DOC Investigation No. A-455-804
ITC Investigation Nos. 701-TA-____ and 731-TA-____
Total No. of Pages: 544
Original Investigation
AD/CVD Operations
Petitioners' Business Proprietary Information for Which Proprietary Treatment Has Been Requested Deleted from Pages: 1, 4 and Exhibits P-2A, P-12A, P-14A, P-15A, P-16A, P-21A, P-22A, P-23A
PUBLIC VERSION

BEFORE THE
INTERNATIONAL TRADE ADMINISTRATION
OF THE
U.S. DEPARTMENT OF COMMERCE
AND THE
U.S. INTERNATIONAL TRADE COMMISSION

ANTIDUMPING DUTY PETITION

VOLUME II
POLAND AD

GRAIN-ORIENTED ELECTRICAL STEEL FROM THE PEOPLE'S REPUBLIC OF CHINA, THE CZECH REPUBLIC, THE FEDERAL REPUBLIC OF GERMANY, JAPAN, THE REPUBLIC OF KOREA, POLAND, AND THE RUSSIAN FEDERATION

PETITIONERS:
AK STEEL CORPORATION; ALLEGHENY LUDLUM, LLC;
AND THE UNITED STEELWORKERS

ECONOMIC CONSULTANTS:

MICHAEL T. KERWIN
MICHAEL A. HUDAK
WILLIAM H. CROW II
BRAD HUDGENS
JULIE SANTOBONI
GEORGETOWN ECONOMIC SERVICES, LLC
3050 K Street, N.W.
Washington, DC 20007
(202) 945-6660

COUNSEL:

DAVID A. HARTQUIST
JEFFREY S. BECKINGTON
JOHN M. HERRMANN
DAVID C. SMITH
MARY T. STALEY
GRACE W. KIM
BENJAMIN BLASÉ CARYL
KATHERINE E. WANG
KELLEY DRYE & WARREN LLP
3050 K Street, N.W., Suite 400
Washington, DC 20007
(202) 342-8400

September 18, 2013

TABLE OF CONTENTS

I. GRAIN-ORIENTED ELECTRICAL STEEL FROM POLAND IS BEING SOLD OR OFFERED FOR SALE AT LESS THAN FAIR VALUE

A. Stalprodukt: Price-to-Price Margin

The price-to-price comparison discussion below is based on an offer for sale of certain grain-oriented electrical steel ("GOES") products sold in both the United States and Poland that were manufactured and sold by Stalprodukt S.A. ("Stalprodukt"). A description of the company and its products is appended to this petition. See **AD Exhibit P-1**.

1. U.S. Price

Petitioners obtained a U.S. price for an offer for sale of GOES from Poland from a confidential source. See **AD Exhibit P-2A**. This U.S. offer for sale involved GOES with the following product characteristics: [

] See id. An EP price was the basis for U.S. price.

The net U.S. price was calculated by subtracting from the quoted U.S. price, where appropriate, U.S. inland freight (**AD Exhibit P-4**), U.S. inland insurance (**AD Exhibit P-5**), U.S. brokerage and handling (**AD Exhibit P-6**), ocean freight (**AD Exhibit P-7A**), marine insurance (**AD Exhibit P-7B**), foreign brokerage and handling (**AD Exhibit P-8**), foreign inland freight (**AD Exhibit P-9**), U.S. import duty (**Exhibit GENERAL-1** (excerpts from the Harmonized Tariff Schedule of the United States)), and U.S. merchandise processing and harbor maintenance fees, pursuant to 19 U.S.C. § 1677a(c)(2) (**Exhibit GENERAL-13** (19 C.F.R. §§ 24.23(b)(1)(A) and 24.24(a)). Imputed credit expenses were based on the payment terms of [ ] days, based on the U.S. industry standard, and the average lending rate in the United States of 3.25 percent, as reported by the International Monetary Fund. See **AD Exhibit P-11**.

a. U.S. Inland Freight

If appropriate, Petitioners estimated U.S. inland freight charges from the port to the customer by calculating a distance, using Google Maps, from the closest most commonly used port for imports of GOES as reported by the Port Import-Export Reporting Service ("PIERS") to the U.S. customer's location. See **AD Exhibit P-4**. Petitioners calculated freight costs for that distance using the U.S. inland freight rate published by freightrateindex.com. See id. Petitioners deducted the U.S. inland freight charges from the quoted U.S. price. See **AD Exhibit P-12A**.

b. U.S. Inland Insurance

If appropriate, Petitioners calculated U.S. inland insurance costs by using the steel-specific premium rate published by P.A.F. Cargo Insurance for goods shipped by land. See **AD Exhibit P-5**. Petitioners converted this to a charge per pound and deducted the U.S. inland insurance charges from the quoted U.S. price. See **AD Exhibit P-12A**.

c. U.S. Brokerage and Handling

If appropriate, Petitioners determined U.S. brokerage expenses based on the costs incurred for document preparation, Customs clearance and technical control, and port and terminal handling. See **AD Exhibit P-6**.

d. Ocean Freight

If appropriate, Petitioners estimated ocean freight costs by deducting the cost of shipment for iron and steel products published by MAERSK, a major ocean freight carrier, for a full 40-foot container load of steel products. See **AD Exhibit P-7A**. Petitioners converted this to a charge per pound and deducted the international ocean freight charges from the quoted U.S. price. See **AD Exhibit P-12A**.

e. **Marine Insurance**

If appropriate, Petitioners calculated marine insurance costs by using the steel-specific premium rate published by P.A.F. Cargo Insurance for goods shipped by ocean freight. See **AD Exhibit P-7B.** Petitioners converted this to a charge per pound and deducted the marine insurance charges from the quoted U.S. price. See **AD Exhibit P-12A.**

f. **U.S. Duties and Port Fees**

If appropriate, Petitioners deducted port fees from the quoted U.S. price. Imports of GOES enter the United States duty free. See **Exhibit GENERAL-1** (excerpts from the Harmonized Tariff Schedule of the United States). Port fees included a 0.125 percent harbor maintenance fee and a 0.21 percent merchandise processing fee. See **Exhibit GENERAL-13** (19 C.F.R. §§ 24.23(b)(1)(A) and 24.24(a)). These fees were applied on an ad valorem basis to the U.S. dutiable value. Therefore, Petitioners calculated port fees based on the following formula: Duty and Customs Fees = (0.0 + 0.00335) * (Delivered Price – U.S. Freight – U.S. Insurance – U.S. Brokerage – Ocean Freight – Marine Insurance) / (1+ 0.0 +.00335).

Where appropriate, Petitioners deducted the customs fees, calculated on a per pound basis, from the offered U.S. price. See **AD Exhibit P-12A.**

g. **Foreign Inland Freight and Brokerage**

If appropriate, Petitioners deducted foreign inland freight charges from the factory to the foreign port and deducted foreign brokerage and handling charges at the foreign port. See **AD Exhibits P-8, P-9, and P-12A.**

2. **Normal Value**

Petitioners used as the basis for normal value information obtained from a confidential source concerning the price of home market sales made by Stalprodukt to unaffiliated customers in Poland. See **AD Exhibit P-13A**. The total gross price reported is [ ] price of [ ] per metric ton. See id. The home market sales at issue involved GOES with the following product characteristics: [ ] See id.

Where applicable, Petitioners deducted movement charges for the sale based on average national truck freight charges reported by the World Bank. See **AD Exhibits P-9 and P-14A.** Petitioners also deducted imputed credit expenses from the reported home market price in accordance with 19 U.S.C. § 1677b(a)(6)(B). See **AD Exhibit P-14A**. Imputed credit expenses were based on the payment terms of [ ] days for Stalprodukt and the average lending rate in Poland of 4.0 percent, as reported by the International Monetary Fund. See **AD Exhibit P-11**.

The Polish net home market price per metric ton was then converted to pounds using the standard conversion factor (1 metric ton equals 2204.62 pounds).[1] See **AD Exhibit P-15A**.

3. Difference-In- Merchandise Adjustment

Where applicable, Petitioners applied a difference-in-merchandise adjustment factor to the normal value. See **AD Exhibit P-15A.**

4. Margin

A comparison of the net home market price to the U.S. net selling price on a product-specific basis results in a dumping margin of **47.81** percent. The dumping margin calculation is provided at **AD Exhibit P-15A**.

1 See http://www.iwr.usace.army.mil/ndc/metric.htm.

B. Stalprodukt: Constructed Value Margin

1. U.S. Price

To calculate a margin based on constructed value, Petitioners used the U.S. Price referenced in section I.A.1. above. See **AD Exhibit P-12A**. The adjustments to U.S. price are identical to those explained in section I.A.1. See id.

2. Normal Value

Petitioners used as the basis for normal value the Normal Value information discussed in section I.A.2. above. See **AD Exhibits P-13 and P-14**. The adjustments to Normal Value were identical to those explained in section I.A.2. above. See id.

a. Reason to Believe or Suspect the Home Market Price Is Below Cost

Based on a comparison of the prices at which Stalprodukt made home market sales and the production costs available to Petitioners, there is reason to believe or suspect that the GOES sold by Stalprodukt in Poland was priced below its cost of production ("COP"). Accordingly, Petitioners consider Stalprodukt's home market sales to be outside the ordinary course of trade, and rely on constructed value to establish normal value. Petitioners hereby also request, pursuant to 19 U.S.C. § 1677b(b)(1), that the Department investigate whether Stalprodukt (or any other Polish respondent) sold subject merchandise at prices below COP.

b. Adjusting U.S. COP for Known Differences

Petitioners calculated COP based on U.S. producers' cost of producing GOES, adjusted for known differences between the Polish and U.S. industries. Petitioners based the cost of manufacturing ("COM") on domestic producers' direct material consumption of steel raw material inputs, labor usage, and energy consumption, adjusted for known differences for input costs in the Polish market. See **AD Exhibit P-16**.

Petitioners calculated Stalprodukt's material costs during the period of investigation ("POI") by using the average import value of Polish inputs under the pertinent Harmonized Tariff Schedule ("HTS") codes. See **AD Exhibit P-17**.

Petitioners used public information from the U.S. Bureau of Labor Statistics to adjust for labor costs. In the most recent year of comparative data available (2011), the cost of manufacturing labor in the United States was US$ 35.53 per hour and that for Poland was US$ 8.83 per hour. See **AD Exhibit P-19**. Petitioners calculated Stalprodukt's cost of labor (wages and benefits) as US$ 0.249 per US$ 1 cost of U.S. producers during the POI. See **AD Exhibit P-19, P-21A**.

Petitioners used information published by the International Energy Agency to adjust electricity and natural gas costs. In the most recent period of comparative data available (3rd and 4th quarter 2012 and 1st quarter 2013), the industrial cost for electricity was US$ 67.28 per mega-kilowatt in the United States and US$ 114.52 per mega-kilowatt in Poland. See **AD Exhibit P-18**. Petitioners, therefore, calculated Stalprodukt's cost of electricity as US$ 1.702 per US$ 1 cost of U.S. producers in the POI. See **AD Exhibits P-18, P-21A**.

In the most recent period of comparative data available (3rd and 4th quarter 2012 and 1st quarter 2013), the industrial cost for natural gas was US$ 13.96 per mega-kilowatt derived from natural gas in the United States and US$ 44.71 per mega-kilowatt derived from natural gas in Poland. See **AD Exhibit P-18**. Petitioners, therefore, calculated Stalprodukt's cost of natural gas as US$ 3.202 per US$ 1 natural gas cost of U.S. producers in the POI. See **AD Exhibits P-18, P-21A**.

Petitioners used the 2012 financial statements of Stalprodukt to calculate factory overhead as a percentage of direct material, labor, and energy, and applied the ratio to the sum of material, labor, and energy, above, resulting in the COM. See **AD Exhibits P-20 and P-21A.**

c. Cost Test

Comparing Stalprodukt's home market price in U.S. dollars per metric ton (**AD Exhibit P-13A**) to the cost of production in U.S. dollars per metric ton indicates that the sales price for the foreign like product was significantly below the COP. See **AD Exhibit P-22A.** For this reason, Petitioners relied on constructed value to determine normal value.

3. Constructed Value

The constructed value of the GOES product at issue was used as the basis for normal value. See **AD Exhibit P-21.**

4. Margin

The comparison of constructed value to the U.S. net selling price on a product-specific basis results in a dumping margin of **94.85** percent. The constructed value dumping margin calculation is provided at **AD Exhibit P-23A.**