

To: ADRP Secretariat;

SUBMISSION RE ADC REPORT 419

The submission is made on behalf of Tianjin Youfa. This submission is confidential. A separate non-confidential summary will be provided.

GROUND 1 – PROFIT CALCULATION

Ground No. 1 is no longer being pursued.

GROUND 2 – THE ADC APPLIED AN INAPPROPRIATE UPLIFT TO ACCOUNT FOR THE USE OF NARROW STRIP RATHER THAN HOT ROLLED COIL RAW MATERIAL INPUT'

The ADRP conference summary of a 1 August 2018 meeting with ADC representatives suggests the following in the Commission's methodology:

1. Separate benchmarks were identified for black and pre-galvanised HRC. (para 24)
2. The Commission accepted that narrow strip cannot be used to produce structural grades, the implication being that an adjustment that begins with HRC prices from exporters from Taiwan and Korea, must be sufficient to exclude the structural quality in the benchmark HRC. (para 25)
3. The adjustment chosen was to modify "the HRC benchmark by the difference between the purchase price for narrow strip and the purchase price of HRC within the Tianjin Youfa group of production facilities." (para 26)
4. For the following reasons, that methodology cannot have been correctly applied and still reach the dumping margin as found by the Commission and accepted by the Minister.
5. Paragraph 27 suggests that the Commission determined differences in prices paid for HRC with prices for narrow strip, even for Tianjin Youfa group members which manufacture from HRC. That would not seem sensible, but in any event, does not seem to be what in fact occurred.
6. Table 1 below is a reworking of the figures as we see they should have been. The only difference between the figures we calculate and the calculations of the Commission, is that the latter made an inappropriate allowance for the value of scrap. The Commission properly takes off the value of scrap so that only the tonnage actually used is included in the cost. The error they have made is to use the original scrap reduction and not a reduction of the benchmark as identified by them. For example, if 95% of a tonne of HRC is used in production, and the Commission wishes to use a surrogate HRC price, then only 95% of its surrogate value should go in or if 100% goes in, 5% of that same surrogate value should then be deducted.
- 7.

TABLE No 1:

The XXX XXXXXX Constructed Normal Values by the Commission
RMB/YUAN per tonne rounded x Quarter.

Actual Price data	Sept 16	Dec 16	Marc 17	June 17	Inv. Per
Actual XXX purch.price					
Actual Input man. cost					
Actual Scrap Value					
Actual Scrap value %					
ADC Uplift Values					
*Less Scrap Value %					
Nett Uplifted Value					
Direct labour cost					
Manuf O/head cost					
Other costs					
Cost to MAKE					
Selling Expenses					
Admin Expenses					
Financial Expenses					
Cost to Make & Sell					
ADC notional profit					
Ex-Works Domestic Sell Price (profitable)					
Ex Works Domestic Sell					
Export Packing					
Inland Transport					
Handling etc					
Non Refundable VAT					
Traders Commission					
Constructed Normal Value/t					
Actual FOB sell Price/t					
Dumping margin amount/t					
TONNES SOLD to Australia					

Dumping Calculation					
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Note: XXXXXXXXXXXX= actual RMB Export value FOB.

8. If the Commission followed the methodology it suggested to ADRP in looking at the weighted average throughout the Tianjin Youfa group for hot rolled coil and narrow strip prices, the following figures should have been obtained.

TABLE No 2:

RMB price paid per tonne x quarter for XXX and ‘narrow strip’

Steel Material	Sept 16	Dec 16	Marc 17	June 17	Inv Per
XXX XXXXXXX					
Narrow Strip					
RMB/t difference					
% price difference					

Source: see attached spreadsheet No 1

9. The following table would show what the narrow strip figure should be based on the xxx benchmark as found by the Commission.

TABLE No 3:

**ADC uplifted xxx VALUES adjusted for ‘narrow strip’ price differentials.
RMB/t**

	Sept 16	Dec 16	Mar 17	June 17
ADC Uplift XXX-Table No 1				
Price difference-Table No 2				
Derived Uplift ‘narrow strip’				

10. The following table computes the weighted average conversion costs across the range of manufacturing entities for direct labour, manufacturing overheads, other costs and the value of scrap.

TABLE No 4.

Cost element	Sept 16	Dec 16	March 17	June 17
Direct labour				
Man O/H				
Other Costs				
% scrap value				

Source: XL spreadsheet based on actual costs and scrap value for the X entities. Spreadsheet No 2 attached.

11. Based on the above, the following dumping margin analysis should have been the result.

TABLE No 5: Revised Constructed Normal Value forXXXX XXX based on the adjusted uplifted benchmark values for ‘narrow strip’ from Table No 3.

Stage No 1- Constructed Cost to Make XXX XXXXX XXXX

RMB/tonne(rounded)

Uplifted Benchmark ‘XXXXXX XXXX’	Sept 16	Dec 16	Mar 17	Jun 17
-based on Table Nos 2 & 3				
+ Direct Labour-Table No 4				
+ Man O/H				
+ Other costs				
Sub Total Cost to MAKE				
LESS scrap value %				
Less RMB/t % of *benchmark				
Nett COST to MAKE XXX				

**Stage No 2-Constructed Cost to Make:XXXX XXX (xxxx xxxxx xxxx)
RMB/tonne (rounded)**

Element	Sept 16	Dec 16	Mar 17	Jun 17
XXXXX XXXX XXX-Stage No 1				
+ XXXX cost				
+ Direct labour				
+ Man O/h				
+ Other costs				
Sub Total Cost to Make				

LESS Scrap & aux values				
Nett COST to MAKE XXXX				

Stage No 3- Domestic Selling expenses XXXX XXX. Cost to make & sell.RMB/tonne (rounded)

Element	Sept 16	Dec 16	Mar 17	Jun 17
Cost to Make XXXX XXX				
Selling Expenses				
Admin Expenses				
Financial Expenses				
Cost to Make & Sell XXXX XXX				

Stage No 4. Notional Profit XX % + Export expenses including XX% Traders Commission. RMB/tonne (rounded)

Element	Sep 16	Dec 16	Mar 17	Jun 17
From Stage No 3 CTM& S XXXX				
+ XX% Notional profit				
+ Export packing				
+ Inland cartage				
+ Export HANDLING				
+ Non -refundable VAT				
+ XX% Traders Margin				
CONSTRUCTED Normal Value				
ACTUAL FOB Export price				
Derived Dumping amount				
ACTUAL Export Tonnes				

Stage No 5: Dumping Duty Analysis XXXX XXX–based on Stage No 4:

Quarter	Export Tonnes	Dumping/ RMB/T	Dumping Amount RMB
Sept 16			
Dec 16			
Mar 17			
Jun 17			
Totals			

Stage No 6: Dumping Duty Margin: (including XX% Traders margin)
Revised Dumping Amount RMB = Actual FOB Export value RMB =
Dumping margin =

12. ADDITIONAL CLAIMS

Paragraph 53 of the Application had indicated that it was inappropriate to include a XX% margin for adjustment on the basis that Tianjin Youfa International Trade Co Ltd is not the exporter. ADRP should consider this matter as well. While the Application should have given it a separate ground number, ADRP properly noted a distinct complaint about material injury which was only rejected because a separate review had not been sought in relation to that factor.

13. SUMMARY OUTCOME- Table No 6:

The following Table No 6 outlines what Tianjin Youfa has calculated to be the correct and preferable outcome in terms of an ad valorem dumping duty for the X types of HSS exported to Australia.

HSS Type	Actual Tonnes	Revised RMB	Actual RMB	Calculated
Finish	Exported	Constructed	Export	Dumping
		Normal Values	Values	Amounts

Calculated Dumping Duty margin =

Note:

14. Re para 29 of Conference summary and understanding of the Commission on production entities of Youfa Group-a map is supplied showing the locations of the three cities that have production entities.