



Trade Remedies  
Authority

## UK Industry – Verification Report

### TD0011: Certain cold rolled flat steel products originating in the People’s Republic of China and the Russian Federation

<b>Date:</b>	<input type="text" value="1 December 2021"/>
<b>Company verified:</b>	<input type="text" value="Tata Steel UK Ltd (TSUK)"/>
<b>Verification meeting dates:</b>	<input type="text" value="11–12 October 2021"/>

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# 1. Introduction

On 29 April 2021, the Trade Remedies Authority initiated a transition review of anti-dumping duties on certain cold rolled flat steel products originating in the People’s Republic of China and the Russian Federation. More information about the case can be found on the public file for this investigation:

[Case TD0011 Public File](#)

The Period of Investigation (POI) lasted from 1 April 2020 to 31 March 2021.

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

Verification activities took place in person at TSUK’s steelworks site in Port Talbot; a remote financial system walkthrough was conducted on 30 September 2021 prior to the verification visit.

## 1.1 Meeting details

<b>Company name:</b>	Tata Steel UK Ltd
<b>Venue:</b>	Port Talbot, SA13 2NG
<b>Meeting dates:</b>	11–12 October 2021

The following attended from TSUK and the TRA:

Organisation	Name – Title
TSUK	[Limited] <sup>1</sup>
TRA	Lead Investigator
	Verification Advisor
	Investigator
	Investigator

<sup>1</sup> 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 Authority on a confidential basis.

## **2. Verification**

### **2.1 Company information and associations**

In the questionnaire response, TSUK provided details of the organisation's ownership and structure, the products produced and information regarding its accounting system. We performed research into the general setup, ownership, products and associated companies for TSUK using Companies House and TSUK's website. The information provided by TSUK in the questionnaire for these areas was fully consistent with research performed.

During a walkthrough of TSUK's accounting system, we reviewed the entry of costs and sales into TSUK's accounting system. Additionally, TSUK provided us with an explanation of the integration between its various systems. [Non-confidential summary: TSUK operates several executions systems, including a separate payroll system] During verification, we asked TSUK to provide us with payroll details from a single month during the POI and evidence of the controls in place. We reviewed the information demonstrated and found that there was evidence that there are controls in place to ensure the integrity of the payroll data in TSUK's systems.

During the system walkthrough, we took screenshots and recorded these in an annotated record of the systems observed. We requested and received demonstrations of the audit trail generated when changes are made in the accounting system, the system controls and the generation of reports from the system, which were used to extract the data entered by TSUK into the questionnaire response.

We have a reasonable level of assurance that the information relating to company information and associations that we have been provided by the interested party is verifiable and verified. It can therefore be treated as complete, relevant and accurate, and can be used in this transition review.

### **2.2 Product knowledge**

We conducted research into the like goods produced by TSUK using its website, and the answers provided in TSUK's questionnaire response were consistent with the information identified.

During a walkthrough of TSUK's systems, TSUK provided us with a summary of the internal coding system used for its products, alongside screenshots from its internal systems showing the transfer of internal identifiers as products transfer between production stages. During on-site verification, we observed identification details being applied to intermediate products and TSUK demonstrated the methods used to identify data related to the like goods in its accounting systems. Upon request, TSUK

demonstrated how the report generated from its accounting system was used to assign PCNs to the like goods and provided a walkthrough demonstration of the method used to assign PCNs.

We have a reasonable level of assurance that the information relating to products that we have been provided by the interested party is verifiable and verified. It can therefore be treated as complete, relevant and accurate, and can be used in this transition review.

## **2.3 Verification of sales data**

### **2.3.1 Upwards sales verification**

We performed upwards verification on the sales data, wherein we checked whether the sales reported in TSUK's submission were consistent with figures in the published audited accounts.

The POI for the present transition review aligned fully with the financial year in TSUK's audited accounts. We reconciled the revenue figure provided by TSUK in the questionnaire response for all goods against the total turnover figure obtained from TSUK's audited accounts. Allowing for the rounding included in the audited financial accounts, these figures matched exactly.

We asked TSUK to explain and demonstrate the method used to identify the sales revenue for the like goods, as reported in the questionnaire response. This data had been retrieved using reports generated in TSUK's accounting system. We requested a demonstration of the extraction of such reports and observed how the sales data were filtered to identify the like goods and to distinguish between domestic and export sales. To verify this further, we reviewed the turnover for the like goods over the injury period; the like goods represented a consistent proportion of TSUK's total turnover (which was confirmed from TSUK's audited accounts) for this period, providing us with reasonable assurance that the turnover for the like goods reported was representative of TSUK's sales during this period.

We have a reasonable level of assurance that the information relating to the upwards sales verification that we have been provided by the interested party is verifiable and verified. It can therefore be treated as complete, relevant and accurate, and can be used in this transition review.

### **2.3.2 Associated party transactions**

We received a copy of TSUK's transfer pricing policy as an appendix to the questionnaire response. It indicated that transactions to associated parties were made on an arms-length basis [Non-confidential summary: details of the transfer

pricing policy]. We calculated and compared the unit price (£/mt) for independent and associated party sales in the transaction-by-transaction data; we did this using PCNs that had a high total volume of transactions and had a relatively even split of sales between independent and associated transactions. [Limited. Statement of reasons: This information is commercially sensitive and cannot be summarised in a non-confidential format. Disclosure of this information in any format may give TSUK's rivals unfair competitive advantage and/or result in significant financial losses for TSUK] (Table 1 – limited).

In our review of the transaction prices to independent and associated customers, we considered that the differences in prices we observed were entirely consistent with TSUK's reported policy. [Non-confidential summary: Transactions to associated parties were not included in likelihood assessment due to a possible impact of the transfer pricing policy on the indicative UK market price (described below [2.3.5])]

We have a reasonable level of assurance that the information relating to associated party transactions that we have been provided by the interested party is verifiable and verified. It can therefore be treated as complete, relevant and accurate, and can be used in this transition review.

### **2.3.3 Downward sales verification**

We performed downwards verification on the sales data, wherein we checked whether the transaction-level data in the TSUK's submission was consistent with source documentation for a sample of transactions. We selected 26 transactions (21 to independent parties and five to associated parties) for downwards verification against source documents produced in relation to the transactions.

We requested and received the following documents for each transaction:

- Contract / Sales Agreement
- Sales Order
- Invoice
- Proof of Payment
- Proof of Delivery
- Transport Cost breakdown

We examined the documents for the transactions selected. Generally, the details in the documents matched those in the transaction-by-transaction annex. Where there did appear to be discrepancies, we queried these with TSUK. The items we raised with TSUK were related to the net invoice value and freight costs stated in the transaction listing, the PCNs assigned in several of the transactions selected for

verification, and the consistency of the quantities of the like goods between sales orders and invoices.

We sought to verify the net invoice value, the freight costs reported in the questionnaire response annex, and the freight revenue included on the invoices provided by TSUK. We requested further documentation related to delivery costs for several transactions, including delivery notes, invoices and accounting system extracts. [Limited. Statement of reasons: This information is commercially sensitive and cannot be summarised in a non-confidential format. Disclosure of this information in any format may give TSUK's rivals unfair competitive advantage and/or result in significant financial losses for TSUK] With the additional documentation requested, we were able to reconcile the freight costs included in the questionnaire annex against the freight costs incurred by TSUK when shipping goods for the selected transactions; the delivery details in the annex for the selected transactions mirrored the details recorded in the delivery notes, invoices and TSUK's accounting system exactly.

[Limited. Statement of reasons: This information is commercially sensitive and cannot be summarised in a non-confidential format. Disclosure of this information in any format may give TSUK's rivals unfair competitive advantage and/or result in significant financial losses for TSUK]When calculating the indicative price (described below [2.3.5]), the invoiced freight revenue was considered part of the total commercial transaction price.

In response to our request for clarification of the assignment of PCNs for a number of transactions in the selection, TSUK explained that where a like good did not fit the PCN scheme completely, a best-fit match had been made. TSUK provided evidence of the internal communications that had taken place when assigning these PCNs and of the number of steel grades that were related to this line of inquiry. The steel grades identified in the transaction selection in this way were compared against PCNs purchased by other customers from similar sectors. We concluded that the methodology for assigning models to PCNs was appropriate based on this comparison.

[Non confidential summary: The quantities specified on sales orders did not completely match the quantities of the like goods included on customer invoices. TSUK provided clarification of the interlink between the two]We considered that the explanation provided was reasonable and this was not verified further.

We have a reasonable level of assurance that the information relating to the downwards sales verification that we have been provided by the interested party is verifiable and verified. It can therefore be treated as complete, relevant and accurate, and can be used in this transition review.

### **2.3.4 Price reductions**

In the questionnaire, we requested an explanation of TSUK's policies regarding any discounts or rebates offered to customers. We verified the response against TSUK's stated policies in its audited financial statements and reviewed TSUK's income statement and trial balance for related account codes. This verification provided assurance that the transaction-by-transaction data reflected TSUK's policies on discounts and rebates.

To verify the rebate information provided in the annexes, we requested an explanation of how rebates are managed within TSUK's accounting systems. In response, TSUK provided us with an explanation of how rebates are configured on its accounting system [Limited. Statement of reasons: This information is commercially sensitive and cannot be summarised in a non-confidential format. Disclosure of this information in any format may give TSUK's rivals unfair competitive advantage and/or result in significant financial losses for TSUK] This explanation was considered reasonable and was not verified further.

We asked for details of a rebate agreement with one of TSUK's customers and evidence of the payment of this rebate. TSUK provided us with the requested documents and we compared these with the information provided in the transaction-by-transaction listing. The volume of sales of the like goods during the POI and the rebate value provided for each transaction were consistent with the rebate agreement we reviewed. Owing to the scope of the rebate agreement, which was based on sales of [Non-confidential summary: several categories of goods], we did not verify the details of the rebate further.

We have a reasonable level of assurance that the information relating to price reductions that we have been provided by the interested party is verifiable and verified. It can therefore be treated as complete, relevant and accurate, and can be used in this transition review.

### **2.3.5 Indicative UK market price**

Based on the outcome of the verification performed on associated parties' transactions (described above [2.3.2]), we calculated the indicative UK market price. We calculated this as the total net invoice less discounts, rebates and freight costs for all independent transactions, divided by the total invoice volume for independent transactions (Table 2).



## **2.4 Injury assessment factors and economic interest test**

We asked TSUK to demonstrate how the figures provided for injury factors were calculated and to provide copies of the relevant documentation supporting these calculations. The injury factors we examined were TSUK's turnover, profitability, capacity, utilisation and output, employment and payroll, investments, captive usage/sales, market share, and stocks.

TSUK informed us that owing to the interconnected nature of the business, [Non-confidential summary: and other distinct characteristics of TSUK's business management], it was not possible to provide us with the information requested for some of the injury factors (investments related to the like goods and stocks related to the like goods). Additionally, some factors were reported in a form that differed from that requested in the questionnaire (employment and payroll). We acknowledged this and verification was conducted on this basis.

Details of our verification of the figures provided by TSUK for the injury factors are outlined below.

### **2.4.1 Turnover and profitability**

We verified the complete turnover figures provided for TSUK against its audited financial accounts (described above for Upwards Sales Verification [2.3.1]). TSUK provided us with a demonstration of the extraction of data from its accounting system and how this was filtered to identify turnover for the like goods and for all other goods. To gain further assurance, we examined the proportion of TSUK's total turnover accounted for by the like goods; this remained relatively consistent across the injury period. The changes in turnover described by TSUK during the injury period were consistent with those observed in the data submitted (Figure 1).

Regarding profitability, TSUK reported that these figures had been calculated by subtracting the cost to make and sell from the turnover for the like goods. We verified TSUK's reported total cost to make and sell against TSUK's audited financial statements and found that these were consistent.

We have a reasonable level of assurance that the information relating to turnover and profitability that we have been provided by the interested party is verifiable and verified. It can therefore be treated as complete, relevant and accurate, and can be used in this transition review.

### **2.4.2 Turnover and sales price for the like goods**

Based on our verification described previously, we gained a reasonable level of assurance that the turnover figures for domestic sales of the like goods during the

injury period are representative of TSUK's sales. We calculated sales prices (£/mt) using the total sales value and the total volume of sales for the like goods for each year in the injury period. Trends observed in the total sales figures (Figure 2) and sales prices (Figure 3) for the injury period were in line with those described by TSUK in the questionnaire response.

We have a reasonable level of assurance that the information relating to the turnover and sales price for the like goods that we have been provided by the interested party is verifiable and verified. It can therefore be treated as complete, relevant and accurate, and can be used in this transition review.

### **2.4.3 Production output and capacity utilisation**

TSUK's capacity to produce the like goods was calculated across a number of plants. The capacity for producing the like goods was based on the nameplate capacity and the record output for lines involved in the production of the like goods. Record output was used where lines had been modified over a number of years and so did not have a nameplate capacity that reflected their potential output at the time of verification.

TSUK's questionnaire response included production and capacity figures for [Non-confidential summary: several facilities. Based on our discussions with TSUK regarding the use of one of the plants for the production of the like goods, we agreed that this plant would not be included in the capacity and production figures. This was because, although there are cold-rolling facilities at the plant in question, these are used to produce an intermediate product. TSUK reported that, even if a period of extreme demand for the like goods occurred, extra capacity at TSUK's other facilities would be used to produce the like goods ahead of the plant in question. Consequently, we considered that there was a low probability of the production of goods at the plant in question outside the scope of the present review being switched to the like goods. Following these discussions, TSUK provided us with updated production and capacity figures based on the other facilities only; these figures were used as the production and capacity figures for the subsequent assessments.]

The production and capacity figures provided by TSUK were verified against two sources from the records of TSUK's Production Manager. One of these documents included details of TSUK's output and the other provided details of TSUK's production records for each stage in the production process for the like goods, which TSUK reported had been used to report capacity. We calculated output and capacity figures from TSUK's records to verify the data provided in the questionnaire response. The only differences identified were a 2.5% difference in the total capacity figure and a difference of less than 0.0001% in the production figures; we did not consider either of these differences to be material.

TSUK's description of changes in production output, capacity and utilisation during the injury period were supported by the data submitted (Figure 4). The capacity utilisation figures were produced by dividing the output of the like goods by the total capacity for each year during the injury period.

We have a reasonable level of assurance that the information relating to production output and capacity utilisation that we have been provided by the interested party is verifiable and verified. It can therefore be treated as complete, relevant and accurate, and can be used in this transition review.

#### **2.4.4 Market share**

TSUK reported that the domestic market share figures included in the questionnaire response had been calculated using data from the International Steel Statistics Bureau (ISSB) for both the total UK demand for each year in the injury period and for TSUK's sales. When providing these figures, TSUK indicated that the domestic sales figure for TSUK reported by ISSB for the POI differed from the sales figure reported in the questionnaire response and annex.

We asked TSUK to explain the difference in the figures and, after reviewing the ISSB data, TSUK informed us that the final quarter of the POI had not been included for the domestic demand or TSUK sales figures, and provided an updated set of market share figures. We reviewed the difference in the TSUK sales figures against the transaction data and the difference in the two market share figures matched the fourth quarter sales from the POI. Consequently, these updated figures were included in TSUK's questionnaire response annex.

To verify these figures, we calculated approximate market share figures. For this analysis, we combined TSUK's domestic sales figures with import figures obtained from UK Trade Info ([www.uktradeinfo.com](http://www.uktradeinfo.com)) for the like goods. We used this approximation of UK domestic demand with TSUK's sales figures to calculate a market share approximation; we viewed this as a valid method owing to TSUK being the only known domestic producer selling the like goods on the UK market. We compared the market share figures data provided by TSUK and those we calculated as an approximate measure; the trends were very similar across the injury period and the specific figures were consistently close (Figure 5).

Despite not having access to ISSB data, we were able to verify TSUK's market share figures by performing our own market-share calculation using data obtained from a secondary source. We have a reasonable level of assurance that the information relating to market share that we have been provided by the interested party is verifiable and verified. It can therefore be treated as complete, relevant and accurate, and can be used in this transition review.

### **2.4.5 Employment**

TSUK provided us with employment figures for the like goods that were a constructed estimate based on the staffing numbers for the facilities used in the cold rolling process with an apportionment of staff from the earlier processes involved in the production of the substrate hot rolled coil. We requested a copy of the apportionment calculations performed and we verified the number of employees involved in different processes against TSUK's internal employment records. Further, we found that the total employment figures used in the calculation could be matched to the total employment figures in TSUK's audited financial statements. We mathematically reviewed the apportionment that TSUK had performed and this confirmed that staff had been apportioned[Non-confidential summary: appropriately].

We have a reasonable level of assurance that the information relating to employment that we have been provided by the interested party is verifiable and verified. It can therefore be treated as complete, relevant and accurate, and can be used in this transition review.

### **2.4.6 Captive use**

When verifying the captive usage figures provided in the questionnaire response, [Non-confidential summary: one of TSUK's plants was not included (in line with the explanation provided above for Production Output and Capacity Utilisation [2.4.3]). We compared captive use figures from an extract from TSUK's makes and yield register against the records of TSUK's Production Manager and were able to reconcile these figures.

We have a reasonable level of assurance that the information relating to captive use of the like goods that we have been provided by the interested party is verifiable and verified. It can therefore be treated as complete, relevant and accurate, and can be used in this transition review.

### **2.4.7 Wages**

TSUK provided average wage figures in the form of a mean wage of all TSUK employees. We verified this figure by multiplying the average wage by the number of employees and comparing this with the total wage bill reported in TSUK's audited accounts. We found that these values were consistent with each other. Changes in the wages during the injury period described by TSUK were replicated in the data verified (Figure 6).

We have a reasonable level of assurance that the information relating to wages that we have been provided by the interested party is verifiable and verified. It can

therefore be treated as complete, relevant and accurate, and can be used in this transition review.

### **3. Summary**

Our verification of TSUK's accounting system, the methods used to identify the like goods within its system and the questionnaire responses identified only limited discrepancies. We considered these to be of low materiality and so did not affect the dataset for the purpose for which it is to be used.

We were able to reconcile the questionnaire data submitted with TSUK's published audited accounts in the upward sales verification. Similarly, we reconciled the details of the transactions examined during the downward sales verification against the documentation supplied by TSUK. Where queries arose during this process, we found the clarifications provided by TSUK were appropriate and additions were made to the questionnaire data provided.

TSUK provided us with the requested source documentation to support the data presented on injury factors. We verified that the figures provided by TSUK were consistent with the source documents they had been attributed to and with the methods TSUK reported using to calculate them.

In conclusion, from our verification of the data submitted by TSUK, we have a reasonable level of assurance that the information provided by the interested party is verifiable and verified. It can therefore be treated as complete, relevant and accurate, and can be used in this transition review.

## 4. Tables and figures

**Table 1 Comparison of the unit price (£/mt) for select PCNs between associated and independent transactions.**

PCN	Price/mt		Associated price as a % of independent price
	Associated	Independent	

[LIMITED]

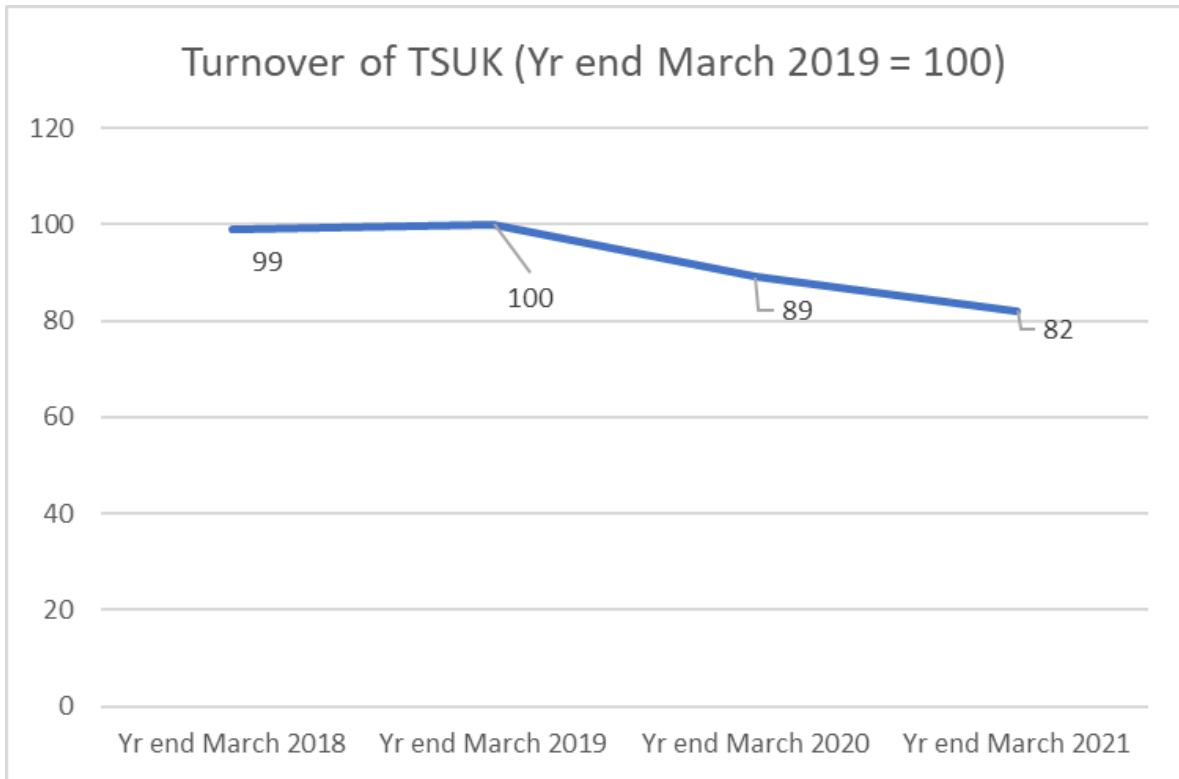
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**Table 2 Calculation of the indicative UK market price.**

Transactions included	Sum of Invoice quantity (mt)	Sum of Net invoice value (£)	Sum of freight costs (£)	Sum of rebate value (£)	Adjusted net invoice value (£)	Unit price (£/mt)
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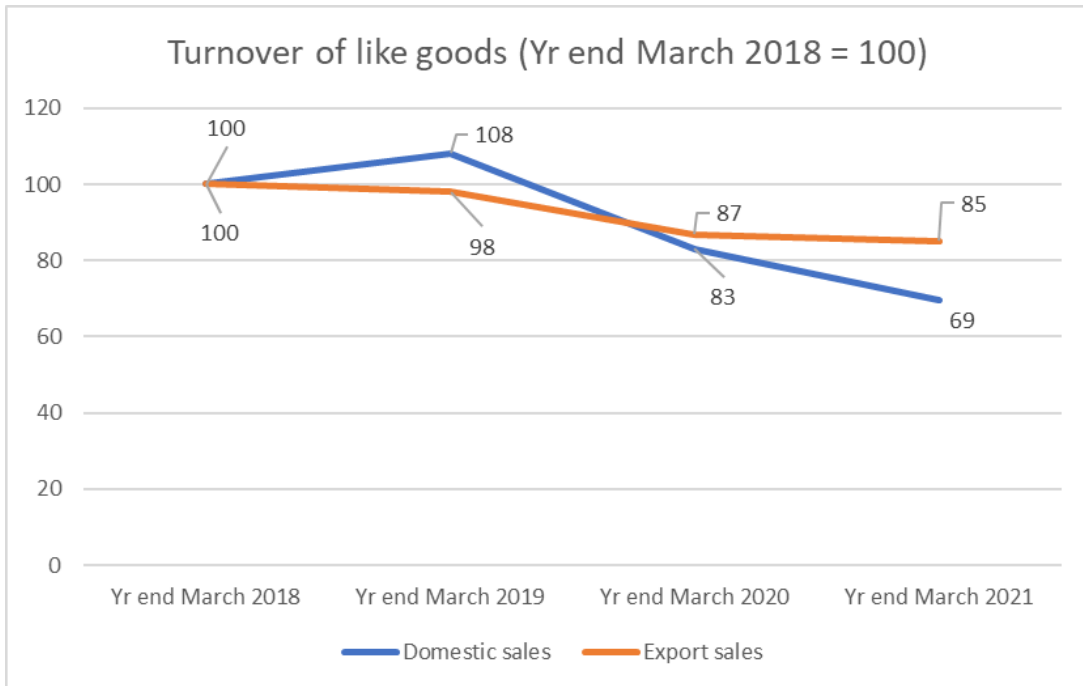
[LIMITED]





**Figure 1 Total turnover for TSUK during the injury period.**

The turnover figures for TSUK were taken from TSUK's questionnaire annex. The total turnover figures were verified against TSUK's audited financial statements in the upwards sales verification.

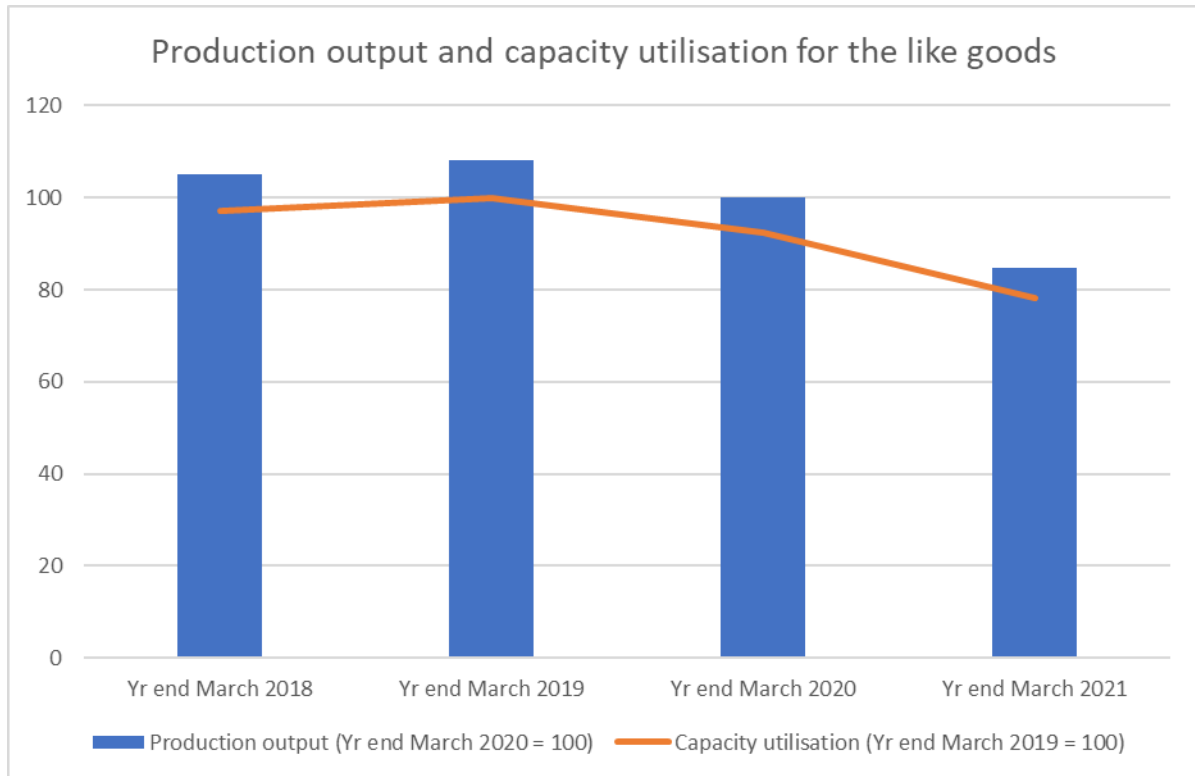


**Figure 2 Total turnover for the like goods in the injury period.**

The turnover figures for the like goods were taken from TSUK’s questionnaire annex. The total turnover figures were verified against TSUK’s audited financial statements and the breakdown of turnover for the like goods (and all other goods) for domestic and export sales was verified in the upwards sales verification.

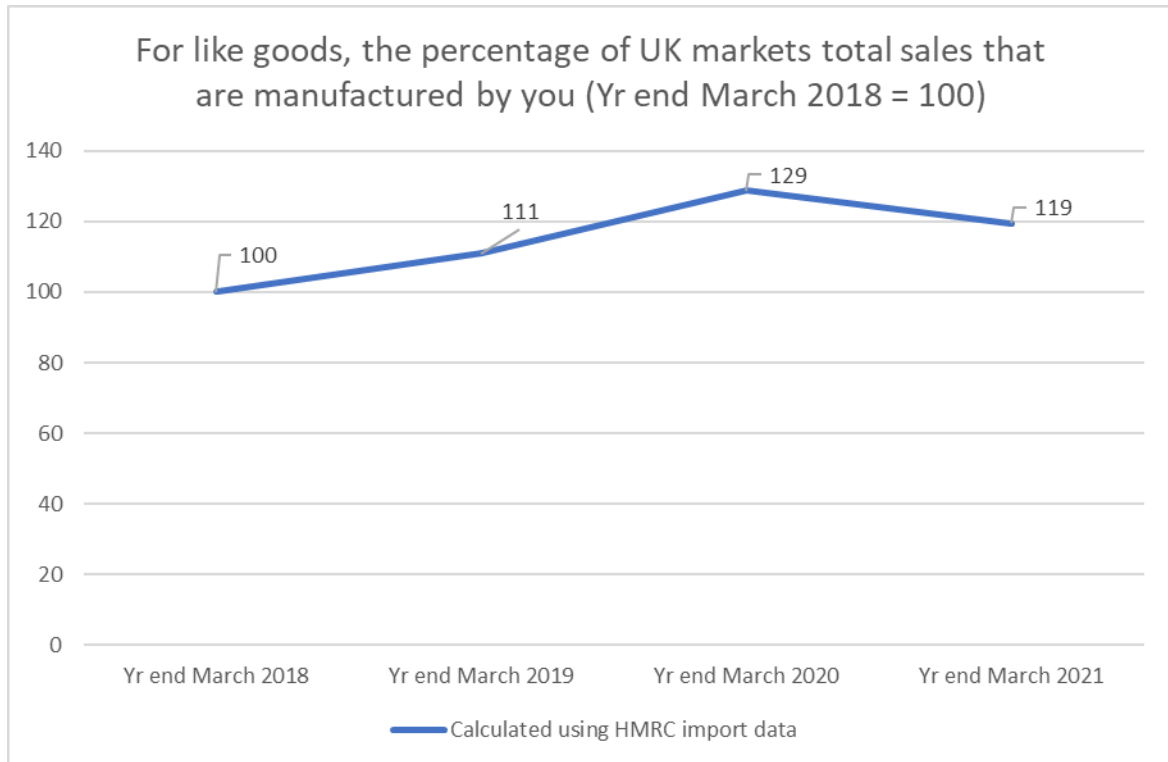
**Figure 3 Sales price for the like goods during the injury period.**

[Limited. Statement of reasons: This information is commercially sensitive and cannot be summarised in a non-confidential format. Disclosure of this information in any format may give TSUK's rivals unfair competitive advantage and/or result in significant financial losses for TSUK]



**Figure 4 Production output and capacity utilisation during the injury period.**

TSUK’s production output and capacity utilisation figures were taken from the questionnaire annex. These figures were based on the output and capacity from [Non-confidential summary: TSUK’s facilities considered by the TRA for the purpose of injury analysis]. The figures were verified against documents provided by TSUK’s Production Manager.



**Figure 5 Comparison of the trends in the market share figures calculated using International Steel Statistics Bureau (ISSB) data by TSUK and included in its submission and the market share figure calculated using HMRC import data extracted from UK Trade Info.**

The market share figures provided by TSUK in the questionnaire annex were calculated from data obtained from ISSB. In the absence of access to the source data, an approximate market share figure was calculated to act as a comparator. This figure was calculated from TSUK’s domestic sales data for the like goods, which was verified in the downward sales verification, and an approximated UK domestic market, calculated from TSUK’s domestic sales data and HMRC import data retrieved from UK Trade Info ([www.uktradeinfo.com](http://www.uktradeinfo.com)).



**Figure 6 Mean wage for employment (full-time equivalent) for all goods during the injury period.**

Mean wage data were taken from TSUK’s questionnaire annex. This figure was verified by multiplying the mean provided by the number of employees reported in TSUK’s audited financial statements, and comparing the figure generated with the total wage bill reported in the financial statements.