



21 October 2021

Director, Investigations Unit 4
Anti-Dumping Commission
GPO Box 2013
CANBERRA ACT 2601
AUSTRALIA

Dumping investigation into aluminium zinc coated steel exported from Vietnam

Dear Director,

This submission is made on behalf of Hoa Phat Steel Sheet Limited Liability Company (Hoa Phat) in response to the preliminary findings set out in Statement of Essential Facts Report No. 558 ("SEF 558"), relating to current dumping investigation into aluminium zinc coated steel ($\geq 600\text{mm}$) from Vietnam.

A. Incorrect timing adjustment

The Commission has incorrectly applied the timing adjustment used for calculating normal values in quarters where no suitable domestic sales were found. The Commission applied a timing adjustment to Hoa Phat's ordinary course of trade domestic sales made in the March quarter 2020, to estimate normal values in earlier quarters where suitable sales did not exist.

The timing adjustment was based on hot rolled coil price movements using the published series "[REDACTED]", and the data was used to calculate quarterly price movements. The quarterly percentages were then applied to Hoa Phat's whole quarterly weighted average domestic selling price. In our view, this calculation method is flawed as it applies the indexed quarterly movement in HRC to all of Hoa Phat's production costs and not just the HRC component.

That is, it has unfairly and incorrectly increased all other raw material costs, all manufacturing overheads such as electricity, depreciation and consumables, direct labour, and SG&A. There is no reasonable basis for considering that other production costs have increased or would have increased. For example, unit depreciation costs are a constant amount for the whole of the period and do not vary between quarters. Likewise, wages and electricity are fixed unit amounts that do not vary between quarterly periods.

The issue is further exacerbated in Hoa Phat's circumstance given that it was operating in a start-up phase during the investigation period, which resulted in significantly higher manufacturing costs relative to HRC input costs. This is demonstrated by the submitted cost to make and sell data, which shows that HRC input costs represented between [REDACTED]% to [REDACTED]% of total production costs.

This highlights that between [REDACTED]-[REDACTED]% of production costs were adjusted upward in line with HRC price movements, when the price of HRC has no relationship with, or bearing on, those other production costs.

Hoa Phat therefore proposes a recalculation of its normal value with the timing adjustments applied directly to the HRC cost rather than normal value. With the recalculation of normal value, the dumping margin of Hoa Phat should be █%.

B. Adjustment for start-up operations

In its questionnaire response, Hoa Phat confirmed that during the investigation period, its production costs were affected by start-up operations. The timetable relevant to the start-up operations are:

- From █ to █: constructing the factory and implementing relevant procedures with the government;
- From █ to █: installing machines and equipment;
- From █ to █: making trial production, production costs and revenues would be recorded as capitalised. In this final stage, Hoa Phat engaged some production lines (including the push-pull picking line, cold rolling mills, 01 hot-dip Al-Zn coating line, pre-painted hot-dip galvanizing/ Al-Zn coating line, acid regeneration line) for official production from █ and brought the remaining line(s) into official production from █.

This confirms that during the investigation period, Hoa Phat commenced production and capitalised all related costs and revenue. Despite being aware of Hoa Phat's start-up operations, the Commission has made no attempt to properly adjust its costs and prices to take account of the effect of the start-up phase of production.

The requirement to adjust for the impact of start-up operations is reflected in subsection 44(7) of the *Customs (International Obligations) Regulation 2015* ("Regulations"):

(7) The Minister must adjust the costs identified in the information:

(a) to take the circumstance into account; and

(b) to reflect:

(i) the costs at the end of the start-up period; or

(ii) if the start-up period extends beyond the investigation period—the most recent costs that can reasonably be taken into account by the Minister during the investigation.

The use of the 'must' in the Regulations confirms that the need to adjust for the impact of start-up operations is mandatory.

Given that Hoa Phat's start-up operation ended in █, after the end of the investigation period, the Minister is required to rely on 'the most recent costs that can reasonably be taken into account'. This would be the costs from the █.

Therefore, given circumstances surrounding its start-up operations, Hoa Phat submits that the Commission must recommend that the Minister have regard to the normal values established for the █, in establishing normal values for previous quarters. This would properly address and adjust for the higher production costs associated with the company's start-up operations.