cent.

**Table 2 – HRC selling prices versus ABS import prices for painted steel strapping (US\$/MT)**

	<b>Investigation Period (1 April 2019 to 31 March 2020)</b>	<b>Post Investigation Period (1 April 2020 to 31 March 2021)</b>	<b>Increase/Decrease as a per cent</b>
<b>HRC</b>	\$xxxx	\$xxxx	↑11.0 per cent
<b>China</b>	\$xxxx	\$xxxx	↑9.6 per cent
<b>Vietnam</b>	\$xxxx	\$xxxx	↓6.3 per cent

Source: Confidential Attachment 1 – HRC prices versus painted steel strapping ABS import prices

In US\$ terms, the Chinese FOB import price into Australia for painted steel strapping during the post investigation period has reflected the increased in raw material HRC input prices during the period. For exports to Australia by Sam Hwan, the 11 per cent increase in HRC prices (which are also reflected in CRC prices) has not been evident. Rather, export prices by Hwan to Australia during the post investigation period have fallen – by an average of 6.3 per cent in US\$ terms, as Sam Hwan seeks to capture market share from Chinese suppliers of painted steel strapping to Australia.

A graphic representation of the movements in US\$ HRC prices versus BAS import prices from China and Vietnam (also in US\$ terms) are reflected in Figures 1 and 2 below.

**Figure 1 – Average HRC prices versus Chinese FOB (US\$) prices painted steel strapping**

[Figure 1 – redacted, commercially sensitive pricing details]

Figure 1 confirms that Chinese ABS import prices have increased to reflect higher raw material HRC (or CRC) input costs, albeit with a delay.

**Figure 2 - Average HRC prices versus Vietnam FOB (US\$) prices painted steel strapping**

*[Figure 2 – Redacted – commercially sensitive pricing details]*

Figure 2 highlights the decline in import prices (US\$) for Vietnam exports of painted steel strapping to Australia even though raw material HRC (or CRC) have increased 11 per cent over the post investigation period.

**VII. Material injury from exports from China and Vietnam**

SEF 553 includes an analysis at Section 9 as to whether the dumping and/or subsidisation has caused material injury to the Australian industry manufacturing like goods. Signode submits that the analysis should have included exports from Vietnam (which are correctly assessed at margins above negligible levels) and aggregated with the impact of the dumped and subsidised exports from China.

The available evidence confirms that had the normal values for Sam Hwan been correctly assessed (i.e. based upon a positive finding of a particular market situation and/or the correct adjustments made to normal value), the material injury finding that dumped and subsidised exports from China and dumped exports from Vietnam, would have been made.

Signode does not consider that the Commission's determination of Sam Hwan as not exporting at dumped margins above negligible levels is reliable. There have been allowances made that favour the exporter that a physical on-site verification would have established and disallowed (i.e domestic sales commission). The inclusion of the favourable allowances have resulted in the exporter continuing to export at reduced export prices, resulting in material injury to the Australian industry.

Signode rejects the Commission's finding that Sam Hwan's exports were at negligible margins of dumping of 1.7 per cent. The calculation of Sam Hwan's normal values and subsequent adjustments



are shaky and unreliable and must be re-examined. Following this re-analysis, Signode considers that the Commission will revise its finding to determine that exports of painted steel strapping have been exported to Australia at margins of dumping greater than negligible levels (i.e. greater than 2 per cent).

Signode further consider that the Commission should correctly determine that future exports of painted steel strapping from Vietnam (along with the recommended positive finding the dumped and subsidised exports from China) have caused, and threaten, material injury to the Australian industry. It is therefore appropriate to impose a Preliminary Affirmative Determination ("PAD") on future exports of painted steel strapping to Australia from Vietnam.

#### VIII. Recommendation

Signode welcomes the findings that the majority of exports of painted steel strapping from China have been at dumped and subsidised prices resulting in material injury to the Australian industry manufacturing like goods.

Signode considers however that the Commission's findings on exports of the goods by Jiashilun and Sam Hwan are flawed. In respect of Jiashilun, Signode does not consider that Commission has correctly included all costs in the benchmark HRC/CRC pricing, having failed to include the cost of slitting HRC/CRC in the benchmark as this cost is included in the exporters' costs. This cost has not been included in the "all other exporters" benchmark for Chinese exporters.

Similarly, in respect of the particular market situation finding concerning Vietnam, the benchmark cost does not include the cost of slitting HRC/CRC which is included in the exporter Sam Hwan's costs. The inclusion of this cost in the benchmark will raise the benchmark HRC/CRC well above Sam Hwan's CRC purchase price confirming the existence of artificially low prices for raw material steel in Vietnam.

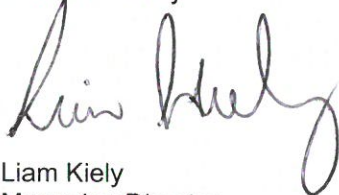
Following a positive particular market situation finding in respect of painted steel strapping in Vietnam, it is appropriate that the Commission propose the imposition of interim dumping duties on future exports of the goods from Vietnam.

Notwithstanding the positive particular market situation finding for the goods in Vietnam, Signode submits that a re-assessment of the normal values and adjustments (i.e. domestic sales commission) for Sam Hwan, and an examination of the alternate methodologies for dumping margin calculations, it is anticipated that Sam Hwan's dumping margins will exceed negligible levels (and interim dumping duties are required).

Signode highlights with the Commission Sam Hwan's export prices to Australia post the investigation period. It is irrefutable that Sam Hwan has been exporting at dumped prices in post investigation period as it has reduced export prices to Australia by 6.3 per cent when raw material CRC prices have increased 11 per cent. Exports of painted steel strapping to Australia in 2020/21 by Sam Hwan are dumped and injurious, with measures required to offset the injurious dumping.

Signode welcomes any questions that the Commission may have in respect of this submission. Signode requests a meeting with the Commission at the earliest opportunity to discuss the matters raised herein. Please do not hesitate to contact me on (03) 9373 4800 or Signode's representative Mr John O'Connor on (07) 33342 1921 to arrange a suitable time.

Yours sincerely



Liam Kiely  
Managing Director





