



CUSTOMS ACT 1901 - PART XVB

CONSIDERATION REPORT
NO. 291

**APPLICATION FOR AN ANTI-CIRCUMVENTION INQUIRY INTO
THE SLIGHT MODIFICATION OF GOODS EXPORTED TO
AUSTRALIA**

**HOLLOW STRUCTURAL SECTIONS
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA, THE
REPUBLIC OF KOREA, MALAYSIA AND TAIWAN**

27 April 2015

CONTENTS

CONTENTS..... 2

1 SUMMARY AND RECOMMENDATION 3

1.1 APPLICATION OF LAW TO FACTS 3

1.2 FINDINGS AND CONCLUSIONS 3

1.3 RECOMMENDATION 4

2 REQUIREMENTS UNDER SECTION 269ZDBD 5

2.1 FINDINGS..... 5

2.2 REQUIRED CONTENT UNDER SUBSECTION 269ZDBD(1) 5

2.3 REQUIRED CONTENT UNDER SUBSECTION 269ZDBD(2) 5

2.4 CONCLUSION 14

3 APPENDICES AND ATTACHMENTS..... 16

4 ATTACHMENT 1 – LEGISLATIVE FRAMEWORK..... 17

4.1 LEGISLATIVE FRAMEWORK - CIRCUMVENTION ACTIVITY - SLIGHT MODIFICATION OF GOODS 17

4.2 WHAT IS A SLIGHTLY MODIFIED GOOD? 17

1 SUMMARY AND RECOMMENDATION

This Consideration Report No. 291 (CON 291) provides the results of the Anti-Dumping Commission's (the Commission's) consideration of an application seeking the initiation of an anti-circumvention inquiry into the slight modification of goods exported to Australia.

The goods the subject of the original dumping duty and countervailing duty notices¹ are hollow structural sections (HSS) exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea), Malaysia and Taiwan.

The circumvention goods are goods that have been slightly modified so as to not be subject of the existing dumping duty and countervailing duty notices (the original notices).

The application was lodged on 7 April 2015 by Austube Mills Pty Ltd (ATM), a member of the Australian industry producing like goods.

1.1 Application of law to facts

Division 5A of Part XVB of the *Customs Act 1901* (the Act)² sets out procedures for considering an application for an anti-circumvention inquiry.

Subsection 269ZDBB(6) provides for a circumvention activity, in relation to a dumping and/ or countervailing duty notice, which occurs in the circumstances prescribed by the *Customs (International Obligations) Regulation 2015* (the Regulation).

Section 48 of the Regulation prescribes the slight modification of goods exported to Australia as a circumvention activity for the purposes of subsection 269ZDBB(6) of the Act.

Attachment 1 provides an overview of the legislative framework for the slight modification of goods exported to Australia as a prescribed circumvention activity.

1.2 Findings and conclusions

The Commission has examined the application in relation to the slight modification of goods and is satisfied that:

- the application complies with the requirements of section 269ZDBD³;

¹ Dumping duty and countervailing duty notices published in *The Australian* newspaper and in the *Commonwealth Gazette* on 3 July 2012.

² All references in this report to divisions, sections and subsections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

³ Subsection 269ZDBE(2)(a).

Consideration Report No. 291 – Hollow Structural Sections – The People's Republic of China, Republic of Korea, Malaysia and Taiwan

PUBLIC RECORD

- there appear to be reasonable grounds for asserting that a circumvention activity in relation to the original notices has occurred in respect of the goods exported from China, Korea and Malaysia⁴; and
- there does not appear to be reasonable grounds for asserting that a circumvention activity in relation to the original notices has occurred in respect of goods exported from Taiwan⁵.

1.3 Recommendation

The Commission recommends that the Commissioner of the Anti-Dumping Commission (the Commissioner) decide not to reject the application, in so far as it relates to the goods exported from China, Korea and Malaysia.

The Commission recommends that the Commissioner reject the application in relation to the goods exported from Taiwan.

If the Commissioner accepts these recommendations, to give effect to that decision, the Commissioner must publish the notice at **Attachment 2** indicating that the Commission will conduct an anti-circumvention inquiry into the slight modification of goods exported to Australia from China, Korea and Malaysia.

The Commissioner must also inform the applicant of the decision to reject the application in so far as it relates to the goods exported to Taiwan setting out the reasons for this rejection, this notification forms **Confidential Attachment 3**.

For the purposes of this inquiry, the inquiry period to determine whether circumvention has occurred will be from 1 July 2010 to 31 March 2015.

⁴ Subsection 269ZDBE(2)(b).

⁵ Subsection 269ZDBE(2)(b).

Consideration Report No. 291 – Hollow Structural Sections – The People’s Republic of China, Republic of Korea, Malaysia and Taiwan

2 REQUIREMENTS UNDER SECTION 269ZDBD

2.1 Findings

The Commission is satisfied that the contents of the application comply with the requirements under subsection 269ZDBD(1) and (2) of the Act.

2.2 Required content under subsection 269ZDBD(1)

The application is in writing, is in an approved form, contains such information as the form requires (as discussed in the following sections) and is signed in the manner indicated in the form. Confidential and public record versions of the application were submitted.

The Commission considers that the public record version of the application contains sufficient detail to allow a reasonable understanding of the substance of the information within the confidential application.

The Commission is satisfied that the application meets the requirements of subsection 269ZDBD(1) of the Act.

2.3 Required content under subsection 269ZDBD(2)

Subsection 269ZDBD(2) requires that the application include:

- a description of the kind of goods that are the subject of the original notice;
- a description of the original notice the subject of the application;
- a description of the circumvention activities in relation to the original notice that the applicant considers have occurred; and
- a description of the alterations to the original notice that the applicant considers should be made.

2.3.1 Description of the kind of goods

In its application, ATM has described the goods the subject of the original notice (“the goods”) as:

‘certain electric resistance welded pipe and tube made of certain steel, comprising circular and non-circular hollow sections in galvanised and non-galvanised finishes. The goods are normally referred to as either CHS (circular hollow sections) or RHS (rectangular or square hollow sections). The goods are collectively referred to as HSS (hollow structural sections). Finish types for the goods include inline galvanised (ILG), pre-galvanised, hot-dipped galvanised (HDG) and non-galvanised HSS.’

Consideration Report No. 291 – Hollow Structural Sections – The People’s Republic of China, Republic of Korea, Malaysia and Taiwan

PUBLIC RECORD

The application included the following statement clarifying the goods description:

Sizes of the goods are, for circular products, those exceeding 21mm up to and including 165.1mm in outside diameter and, for oval, square and rectangular products those with a perimeter up to and including 1277.3mm. Categories of HSS excluded from the goods are conveyor tube; precision RHS with a nominal thickness of less than 1.6mm and air heater tubes to Australian Standard (AS) 2556.

The Commission notes that the goods description provided in the application differs slightly from the goods description of the original HSS investigation (to which the current HSS anti-dumping measures apply)⁶, in that the application refers to 'certain steel', rather than 'carbon steel'.

The Commission considers that this slight difference is due to a typing error in the application, and should be 'carbon steel'. Notwithstanding this apparent error the Commission is satisfied that the application has provided a description of the kind of goods that are the subject of the original notice.

Tariff Classifications

The goods subject to the original notices are classified to the following tariff subheadings in Schedule 3 of the *Customs Tariff Act 1995*;

- 7306.30.00 (statistical codes 31, 32, 33, 34, 35, 36 and 37),
- 7306.61.00 (statistical codes 21, 22 and 25) and
- 7306.69.00 (statistical code 10).

2.3.2 Description of the original notices

The application referred to the original dumping duty and countervailing duty notices published under subsection 269TG(2) and 269TJ(2) on 3 July 2012.

The dumping duty notice applied to all exporters of HSS from China, Korea, Malaysia and Taiwan. The countervailing duty notice applied to all HSS exported to Australia from China, except HSS exported by Huludao City Steel Pipe Industrial Co., Ltd and Qingdao Xiangxing Steel Pipe Co., Ltd.

The application for this anti-circumvention inquiry relates to exports of the goods from China, Korea, Malaysia and Taiwan.

The Commission is satisfied that the application has provided a description of the original notice the subject of the application.

⁶ Refer to Australian Customs Dumping Notice No. 2011/43.

2.3.3 Description of the circumvention activities in relation to the original notice that the applicant considers have occurred

As noted in Section 2.3 the application is required by subsection 269ZDBD(2) to include a description of the circumvention activity the applicant considers has occurred. The approved application form further requires the applicant to provide evidence to support the applicant's view that there are reasonable grounds for asserting that the circumvention activity has occurred.

Subsection 48(2) of the Regulation prescribes the circumstances in which the circumvention activity, the slight modification of goods, occurs. Each of these circumstances is examined in detail below, in light of the description and evidence presented in the application.

(a) Circumvention goods exported to Australia from a foreign country in respect of which the notices apply

The applicant's claims

In its application ATM describes the circumvention goods as '*certain electric resistance pipe and tube made of alloy steel*' (alloyed HSS). ATM claims that to avoid or evade dumping and/or countervailing duties applying to HSS, exporters have added micro amounts of boron (or other elements) to the HSS exported to Australia so that the goods may be re-classified to tariff sub-headings 7306.50.00 (statistical code 45) and 7306.61.00 (statistical code 90).

In support of its claim ATM referred to import data it has previously provided to the Commission⁷, which it asserts demonstrates a 1000 per cent increase in volumes of alloyed HSS products under the above tariff classifications following the imposition of the anti-dumping measures.

Commission's Assessment

The Commission has confirmed with the Australian Customs and Border Protection Service (ACBPS) that the alleged circumvention goods (i.e. alloyed HSS) are correctly classified to tariff sub-headings 7306.50.00 (statistical code 45) and 7306.61.00 (statistical code 90). Alloyed HSS is not currently subject to anti-dumping measures, as the goods currently subject to measures are specifically described as HSS of carbon steel (see Section 2.3.1) which is distinct from alloy steel.

The Commission compared the import data for alloyed HSS provided by ATM to the ACBPS import database. ATM's import data showed a similar overall import trend for alloyed HSS to the ACBPS import database, in particular showing the significant increase in the overall volume of imports entered under the alloyed tariff classification from 2012.

⁷ ATM import data is sourced from the Australian Bureau of Statistics (ABS) with data collected each month for the period starting July 2008 to September 2014.

PUBLIC RECORD

The Commission notes that ATMs import data is limited in that some alloyed HSS imports are not identified by country of origin. ATM acknowledges in its application that confidentiality restrictions on import data has made it difficult to determine the countries from which the alloyed HSS is originating. Given these limitations the Commission has focused its analysis on the ACBPS import database.

The Commission's assessment of ATM's import data is at **Confidential Appendix 1**.

The Commission observed from the ACBPS import database that from the end of 2012 onwards, imports of alloyed HSS from China, Malaysia and Korea increased significantly. Prior to 2012 only small volumes of alloyed HSS were imported from China, Malaysia and Korea. The Commission further observes that in 2013 and 2014 imports of non-alloyed HSS (i.e. the goods subject to the original notices) declined by amounts equal to or more than the volume of the alloyed HSS imports.

Imports of non-alloyed HSS from China have fallen consistently since July 2012, coinciding with the imposition of anti-dumping measures; conversely imports of alloyed HSS have risen substantially since October 2012. In 2011 alloyed HSS represented just over one percent of the total HSS (both alloyed and non-alloyed) imported from China. In 2014 the volume of alloyed HSS represented 80 percent of the total volume of HSS (both alloyed and non-alloyed) imported from China.

Similar trends are observed in respect of imports from Malaysia and Korea. For Malaysia imports of non-alloyed HSS dropped in early 2012, this may be explained by the Preliminary Affirmative Determination for the HSS investigation which was published in December 2011 with securities for non-alloyed HSS being taken from January 2012. Malaysian imports of alloyed HSS sharply rose in October 2013, and in 2014 far exceeded the volume of non-alloyed HSS imports. For Korea non-alloyed HSS imports similarly fell in January 2012 and alloyed HSS imports started rising from December 2012. Alloyed HSS represented 81 per cent of the total volume of HSS (both alloyed and non-alloyed) imported from Korea in 2014.

The Commission considers, however, that this trend is not observed with regards to imports of alloyed HSS from Taiwan. Examining the period 2009 to 2014 the Commission notes that only comparatively small volumes of alloyed HSS (compared to non-alloyed HSS) were imported from Taiwan. Furthermore, these small volumes were imported across the 2009 to 2014 period and it was not observed that these imports increased consistently since the imposition of the anti-dumping measures in mid-2012.

The Commission's analysis of the ACBPS import database is at **Confidential Appendix 2**.

Based on the information in the application and other relevant information, the Commission is satisfied that the alleged circumvention goods are exported to Australia from a foreign country in respect of which the notice applies.

Consideration Report No. 291 – Hollow Structural Sections – The People's Republic of China, Republic of Korea, Malaysia and Taiwan

PUBLIC RECORD

(b) Before export, the circumvention goods are slightly modified

The applicant's claims

In its application ATM claimed that the addition of micro amounts of boron (or any other alloy, for example, chromium) to the feed steel that is used to manufacture HSS, is a low cost strategy intended only to alter the definition of the goods and their corresponding tariff classification without significantly impacting the performance attributes of the HSS. ATM described the cost of modification (i.e. adding micro amounts of boron or other elements) as minor, but did not quantify this cost.

Commission's Assessment

The Commission understands that the addition of boron or other micro elements occurs when the raw material of HSS, hot rolled coil, is produced by steel manufacturers. The Commission understands that HSS manufacturers themselves then purchase hot rolled coils that are either made from alloy steel or non-alloyed steel, these hot rolled coils are then converted into alloy or non-alloy HSS.

Accordingly, the Commission is satisfied that before the exportation, the alleged circumvention goods are slightly modified.

The Commission considers that the addition of any elements that provide for a change of description from non-alloyed HSS to alloyed HSS may constitute a slight modification of the goods. The Commission has gone on to assess whether the addition of micro amounts of boron or other elements constitutes a slight modification within the meaning of subsection 48(3) of the Regulation, refer to section 2.3.3(d) of this report.

(c) The use or purpose of the circumvention goods is the same before, and after, they are slightly modified

The applicant's claims

ATM contends that the circumvention goods compete directly with the goods the subject of the original notices, being sold via the same distribution channels, for the same end-use applications and marketed in the same manner as non-alloyed HSS. In support of its claim ATM provided confidential documents for imported HSS for 2012 and 2013. ATM claims that these test documents initially show an absence of boron but from December 2012 the documents provided include the addition of small amounts of boron.

Commission's Assessment

ATM has not specifically in this application addressed the use or purpose of the goods (HSS), however the end use applications of HSS have been comprehensively canvassed

PUBLIC RECORD

in its 2012 application for anti-dumping measures⁸. These end uses include both structural applications (for HSS meeting specified standards) and non-specified uses.

The Commission has examined the confidential documents provided by ATM and notes that both the documents for HSS with and without boron are specified to the same standard, AS/NZS 1163. The AS/NZS 1163 is the Australian Standard for cold-formed structural steel hollow sections. ATM has previously advised the Commission as part of the original 2012 HSS investigation that imports of HSS are regularly offered/ sold meeting the Australian Standard AS1163 or British Standard BS1387⁹.

From the Commission's observations of the confidential documents, it appears that the addition of boron does not affect compliance with the structural Australian Standard 1163. It can be reasonably inferred that the structural applications to which AS1163 compliant non-alloyed HSS are applied are the same as for alloyed HSS which is also certified to this standard. This indicates interchangeability and similar end uses of the alleged circumvention goods when compared to the goods the subject of the original notice.

Accordingly, the Commission is satisfied at this consideration stage that the use or purpose of the alleged circumvention goods is the same before, and after, they are slightly modified.

(d) Had the circumvention goods not been so slightly modified, they would have been subject to the notice

Subsection 48(3) of the Regulation sets out factors which the Commissioner may have regard to in comparing the alleged circumvention goods (alloyed-HSS) and the goods the subject of the original notices (non-alloyed HSS), for the purpose of determining whether the circumvention goods are slightly modified.

The applicant's claims

As part of its application ATM provided the table extracted below comparing each of the factors of Regulation 183A(3) of the *Customs Amendment (Anti-Dumping Improvements) Regulation 2015* (which has now been replaced by subsection 48(3) of the Regulation, containing the same content as the previous regulation 183A(3) in respect of the circumvention goods and the goods the subject of the original notices.)

⁸ 2011 ATM application for dumping and countervailing measures in respect of HSS, refer to Case Page 177 available at www.adcommission.gov.au.

⁹ 2011 ATM Industry Visit Report, pg. 22-23, refer to Case Page 177 available at www.adcommission.gov.au.

Consideration Report No. 291 – Hollow Structural Sections – The People's Republic of China, Republic of Korea, Malaysia and Taiwan

PUBLIC RECORD

Sub-Regulation 183(A) (3) factor	Circumvented Goods	Goods the subject of Notice
(a) Physical characteristics	√	√
(b) End use	√	√
(c) Interchangeability	√	√
(d) Production Process	√	√
(e) Cost to produce	√	√
(f) Cost of modification	Minor	n/a
(g) Customer preferences/ expectations	√	√
(h) Marketing	√	√
(i) Distribution channels	√	√
(j) Patterns of trade	↑	↓
(k) Pricing	√	√
(l) Export volumes	↑	↓
(m) Tariff classifications	X	X

Notes:

1. "√" denotes same or similar.
2. "↑" denotes increasing; "↓" denotes decreasing.
3. The tariff classification for the circumvented goods and the goods the subject of the notice are different.

Table 1: Extract from ATM's Application – Contrast of factors identified in Sub-Regulation 183A(3)

In light of the above assessment ATM concluded that the circumvention goods have the same essential characteristics as the goods the subject of the original notices.

In support of its claims ATM provided evidence in the form of confidential documents for imported HSS, import statistics and market offers from importers.

Subsection 48(3) of the Regulation

The Commission has below examined the claims and evidence presented by ATM against the factors set out in subsection 48(3) of the Regulation, for the purpose of determining whether the alleged circumvention goods are slightly modified.

(a) Physical characteristics -

ATM asserts that alloyed HSS has the same physical characteristics as the goods subject to the original notices (i.e. non-alloyed HSS). In support of the assertion that the addition of micro amounts of boron or other elements does not alter the essential characteristics of the goods, ATM referred to a Steel Market Update article (**Attachment 4**), in which John Eckstein (a metallurgist) advised that 'boron additives as small as 0.0008 per cent would have essentially no impact on the formability of the steel..'. ATM also noted the findings of the US Department of Commerce that boron added to cut to length carbon steel plate (CTL plate) has virtually the same physical characteristics, uses and production processes as CTL plate without boron (also referenced in the article at Attachment 4).

Based on this evidence, the Commission considers that it appears reasonable at this consideration stage to assert that the addition of micro amounts of boron or other

Consideration Report No. 291 – Hollow Structural Sections – The People's Republic of China, Republic of Korea, Malaysia and Taiwan

elements does not alter the essential physical characteristics of alloyed HSS compared to non-alloyed HSS.

(b) End use and interchangeability

As discussed in section 2.3.3 (c) of this report, the Commission considers the evidence that both alloyed and non-alloyed HSS meet the requirements of the Australian Standard 1163, indicates a degree of interchangeability in the end use applications of alloyed and non-alloyed HSS.

(c) Production process, cost of production and cost of modification

The application does not directly provide evidence regarding the production process, cost of production or the cost of the addition of boron or other elements to produce alloyed HSS.

However, having regard to the information provided to previous HSS anti-dumping investigations¹⁰, the Commission is of the understanding that alloyed HSS and non-alloyed HSS are produced in a similar manner, the only production differences occurring when;

- alloys are added to the steel during the steel making process to produce alloyed hot rolled coil; and
- HSS manufacturers themselves (who generally purchase pre-made hot rolled coils from steel manufacturers) purchase alloyed coils rather than non-alloyed coils, and use these coils to make alloyed HSS.

The Commission has not been provided information that demonstrates the difference in purchase price between alloy and non-alloyed hot rolled coil. However, considering the evidence provided that indicates that the addition of boron is in micro amounts, the Commission considers it unlikely that the addition of boron would result in significant cost of production differences when producing hot roll coils. On this basis the Commission further considers it likely that the purchase price difference between alloyed and non-alloyed hot rolled coils incurred by HSS manufacturers when purchasing the raw material would not be significant.

(d) Customer preferences, marketing and distribution channels

ATM claims that HSS competes directly with the circumvention goods, being sold through the same distribution channels and being marketed in the same manner as HSS subject to the original notices. ATM provided as part of its application market offers for what it claims is imported alloyed HSS being offered in the Australian market. As noted above ATM also provided confidential documents for alloyed HSS certified to the Australian Standard.

¹⁰ In particular International Trade Remedies Investigation Report No. 177.

PUBLIC RECORD

The Commission notes that the market offers provided by ATM do not identify the HSS offered as alloyed HSS. It is noted however that the confidential documents for alloyed HSS are certified to the Australian Standard indicating that there may be alloyed HSS being sold in the Australian market. This is also confirmed by the Commission's analysis of the ACBPS import database. At this stage the Commission does not have sufficient information regarding the customer preferences, marketing and distribution of alloyed HSS to compare this to non-alloyed HSS.

(e) Patterns of trade, pricing and export volume

As described in section 2.3.3(a) of this report, the Commission has undertaken an analysis of the ACBPS import database and has observed patterns of import volumes for non-alloyed and alloyed HSS, which with the exception of Taiwan, appear to correlate with the imposition of HSS anti-dumping measures.

With regards to China, Malaysia and Korea the Commission considers that the patterns of import volumes between alloyed and non-alloyed HSS tariff classifications indicates a switch occurring that appears to correlate with the imposition of HSS anti-dumping measures. This switching of import volumes indicates a degree of interchangeability between alloyed and non-alloyed HSS.

The Commission considers however that this pattern of trade is not observed with respect to imports of alloyed and non-alloyed HSS from Taiwan.

(f) Tariff Classifications

As noted in section 2.3.3(a) of this report alloyed HSS and non-alloyed HSS are classified to different tariff subheadings.

Extracts of these Tariff Classifications and corresponding notes are at **Attachment 5**.

Having regard to the information in the application and other relevant information (set out above) the Commission is satisfied that physical characteristics, end uses, production processes and costs and patterns of trade between the goods the subject of the original notices and the alleged circumvention goods are so similar, that had the alleged circumvention goods not been so slightly modified, they would have been the subject of the notice.

(e) *The Customs Tariff (Anti-Dumping) Act 1975 (Dumping Duty Act) does not apply to the exports*

Sections 8 and 10 of the Dumping Duty Act refer to the imposition of dumping duties and countervailing duties, respectively. The Commission is satisfied that the circumvention goods are not subject to a dumping duty or countervailing duty notice under subsection 269TG(2) or 269TJ(2) and it is also satisfied that section 8 and 10 of the Dumping Duty Act do not apply to the export of the circumvention goods to Australia.

Consideration Report No. 291 – Hollow Structural Sections – The People's Republic of China, Republic of Korea, Malaysia and Taiwan

PUBLIC RECORD

2.3.4 Description of the alterations to the original notice that the applicant considers should be made

The applicant's claims

ATM contends that the dumping duty and countervailing duty notices must be altered to ensure that anti-dumping measures apply to the slightly modified goods exported to Australia.

As a result, ATM proposes that the original notices be altered as follows:

*Certain electric resistance welded pipe and tube made of **non-alloy or alloy steel**, comprising circular and non-circular hollow sections in galvanised and non-galvanised finishes. The goods are normally referred to as either CHS (circular hollow sections) or RHS (rectangular or square hollow sections). The goods are collectively referred to as HSS (hollow structural sections). Finish types for the goods include pre-galvanised, hot-dipped galvanised (HDG), and nongalvanised HSS (emphasis added).*

ATM has identified the following tariff subheadings for alloy HSS which it contends will need to be added to the amended notices:

- 7306.50.00 (statistical code 45); and
- 7306.61.00 (statistical code 90).

The Commission's assessment

The Commissioner will take this proposed amendment to the notices into consideration (noting the types of alterations that can be made to the notices for the purposes of subsection 269ZDBH(2)) when making his final recommendations to the Parliamentary Secretary to the Minister for Industry and Science at the conclusion of the inquiry.

2.4 Conclusion

The Commission is satisfied that the application meets the requirements of subsection 269ZDBD(2) of the Act.

The Commission is further satisfied at this consideration stage that the circumstances prescribed by subsection 48(2) of the Regulation regarding the slight modification of goods have occurred in respect of the alleged circumvention goods exported from China, Korea and Malaysia.

Having regard to this finding and matters contained in the application, the Commission is also satisfied that there appear to be reasonable grounds for asserting that circumvention activity, being the slight modification of goods exported to Australia from China, Malaysia and Korea has occurred¹¹.

¹¹ Subsection 269ZDBE(2)(b) of the Act.

PUBLIC RECORD

The Commission is not satisfied having regard to the information provided in the application and other relevant information (including its analysis of the ACBPS import database) that there appear to be reasonable grounds for asserting that circumvention activity, being the slight modification of goods exported to Australia from Taiwan has occurred¹².

¹² Subsection 269ZDBE(2)(b) of the Act.

Consideration Report No. 291 – Hollow Structural Sections – The People’s Republic of China, Republic of Korea, Malaysia and Taiwan

PUBLIC RECORD

3 APPENDICES AND ATTACHMENTS

Attachment 1	Legislative framework – extract of Regulation describing the slight modification of goods exported to Australia
Attachment 2	Public notice
Confidential Attachment 3	Notification to applicant
Attachment 4	Steel Market Update Article
Attachment 5	Tariff Classification and notes
Confidential Appendix 1	Commission’s assessment of ATM’s import data
Confidential Appendix 2	ACBPS import data

4 ATTACHMENT 1 – LEGISLATIVE FRAMEWORK

4.1 Legislative framework - circumvention activity - slight modification of goods

Subsection 269ZDBB(6) provides for a circumvention activity which occurs in the circumstances prescribed by the Regulation. Subsection 48(2) of the Regulation provides that a circumvention activity occurs where there is a slight modification of goods exported to Australia. This circumvention activity occurs if the following apply:

- the circumvention goods are exported to Australia from a foreign country in respect of which the dumping and/or countervailing duty notice applies;
- before that export, the circumvention goods are slightly modified;
- the use or purpose of the circumvention goods is the same before, and after, they are so slightly modified;
- had the circumvention goods not been so slightly modified, they would have been the subject of the notice;
- section 8 or 10 of the Dumping Duty Act, as the case requires, does not apply to the export of the circumvention goods to Australia.

4.2 What is a slightly modified good?

Subsection 48(3) of the Regulation sets out how the Commissioner should determine whether a circumvention good is slightly modified. The Subsection states:

- (3) For the purpose of determining whether a circumvention good is slightly modified, the Commissioner must compare the circumvention good and the good the subject of the notice, having regard to any factor that the Commissioner considers relevant, including any of the following factors:
 - (a) each good's general physical characteristics;
 - (b) each good's end use;
 - (c) the interchangeability of each good;
 - (d) differences in the processes used to produce each good;
 - (e) differences in the cost to produce each good;
 - (f) the cost of modification;
 - (g) customer preferences and expectations relating to each good;
 - (h) the way in which each good is marketed;
 - (i) channels of trade and distribution for each good;
 - (j) patterns of trade for each good;
 - (k) changes in the pricing of each good;
 - (l) changes in the export volumes for each good;
 - (m) tariff classifications and statistical codes for each good.

Consideration Report No. 291 – Hollow Structural Sections – The People's Republic of China, Republic of Korea, Malaysia and Taiwan