



**REVIEW OF ANTI-DUMPING MEASURES CASE 272 and  
273**

**ALUMINIUM ZINC COATED STEEL  
AND ZINC COATED (GALVANISED) STEEL  
EXPORTED FROM THE REPUBLIC OF KOREA**

**BY**

**DONGBU STEEL CO LTD**

**REPORT ON THE CALCULATION OF VARIABLE FACTORS  
FOR THE PURPOSE OF THE REVIEW**

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL  
BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE  
FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

**May 2015**

## 1 BACKGROUND

### 1.1 Existing measures

#### 1.1.1 Aluminium Zinc Coated Steel

On 5 September 2012, a dumping investigation into aluminium zinc coated steel exported from the People's Republic of China (China) and the Republic of Korea (Korea) was initiated following an application by BlueScope Steel Limited (BlueScope). The investigation, as outlined in International Trade Remedies Branch Report 190 (REP 190),<sup>1</sup> found that:

- aluminium zinc coated steel exported to Australia was dumped. For China the dumping margins were between 5.5% to 19.3%; for Korea the dumping margins were between a negligible rate and 7.7%;
- the dumped exports caused material injury to the Australian industry producing like goods; and
- continued dumping may cause further material injury to the Australian industry.

In REP 190 Dongbu was found to have a dumping margin of 5.8%. The investigation determined that the free on board non-injurious price for each exporter was the price equal to the respective normal value. As such, the lesser duty rate did not apply.

On 26 November 2012, a countervailing investigation into aluminium zinc coated steel exported from China was initiated following an application lodged by BlueScope. The investigation, as outlined in International Trade Remedies Branch Report 193 (REP 193)<sup>2</sup>, found that:

- aluminium zinc coated steel exported from China to Australia was subsidised with margins ranging from negligible to 21.7%;
- the dumped and subsidised exports from China caused material injury to the Australian industry producing like goods; and
- continued dumping and subsidisation may cause further material injury to the Australian industry.

Accordingly, it was recommended that the Attorney-General (the decision maker at that time) impose interim dumping duty (IDD) on the goods exported from China and Korea and interim countervailing duty (ICD) on the goods exported from China. The Attorney-General accepted these recommendations and, on 5 August 2013, notice

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1 REP 190 investigated galvanised steel and aluminium zinc coated steel exported from China, the Republic of Korea (Korea) and Taiwan. Due to the close nature of these products and common interested parties, findings from both dumping investigations were detailed in one report.

2 REP 193 investigated galvanised steel and aluminium zinc coated steel exported from China, the Republic of Korea (Korea) and Taiwan. Due to the close nature of these products and common interested parties, findings from both countervailing investigations were detailed in one report.

of the Attorney-General's decision was given in Anti-Dumping Notice No. 2013/66 (ADN 2013/66)<sup>3</sup>.

The Attorney-General's decision was referred to the Anti-Dumping Review Panel (ADRP) for review in relation to certain findings made in REP 190 relating to the dumping investigation into aluminium zinc coated steel exported from Korea. On 21 February 2014, the Parliamentary Secretary decided to vary the dumping duty notice with effect from 5 August 2013 by excluding from the description of the goods unchromated products of aluminium zinc coated steel exported from Korea.<sup>4</sup>

The Attorney-General's decision was also appealed to the ADRP in relation to certain findings made in REP 193 relating to the countervailing investigation into aluminium zinc coated steel exported from China. The Parliamentary Secretary to the Minister for Industry<sup>5</sup> did not accept the ADRP's recommendation to revoke the countervailing duty notices but decided to vary the countervailing duty notices so as to reduce the countervailable subsidies as outlined in Anti-Dumping Notice No. 2014/12 (ADN 2014/12)<sup>6</sup>. Notice of the Parliamentary Secretary's decision was published on 20 February 2014 with the notice having effect from 5 August 2013.

### **1.1.2 Zinc Coated Galvanised Steel**

On 5 September 2012, a dumping investigation into zinc coated galvanised steel exported from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan was initiated following an application by BlueScope Steel Limited (BlueScope). The investigation, as outlined in International Trade Remedies Branch Report 190 (REP 190),<sup>7</sup> found that:

- zinc coated galvanised steel exported to Australia was dumped. For China the dumping margins were between 6.8% and 62.9%, for Korea the dumping margins were between a negligible rate and 28.5% and for Taiwan the dumping margins were between a negligible rate and 8.6%;
- the dumped exports caused material injury to the Australian industry producing like goods; and
- continued dumping may cause further material injury to the Australian industry.

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3 ADN 2013/66 outlines the details of the IDD applicable to galvanised steel and aluminium zinc coated steel exported to Australia from China, Korea and Taiwan, as well as the details of the ICD applicable to galvanised steel and aluminium zinc coated steel exported to Australia from China.

4 ADN 2014/13 outlines that on 21 February 2014, the Parliamentary Secretary accepted the recommendation of the ADRP and varied the dumping duty notice by excluding unchromated products exported from Korea from the description of the goods.

5 On 25 September 2013, responsibility for anti-dumping matters was transferred to the Minister for Industry. The Minister for Industry subsequently delegated responsibility for anti-dumping matters to the Parliamentary Secretary to the Minister for Industry.

6 ADN 2014/12 details of the ICD applicable to zinc coated galvanised steel and aluminium zinc coated steel exported to Australia from China.

7 REP 190 investigated zinc coated galvanised steel and aluminium zinc coated steel exported from China, the Republic of Korea (Korea) and Taiwan. Due to the close nature of these products and common interested parties, findings from both dumping investigations were detailed in one report.

## Public Record

In REP 190 Dongbu was found to have a dumping margin of 3.2%. The investigation determined that the free on board non-injurious price for each exporter was the price equal to the respective normal value. As such, the lesser duty rule did not apply.

On 26 November 2012, a countervailing investigation into zinc coated galvanised steel exported from China was initiated following an application lodged by BlueScope. The investigation, as outlined in International Trade Remedies Branch Report 193 (REP 193)<sup>8</sup>, found that:

- zinc coated galvanised steel exported from China to Australia was subsidised with margins ranging from a negligible rate to 22.8%;
- the dumped and subsidised exports from China caused material injury to the Australian industry producing like goods; and
- continued dumping and subsidisation may cause further material injury to the Australian industry.

Accordingly, it was recommended that the Attorney-General (the decision maker at that time) impose interim dumping duty (IDD) on the goods exported from China, Korea and Taiwan and interim countervailing duty (ICD) on the goods exported from China. The Attorney-General accepted these recommendations and, on 5 August 2013, notice of the Attorney-General's decision was given in Anti-Dumping Notice No. 2013/66 (ADN 2013/66)<sup>9</sup>.

The Attorney-General's decision was appealed to the Anti-Dumping Review Panel (ADRP) in relation to certain findings made in REP 193 relating to the countervailing investigation into zinc coated galvanised steel exported from China. The Parliamentary Secretary to the Minister for Industry<sup>10</sup> did not accept the ADRP's recommendation to revoke the countervailing duty notices but decided to vary the countervailing duty notices so as to reduce the countervailable subsidies as outlined in Anti-Dumping Notice No. 2014/12 (ADN 2014/12)<sup>11</sup>. Notice of the Parliamentary Secretary's decision was published on 20 February 2014 with the notice having effect from 5 August 2013.

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8 REP 193 investigated zinc coated galvanised steel and aluminium zinc coated steel exported from China, the Republic of Korea (Korea) and Taiwan. Due to the close nature of these products and common interested parties, findings from both countervailing investigations were detailed in one report.

9 ADN 2013/66 outlines the details of the IDD applicable to zinc coated galvanised steel and aluminium zinc coated steel exported to Australia from China, Korea and Taiwan, as well as the details of the ICD applicable to zinc coated galvanised steel and aluminium zinc coated steel exported to Australia from China.

10 On 25 September 2013, responsibility for anti-dumping matters was transferred to the Minister for Industry. The Minister for Industry subsequently delegated responsibility for anti-dumping matters to the Parliamentary Secretary to the Minister for Industry.

11 ADN 2014/12 details of the ICD applicable to zinc coated galvanised steel and aluminium zinc coated steel exported to Australia from China.

## 1.2 The current review

On 1 October 2014, Dongbu lodged two applications requesting a review of the anti-dumping measures as they apply to Dongbu's exports of aluminium zinc coated steel and zinc coated galvanised steel to Australia from Korea under Division 5 of the Act. Dongbu claims that certain variable factors relevant to the taking of the anti-dumping measures have changed.

The Commission examined the two applications and decided not to reject the applications. A public notice was published in *The Australian* newspaper on 28 October 2014 and 31 October 2014 detailing the initiation of the reviews. Anti-Dumping Notices (ADN) 2014/114 and 2014/120 and Consideration Report 272 (CON 272) and Consideration Report 273 (CON 273) are available on the Commission's website and describe the goods under review and the Commission's consideration of the applications.

Dongbu's application sought to review the variable factors pertaining to Dongbu only and did not seek the review to be extended to other exporters of aluminium zinc coated steel or zinc coated galvanised steel from Korea.

The review period for this inquiry is from 1 October 2013 to 30 September 2014.

The Commission elected not to undertake a verification of Dongbu's response to the exporter questionnaire (REQ) and has relied on data submitted in Dongbu's REQ in making the assessments contained in this report.

## 1.3 Purpose of this report

The purpose of this report is to assess Dongbu's REQ and to make a preliminary assessment of:

- export price;
- normal value; and
- dumping margins.

## 2 EXPORT SALES TO AUSTRALIA

### 2.1 Australian sales

Dongbu provided a spreadsheet containing a detailed listing of all export sales to Australia during the review period.

In its REQ, Dongbu stated that there were no rebates or discounts in relation to export sales to Australia and that the Australian customers are not associates of Dongbu.

Data provided by Dongbu to assess the costs associated with the movement of the goods from factory to free on board (FOB) point were costs for:

**[CONFIDENTIAL INFORMATION DELETED – details of pre-exportation costs]**

### 2.2 Export price – preliminary assessment

The Commission considers that:

- the goods have been exported to Australia otherwise than by the importer and have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arms length transactions.

Therefore, export prices were established pursuant to s. 269TAB(1)(a)<sup>12</sup>, using Dongbu's quarterly weighted average export invoice prices, by model, excluding any part of that price that related to post-exportation charges.

Details of export price calculations are at **confidential appendix 1**.

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<sup>12</sup> A reference to a division, section or subsection in this report is a reference to a provision of the Customs Act 1901, unless otherwise specified.

### 3 COST TO MAKE AND SELL

As part of Dongbu's REQ, a spreadsheet was provided to the Commission summarising cost to make and sell details that related to domestic and export sales of aluminium zinc coated steel and zinc coated galvanised steel made in the review period. The spreadsheet summarises data by models and quarters and **[CONFIDENTIAL INFORMATION DELETED – details CTMS]**.

## 4 DOMESTIC SALES

### 4.1 General

The Commission examined whether there were suitable sales of like goods for home consumption in the country of export by the exporter, made in the ordinary course of trade and at arms-length over the review period.

Dongbu provided a spreadsheet containing a detailed listing of all domestic sales of like goods within the review period.

The data identified discounts and inland transport costs. Other expenditure or considerations relevant to determining price identified by Dongbu in relation to domestic sales includes: **[CONFIDENTIAL INFORMATION DELETED – domestic sales-related costs]**

A small volume of related party transactions were identified in the domestic sales data. However, the transactions do not have a material effect on the outcome of the reviews.

### 4.2 Arms length transactions

In respect of the data provided by Dongbu regarding its domestic sales, the Commission found no evidence that:

- there was consideration payable for or in respect of the goods other than their price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, will subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

Therefore, the Commission considers that Dongbu's domestic sales during the period of review were arms length transactions.

### 4.3 Ordinary course of trade

Section 269TAAD provides that if like goods are sold in the country of export in arms length transactions and in substantial quantities, and are sold at a price less than the cost of such goods and are unrecoverable within a reasonable period, they are taken not to have been paid in the ordinary course of trade.

#### 4.3.1 Aluminium Zinc Coated Steel

A profitability analysis of the net invoice price (i.e. price paid or payable after discounts) for each domestic sale was calculated by comparing that price to the corresponding cost to make and sell for the respective model and corresponding



quarter. A subsequent test was undertaken to determine the volume of sales at a loss. **[CONFIDENTIAL INFORMATION DELETED – number]** of the domestic models had a volume of sales at a loss that was less than 20%. A test of the recoverability of costs was undertaken to determine if the loss making sales are recoverable. Based on the testing, **[CONFIDENTIAL INFORMATION DELETED – number]** of the domestic models were included in the normal value calculations. As such, sales not at a loss and sales at a loss but recoverable were considered in the ordinary course of trade.

#### 4.3.2 Zinc coated galvanised steel

A profitability analysis of the net invoice price (i.e. price paid or payable after discounts) for each domestic sale was calculated by comparing that price to the corresponding cost to make and sell for the respective model and corresponding quarter. A subsequent test was undertaken to determine the volume of sales at a loss. **[CONFIDENTIAL INFORMATION DELETED – number]** of the domestic models had a volume of sales at a loss that was less than 20%. A test of the recoverability of costs was undertaken to determine if the loss making sales are recoverable. Based on the testing, **[CONFIDENTIAL INFORMATION DELETED – number]** of the domestic models were included in the normal value calculations. As such, sales not at a loss and sales at a loss but recoverable were considered in the ordinary course of trade.

### 4.4 Volume and suitability of sales

Section 269TAC(2) provides that certain domestic sales may be unsuitable for use in determining normal values because of a factor in the market. One such factor is where there is an absence, or low volume, of sales of like goods in the domestic market.

Low volume is defined in s. 269TAC(14) as less than 5% of the total volume of the goods under consideration that are exported to Australia by the exporter.

#### 4.4.1 Aluminium Zinc Coated Steel

**[CONFIDENTIAL INFORMATION DELETED – details of domestic and export product mix]**. As such, Dongbu proposed we use an alternative model that has similar characteristics. The substituted model has the same grade, thickness and coating mass. However, a slight difference is noted in width.

The models including the substituted model, were found to be in sufficient volumes of sales in the domestic market.

#### 4.4.2 Zinc coated galvanised steel

All **[CONFIDENTIAL INFORMATION DELETED – number]** models exported to Australia were found to have sufficient volumes of sales in the domestic market.

Details of the ordinary course of trade and volume and suitability test are at **confidential appendix 2.**

#### 4.5 Normal value – preliminary assessment

Normal values were established in accordance with s.269TAC(1), using Dongbu's quarterly weighted average domestic invoice prices for like goods, by model, where those sales were in the ordinary course of trade.

Adjustments to the normal value were made under s.269TAC(8) for differences in export price and domestic selling prices arising from differences in:

**[CONFIDENTIAL INFORMATION DELETED – adjustments]**

Details of normal value calculations are at **confidential appendix 3**.

## 5 DUMPING MARGIN – PRELIMINARY ASSESSMENT

The dumping margin was calculated by comparing the quarterly weighted average of export prices with the corresponding quarterly weighted average normal values for the whole of the review period, in terms of s. 269TACB(2)(a).

For aluminium zinc coated steel, the weighted average preliminary dumping margin has been assessed as -19.5%.

For zinc coated galvanised steel, the weighted average preliminary dumping margin has been assessed as -2.1%.

A summary of dumping margin calculations is at **confidential appendix 4**.

## 6 LIST OF APPENDICES

Confidential appendix 1	Export price summary
Confidential appendix 2	Ordinary course of trade and volume and suitability test
Confidential appendix 3	Normal value summary
Confidential appendix 4	Dumping margin summary