



J.BRACIC & ASSOCIATES
TRADE REMEDY ADVISORS

27 June 2018

Anti-Dumping Review Panel
c/o Legal, Audit and Assurance Branch
Department of Industry and Science
10 Binara Street
Canberra City ACT 2601

**REVIEW OF STEEL REINFORCING BARS
EXPORTED BY JIANGSU SHAGANG STEEL GROUP FROM
THE PEOPLES REPUBLIC OF CHINA**

Dear Panel Member,

This submission is made on behalf of Jiangsu Shagang Steel Group Co. Ltd in support of its application for review of the Minister's decision in steel reinforcing bars exported from the Peoples Republic of China (China).

Ground 3 – Incorrect exclusion of steel billet costs by the integrated Vietnamese exporter

In its application, Shagang notes that the Commission agreed in REP 411 that the benchmark cost for steel billet should be based on integrated steel producers from concurrent dumping investigation 418 (Steel reinforcing bar exported from Greece, Indonesia, Spain, Taiwan, Thailand) and dumping investigation 416 (Rod in coil exported from Indonesia, Korea and Vietnam). However, in limiting the benchmark steel billet costs to integrated producers, the Commission has inexplicably not included the steel billet costs of the Vietnamese integrated exporter, Hoa Phat.

To demonstrate that Hoa Phat is an integrated exporter, the following evidence is submitted.

In its exporter questionnaire response at **Confidential Attachment A – Hoa Phat exporter questionnaire response**, Hoa Phat clearly states:

In order to be fully cooperative in this antidumping investigation, this response to this questionnaire has been jointly prepared by the [REDACTED] (hereafter referred to as "EXPORTER") and its affiliated company within the Hoa Phat Group which manufactures the goods, [REDACTED] (hereafter referred to as "PRODUCER"). Both the EXPORTER and PRODUCER are hereinafter collectively referred to as "HOA PHAT". Prior to the full response, HOA PHAT would like to provide a brief introduction about the interrelated functions of the associated companies in connection with the rod in coils, and their respective roles in the daily operation of production, domestic sales and export sales to Australia.

Basic Structure and Functions within Hoa Phat

a. Production [REDACTED]

b. Domestic Sales [REDACTED]

c. Exports to Australia [REDACTED]

Further, in response to the Commission’s question at G-6 of the questionnaire which notes that ‘[i]f the major input is sourced as part of an integrated production process you should provide detailed information on the full costs of production of that input’, Hoa Phat confirmed that:

The major input is sourced as part of an integrated production process (Please refer to Attachment No. G-6.1). PRODUCER will provide detailed information on the full costs of production of that input as Attachment No.G-6.2.

Attachment G-6.2 of Hoa Phat’s questionnaire response detailed the net purchase costs of the key raw materials used to produce steel billet, being [REDACTED], [REDACTED] and [REDACTED].

As highlighted in the screenshot below, the relevant cost to make and sell template to the exporter questionnaire requested that producers separately report purchased steel billet if not an integrated manufacturer, or detailed material costs for producing steel billet if an integrated manufacturer.

1	INSERT COMPANY NAME									
2										
3	COST TO MAKE AND SELL - AUSTRALIAN EXPORT SALES OF ROD IN COILS									
4										
5		April - June 2016 [2]		July - September 2016		October - December 2016		January - March 2017		
6	Model/type exported to Australia (from spreadsheet 'Like Goods') [1]	[Specify model/Grade]	[Specify model/Grade]	[Specify model/Grade]	[Specify model/Grade]	[Specify model/Grade]	[Specify model/Grade]	[Specify model/Grade]	[Specify model/Grade]	[Specify model/Grade]
7	Material costs [3]									
8	(if not an integrated manufacturer)									
9	Steel billet									
10	(if an integrated manufacturer)									
11	Iron ore									
12	Scrap steel									
13	Coal									
14	Coking coal									
15	Lime									
16	Alloys									
17	Other [4]									
18	Direct labour									
19	Manufacturing overheads									
20	Electricity									
21	Other [4]									
22	Fixed manufacturing costs									
23	overhead									
24	depreciation									
25	finance charges									
26	Other costs [4]									
27	Total cost to make									
28	Production quantity [7]									

As confirmed by Confidential Attachment B – Hoa Phat CTMS, Hoa Phat separately reported costs for materials used to produce steel billet, being [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED].

Further confirmation that Hoa Phat is an integrated producer that manufactures steel billet, Confidential Attachment C – Integrated Production Process contains a diagram titled ‘Integrated Production Process’ that shows the detailed stages of production as:

- [REDACTED];
- [REDACTED];
- [REDACTED];
- [REDACTED];
- [REDACTED].

Also submitted to the Commission during verification and included at Confidential Attachment E – Production & Sales Chart, was the flow chart outlining the relevant production and sales functions

performed by the various parties within the Hoa Phat Group, including the capacity of [REDACTED] to produce [REDACTED] tonnes of billet and [REDACTED] to produce [REDACTED] tonnes of billet.

Finally, the monthly cost of manufacturing files at **Confidential Attachment F** were provided to and verified by the Commission through to Hoa Phat's audited financial accounts, detailed ledgers and source documents. Each file contains the manufacturing costs incurred at each stage of production process with the relevant worksheet titled '[REDACTED]' providing a consolidated cost of producing steel billet in the corresponding month. The cells highlighted in yellow reconcile to the total volume of steel billet produced and the total cost of steel billet produced.

These amounts were supported and verified by screenshots (**Confidential Attachment G**) requested by the Commission for the selected months of September quarter 2016. Again, the provided screenshots verified Hoa Phat's manufacturing costs incurred at each stage of production from [REDACTED] and [REDACTED] to steel billet production.

There is no explanation or reason as to why the Commission would hold the view that Hoa Phat is not an integrated steel producer given Hoa Phat's confirmation of its integrated operations and the level of detailed costing information submitted and verified. To ensure that the correct steel billet costs are included in the benchmark, the spreadsheet at **Confidential Attachment H** summarises the total volume and value of steel billet manufactured by Hoa Phat in each month of the investigation period. Shagang contends that these steel billet costs are the most comparable to its steel billet costs given the similarity of manufacturing operations, and therefore should be included in the weighted average benchmark cost used to replace Shagang's actual steel billet costs.

Yours sincerely,

John Bracic