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and VI-16 of this volume.**

**BEFORE THE
INTERNATIONAL TRADE ADMINISTRATION
UNITED STATES DEPARTMENT OF COMMERCE
AND THE UNITED STATES INTERNATIONAL TRADE COMMISSION**

**IN THE MATTER OF

NON-ORIENTED ELECTRICAL STEEL
FROM CHINA, GERMANY, SWEDEN,
KOREA, SWEDEN, AND TAIWAN**

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**PETITIONS FOR THE IMPOSITION
OF ANTIDUMPING AND
COUNTERVAILING DUTIES

VOLUME VI: SWEDEN DUMPING
ALLEGATION**

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I. ALLEGATION OF SALES AT LESS THAN FAIR VALUE

This petition seeks the imposition of antidumping duties on imports of NOES from Sweden. As discussed below, the Swedish producer and exporters have sold, or offered for sale, NOES in the United States for less than fair value. Furthermore, there is a reasonable indication that sales of NOES in the Swedish home market were made at prices substantially below the fully-loaded cost of production. Accordingly, Petitioner based Normal Value on Constructed Value. Petitioner requests that the Department initiate an investigation into whether sales are made in the United States at less than fair value and also initiate sales below cost investigation.

The general information required by Section 351.202 of the Department's regulations is provided in Volume I of this petition.

II. SWEDISH PRODUCERS AND EXPORTERS OF NOES

A. Description Of The Swedish Industry

NOES is manufactured in Sweden by Surahammars Bruks AB ("Surahammars"). The names and contact information for the producer and exporters of NOES in Sweden are listed in Volume I: General Issues And Injury at Exhibit I-2. The information provided in that exhibit is the information reasonably available to Petitioner. Petitioner believes that merchandise produced by Surahammars accounts for virtually all U.S. imports of NOES from Sweden during the presumptive POI of July 1, 2012 through June 30, 2013.

B. Production Processes Of The Swedish Producer

Surahammars is a cold-rolling and annealing company that only produces NOES.¹ Its production of NOES begins with hot-rolled coils made to Surahammars' specifications (i.e., high-silicon low-carbon steels suitable for producing electrical steel). Surahammars cold-rolls the coils and then anneals and coats them.²

¹ See **Exhibit VI-1** at 3.

² Id. at 4.

C. Known Importers Of Swedish NOES

A complete list of known importers of Swedish-manufactured NOES is contained in Volume I: General Issues And Injury at Exhibit I-3.

III. CALCULATION OF DUMPING MARGINS

A. Normal Value Based On Price

1. The Swedish home market is viable

Petitioner does not have access to Surahammars' sales volumes in its home market compared to its export sales to the United States. Surahammars states in its web site, however, that it exports 85 percent of its production.³ Accordingly, even if 100 percent of its exports were to the United States, Surahammars' sales to its home market would exceed the Department's five percent threshold for market viability.

2. Normal value based on home market prices

Petitioner first attempted to determine Normal Value based on price quotes. Specifically, using a confidential source, Petitioner obtained prices for home market sales for various grades of NOES. **Exhibit VI-3** contains a summary of the information found by the confidential source as well as the calculations of ex-factory prices.

The home market price quotations described in Exhibit VI-3 are exclusive of Value Added Taxes ("VAT"), so no adjustment is made for taxes. The prices include delivery charges to [*non-numeric information*

]. Petitioner deducted a reasonable amount for freight by calculating the distance to [*destination*] from the gross price and applying the cost of freight for that distance.⁴ See **Exhibit VI-4**.

³ See Attachment VI-2.

⁴ [*Freight distance information*

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Payment terms were not provided by Surahammars. Accordingly, Petitioner did not estimate credit expenses in either market.

Petitioner did not adjust for differences in packing costs because Petitioner has no basis for estimating such costs. Petitioner packages its domestic steel shipments with steel strapping, an outer paper wrap, inner ring protector, and a pallet. Surahammars, however, must package its products for the harshness of the Scandanavian climate as well as to withstand ocean-going transport for its exports.

To the extent that the export shipments are packaged in more advanced protective casings than domestic shipments, Petitioner understated the degree of dumping by omitting the additional packaging expenses for exports. If Surahammars' domestic and export packaging is identical, then there is no need to adjust for packing differences. In either case, applying AK Steel's packaging costs understates the cost of packaging for these environments and consequently understates the degree of dumping.

No adjustment was made for differences in physical characteristics of the products being compared, because pricing was obtained for identical products sold to both markets.

Home market prices were quoted in Swedish Krona ("SK") and converted to U.S. dollars using the Federal Reserve official exchange rate prevailing on the date of the offer. The exchange rate is provided in **Exhibit VI-5**.

The calculation of Normal Value based on home market prices for Surahammars is included in Exhibit VI-3.

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**Business Proprietary Information
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3. Home market prices for Surahammars are sold below the fully-loaded cost of production

Petitioner estimated the fully loaded cost of production in Sweden for the identical products quoted by Surahammars. A complete description of the methodologies used to estimate such costs is provided below.

Petitioner then compared the estimated fully loaded cost of production to the home market ex-factory prices. **Exhibit VI-6** contains the results of this calculation. The products manufactured by Surahammars were sold significantly below cost. Consequently, Petitioner did not base Normal Value on price-to-price comparisons, but rather on price-to-Constructed Value comparisons.

B. Normal Value Based On Constructed Value

Petitioner does not have access to the Swedish producers' factor inputs or factor consumption rates in order to determine their costs in Sweden. Accordingly, Petitioner relied on AK Steel's actual direct material consumption of raw material inputs, labor usage, and energy consumption as an estimate of the Swedish producers' factors of production. Petitioner then valued those factor inputs using Swedish import statistics and other information from Sweden. See **Exhibit VI-7**. This exhibit also contains a declaration by AK Steel's cost accountant as to the source of the data provided. Factory overhead is a hybrid estimate based partially on AK Steel's production experience and partially on the Swedish producers' experience and is described more fully below. SG&A expenses and profit are based on the financial results of Surahammars. Where it was necessary to rely on data from a period preceding the POI, Petitioner inflated such values to reflect current prices using price index data for Sweden.

1. Direct materials

Petitioner calculated the Swedish producers' cost of direct materials by using the average CIF import value of these materials at the Swedish port, imported into Sweden for the period July 2012 through June 2013. Consistent with Department practice, Petitioner excluded imports

from non-market economies, countries with generally-available export subsidies, and unspecified countries. See **Exhibit VI-8**. Petitioner added to this value the average Swedish brokerage and handling reported for importing goods into Sweden in *Doing Business 2013: Sweden*, published by the World Bank. See **Exhibit VI-9**. There are a number of other minor material inputs and supplies in the cost models that represent a very small portion of AK's total actual costs. Because the Swedish financial statements do not disaggregate energy from other factory costs and, therefore, Petitioner cannot determine actual Swedish factory costs with the exception of depreciation, the petition uses AK Steel's own costs as the best information reasonably available to Petitioner to value these overhead items.

2. Labor

Petitioner valued labor using information published by the U.S. Bureau of Labor Statistics, *International Labor Comparisons: International Comparisons of Hourly Compensation Costs in Manufacturing Industries, by Industry, 2008-2012*. According to these data, in 2012, the Swedish hourly compensation costs for the manufacture of basic metals (ISIC 24) was US\$52.35/hour. See **Exhibit VI-10**. Petitioner calculated the Swedish producers' cost of labor (wages and benefits) by applying this rate, and deflated this value to the POI using the Swedish CPI. The resulting labor rate is US\$51.39/hour.

3. Energy and utilities

Petitioner relied on publicly available information to value electricity and natural gas in Sweden. The average rate for electricity for industrial uses, as reported in the latest available edition of *Energy Prices & Taxes*, published by the International Energy Agency ("EIA") for 2012, was SK 604.00 per mWh (or SK 0.60 kWh). See **Exhibit VI-11**. Petitioner then adjusted this value to a POI value of US\$0.09012 /kWh. Petitioner used the same EIA publication to value natural gas. The latest available data from Sweden, for the year 2012, was SK 428.60 mWh GCV. Petitioner converted this amount to SK/mmBtu using universal conversion factors.

Petitioner then adjusted this value to a POI value of US\$18.74 /mmBTU. The calculations are also contained in Exhibit VI-11.

4. Factory overhead, SG&A, and profit

Petitioner used the 2012-2013 fiscal year financial statements of Surahammars to calculate surrogate financial ratios.

As noted above, the Swedish financial statements are not disaggregated to a level where factory overhead can be calculated as a percentage of direct material, labor, and energy. Petitioner calculated depreciation as a percentage of direct material, labor, and energy and used Petitioner's own costs for the remainder of factory overhead costs. The SG&A and profit ratios were calculated according to the Department's normal practice. See **Exhibit VI-12** for the financial ratio calculation worksheets and a copy of Surahammars' audited financial statements as excerpted from their annual reports.

5. Packing inputs

The packing costs reflected in the cost model are conservative in that they relate to domestic shipments. Petitioner valued the labor associated with packing using the surrogate labor rate, as described in the direct materials section, above. There are a number of other small packing material inputs and supplies in the cost models that represent a very small portion of AK Steel's total actual costs. As discussed above with respect to adjustments to ex-factory prices, the packaging materials used by Surahammars for both domestic and export shipments would need to be more elaborate and undoubtedly more costly than those used by AK Steel in its domestic shipments. Moreover, Surahammars ships much of its output by water. Swedish packaging costs for domestic sales are therefore likely to be higher than AK Steel's domestic packaging costs. To the extent that Swedish packaging is more elaborate than AK Steel's, both cost of production and Constructed Value are understated.

IV. EXPORT PRICE

A. Export Price Based On A Comparison Of Ship Manifest Data And Official U.S. Import Statistics

U.S. Customs and Border Protection's Automated Manifest System ("AMS") contains detailed information regarding goods that arrive at U.S. ports. These data include the name of the shipper, consignee, date of arrival, port of departure, port of arrival, gross weight of the shipments, descriptions of the merchandise, and marks and numbers appearing on the outer packaging of the merchandise. Petitioner queried this data base to identify shipments of NOES entering the United States.

Official U.S. Customs Import Statistics do not identify these details in publicly available form. The data can, however, be disaggregated by country, HTS subclassification, month of entry, district of unloading, and district of entry.

Petitioner determined whether individual entries of products could be matched so as to align the names of specific shippers, consignees, products, shipment quantities, and actual import prices for specific shipments. Petitioner was able to identify several shipments of NOES from Sweden where the quantities of the shipments and port of unloading matched exactly. Petitioner then linked the names of the buyer and seller, a specific product, and the actual FOB Foreign Port price charged to the U.S. buyer. **Exhibit VI-13** contains a summary of the results and copies of the relevant data output from the data sets.

The calculation of Export Price based on ship manifest analysis and a comparison to Constructed Value are also contained in **Exhibit VI-14**.

B. Export Price Based On The Average POI Customs Value For NOES

As a final indication of Export Price, Petitioner calculated the weighted-average POI Customs Value (i.e., FOB Foreign Port Value) for all NOES products entered from Sweden during the POI. These data are calculated directly from the official U.S. import statistics and are contained in **Exhibit VI-15**.

V. DUMPING MARGINS

A. Comparison Of Ship Manifest And Official Import Data Analysis Derived Price To Constructed Value

Using the FOP cost model discussed above, compared to the pricing data derived from the ship manifest and official import data analysis, Petitioner calculated model-specific dumping margins for Surahammars' NOES ranging from 79.61 to 124.66 percent. This calculation is contained along with the ex-factory price calculation in Exhibit VI-14.

B. Comparison Of Average Customs Value For U.S. Imports Of Swedish NOES To The Lowest Cost NOES Product Produced By AK Steel

Finally, Petitioner compared the weighted-average Customs Value for all U.S. imports of Swedish-produced NOES during the POI to the calculated Constructed Value of the least costly NOES product that AK Steel produces. NOES covers a range of products with widely differing sales prices. By calculating the least costly Constructed Value and using it as the comparison to the weighted average price of imports that would include many higher priced goods, Petitioner calculates an extremely conservative measure of dumping. The Constructed Value calculations are contained in Exhibit VI-7 along with the other calculations of product-specific Constructed Values. **Exhibit VI-16** contains the resulting dumping comparison that results in a margin of 61.75 percent.

VI. MATERIAL INJURY AND THREAT OF MATERIAL INJURY TO THE DOMESTIC INDUSTRY

Petitioner alleges that imports of NOES from Sweden sold at less than fair value are a cause of material injury and threaten to cause material injury to the domestic industry. The factual information in support of this allegation is provided to the Department and the Commission in Volume I of this petition.

VII. CONCLUSION AND REQUEST FOR INVESTIGATION

As demonstrated above, the Swedish producer and exporters are selling NOES for less than fair value in the United States. Accordingly, Petitioner requests that the Department initiate

an antidumping duty investigation on NOES from Sweden. Also, as demonstrated above, the Swedish producer of NOES is selling this merchandise at home market prices for less than the fully loaded cost of production. Accordingly, Petitioner requests that the Department initiate a sales below cost investigation for Surahammars.