



Australian Government
**Department of Industry,
Innovation and Science**

**Anti-Dumping
Commission**

MINUTE: MEETING WITH LIBERTY ONESTEEL

Review 465

Review of anti-dumping measures applying to hot rolled structural steel sections exported to Australia from the Republic of Korea

22 August 2018

ATTENDEES:

Liberty OneSteel

Anti-Dumping Commission

Matthew Williams, Director, Investigations 3

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Procedural Matters

1. The Anti-Dumping Commission (Commission) met with representatives of Liberty OneSteel (OneSteel) on 22 August 2018. OneSteel gave a presentation at the meeting.
2. OneSteel agreed to provide a non-confidential version of the presentation. OneSteel indicated that it would make a submission to the Commission regarding the issues addressed in the meeting.
3. The Commission informed OneSteel that the non-confidential version of the presentation, OneSteel's submission document and a file note (i.e., this document) would be uploaded to the Commission's electronic public record (EPR).
4. OneSteel stated that it wished to discuss, among other things, the Australian and the Republic of Korea's (Korean) steel standards and how they are compared in the Commission's model-matching for the current review (Review 465).

Model Control Code

5. OneSteel noted that the Commission's recently-introduced model control code (announced in ADN 2018/128) permits the Commission to reconsider the model-matching process adopted by the original investigation. OneSteel also noted that the Commission had accepted Hyundai's request to change the model-matching criteria from the original investigation to which the current review relates (INV 223) in relation to shape.
6. The Commission informed OneSteel that the announcement indicated the model control code would be implemented from the date of the ADN in relation to new cases. The Commission also noted that the current review was initiated prior to this date and was well advanced, however interested parties were welcome to make submissions on model-matching.

Structural Section Key Properties Overview: Chemical Composition

7. OneSteel's technical expert indicated that, while every clause in a steel standard is important to consider, the presentation was limited to considering the chemical composition and mechanical properties factors.
8. OneSteel stated that the weldability of a carbon steel depends on its chemical composition. OneSteel specifically noted the importance of the Carbon Equivalent value (CE) in determining whether a carbon steel is prequalified for welding with known welding procedures already established based on CE value.
9. AS/NZS 3679.1:2010 (the Australian standard) requires all steel to have a CE below a certain threshold in order to satisfy the standard, making them prequalified for welding. This requirement also corresponds to the Australian structural steel welding standard, AS/NZS 1554.1:2014.
10. There are two current Korean standards for structural steel. One standard is for welded structures (KS D 3515:2016, previously KS D 3515:2014) and so includes a CE threshold requirement. The other standard, for general

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structures (KSD 3503:2016, previously KS D 3503:2014), does not include a CE threshold requirement.

11. Steel produced in compliance with the Korean general structural standard may still be suitable for welding. As different batches of steel made to the general structural standard will have different chemistries, in the absence of a maximum CE requirement, these steel will require testing to establish the appropriate welding procedures to apply. This testing is in addition to the testing required to satisfy the general structural standard. Steel that satisfies the Korean welded structural standard is prequalified for welding, and so does not require this additional testing.
12. OneSteel noted that weldability is an important consideration for steel purchasers. Steel prequalified for welding by satisfying the Korean welded structural standard is, therefore, more valuable than general structural steel that is otherwise equivalent. SS grades are not prequalified for welding, whereas SM grades are prequalified.
13. OneSteel noted that no Korean weldable structural steel grades (in KS D 3515:2016) have a CE threshold identical to that in the Australian standard. Despite this, the SM275 grade is close to the Australian standard, with a CE threshold of 0.42, compared with the required CE threshold of 0.44 for 300 grade products in AS/NZS 3679.1.

Structural Section Key Properties Overview: Mechanical Properties

14. OneSteel explained the concepts of yield strength and ultimate tensile strength (UTS).
15. OneSteel stated that, in the context of construction, a structure that has yielded (i.e., has exceeded its yield strength and become inelastic) has failed. Accordingly, yield strength is the reference point for structural design.

Establishing the Best Model-Match: Use of UTS as a Model-Matching Criterion

16. OneSteel sought clarification on the current review's statement of essential facts (SEF 465). Specifically, OneSteel asked why SEF 465 included UTS as a point of comparison in model-matching between Hyundai Steel Co's (Hyundai's) Australian goods under consideration (the GUC) and Korean domestic like goods. Given the relationship between yield strength and UTS (described above), OneSteel stated that yield strength was the more appropriate mechanical property to consider and that it was the key value used around the world.
17. In response, the Commission made two statements.
18. First, the Commission stated that tensile strength was a factor used in model-matching in the original investigation. The model-matching process used in the original investigation was approved by the Anti-Dumping Review Panel (ADRP) in ADRP Report No 20.
19. Second, the Commission stated that model-matching in the current review included considering a combination of factors including UTS, yield strength and chemical composition and cost information.

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20. OneSteel stated that it recognised that the original investigation's model-matching methodology was upheld by the ADRP. OneSteel stated that, despite this, the Commission is capable of changing its model-matching methodology where a more appropriate methodology is apparent. OneSteel also noted that the 2004 investigation prior to the original investigation (i.e., INV 223) Furthermore, OneSteel noted that Hyundai had changed its own model-matching categories between the original investigation and the current review (in relation to shape). OneSteel stated that, in the current review, the Commission should rely on weldability and yield strength as the primary considerations for model-matching grades between the GUC and Korean like goods.
21. The Commission noted that it has not treated the grades relevant to the GUC and Korean like goods as entirely equivalent. Instead, the Commission selected Korean standard grades that most closely compared to the Australian GUC grade. Following this, the Commission imposed an adjustment in its calculations to account for differences in physical characteristics on the basis of a quantified difference in the cost of production. The cost difference was further adjusted by applying the gross margin of profit on the relevant goods to estimate the price effect of that cost difference. The Commission stated that, by undertaking these adjustments to the most comparable grades to the GUC, the Commission had produced price comparability between the GUC and the Korean like goods.
22. In response, OneSteel noted an alternative way for the Commission to test price comparability between steels for welded structures and steels for general structures. Specifically, OneSteel noted that the Commission could compare the price between welded and general structural products where other factors are identical, such as with minimum yield strength, section shape, etc. For example, OneSteel suggested comparing SS400 and SM400 products, or SS490 and SM490 products.

Changes to the Korean Standards: Overview

23. OneSteel noted that the Korean standards were updated from the beginning of 2017. OneSteel cited the Korean Iron and Steel Association's statement that these changes were made in order to support the strengthening of the export competitiveness of Korean enterprises.
24. OneSteel noted that the updated and previous versions of the Korean standards were applied concurrently for the calendar year 2017. From 1 January 2018, only the updated versions of the Korean standards apply.
25. Regarding the concurrent application of the Korean standards, OneSteel queried whether Hyundai produced products to the previous or updated standard throughout the review period. OneSteel's view was that, for any product sold under the previous (2014) Korean standard, SM490A grade would be the most comparable model to G300 products under the Australian standard — both in terms of CE threshold and the yield strength requirements. By contrast, for products sold to the updated (2016) standard for welded structures, the closest comparable model would now be SM275

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grade (any of SM275 A–D, as all have the same CE and yield strength requirements).

26. The Commission stated that it would contact Hyundai to seek clarification on the matter described in the above paragraph.

Changes to the Korean Standards: Chemical Composition

27. OneSteel noted that the updated Korean weldable structural standard included a modification of the CE equation, which now matches the Australian standard. The Korean general structural standard still has no CE requirement.
28. OneSteel reiterated that the Korean weldable structural standard includes the CE threshold, but the Korean general structural standard does not. OneSteel therefore recommended that the Commission use a Korean weldable structural standard grade for comparison with the Australian G300 grade.

Changes to the Korean Standards: Mechanical Properties

29. OneSteel noted that the grades in the updated Korean standards have been renamed based on yield strength, where they had previously been named based on UTS. OneSteel stated that this illustrated the importance of yield strength as a consideration for engineers and steel purchasers.
30. OneSteel noted that the updated Korean standards all include yield strength and UTS requirements that differ from their closest counterparts in the previous Korean standards.
31. OneSteel referred to Hyundai's product catalogue to identify the updated Korean grades that align to specific previous Korean grades. OneSteel noted that the previous SS400 and SM490 grades had lower yield strength limits when compared to what Hyundai identifies as the closest comparable updated grades (SS275 and SM355, respectively).
32. In its previous presentation to the Commission regarding this case, OneSteel recommended that the Commission use the SM490A grade to model-match against, as this was the most comparable grade from a weldability and yield strength perspective. OneSteel noted that Hyundai aligns SM490 with the updated SM355 grade, but OneSteel believes the increased yield strength limit in the updated SM355 grade diverges further than SM490 from the G300 yield strength limit. Because of this, the updated SM275 grade product now has a closer minimum yield strength requirement to G300.
33. OneSteel stated that, due to the change in minimum yield strength requirements, products sold to the new standard will now recommend that the Commission use the SM275 (A–D) grade for model-matching to the Australian G300 grade.

Establishing the Best Model-Match: H and I sections

34. OneSteel noted that Hyundai had separate product categories for H-section and I sections in the current review. In the original investigation, Hyundai provided an H-section category (which included I-sections) but not a discrete I-section category. OneSteel noted Hyundai's explanation that H-beams are stronger than I-beams, and that I-beams are normally used for mining.

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35. OneSteel queried how Hyundai distinguished H-beams and I-beams. OneSteel noted that, by its own method of classification, it classifies H-beams and I-beams differently to Hyundai. OneSteel noted that Hyundai's product brochure includes an 'I-beam' product as well as an 'I-beam for mine support' product.
36. Further, OneSteel queried the definitions of Hyundai's terminology for structural steel categories. OneSteel noted that it distinguishes universal columns (what OneSteel also calls H-beams) and universal beams (what OneSteel also calls I-beams) by shape. OneSteel noted that Hyundai could have used the terms differently to how OneSteel has done.
37. OneSteel asked the Commission to clarify whether universal beams and universal columns were included in the model for H-beams in the Commission's model-matching methodology. OneSteel also queried whether only tapered-flange I-beams were classified as the model I-beams.
38. In response, the Commission stated that it would contact Hyundai to clarify the inclusion or exclusion of different I-shaped products in its I-beam classification.

Other Issues: Form of Measures

39. OneSteel recommended that the Commission impose a combination form of measures in the current review. OneSteel stated that the current *ad valorem* form of measures has been ineffective at addressing continued dumping, which was evidenced by the fact that the dumping margin has changed between the original investigation and the current review (as indicated in SEF 465).
40. OneSteel stated that a combination form of measures should be used, noting that there is no legislative mechanism in Australia to collect total final duty liability when an exporter lowers its export price following imposition of an *ad valorem* measure of duty. OneSteel stated that a combination duty would provide a floor price to capture additional interim dumping duty where an exporter reduces its price, while an *ad valorem* measure would fail to collect this interim duty. OneSteel further noted that the duty assessment process allows amounts of interim dumping duty to be refunded where required.
41. In response, the Commission directed OneSteel to the Commission's form of measures guidelines, which is the framework it uses to consider such matters. The Commission indicated that it would consider OneSteel's statements as to the correct form of measures.

Other Issues: Marketing Adjustment

42. Following the conclusion of the presentation, OneSteel asked the Commission why an adjustment was made for Hyundai's domestic marketing expenses for structural steel, in the context of calculating a dumping margin.
43. The Commission confirmed that it had examined the marketing adjustment issue, and confirmed it was satisfied that Hyundai had engaged in marketing of structural steel in the Korean market. The Commission further confirmed

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that the marketing in question was specific both to structural steel and to the Korean market.

Other Issues: Extension

44. OneSteel suggested that an extension may be required to the case to allow these issues to be commented upon by other interested parties.