



Trade Remedies
Authority

UK Industry – Verification Report

Case TD0007: Wire Rod exported from the People's Republic of China

| | |
|------------------------------------|---|
| Date: | <input type="text" value="September 2021"/> |
| Company verified: | <input type="text" value="British Steel"/> |
| Verification meeting dates: | <input type="text" value="02 June, 16 June, 19 August 2021"/> |

NOTE: *The views and opinions in this report will be reviewed by the case investigator teams and may not reflect the final decision of the Trade Remedies Authority*

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Section A: Background

A.1 Background

On 05 November 2020, the Trade Remedies Investigation Directorate (TRID), which became the Trade Remedies Authority (TRA) on 01 June 2021, initiated a transition review of measures in relation to bars and rods, hot-rolled, in irregularly wound coils, of iron, non-alloy steel or alloy steel other than of stainless steel originating in the People's Republic of China.

More information about the case can be found on the public file for this investigation:

[Case TD0007 Public File](#)

The Period of Investigation (POI) is 01 April 2019 to 31 March 2020.

British Steel, a domestic producer of the like goods, responded with a completed domestic producer questionnaire. The TRA sought to verify the data submitted, to give us a reasonable level of assurance on the relevance, completeness and accuracy of the data, for the purposes of using it for the Injury Likelihood and EIT assessments.

The Covid-19 pandemic affected TRA's ability to conduct site visits and verify the data on site. All verification activity with British Steel took place remotely.

A.2 Company Verification

British Steel is a basic oxygen steel-making manufacturer, producing circa 3 million tonnes of steel per annum. Jingye Steel (UK) Holding acquired the business and assets of the British Steel group on the 09 March 2020. Prior to this, British Steel was owned by Greybull Capital - after it had acquired the Long Steel Products business from Tata Steel Europe in May 2016. During the POI, British Steel (under Greybull Capital) went into liquidation in May 2019, until the acquisition by Jingye Steel. This information was verified against Company Information provided by Companies House.

A.3 Meeting details

| | |
|----------------------|----------------------------------|
| | |
| Company name: | British Steel Limited |
| Venue: | Remote via MS Teams |
| Visit dates: | 02 June, 16 June, 19 August 2021 |

Throughout the various meetings, these people were in attendance:

| Organisation | Name – Title |
|---------------|-------------------------|
| British Steel | Personal Names Redacted |
| | |
| | |
| | |
| | |
| TRA | Personal Names Redacted |
| | |
| | |
| | |
| | |

02 June 2021 - Annex A1

| Organisation | Name – Title |
|---------------|-------------------------|
| British Steel | Personal Names Redacted |
| | |
| | |
| TRA | Personal Names Redacted |
| | |
| | |
| | |
| | |

16 June 2021 (11:00 – 11:30) - Annex A2

| Organisation | Name – Title |
|---------------|-------------------------|
| British Steel | Personal Names Redacted |
| | |
| | |
| TRA | Personal Names Redacted |
| | |
| | |
| | |

16 June 2021 (14:00 – 15:30) - Annex A3

| Organisation | Name – Title |
|---------------|-------------------------|
| British Steel | Personal Names Redacted |
| | |
| | |
| TRA | Personal Names Redacted |
| | |
| | |

19 August 2021 - Annex A4

| Organisation | Name – Title |
|---------------------|-------------------------|
| British Steel | Personal Names Redacted |
| | |
| | |
| TRA | Personal Names Redacted |
| | |
| | |

The minutes of these meetings were shared with British Steel for agreement. [Minutes redacted as they contain commercially sensitive information which, if shared, may harm British Steel's commercial interests. It is not possible to provide a meaningful summary of the contents of these minutes without revealing sensitive information.]

Section B: The Goods and like Goods

B1. The goods and like goods

B1.1 Definition

The goods subject to review as defined by the Notice of Initiation, are:

Bars and rods, hot-rolled, in irregularly wound coils, of iron, non-alloy steel or alloy steel other than of stainless steel.

B1.2 Relevant Combined Nomenclature codes

The goods are currently classifiable within the following commodity codes (given only for information)

- 7213 10 00
- 7213 20 00
- 7213 91 10
- 7213 91 20
- 7213 91 41
- 7213 91 49
- 7213 91 70
- 7213 91 90
- 7213 99 10
- 7213 99 90
- 7227 10 00
- 7227 20 00
- 7227 90 10
- 7227 90 50
- 7227 90 95

B1.3 Product Control Numbers

The TRA uses Product Control Numbers (PCNs) to define and distinguish the different types of products that fall under the goods described above.

PCNs, which come in the form of an alphanumeric code, help to create a categorisation system so that comparisons can be made between goods produced in the domestic UK market and those produced in overseas markets.

The following table is provided for reference only.

| Category | Sub-category Format | Explanation | Sales data | Cost data |
|-----------------------|---------------------|--|------------|-----------|
| Carbon Content (%) | 1 | Less than 0.25% carbon | Required | Preferred |
| | 2 | 0.25% =< carbon content >= 0.75% | Required | Preferred |
| | 3 | More than 0.75% | Required | Preferred |
| Diameter (mm) | S | Diameter < 14 mm | Required | Required |
| | M | 14 mm =< Diameter >= 25 mm | Required | Required |
| | L | Diameter > 25 mm | Required | Required |
| Speciality | ST | Standard | Required | Required |
| | TC | Tyre Cord | Required | Required |
| | AU | Automotive Spring Steels | Required | Required |
| | IN | Containing indentations, ribs, grooves or other deformations produced during the rolling process | Required | Preferred |
| | BB | Ball-bearing Steel | Required | Preferred |
| | SP | Other speciality not listed above | Required | Preferred |
| Additional Treatments | NO | No additional treatment | Required | Preferred |
| | AN | Annealing | Required | Preferred |
| | CO | Coating | Required | Preferred |
| | AC | Annealing and coating | Required | Preferred |

Example of the product control number:

A rod with 0.25% carbon content, 15 mm diameter, standard and coated will have the following PCN:

2MSTCO

Section C: Information provided by British Steel

British Steel state that their wire rod products are the same as, or have characteristics similar to, the goods subject to review. The TRA has considered this and has reviewed British Steel's domestically produced goods to determine if they are indeed 'like goods'. Like Goods, as defined by the Taxation (Cross-border Trade) Act 2018, Schedule 4, paragraph 7(1) are:

- a) Goods which are like those goods in all respects, or
- b) if there are no such goods, goods which, although not alike in all respects, have characteristics closely resembling those of the goods in question

C1. British Steel Products

The TRA have reviewed British Steel's alignment of the wire rod products within the PCN structure above, and, where possible, compared the goods produced by an additional cooperating UK Producer.

British Steel have advised the TRA, through discussions, that due to the significant number of internal specifications of British Steel's wire rod products, and the nature of the PCN structure, that some assumptions have been made aligning the products within the respective PCN categories. The TRA considers the assumptions made by British Steel as being reasonable.

While specialities within the PCN structure proved inconclusive when mapping the products to British Steels published product brochure material, the TRA is satisfied taking into account the categories that could be aligned, Carbon content and diameter, together with sales documentation provided, that British Steel's wire rod products are the like goods and are appropriately considered in this review.

Due to the absence of Exporter questionnaire responses, a comparison between the UK produced, and People's Republic of China (PRC) produced like goods, has not been possible.

C2. British Steel Production Capability

British Steel's Scunthorpe site, an integrated Steelworks, produces semi-finished and finished goods for the domestic and export markets. All parts of the production process take place at the manufacturing facilities in Scunthorpe. Once the raw material has been converted into Bloom form, it is re-heated and rolled in coil through the Scunthorpe Rod Mill to achieve the final product.

[Production Capacity redacted as if shared with competitors may harm British Steel's commercial interests.]

C3. Conclusion on the Goods

The TRA is satisfied that the Wire Rod products produced by British Steel and reported in the questionnaire response are like goods to the goods subject to review, are wholly produced in the UK, and that there is an existing UK industry. The TRA is also satisfied that British Steel has made reasonable assumptions in assigning the like goods it produces to the correct PCNs, and has made no omissions. The TRA is satisfied that no adjustments are necessary regarding the assignment of PCNs.

Section D: UK Market

D1. Market Size

The wire rod market in the UK relies on both local steel production and overseas imports. Three major UK producers of wire rod have been identified, two of which have been involved with the verification activities of the TRA in this investigation.

British Steel has provided the TRA with an estimation of its own market share with reference to statistical information supplied by the International Steel Statistics Bureau (ISSB). However, the TRA was unable to independently verify these figures or corroborate these against the other submissions it received.

UK Steel, the trade association for the UK steel industry, provided the following information:

| Year | UK WR Production (tonnes) | UK WR Consumption (tonnes) | UK Exports (tonnes) |
|------|---------------------------|----------------------------|---------------------|
| 2016 | 100 | 100 | 100 |
| 2017 | 98 | 99 | 96 |
| 2018 | 103 | 95 | 105 |
| 2019 | 97 | 92 | 101 |
| 2020 | 99 | 75 | 104 |

Source: ISSB 2016 = 100

The referenced 12-month periods do not align with the injury period or the POI being used. However, the production figures do mirror the combined production volumes of the UK producers we have received – this includes non-verified data from one of the producers. As such the TRA has constructed an indicative market share for UK producers of approximately x% (based on consumption of the goods subject to review) in the POI. This indicative market share was further supported when the TRA subsequently collated import figures from UK Trade Info (for both EU and non-EU imports of the like good).

The TRA also constructed indicative market share figures for UK producers for the injury period in the same way. The TRA observed this figure has remained stable and continued to be at a level which reflects a significant portion of total UK consumption (acknowledging that timescales recorded in the above table show figures for calendar years, whereas the injury period and POI is 01 April to 31 March).

Section E: Verification of Domestic Sales Data

E1. Submission of Sales Data

British Steel provided the TRA with a complete sales listing of their domestic sales of the like goods for the POI, together with the sum total value of export sales of the like goods.¹

The listing holds data detailing the following:

- Product type
- Product code
- Product description
- Customer name
- Customer number
- Sales invoice number and date
- Delivery terms
- Payment terms
- Quantity
- Gross invoice value (£ GBP)
- Taxes
- Discounts and rebates
- Other charges
- Net Invoice Value (£ GBP).

At the time of verification, British Steel's financial statements, covering the period from 09 March 2020 to 31 December 2020, are not available as they are due to be filed on Companies House by 07 November 2021. This period covers the first part-year of trading as a new company under Jingye ownership.

There were no financial statements available in respect of the previous British Steel entity, British Steel Limited, covering the period from 01 April 2019 to 08 March 2020, as the company went into liquidation on the 22 May 2019. There were therefore no financial statements available covering the POI.

The TRA observed a walkthrough of British Steel's sales processes conducted from point of order to despatch. In a subsequent meeting, British Steel demonstrated how sales are extracted from a sub-reporting system named Business Objects. This data would subsequently feed into the high-level management accounts, SAP and Hyperian systems.

¹ Note: the TRA did not look to verify the individual export sales. The values provided were considered in more detail for the purposes of injury – please see section G2.

E2. Ordering, Invoice and Delivery Arrangements

The complete sales cycle was demonstrated through walkthrough meetings with British Steel. On 16 June 2021 British Steel demonstrated an active order processed through their relevant systems, and was subsequently further verified with a sampled transaction selected by the TRA from the point of order to despatch, together with the invoice clearing data on SAP. No issues were noted.

E3. Level of Trade and Related Customers

British Steel supply a semi-finished product on an arms-length basis to a sister company, FN Steel BV, based in Alblasterdam, Netherlands.

The TRA is satisfied that these related party sales were outside the scope of this investigation, on the basis that the goods were a semi-finished product, not a like good, in addition to being overseas sales, concluding that a breakdown of this sales data was not required. No sales transactions provided have been excluded.

E4. Verification of Sales Data

The TRA assessed the completeness, relevance, and accuracy of British Steel's sales data.

The TRA checked the completeness of the sales data by verifying this against British Steel's trial balance and management accounts. There were no Annual Reports submitted on Companies House for the TRA to compare the submitted data with. It also reconciled the domestic sales listing against a representative set of transactions, and their source documentation.

E4.1 Upwards Verification

Reports for the previous British Steel entity were available, covering the fiscal years (April to March), for 2016, 2017 and 2018. A draft report for 2019 was submitted to the TRA. The next published accounts to be submitted will cover the period 09 March 2020 to 02 January 2021, covering the 'part-year' period of trading as a new company under Jingye ownership.

British Steel advised the POI was a broken reporting year due to trading through liquidation, with the acquisition by Jingye resulting in the formation of a new company. This resulted in 11 months of data being submitted in relation to all goods produced and sold by British Steel, while 12 months of data was submitted for the like goods.

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

- Calculating 12 months revenue in respect of all goods produced by British Steel for the POI as per the trial balance, compared to the same figures reported by British Steel as per their questionnaire response.
- Confirming the sum of the 12 months transaction by transaction figures of the like goods, for domestic sales, and the total export sales figures against the equivalent figures reported in upwards sales reconciliation (included in the questionnaire annex).
- Comparing the Management Account figures for 11 months YTD against the All Goods sales data.
- Comparing the Management Account figures against the SAP Trial Balance data.

The TRA was provided a high-level walkthrough of the sales accounting systems by British Steel. British Steel provided the Hyperion management accounts and workings showing how these reconciled to SAP. The TRA was able to reconcile the sales in respect of all goods as per SAP to the sales as reported by British Steel to the TRA in the annex.

Sales of the like goods were recorded in a subset system of the Mainframe, named 'Business Objects', through which sales and costs related to the Like Goods could be extracted. The TRA was able to reconcile sales in respect of the like good as reported in the annex to sales reported in Business Objects.

E4.2 Downwards Verification

British Steel initially provided the TRA evidence of two sales transactions with supporting documentation, from point of order to despatch, as part of the Questionnaire submission. British Steel subsequently provided documentation for four further transactions, consisting of the Order, Invoice and Test Certificate, as supporting evidence related to PCN classification. The TRA then selected a further 9 sample transactions and required British Steel to provide a complete set of sales documents, consisting of:

- Copy Purchase Orders
- Copy Invoices
- Proof of Dispatch
- Transportation documents
- Proof of payment receipt including the relevant accounts receivable ledger extract and the relevant bank account statement extract or notification.

During the verification meeting dated 19 August 2021, the TRA observed British Steel providing the following evidence relating to one of the sales transactions:

- Purchase Order
- Invoice
- Despatch Note
- Payment Clearing Info from SAP

British Steel subsequently provided supporting documentation for the eight remaining selected transactions.

The accuracy of the sales data was assessed by verifying the information submitted against the source documents, while taking into account the processes observed during the verification meetings of 16 June 2021 and 19 August 2021.

E5. Findings

The TRA found all supporting documentation aligned with the domestic sales data submitted. The TRA observed a variance in prices of relevant PCNs, with British Steel explaining these would be due to competitive market prices changing during the period, the grade of the relevant PCN, and the individual customer negotiations.

Conclusion

The TRA reviewed the sales documents submitted by British Steel, taking into consideration the explanations and observations during the verification meetings.

The TRA has a reasonable level of assurance that the sales data provided by British Steel can be considered as complete, relevant and accurate, for the purpose of its use in the injury likelihood assessment.

Section F: Verification of Cost to Make and Sell (CTMS)

The TRA is required to assess the completeness, relevance, and accuracy of the cost data.

The TRA verified the completeness and relevance of the data by verifying the cost data 'upwards' against the trial balance and management reports (no financial statements were available). This ensured that the TRA was in possession of the full dataset required for our investigation and that the data therein related to the business in question.

The TRA requested the raw materials ledger extract consisting of balances relevant to all goods, but this could not be provided. The TRA was therefore unable to obtain sufficient evidence to be able to perform further downwards verification, which consists of testing a sample of individual transactions, and which ascertains the accuracy of the data.

F1. Upwards verification

Following enquiries with management, the TRA was provided with a high-level walkthrough of the cost accounting systems. British Steel explained each stage of the costing cycle from point of purchase, but the TRA was unable to observe a walkthrough of a sampled raw materials transaction.

British Steel provided the TRA with both an 11-month and 12-month Trial Balance (TB), to which the TRA could align the total costs against the data submitted in relation to costs of all goods. The TRA sought to reconcile the costs in respect of all goods as per SAP to the costs as reported by British Steel to TRA [Redacted, as any financial data is commercially sensitive and if shared with competitors may harm British Steel's commercial interests.]

The TRA was able to reconcile costs in respect of the like good as reported in the annex to costs reported in Business Objects.

F2. Conclusion of verification of Cost to Make and Sell data

The TRA have therefore only been able to take limited assurance from the work that we have done on the costs and costs adjustments processes. Any use of this data in the investigation, including for the purposes of GVA calculations in the EIT assessment, will be on that basis. This is reflecting that our wider verification activities in relation to British Steel's submission have not given rise to concerns about the data produced by the company's accounting systems in general.

Section G: Injury

The data used in this section of the report comes from the questionnaire response and corresponding injury annex submitted by British Steel.

British Steel advised they are the main producers for Differentiated Wire Rod within the UK. The Basic Oxygen Furnace manufacturing allows for high-end products being used in safety-critical applications, with the electric-arc furnace route of production not being accepted in some industries. British Steel manufacture to fill order demand.

British Steel presented data for its domestic sales volumes for each of the 12-month periods of the injury period (1 April 2016 – 31 March 2019) and the POI (1 April 2019 – 31 March 2020). [Redacted as if shared with competitors may harm British Steel's commercial interests.]

G1. Domestic Sales Volume Like Goods

| | 2017 | 2018 | 2019 | POI |
|---|----------|----------|----------|----------|
| Domestic Sales by volume ('000s MT) | Redacted | Redacted | Redacted | Redacted |
| Domestic Sales by volume ('000s MT) Index (2017 = 100) | Redacted | Redacted | Redacted | Redacted |

British Steel advise their sales are dependent upon market conditions. One of the sectors British Steel manufactures for - the automotive industry - saw a substantial decline during the POI. The fall in production over the POI additionally coincided with British Steel trading through liquidation. The TRA analysed wider industry-level data, which indicated falling consumption, and which are consistent with the company-level falling trend in domestic sales volume. The TRA is therefore satisfied the explanation provided by British Steel is reasonable.

G2. Export Sales Volume Like Goods

| Table 3: British Steel submitted Export sales volume of the like goods | | | | |
|--|----------|----------|----------|----------|
| | 2017 | 2018 | 2019 | POI |
| Export Sales by volume ('000s MT) | Redacted | Redacted | Redacted | Redacted |
| Export Sales by volume ('000s MT) Index (2017 = 100) | Redacted | Redacted | Redacted | Redacted |

[Table redacted as if shared with competitors may harm British Steel's commercial interests.]

As well as the automotive market going through a significant downturn, British Steel's Wire Rod products also feed into bedding and seating, construction, engineering and consumer goods via wire drawers and component manufacturers. British Steel assert that while these sectors have witnessed a recent downturn due to the pandemic, the market activities and levels of competition clearly are a factor, while different customer agreements and duration also impact the sales volumes. [Production specifics redacted as if shared with competitors may harm British Steel's commercial interests.] The fall in production over the POI, as per the domestic sales, occurred while British Steel traded through liquidation, prior to the Jingye acquisition on 09 March 2020. Based on the secondary research the TRA has undertaken, the TRA is satisfied that the data can be treated as reasonable.

G3. Market Share

| Table 4: British Steel submitted UK Market Share of the like goods | | | | |
|--|----------|----------|----------|----------|
| | 2017 | 2018 | 2019 | POI |
| Market Share data ex ISSB | Redacted | Redacted | Redacted | Redacted |

[Market share redacted as if shared with competitors may harm British Steel's commercial interests.]

The market share data provided by British Steel represent the claimed percentage of the Like Goods domestic market sales. The TRA understand that British Steel have based this on wire rod drawing demand data from ISSB and some internal assumptions in respect of the businesses of other UK Producers. However, the TRA has been unable to verify these figures against any supporting documentation.

G4. Production Volume All Goods

| | 2017 | 2018 | 2019 | POI |
|--|----------|----------|----------|----------|
| Overall Production Volume ('000s MT) | Redacted | Redacted | Redacted | Redacted |
| Overall Production Volume ('000s MT) Index (2017 = 100) | Redacted | Redacted | Redacted | Redacted |

[Production data (table and commentary) redacted as if shared with competitors may harm British Steel's commercial interests.]

The volume of goods produced is calculated based on the products dimensions, which are recorded before they leave the site. The TRA observed this based on the like Goods. Although the TRA did not observe the process related to all goods, the explanation for the recording of volume is in line with normal practices. The fall in production over the POI additionally coincided with British Steel trading through liquidation.

The TRA is satisfied that the data can be treated as reasonable.

G5. Capacity and Capacity Utilisation of the Like Goods

| | 2017 | 2018 | 2019 | POI |
|--------------------------------------|----------|----------|----------|----------|
| Overall Production Capacity (tonnes) | Redacted | Redacted | Redacted | Redacted |
| Capacity Utilisation | Redacted | Redacted | Redacted | Redacted |

The unchanged capacity level [Production/utilisation data redacted as if shared with competitors may harm British Steel's commercial interests.] is calculated based on; shift levels, availability and expected speed of work for a full product mix (not exclusive to Wire Rod). The basis of maximum production capacity additionally includes; size-changes and the rate of speed that the machines can roll at. The capacity utilisation aligns with the overall production volume, with the decrease during the POI occurring during British Steel's period of trading through liquidation. After verifying the production volume for the POI to Business Objects, the TRA is satisfied that the data can be treated as reasonable.

G6. Inventory

| | 2017 | 2018 | 2019 | POI |
|--|----------|----------|----------|----------|
| Wire Rod Inventory Volume ('000s MT) | Redacted | Redacted | Redacted | Redacted |
| Wire Rod Inventory Volume ('000s MT) Index (2017 = 100) | Redacted | Redacted | Redacted | Redacted |

[Inventory data redacted as if shared with competitors may harm British Steel's commercial interests.]

Goods are made to order but the TRA was unable to extrapolate specific correlations between inventory, production and sales. The inventory movements relate to year-on-year movements in semi and finished stocks. As a result, while the inventories reduced, the value of the stock has, in 2018 and the POI, risen in comparison to the stock volumes.

The TRA sought to further verify the year end inventory value and volume figures for the POI but was unable to obtain the relevant evidence. Consequently, the TRA is unable to place reliance on the data submitted.

G7. Sales Value and Average Selling Price

| Table 8: British Steel submitted sales values of the like goods | | | | |
|---|----------|----------|----------|----------|
| | 2017 | 2018 | 2019 | POI |
| Domestic sales by value (£) | Redacted | Redacted | Redacted | Redacted |
| Domestic sales by value (£) Index (2017 = 100) | Redacted | Redacted | Redacted | Redacted |
| Export sales by value (£) | Redacted | Redacted | Redacted | Redacted |
| Export sales by value (£) Index (2017 = 100) | Redacted | Redacted | Redacted | Redacted |

[Sales data redacted as if shared with competitors may harm British Steel's commercial interests.]

The trends align with UK Trade Info data², showing the quantity and value of Goods Imported into the UK. British Steel's pricing is dependent upon the demand and supply balance, taking into account a global perspective on pricing and product differentiation, culminating in a broad pricing model that is primarily market driven.

These average price trends again align with UK Trade Info data, showing an increase in average value throughout the IP, up until the POI, at which point it declines. Based on the secondary research the TRA has undertaken, the TRA is satisfied that the data can be treated as reasonable.

² <https://www.uktradeinfo.com/>

| Table 9: Weighted Average selling prices of the like goods | | | | |
|---|----------|----------|----------|----------|
| | 2017 | 2018 | 2019 | POI |
| Average Domestic Unit Selling Price (£) | Redacted | Redacted | Redacted | Redacted |
| Average Domestic Unit Selling Price (£) Index (2017 = 100) | Redacted | Redacted | Redacted | Redacted |
| Average Export Unit Selling Price (£) | Redacted | Redacted | Redacted | Redacted |
| Average Export Unit Selling Price (£) Index (2017 = 100) | Redacted | Redacted | Redacted | Redacted |

[Selling prices have been redacted as if shared with competitors may harm British Steel's commercial interests.]

G8. Profitability

The profitability of sales as a percentage of the sales turnover, was calculated by taking the cashflow figure for the Like Goods and dividing it against the Turnover for All Goods.

The Net Operating Profit After Tax (NOPAT) of the Like Goods, was calculated by taking the cashflow figure for the Like Goods and dividing it against the Turnover for the Like Goods only.

Therefore, the sales package British Steel offers is an agreed price for the period/agreed volume, and is dependent on market conditions and levels of competition. British Steel advised that the ongoing increased levels of costs related to raw materials, utilities costs and other fixed costs associated with an integrated steel plant vs. the accepted market levels for finished products remains out of balance as the sector continues to face ongoing financial difficulties.

The TRA undertook secondary research, which confirmed the rising raw material costs during the injury period, and which was therefore consistent with British's Steel's explanation. The TRA is therefore satisfied that British's Steel's explanation is reasonable.

| Table 10: British Steel's like goods sales profitability as a percentage of all goods, and like goods turnovers | | | | |
|---|----------|----------|----------|----------|
| | 2017 | 2018 | 2019 | POI |
| Profitability of sales (% of all goods sales turnover) | Redacted | Redacted | Redacted | Redacted |
| Profitability of like goods only turnover (%) | Redacted | Redacted | Redacted | Redacted |

[Profitability as a percentage of all goods and like goods has been redacted as if shared with competitors may harm British Steel's commercial interests.]

G9. Cashflow

| Table 11: British Steel submitted cashflow for the like goods | | | | |
|---|----------|----------|----------|----------|
| | 2017 | 2018 | 2019 | POI |
| Cashflow for the like goods | Redacted | Redacted | Redacted | Redacted |

[Cashflow data has been redacted as if shared with competitors may harm British Steel's commercial interests.]

G10. Investments

British Steel advised they have not had any investment primarily into Wire Rod during the wider IP. Jingye Steel has committed £1.2bn of investment in British Steel over the coming years, however this investment is dependent on conditions being met, ensuring it is viable from a business perspective. The TRA has been unable to verify this potential investment further.

G11. Employment and Wages

| Table 12: British Steel submitted employment numbers and wages | | | | |
|--|----------|----------|----------|----------|
| | 2017 | 2018 | 2019 | POI |
| Number of *FTE Employees for Like Good | Redacted | Redacted | Redacted | Redacted |
| Number of FTE Employees for Like Good Index (2017 = 100) | Redacted | Redacted | Redacted | Redacted |
| Number of FTE Employees at **SRM | Redacted | Redacted | Redacted | Redacted |
| Number of FTE Employees at SRM Index (2017 = 100) | Redacted | Redacted | Redacted | Redacted |
| Mean Annual Wage for FTE (SRM) | Redacted | Redacted | Redacted | Redacted |
| Mean Annual Wage for FTE (SRM) Index (2017 = 100) | Redacted | Redacted | Redacted | Redacted |

*FTE = Full Time Equivalent

**SRM = Scunthorpe Rod Mill

***N/A = British Steel did not have any data available for this period, due to a previous change of company ownership and access to system confidential data

[Employment data has been redacted as if shared with competitors may harm British Steel's commercial interests.]

Employment figures for the Like Good included those who work at the 'Heavy End' of the production cycle, where the raw materials are converted into the Bloom, which is then processed into Wire Rod and the Rod Mill, while the SRM is solely those at the Scunthorpe Rod Mill.³

The employment figures were provided by British Steel's HR Director, with the HR database collating all employees categorised by area. The TRA was unable to

³ To note: the Heavy End production includes conversion of raw materials to Bloom, Slab and Billet for use by all British Steel rolling mills, and for external semi sales where applicable; therefore heavy end employees cannot be attributed to SRM only.

observe this database, therefore can only take limited assurance on the validity of these figures.

British Steel explained the changes in average salary are primarily due to the turnover of staff.

The TRA is satisfied that British Steel's explanation is reasonable.

G12. Conclusion on injury and market trends

The TRA has a reasonable level of assurance that the data provided by British Steel, with the exception of market share and inventory, can be considered as complete, relevant and accurate, for the purposes of the likelihood of injury assessment for which the data is going to be used by the TRA.

Section H: Economic Interest Test

Under Reg 100A(2)(a) of The Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019, if we make a recommendation to vary the application of the anti-dumping amount we must be satisfied that this variation meets the Economic Interest Test, meaning that imposing the proposed measure is in the economic interest of the UK.

The economic factors to consider include the following:

- injury caused by importation of dumped goods, including the benefits to that UK industry in removing that injury
- economic significance of affected industries and consumers in the UK
- likely impact on affected industries and consumers in the UK
- likely impact on particular geographic areas, or particular groups, in the UK
- likely consequences for the competitive environment and for the structure of markets for goods in the UK
- other matters the TRA considers relevant

Note: *under the Taxation (Cross-border Trade) Act 2018 there is a presumption that the economic interest test is met unless the TRA is satisfied that the application of a remedy is not in the economic interest of the UK.*⁴

Trade remedy measures are likely to have an impact on a range of economic actors, including firms in the domestic industry, firms in the supply chains, importers and final consumers. As part of the verification visit, the verification team sought to identify the following stakeholders based in the UK:

- Firms that manufacture and sell goods subject to review and the like goods
- Downstream users of product under investigation and the like goods⁵

To gather information on possible economic impact of trade remedy measures on British Steel, the verification team investigated the following data:

- UK producers of the like good;
- location of sites;
- structure of the supply chain;
- employment;
- median wage;
- market share;
- relative significance of the relevant product to the company; and
- value of exports and exports share.

⁴ Taxation (Cross Border Trade) Act 2018, Sch. 4 Para 25(3)

⁵ Regarding the downstream users, TRA reached out to these, receiving responses from two of them. However, we were unable to verify downstream suppliers beyond confirming their existence through secondary sources and Companies House.

H1. Identification of stakeholders

UK Producers of the like goods & location of sites

The UK Industry comprises of three Production Companies in relation to Wire Rod. These consisted of:

- British Steel – Brigg Road, Scunthorpe, North Lincolnshire, DN16 1XA
- Celsa Steel - (Celsa Steel (UK) Ltd, Building 58, Castle Works, East Moors Road, Cardiff, CF24 5NN
- Liberty Steel - 'Liberty Speciality Steels – Rotherham Steel & Bar' PO Box 50, Aldwarke Lane, Rotherham, S60 1DW

Regarding the two additional producers to British Steel above, British Steel referred to them as *“One other as being a main supplier of drawing quality wire rod within the domestic market in addition to a second manufacturer where there is a marginal overlap with British Steel Wire Rod product sizes.”*

The TRA was able to identify both of these producers and their respective locations, identified through web-based research and through Companies House, together with confirming the intention to sell Wire Rod products through their respective websites.

H2. Structure of the Supply Chain

The supply chain as advised by British Steel is as follows:

- Raw Materials are purchased (generally from overseas, arriving via the docks on the Humber estuary), consisting primarily of Iron Ore, Coking Coal, Scrap and Electrodes. These are transported to the integrated Scunthorpe site.
- Raw materials are prepared in Coke ovens and Ore prep Plant in Scunthorpe.
- The Coke and Sinter produced are then added, together with Lump Ore, Pellets and Limestone, into the Blast Furnace (BOS), a process that produces liquid steel, cast molten steel into semi for final rolling.
- Scunthorpe Rod Mill rolls semi bloom and billet to Wire Rod.
- Finished Products are stocked/despached to customers.

The TRA have identified the raw material suppliers provided by British Steel, who are based globally. Although not verified, sufficient reliance can be placed on these companies with research indicating they are producers of mining materials, and suppliers to the Steel industry.

There is no vertical integration at British Steel regarding the production of Wire Rod products, with all parts of the production process taking place 24 hours a day and 7 days a week at the Integrated Site in Scunthorpe.

Regarding sales, aside from semi-finished goods being sold at arms-length to British Steel's sister company, FNSteel BV, based in The Netherlands, there was no indication of related party transactions or captive sales to companies within the UK.

H3. Relative significance of the relevant product to the company

Overall, British Steel state the current operating model has the capacity to produce 2.8mt of steel. This value of 2.8mt is referenced in the previous entities published Annual reports of 2017 and 2018.

[Production as a percentage of total business output has been redacted as if shared with competitors may harm British Steel's commercial interests.]

The TRA can take assurance from these figures, having observed the Like Goods volume for the POI, while the capacity of 2.8mt of steel has passed previous audit checks as per the Annual Reports on Companies House.

H4. Value of Exports and Exports Share

The total sales figure is derived from their All Goods cost of production, consisting of Direct and Indirect costs. It does not take into account AS&G costs. In addition, this is only representative of 11 months of data, while the Like Goods data has been made up of the full 12 months POI data.

The table below shows the Total Costs of Production (COP) (excluding AS&G) for Domestic and Export sales of the Like Goods, as reported by British Steel, together with an adjustment made by the TRA of adding the additional extra month onto the Total Costs of Production.

| Table 13: Total Costs of Production (excl. AS&G) | | |
|--|---------------|---------------|
| | 11 Months YTD | 12 months POI |
| COP Total Value of All Goods Sales | Redacted | Redacted |

*11 months data divided by 11 and multiplied by 12 to make 12 months of data

[Total cost of production has been redacted as if shared with competitors may harm British Steel's commercial interests.]

Table 14: Costs of production for like goods compared to total costs of production for British Steel.

| | Value during POI | Value as a percentage of total costs of production (11 Months YTD) | Value as a percentage of total costs of production (Estimated 12 Months POI) (adjustment made by the TRA) |
|--|------------------|--|---|
| Costs of production for domestic sales of like goods | Redacted | Redacted | Redacted |
| Costs of production for export sales of the like goods | Redacted | Redacted | Redacted |
| Total costs of production for the like goods | Redacted | Redacted | Redacted |

[Total cost of production has been redacted as if shared with competitors may harm British Steel's commercial interests.]

Only limited assurance can be taken on the costs data, however greater assurance can be placed on the sales data, whereby the TRA have greater reliance on the 12 months of revenue data supplied.

Table 15: Sales of like goods compared to total sales for British Steel

| | Value during POI | Sales value as a percentage of total revenue |
|------------------------------------|------------------|--|
| Total Domestic Sales of Like Goods | Redacted | Redacted |
| Total Export Sales of Like Goods | Redacted | Redacted |
| Total Sales of Like Goods | Redacted | Redacted |

[Sales of like goods compared to total sales data has been redacted as if shared with competitors may harm British Steel's commercial interests.]

H5. Other evidence provided

In their questionnaire response, British Steel provided statements relating to the following areas:

- Consumer characteristics;
- Impact of any potential remedy on domestic industry (including domestic producers, upstream and downstream industries) and consumers;
- Impact on competitive environment;
- Other relevant factors.

No evidence was provided to underpin these statements but the TRA recognise given British Steel's position in the market, it is reasonable to assume that they have answered from their understanding/knowledge of the market. It is also important to note that the claims made by British Steel reflect their position in favour of the measure being continued. These areas are subjective so it is not possible to verify that they are correct.