

Comments on visit report Draft v1
Quintain Steel Corporation ("QSC")

I. [Confidential sales information] is not a proper surrogate for establishing normal value

In the visit report (page 34), the Commission states that it established normal value for the sole export grade, [Confidential sales information], based on the domestic price of [Confidential sales information] in conjunction with the adjustment for the raw material cost difference between the two grades. However, [Confidential sales information] are quite far apart in carbon content, which directly dictates their distinctive mechanical properties, end uses and customer perception. As such, use of [Confidential sales information] as the surrogate price for normal value does not entail a fair comparison.

1. First and foremost, on carbon content, [Confidential sales information] carbon content is [Confidential sales information]% or lower, which yields superb elongation due to the lower carbon content. On the other hand, [Confidential sales information] has [Confidential sales information] carbon content, which features high yield strength and tensile strength owing to its higher carbon content. The comparison of their chemical compositions and mechanical properties is set out in Table 1 and Table 2 below. Please note the same information of chemical composition of QSC's main steel grades have already been provided in QSC-VE-1 Introduction of QSC ([Confidential Exhibit]).

Table 1: Chemical composition of [Confidential sales information]

QSC's product code	Specification	International Specification	Chemical Composition (%)				
			C	Si	Mn	P	S
[Confidential sales information]							
[Confidential sales information]							

Source: [Confidential sales information]

Table 2: [Confidential sales information]

Billet	Yield strength MPa	Tensile strength MPa	Extension
	N/mm ²	N/mm ²	%
[Confidential sales information]			

[Confidential sales information]

Source: [Confidential sales information]

2. Due to the disparity in carbon content and the ensuing differences in mechanical properties, their end uses and applications are distinctively different. [Confidential sales information] is primarily used for [Confidential sales information], with a customer base composed principally of [Confidential sales information]. However, [Confidential sales information] is predominantly used for [Confidential sales information], all of which are captured in the [Confidential sales information].
3. In term of raw material cost difference, it shall be specifically noted that all of QSC's [Confidential sales information] were made from imported billets, due to the completely lack of local supply because of its low-carbon requirements. QSC's billets for [Confidential sales information] during POI were sourced mainly from [Confidential sales information], [Confidential sales information], and coded internally [Confidential sales information]. Please refer to the pages [Confidential Exhibit] for further details of the relevant source of supply ([Confidential sales information]). In contrast, most of the billets for [Confidential sales information].

The fact that all of [Confidential sales information] billets were imported signifies [Confidential sales information], usually [Confidential sales information], from order to delivery. Compared with virtually no [Confidential cost information] of the [Confidential cost information] (usually [Confidential cost information] days) applied to [Confidential sales information], the present result of cost adjustment exercised on a month basis, as the Commission did in the visit report, has failed to reflect in full the cost difference between the [Confidential sales information] in commercial reality. Hence, the established normal value appears to be the outcome of a capricious exercise.

Indeed, it is widely known that the lower-carbon billets are more expensive than higher-carbon billets, not to mention the [Confidential sales information], while no such cost incurred for [Confidential sales information]. The cost adjustment done by the Commission shows that, however, out of the [Confidential sales information] displays the higher unit cost of [Confidential sales information], despite the fact that the price comparison of the two grades in the domestic market in all 12 months shows the higher unit price of [Confidential sales information].

information]. A case in point is May, in which [Confidential sales information] **higher** in price than [Confidential sales information], while the monthly billet cost of [Confidential cost information]. The period from September to December testifies to the same abnormality, where [Confidential sales information].

The monthly cost adjustment as done in the visit report has lived up only by [Confidential sales information] to the widely known market reality (imported lower-carbon billets that are more expensive than locally supplied higher-carbon billets), revealing the poor fidelity of the adopted method to transmit the raw material cost difference into the ensuing normal value.

Table 4: fidelity

RIC	Jan	Feb	Mar	Apr	May	Jun
[Confidential sales information]						
RIC	Jul	Aug	Sep	Oct	Nov	Dec
[Confidential sales information]						

Source: [Confidential Exhibit]

4. Furthermore, the imported lower-carbon billets for [Confidential sales information] were produced from [Confidential sales information]. Please see the confirmation from [Confidential cost information] (Exhibit 4: [Confidential Exhibit]). Although QSC internally expediently marked some of [Confidential cost information], it was [Confidential cost information]. This expedient solution should not mask the fact that [Confidential cost information]. In addition, as well known in the industry, BOA billets are of much a higher quality (and purity) than EF billets. In contrast, all the billets used to produce [Confidential sales information] (Please refer to [Confidential Exhibits]).

5. The differences summarized above combine to result in a much higher unit price for [Confidential sales information]. The average unit EXW price of [Confidential sales information] in the IP. However, due to the much [Confidential cost information] used for producing [Confidential sales information], the cost adjustment applied on a monthly fashion cannot properly reflect in full the commercial reality of the higher billet cost for the lower-carbon [Confidential sales information], as submitted above. It follows that the method

adopted by the Commission in the visit report cannot establish a proper surrogate normal value for the export grade [Confidential sales information].

Table 5: Comparison of unit EXW price and CTMS

Billet	[Confidential sales information]	%
[Confidential sales information]		

Source: [Confidential Exhibit]

II. Commission Should Construct the Normal Value Based on [Confidential sales information] Cost of Manufacture, SGA, and Profit Rate

The Commission has already verified the cost of manufacture, selling, general & administrative expenses (SGA), and profit rate of [Confidential sales information]. Indeed, both the raw material cost and SGA of [Confidential sales information] have already been factored in the Commission's adjustment for raw material difference in using [Confidential sales information] as the surrogate domestic price (refer to pages 22 - 25 of visit report). The only concern for not opting for the constructed value approach seems to fall on the lesser profitable months under [Confidential sales information] (because [Confidential cost information]).

QSC submits that the [Confidential sales information], derived from those profitable sales of [Confidential sales information], which altogether [Confidential sales information]. The quantity of such profitable sales of [Confidential sales information] is substantial, in both absolute [Confidential sales information] and relative terms (see [Confidential Exhibit]).

We therefore recommend that the Commission use the foregoing [Confidential sales information] profit rate as the "reasonable" profit rate for the constructed value of [Confidential sales information], because the profitable volume is substantial and the resultant profit rate is commensurate with other similar grades sold in the domestic market. The notion of substantial volume [Confidential sales information] in respect of such profitable sales, which itself has been confirmed by the Commission's own verification and calculation, has superseded the supposed concern that [Confidential sales information] at profit in term of average price. Indeed, the inherent purport of the constructed value approach is to establish the would-be price of the export grade to be sold in the domestic market. Hence, what is critical for such an exercise is, in the context of the present case, to identify the would-be reasonable profit rate, given

that all other elements (i.e., COM & SGA) of the constructed value have already been confirmed by the Commission itself. The fact that such [Confidential sales information] profit rate was derived from [Confidential sales information], provides a sound and solid reference to the would-be reasonable profit rate, particularly because this rate is very in line with other grades of similar carbon content sold in the domestic market.

For instance, [Confidential sales information] sold in the domestic market had used primarily [Confidential sales information]. As [Confidential Exhibit] demonstrates, the profit rate of [Confidential cost information], almost identical to the [Confidential cost information]. We therefore recommend that the Commission use the foregoing [Confidential sales information] profit rate as the "reasonable" profit rate for the constructed value [Confidential sales information]. Please refer to [Confidential Exhibit].

In sum, the Commission is urged not to use [Confidential sales information] because of its distinctive lower carbon content, applications and the [Confidential sales information]. The Commission is respectfully requested to use the constructed value method to establish normal value, by use of [Confidential sales information] own profit rate derived from substantial profitable sales which is commensurate with the profit rate of other similar grades, as the Commission itself has verified and confirmed. Alternatively, should the Commission decide to continue with the surrogate price approach for establishing normal value, we are of the view that the Commission should select the same or closely resembling carbon content grades using billets from [Confidential cost information] to enable the apple-to-apple, fair comparison. For that, we reserve our rights to comment on the candidate grades and the proper adjustment for the difference in market value between the surrogate and export grades, once the Commission's intention is made known to us.

Respectfully submitted,

Encl.

Exhibit 1 [Confidential exhibit]

Exhibit 2 [Confidential exhibit]

Exhibit 3 [Confidential exhibit]

Exhibit 4 [Confidential exhibit]

Non-confidential

By email:

Mr. Rod Jones
Manager Operations 3
Anti-Dumping Commission
Level 5 Customs House
5 Constitution Ave
Canberra City ACT 2601
rod.jones@adcommission.gov.au

17 November 2014

Re: Additional Comments on the Visit Report For Quintain Steel Co. Ltd In The Investigation Case 240 - Alleged Dumping Of Hot Rolled Rod In Coils Exported From The Republic Of Indonesia, Taiwan And The Republic Of Turkey

Quintain Steel Corporation ("QSC") wishes to file the following comments in responses to the Commission's visit report. We submit that the Commission shall use the domestic price of [Confidential sales information] as the normal value for comparison with our [Confidential sales information] export sales, because they are profitable and sold in the ordinary course of trade. For the export sales made in the other months of IP, we submit to the Commission that [Confidential sales information] shall be selected as the surrogate domestic price for establishing normal value, because both grades are of the same or closely resembling carbon content, and both were made of billets [Confidential sales information].

I. Domestic Price of [Confidential sales information] Should Be Used As Normal Value

The Commission has already found the unit EXW prices of [Confidential sales information] were 100% profitable and of a substantial volume [Confidential sales information]. There is no indication in the visit report suggesting that these sales in [Confidential sales information] were not sold in the ordinary course of trade. Consequently, the domestic price [Confidential sales information] should be used as normal value to compare with our export sales made in the same month, in lieu of using surrogate domestic price with the adjustment for difference in physical characteristics difference which is susceptible to distortion, contrary to the fair comparison mandate.

In fact, the unit EXW prices of [Confidential sales information] can further be used as normal value for the comparison with Australian sales in the following [Confidential sales information]. This is so because the Commission has opted to use

[Confidential sales information] for the normal value of [Confidential sales information]. As such, the domestic price of both immediately preceding and following months may be used as normal value. We wish to add that because this practice is quite similar to the U.S. Department of Commerce's practice that permits use of the prior three months and the subsequent two months to compare with the export sales made in the month where no domestic profitable sales were available for use as normal value.¹ It follows that the [Confidential sales information] may be used as normal value for comparison with our export sales in [Confidential sales information] if following the similar practice of the US practice.

II. [Confidential sales information] Are the Preferred Surrogate Grades to [Confidential sales information] In Respect of All Other Months of Export Sales

It is submitted that, in respect of all other months of export sales ([Confidential sales information], as submitted above), [Confidential sales information] should form the preferred surrogate grades due to the following reasons:

1. These grades have the much more similar carbon content as that of [Confidential sales information].

[Confidential sales information] all fall into the same higher-carbon range, from [Confidential sales information], and sold for similar end uses and applications. In regard to [Confidential sales information], it possesses [Confidential sales information] or lower carbon content, overlapped in part with that of [Confidential sales information].

Both of them are much more resembling to [Confidential sales information] than what [Confidential sales information]. They are used predominantly for [Confidential sales information] that are captured in the same [Confidential sales information] and [Confidential sales information] as that for [Confidential sales information]. Moreover, [Confidential sales information] both use primarily the local billets as the feedstock, thus choosing them as the surrogate prices would

¹ It is commonly referred to 90/ 60-day guideline in the United State practice set forth in 19 CFR§351.414 for the section 777A(d) of the Custom Tariff Act. It reads: "Time Period over which weighted average is calculated. When applying the average-to-average method in a review, the secretary normally will calculate weighted averages on a monthly basis and compare the weighted-average monthly export price or constructed export price to the weighted-average normal value for the contemporaneous month." In regards of "contemporaneous month", it is "(1) The month during which the particular U.S. sales under consideration were made; (2) If there are no sales of the foreign like product during this month, the most recent of the three months prior to the month of the U.S. sales in which there was a sale of the foreign like product; (3) If there are no sales of the foreign like product during any of these months, the earlier of the two months following the month of the U.S. sales in which there was a sale of the foreign like product"

prevent the distortive monthly adjustments for raw material cost difference that would have been unavoidable when [Confidential sales information] was picked as the surrogate grade.

2. Notably, [Confidential sales information] were sold at profit in [Confidential sales information] in term of its unit average price in those months, resulting in an aggregate profitable volume of [Confidential sales information] of its total sales, covering [Confidential sales information] of the duration of IP (see the Commission's Appendix [Confidential Exhibit]). As for [Confidential sales information], its profitable quantity [Confidential sales information] accounts for [Confidential sales information] of its total quantity [Confidential sales information] in IP, and such profitable sales under the OCOT test also covers [Confidential sales information] (see the Commission's Appendix [Confidential Exhibit]).

We submit that [Confidential sales information] were sold with a substantial volume of profitable sales which covers [Confidential sales information], respectively, of the longevity of IP. In addition, their closer resemblance to [Confidential sales information] on carbon content, end use, and billet source than what [Confidential sales information] is to [Confidential sales information] should form a sound foundation for either of them be selected as the surrogate price. Please see Table 1 below or refer to [Confidential Exhibit].

Table 1

Billet	Carbon contain	Source	Application	[Confidential sales information]
[Confidential sales information]	[Confidential sales information]	[Confidential sales information]	[Confidential sales information]	[Confidential sales information]
[Confidential sales information]	[Confidential sales information]	[Confidential sales information]	[Confidential sales information]	[Confidential sales information]
[Confidential sales information]	[Confidential sales information]	[Confidential sales information]	[Confidential sales information]	[Confidential sales information]
[Confidential sales information]	[Confidential sales information]	[Confidential sales information]	[Confidential sales information]	[Confidential sales information]
[Confidential sales information]	[Confidential sales information]	[Confidential sales information]	[Confidential sales information]	[Confidential sales information]

Source: [Confidential sales information]

It follows that the profitable domestic price of both [Confidential sales information] may be used as normal value for comparison with our export sales. In specific, the Commission is requested to use [Confidential sales information]. As for the export sales in August, the Commission is requested to use [Confidential sales information] as the normal value, where [Confidential sales information] was not sold at profit in the same month. For the export sales [Confidential sales information] were sold with profit, the Commission may use [Confidential sales information], consistent with what the Commission has used in the draft of the visit report (page 34).

III. The Annual Cost of [Confidential sales information] Should Be Used for the Adjustment for Raw Material Difference

If, however, the Commission decides to continue to establish normal value using [Confidential sales information], it is submitted that, [Confidential cost information] should be used for adjustment due to the difference in [Confidential cost information]. It can be demonstrated as below (see Table 2). Please also see the 1st comment enclosed for the reasons. The result of cost adjustment exercised on a month basis, as the Commission did in the draft of visit report, has failed to reflect in full the cost difference in commercial reality.

Table 2: [Confidential cost information]

IV. Conclusion

In sum, the Commission is urged not to use [Confidential sales information] because of its distinctive lower carbon content, different applications and [Confidential sales information] ([Confidential Exhibit]). Instead, the Commission is respectively requested to use [Confidential sales information] due to its 100% profitable sales, for comparison with our [Confidential sales information] export sales, [Confidential sales information] export sales. As for the remaining export sales [Confidential sales information], [Confidential sales information] should form the preferred surrogate for establishing normal value.

The Commission is also respectfully requested to re-consider the constructed value method to establish normal value, by use of [Confidential sales information] derived from substantial profitable sales which is commensurate with the profit rate of other similar grades, as the Commission itself has verified and confirmed.

This being said, if the Commission nevertheless decides to stick to [Confidential sales information] as the surrogate price, the adjustment of raw material cost difference

should be made by reference to the annual cost difference, as opposed to the monthly cost differences, to avoid capricious and unfair results.

Respectfully submitted,

Encl.

[Confidential Exhibit]