



Department for
International Trade

UK Industry – Verification Report

Case TD0001: Certain welded tubes and pipes of iron or non-alloy steel originating in the Republic of Belarus, the People’s Republic of China and the Russian Federation

Date:	25 February 2021
Company verified:	Tata Steel UK
Verification meeting dates:	28 October, 4 November and 10 December 2020

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SECTION A: Background

A1. Background

On 10 February 2020, the Trade Remedies Investigation Directorate (TRID) of the United Kingdom's (UK) Department for International Trade initiated a transition review of measures in relation to certain welded tubes and pipes of iron or non-alloy steel originating from the Republic of Belarus, the People's Republic of China, and the Russian Federation ('goods subject to review').

TRID is carrying out a transition review of each trade remedy measure active under the European Union (EU) system that the UK transitioned after EU exit. More information about the case can be found on the public file for this investigation:

[Case TD0001 Public File](#)

The Period of Investigation (POI) lasted from 1 January 2019 to 31 December 2019.

Tata Steel UK (TSUK), a domestic producer of the like goods, responded with a completed domestic producer questionnaire and TRID sought to verify the data submitted.

The Covid-19 pandemic affected TRID's ability to conduct site visits and verify the data in person. All verification activity with TSUK took place remotely, via emails and video conferencing.

A2. Meeting details

The case team held three meetings with TSUK and their representatives – all meetings were held via MS Teams.

Company name:	Tata Steel UK
Venue:	Remote via MS Teams
Meeting dates:	28 October, 4 November and 10 December 2020

The following attended at least one of the three meetings:

Organisation	Title
TSUK	[Limited]
TRID	Lead Investigator
	Lead Verification Specialist
	Investigator

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28 October 2020 – TRID Lead Investigator and TSUK [Limited] initial verification discussion. A note of meeting was recorded (Annex A1).

04 November 2020 – Meeting to discuss TSUK's accounting system and initial questions around sales verification.

- The agenda was shared with TSUK in advance.
- The minutes (Annex A2) were shared with TSUK for comments and accepted as accurate.

10 December 2020 – Injury factors discussion.

- The agenda was shared with TSUK in advance
- The minutes (Annex A3) were shared with TSUK for comments and accepted as accurate.

SECTION B: UK industry

B1. Like goods

TSUK claim the goods they produce have characteristics similar to those of the goods subject to review. TRID has considered this and has reviewed the domestically produced goods to determine if they are indeed 'like goods' according to the criteria detailed in the subsequent sub-sections. The goods have also been compared with the goods produced by the one cooperating Russian exporter.

In the questionnaires, TRID set out a Product Control Number (PCN) structure that allowed TSUK to specify details of the products in terms of outer finishing, size (outside diameter), end finishing, and wall thickness. TSUK submitted their domestic sales listing for the POI and provided the PCNs for each sale as requested. These sales figures referred to [Limited – confidential information related to the number and technical characteristics of products produced by TSUK. This information is not publicly available and not susceptible of summary]¹ unique PCNs which were made up of [Limited – confidential information related to the number and technical characteristics of products produced by TSUK. This information is not publicly available and not susceptible of summary] product models. Using the sales brochures available from TSUK, we checked that the goods described were consistent.

From the product literature review, TRID noted that some of the [Limited – confidential information related to the number and technical characteristics of products produced by TSUK. This information is not publicly available and not susceptible of summary] models listed were available in sizes (outside diameter) larger than 168.3mm which is the upper limit of this review [Limited – confidential information related to sales of specific products produced by TSUK. This information is not publicly available and not susceptible of summary] TRID was satisfied that all sizes fit within the description of goods subject to review.

There was limited information on outer and end finishing within TSUK's product brochures, but details were provided in sales documentation submitted to TRID. [Limited – confidential information related to the technical characteristics of products produced by TSUK and construction of PCNs. This information is not publicly available and not susceptible of summary] TSUK amended the values and TRID is satisfied that they correctly assigned all the like goods they produce the correct PCNs.

Physical similarities

Both the UK-produced goods and the goods produced by [Limited – a cooperating foreign exporter] have similar shape, size, design, appearance and weight. Both goods are produced to conform to [Limited – confidential information related to the technical characteristics of and standards for products produced by TSUK. This information is not

¹ Here and hereinafter "limited information" ("limited") shall be understood as information the disclosure of which would be of significant competitive advantage to competitor or because its disclosure would have a significantly adverse effect upon a person supplying the information or upon a person from whom that person acquired the information, and which is provided to the Trade Remedies Investigations Department on a confidential basis.

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publicly available and not susceptible of summary] standard. [Limited – confidential information related to the technical characteristics for products produced by TSUK and construction of PCNs. This information is not publicly available and not susceptible of summary] However, we decided that adjustments were not necessary since the price differential between all products was low and volumes were comparable. TRID is satisfied that the goods can be regarded as physically similar.

Commercial similarities

[limited] Therefore, TRID is satisfied that they are commercially similar and no adjustments are necessary.

Functional similarities

[Both TSUK's goods and the goods produced by [Limited – a cooperating foreign exporter] are used in [Limited – similar applications] TRID is satisfied that the goods are functionally similar.

Production similarities

[Limited – confidential information related to the production and sale processes of TSUK. This information is not publicly available and not susceptible of summary] Therefore, TRID is satisfied that the goods produced by TSUK and [Limited – a cooperating foreign exporter] are produced in the same fashion.

B2. Conclusion on the UK industry

TRID is satisfied that the welded tubes and pipes produced by TSUK are like goods to the goods subject to review, are wholly produced in the UK and that there is an existing UK industry. TRID is also satisfied that TSUK has correctly assigned all the like goods it produces to the correct PCNs and has not made any omissions. Therefore, TRID is satisfied that no adjustments are necessary regarding the assignment of PCNs.

SECTION C: UK market

C1. Market size

[Limited – graph showing that UK producers have a market share ranging from 30% to 60%] The welded tubes and pipes market in the UK relies on both local production and overseas imports. [TSUK provided TRID with 2019 market share calculations that estimated [30%-60%] of the demand is met by domestic suppliers. [Limited – confidential information related to TSUK’s market share. This information is not publicly available and not susceptible of summary] In order to help TRID verify this, TSUK provided a summary of their calculations which explained that they used their own sales figures alongside publicly available UK import data² and an estimate of goods sold by other UK producers. We were able to verify that the import data was correct to the 8-digit CN code level and checked the overall sales information matched the transaction level data submitted elsewhere in TSUK’s response. Similarly, UK Steel in their submission provided TRID with an estimate of the market share for all [UK producers at [30%-60%]]%, which corresponded with TSUK’s information suggesting [Limited – confidential information related to the market share of TSUK and other domestic producers. This information is not publicly available and not susceptible of summary]

TRID accepts that there are limitations to this information. The scope of this investigation is narrower than all the goods covered by the four 8-digit CN codes. However, TRID has verified TSUK’s data against other available information and is satisfied that TSUK’s estimates are reasonable.

C2. Substitutable products

[Limited – confidential information related to the technical characteristics and interchangeability of products produced by TSUK. This information is not publicly available and not susceptible of summary] TSUK acknowledged there is some overlap between welded tubes and other lower cost products. Secondary research confirmed this to be the case.

SECTION D: Verification of sales data

D1. Sales policies

TSUK provided TRID with a complete sales listing (Annex D1) of their domestic and export sales of the like goods for the POI. [Limited – confidential information related to domestic and export sales of TSUK. This information is not publicly available and not susceptible of summary]

TRID discussed sales processes with TSUK to get a better understanding for verification. Major policy points which were considered during the verification process include:

² 8-digit level import data as on <https://www.uktradeinfo.com/>

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[limited]

TRID is therefore assured that it is reasonable to treat the data provided as complete, relevant and accurate.

D2. Level of trade and related customers

[limited]

Therefore, TRID is satisfied not to exclude any sales transactions.

D3. Verification of sales data to financial documents

Before selecting transactions to fully verify, TRID performed a basic upwards verification to confirm the completeness of the total data set. This included:

- calculating sales for the POI as per the trial balances compared to the same figure reported by TSUK;
- confirming that the transaction by transaction figures for domestic and export sales matched the equivalent figures reported in the upwards sales reconciliation;
- comparing the financial statement figures provided in the upwards sales reconciliation to the audited accounts for 2019;
- comparing the management accounts for the POI, managements accounts for the financial period and the audited accounts for 2019 (income statement).

Findings

[limited]

Based on the findings above, TRID is assured that it is reasonable to treat the data provided as complete, relevant and accurate.

D4. Verification of sales data to source documents

In order to check that the data submitted by TSUK was a true reflection of sales for the POI, a sample of 29 transactions were selected. A list of these transactions can be found in Annex D2. TRID asked TSUK to provide the following documents for each selected transaction:

- contracts or general customer agreements (that include general T&Cs, rebate conditions, payment/credit terms etc);
- order acknowledgements;
- purchase orders;
- proof of receipt of payment;

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- rebate calculations (if applicable);
- sales invoices;
- dispatch notes (proof of shipping);
- delivery cost analysis.

[Limited – confidential information related to the specific documents used by TSUK in contractual relationships with our customers . This information is not publicly available and not susceptible of summary]

The accuracy of the sales data was assessed by verifying the information submitted against the source documents while taking into account the process information mentioned above.

Findings

TRID sought to check that sales information in TSUK's questionnaire (and corresponding annex) submissions corresponded with the source documentation.

[limited]

D5. Conclusion on verification of sales data

TRID reviewed the sales documents submitted by TSUK. This process has given TRID assurance that it is reasonable to treat the data provided as complete, relevant and accurate.

The table below outlines TRID's calculations of prices per PCN that will be used as an indicative UK market price based on TSUK's sales data. This is calculated at the Ex works (EXW) level and [limited]

[Limited – confidential information related to prices charged by TSUK for each PCN. This information is not publicly available and not susceptible of summary]

SECTION E: Injury and market trends

E1. The current state of the UK industry

The data used in this section of the report comes from the questionnaire response and corresponding injury annex submitted by TSUK. In order to understand the state of the UK industry and likelihood of injury occurring if the measures were no longer applied, we sought to verify the data submitted and met with TSUK to discuss the injury factors and future trends associated with them.

Sales

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Table 1: TSUK domestic sales of the like goods, 2016-2019 and 2020-25 projection
[indexed]

	2016	2017	2018	POI	2020-25 (average)
Domestic sales by volume ('000s MT)					
Index (2016 = 100)	100	96	90	87	
Domestic sales by value (£m)					
Index (2016 = 100)	100	115	116	108	

TSUK stated that some fluctuations are normal depending on demand (based on what projects are running in the building and construction industry) but that the trends seen over the injury period were unusual. TSUK attribute the erosion of sales to increased competition from low-priced imports.

[limited]

Table 2: TSUK export sales of the like goods, 2016-2019 [indexed]

	2016	2017	2018	POI
Export sales by volume ('000s MT)				
Index (2016 = 100)	100	93	82	64
Export sales by value (£m)				
Index (2016 = 100)	100	114	109	88

[limited] This provided reasonable assurance to their explanation.

Profits**Table 3: TSUK profits, 2016-2019** [Limited – confidential information related to TSUK's profits. This information is not publicly available and not susceptible of summary]

	2016	2017	2018	POI
Total profit before tax (EBIT) for whole company (£m)				
Index (2016 = -100)	-100	-61	-143	-122
Profit before tax (EBIT) from like goods (£m)				

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Index (2016 = -100)
Average profit before tax (EBIT) margin of like goods (as a % of revenue)
Index (2016 = -100)

[limited]

As this information is not in the public domain, TRID was not able to verify or disprove against secondary sources.

Productivity

Table 4: TSUK productivity, 2016-2019 [indexed]

	2016	2017	2018	POI
Average output in volume per FTE employee for like goods (kg)				
Index (2016 = 100)	100	101	90	82

[limited] We were not able to verify this against any other documentation but the explanation is in line with normal practices.

Employment

Table 5: TSUK employment, 2016-2019 [indexed]

	2016	2017	2018	POI
Total number of employees (FTE)				
Index (2016 = 100)	100	96	102	100
Number of employees for like goods (FTE)				
Index (2016 = 100)	100	95	102	100

TRID asked whether the change in FTE employees reflected an allocation of labour across products or a change in total labour numbers. [limited]

Wages

Table 6: TSUK wages, 2016-2019 [indexed]

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	2016	2017	2018	POI
Median wage for FTE engaged in activities related to the like goods (£)				
Index (2016 = 100)	100	102	100	103

Wages for employees engaged in activities related to the like goods have remained steady over the injury period.

TRID also checked whether wage increases had reduced over the injury period. [limited]

Inventories

Table 7: TSUK inventories, 2016-2019

	2016	2017	2018	POI
Stocks at year end, total volume ('000s MT)				
Index (2016 = 100)	100	104	147	156
Stocks at year end, total value (£m)				
Index (2016 = 100)	100	120	186	197

[limited]

Utilisation of capacity

Table 8: TSUK utilisation of capacity, 2016-2019 [indexed]

	2016	2017	2018	POI
Production capacity for like goods ('000s MT)				
Index (2016 = 100)	100	93	79	72
Production capacity utilisation for like goods (%)				
Index (2016 = 100)	100	92	86	80

TRID asked how these figures were calculated and TSUK provided further information relating to each machine used to produce the goods. [limited]

After checking through the calculations, TRID is assured that it is reasonable to treat them as accurate.

Investments

Table 9: TSUK investments, 2016-2019 [indexed]

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	2016	2017	2018	POI
Total investments – whole company (£)				
Index (2016 = 100)	100	631	1294	412
Total investments - in relation to like goods (£)				
Index (2016 = 100)	100	895	2232	717

In their questionnaire response, TSUK stated that the highest level of investment had been in the area of [limited]

E2. Other causes of injury

In their questionnaire response, TSUK did not highlight any other factors that might have caused injury. They state the main cause of injury remains the constant pressure of low-priced imports.

When asked about the effects of EU exit, TSUK explained [limited]

As mentioned earlier in this section, TSUK also outlined how demand for the goods can fluctuate depending on what projects are running. [limited]

E3. Conclusion on injury and market trends

TSUK has provided TRID with supporting documentation for factors such as market share, production and capacity utilisation. We were able to verify this information and discuss other factors in meetings with TSUK in order to consider their explanations. After completing this process, TRID is assured that it is reasonable to treat the data provided as complete, relevant and accurate.

SECTION F: Annexes

Annex A1	28 October 2020 Minutes
Annex A2	04 November 2020 Minutes
Annex A3	10 December 2020 Minutes
Annex D1	TSUK complete domestic sales listing
Annex D2	Selected domestic sales transactions for downwards verification