



## **INVESTIGATION 284**

### **ALLEGED DUMPING OF HOT ROLLED PLATE STEEL EXPORTED FROM**

**THE REPUBLIC OF KOREA  
(BY HYUNDAI IRON & STEEL CO LTD AND POSCO STEEL)  
AND TAIWAN**

### **DUMPING MARGIN CALCULATION**

**CHINA STEEL CORPORATION**

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

September 2015

**PUBLIC RECORD**

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## 1 BACKGROUND

### 1.1 Background

On 26 February 2015, BlueScope Steel Limited (BlueScope) lodged an application requesting that the Parliamentary Secretary to the Minister for Industry and Science (the Parliamentary Secretary) publish a dumping duty notice in respect of hot rolled plate steel exported to Australia from Korea, by Hyundai Iron and Steel Co Ltd. (Hyundai) and POSCO Steel (POSCO), and by all exporters from Taiwan.

After consideration of the application, an investigation was initiated on 27 March 2015, and public notification of the initiation of the investigation was published in *The Australian* newspaper on 31 March 2015.

Anti-Dumping Notice (ADN) No. 2015/40 refers to the initiation of the investigation, and is available on the Commission's electronic public record for this investigation at <http://www.adcommission.gov.au>.

Following initiation of the investigation, a search of the Australian Customs and Border Protection Service (ACBPS) import database indicated that China Steel Corporation (China Steel) exported hot rolled plate steel to Australia from Taiwan during the period 1 January 2014 to 31 December 2014 (the investigation period).

The Commission notified China Steel of the initiation of the investigation, and sought its cooperation with the investigation through the completion of an Exporter Questionnaire regarding hot rolled plate steel.

China Steel has cooperated with the investigation and submitted a response to the Exporter Questionnaire by the (extended) deadline of 21 May 2015. A non-confidential version of this response is available on the public record for this investigation.

### 1.2 Purpose of this report

The purpose of this report is to make assessments regarding:

- export price (Chapter 3);
- normal value (Chapter 4); and a
- dumping margin (Chapter 6)

using information submitted in China Steel's response to the Exporter Questionnaire.

In its consideration of whether on-site verification of China Steel's response to the Exporter Questionnaire was necessary, the dumping margin assessment team (the assessment team) considered:

- China Steel's volume and value of exports to Australia;
- the share of the Australian hot rolled plate steel market represented by exports of hot rolled plate steel by China Steel;
- the volume and value of exports to Australia by other exporters; and
- the share of the Australian hot rolled plate steel market represented by exports of hot rolled plate steel by other exporters; and the quality of the

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information provided in China Steel's response to the Exporter Questionnaire in terms of accuracy, relevance and reliability.

The assessment team compared information provided in China Steel's response to the Exporter Questionnaire to:

- information contained in the ACBPS import database;
- relevant and verified information from verified exporters in the current case; and
- relevant and verified information from verified exporters in investigation 198, the previous investigation into hot rolled plate steel.

The assessment team requested further information and has conducted verification of China Steel's domestic and export sales data and of cost to make and sell data. The assessment team is satisfied that the information provided by China Steel can be relied upon for the purpose of assessing the dumping margin calculation.

## 2 COMPANY BACKGROUND

### 2.1 China Steel Corporation

China Steel is a producer of steel products and is publicly traded company listed on the Taiwan Stock Exchange. According to the exporter questionnaire response, as of 20 August 2014, the only shareholder that owns more than 5 per cent of China Steel's shares is the Ministry of Economic Affairs which has a 20 per cent shareholding.

In its exporter questionnaire response, China Steel states that it produces and sells the goods under consideration in the domestic market and exports to other countries, including Australia.

#### 2.1.1 China Steel Global Trading Corporation

The assessment team considered whether it is appropriate to consider China Steel and China Steel Global Trading Corporation (CSGT) as a single entity for the purpose of calculating a dumping margin. This included consideration of the ownership and management structure of the entities and the commercial relationship between the entities.

This issue was considered by a World Trade Organisation dispute settlement panel dealing with the case of Korea – Anti-Dumping Duties on Imports of Certain Paper from Indonesia<sup>1</sup>.

The panel stated that:

*In our view, in order to properly treat multiple companies as a single exporter or producer in the context of its dumping determinations in an investigation, the IA has to determine that these companies are in a relationship close enough to support that treatment.*

It also stated that entities could be treated as a single entity where:

*... the structural and commercial relationship between the companies in question is sufficiently close to be considered as a single exporter or producer.*

The panel considered that common management and ownership are indications of a close legal and commercial relationship and such companies *could harmonize their commercial activities to fulfil common corporate objectives*.

In the case of China Steel and CSGT:

- China Steel owns 99.99 per cent of CSGT;
- The Chairman, President, Executive Vice President and Vice President – Commercial Division of China Steel are also on the Board of CSGT;

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<sup>1</sup> WT/DS312/R

[REDACTED]

Given the ownership, common management and close commercial relationship between China Steel and CSGT, the assessment team considers that the companies can reasonably be treated as a single entity for the purposes of determining a dumping margin.

## **2.2 Accounting details**

In its response to the Exporter Questionnaire, China Steel stated its financial accounting policy and practices are in accordance with the generally accepted accounting principles (GAAP) in Taiwan, which are based on a calendar year (1 January – 31 December). China Steel indicated that Taiwan's GAAP amended its standards in 2013 to be in accordance with International Financial Reporting Standards; however, China Steel's accounting methods have not changed over the last two years.

China Steel stated it adopts a [REDACTED] through which it

[REDACTED]. Throughout the month, China Steel records the standard cost for a given product group or category, then applies adjustments, such as variance ratios, at the end of the month to calculate the actual cost.

China Steel stated it has [REDACTED] of cost centres:

[REDACTED]

China Steel has provided the Commission its financial statements for the years ended 31 December 2013 and 2014. These statements were audited by Deloitte & Touche. The report of the auditors indicates that the audit was conducted in accordance with the generally accepted accounting standards prevailing in Taiwan. The assessment team satisfied as to the accuracy of the audited financial statements for the purpose of conducting the upwards verification of the information provided by China Steel.

### 3 EXPORT PRICE

#### 3.1 Australian export sales

In the investigation period, China Steel sold hot rolled plate steel to [REDACTED] in Australia. These customers are distributors of steel products and are:

- [REDACTED];
- [REDACTED] and
- [REDACTED].

The assessment team has found no information to indicate that China Steel is related to any of its Australian customers.

In its response to the Exporter Questionnaire, China Steel provided a detailed spreadsheet listing its Australian export sales of hot rolled plate steel during the investigation period on a line-by-line basis (referred to as the *Australian sales* listing).

The assessment team has found no information to indicate that there were rebates, discounts or commissions provided by China Steel to its Australian customers. The assessment team has adopted the invoice date as the date of sale.

The assessment team considers that China Steel:

- is the manufacturer of the goods;
- owned the goods at the time of export;
- is the principal in the transaction located in the country of export from where the goods were shipped;
- is not related to its Australian customers;
- made all sales of the goods at arm's length and that those sales were completed at the stated invoice value; and
- sent the goods for export to Australia, and was aware of the identity of the Australian customer.

##### 3.1.1 Export sales process

In its response to the Exporter Questionnaire, China Steel explained its export sales process. Once China Steel accepts

[REDACTED]

[REDACTED]

### 3.2 Verification of Australian sales to source documents

In its response to the Exporter Questionnaire, China Steel provided a detailed *Australian sales* listing, which included line-by-line detail on all hot rolled plate steel sales to Australian customers during the investigation period. The *Australian sales* listing included the following information:

- customer name;
- level of trade;
- product model and grade;
- invoice date;
- date of sale;
- shipping terms;
- payment terms;
- quantity (in tonnes);
- net invoice value (in USD and NTD);
- exchange rate; and
- customs and transport fees.

From the *Australian sales* listing, the assessment team observed that all sales:

- had delivery terms of [REDACTED]
- were invoiced in New Taiwan Dollars (NTD); and
- [REDACTED]

In the Exporter Questionnaire, China Steel was requested to select two Australian sales transactions, in different quarters of the investigation period, and to provide a complete set of all the documentation related to each export sale.

China Steel provided the source documents for two Australian sales transactions from the *Australian sales* listing. The two Australian sales transactions occurred in different quarters of the investigation period.

#### 3.2.1 Sales volume

The assessment team checked the volume of hot rolled plate steel as listed in the *Australian sales* listing and found it matched the respective amounts in the source documents.

#### 3.2.2 Sales value

The assessment team checked the net invoice value (NTD) and unit price (NTD/tonne) of hot rolled plate steel to Australian customers listed in the *Australian*



*sales* listing and found they matched the respective amounts in the source documents.

The assessment team found no evidence of any discounts or rebates applicable to any of the selected Australian sales transactions.

The assessment team confirmed that the invoice date on the provided invoices matched the invoice date in the *Australian sales* listing.

### **3.2.3 Shipping terms**

The assessment team checked the shipping terms of hot rolled plate steel sold to Australian customers as listed in the *Australian sales* listing and found they matched the respective terms in the source documents.

### **3.2.4 Inland freight**

The assessment team checked the amounts for inland freight for hot rolled plate steel sold to Australian customers as listed in the *Australian sales* listing and found they matched the respective amounts in the source documents.

### **3.2.5 Export handling**

The assessment team checked the export handling costs for hot rolled plate steel sold to Australian customers as listed in the *Australian sales* listing and found they matched the respective amounts in the source documents.

### **3.2.6 Bank charges**

The assessment team checked the bank charges for plate steel sold to Australian customers as listed in the *Australian sales* listing and found they matched the respective amounts in the source documents.

[REDACTED]

The assessment team checked

[REDACTED]  
[REDACTED] as listed in the *Australian sales* listing and found they matched the respective amounts in the source documents.

The assessment team has not found any information that

[REDACTED]

## **3.3 Accuracy of export sales data – conclusion**

Following verification to source documents, the assessment team is satisfied that China Steel's *Australian sales* listing is accurate.

## **3.3 Related party transactions**

The assessment team reviewed the documentation for the selected shipments and did not find any evidence in respect of the purchase of hot rolled plate steel, that:

- there is any consideration payable for, or in respect of, the goods other than price; or that

- the price was influenced by a commercial or other relationship between China Steel or an associate of China Steel, and its customers or an associate of the customer.

The assessment team is satisfied that import transactions between China Steel and its customers are at arm's length in terms of section 269TAA.

After considering the information provided in the response to the Exporter Questionnaire and comparing the weighted average prices per tonne for related and unrelated customers, the assessment team considers that all export sales during the investigation period were arm's length transactions.

### **3.4 The importer**

China Steel's customers purchase hot rolled plate steel at



The assessment team considers that the Australian customers of China Steel were the beneficial owners of the goods at the time of importation.

### **3.5 Export price – preliminary assessment**

In respect of export sales to Australia during the investigation period, the assessment team considers that:

- China Steel is the exporter;
- the goods have been exported to Australia otherwise than by the importer; and
- all export sales during the investigation period were arm's length transactions.

As such, the export price has been determined under subsection 269TAB(1)(a) using the invoiced price by China Steel less any part of that price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

Details of the preliminary export price calculations are at **Confidential Appendix 1**.

## 4 NORMAL VALUE

### 4.1 Domestic sales

In its response to the Exporter Questionnaire, China Steel provided a detailed spreadsheet listing of its domestic sales of hot rolled plate steel during the investigation period on a line-by-line basis (referred to as the *domestic sales* listing).

The *domestic sales* listing included:

- customer name;
- level of trade;
- product model and grade;
- invoice date;
- delivery terms;
- payment terms;
- quantity (in kilograms and tonnes);
- net invoice value, discounts and rebates (in NTD); and
- inland freight and credit cost (in NTD).

In its response to the Exporter Questionnaire, China Steel indicated that it provides its domestic customers with discounts and rebates for various reasons. These include:

- quantity discount for domestic market customers with large purchasing volume;
- on-schedule delivery discount for domestic market customers who take delivery based on the schedule set out in the sales order;
- retroactive price rebate for domestic market customers to account for market price changes after the customer made its original order;
- year-end loyalty rebate for domestic customers based on the customer's annual order volume and profit ratio contribution to China Steel; and
- other types of price adjustments for domestic customers during the period of investigation, as listed in Confidential Exhibit D-6.b.

For each sale in its *domestic sales* listing, China Steel provided the:

- amount of discount, which includes the quantity discount and on-schedule delivery discount;
- amount of rebate, which includes the retroactive price rebate and other types of price adjustments; and
- amount of year-end rebate.

In its response, China Steel stated it has sold hot rolled plate steel in the domestic market during the investigation period via two channels: distributors who purchase for resale; and end users who use the goods in production activities. China steel

indicated the terms of sale and prices do not vary between the two channels of distribution. Rather, domestic sale prices are based on steel type, grade, specifications, volume and delivery schedule. The assessment team requested further detail and clarification of price differences for distributors and end-users that were apparent in the data that had been provided. China Steel provided the details as requested. The assessment team has found that when compared on a model by model basis the prices for traders are less than one per cent lower than those for end-users. The assessment team considers that this is not material.

Having reviewed the documentation provided by China Steel, the assessment team considers that the goods manufactured for domestic consumption have characteristics closely resembling the goods exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1).

## **4.2 Verification of domestic sales to source documents**

In the exporter questionnaire, China Steel was requested to select two domestic sales transactions, in different quarters of the investigation period, and to provide a complete set of all the documentation related to each domestic sale, including, for example:

- purchase order, order acceptance;
- commercial invoice, discounts or rebates applicable;
- credit/debit notes;
- long or short term contract of sale;
- inland freight contract; and
- bank documentation showing proof of payment.

China Steel provided the source documents for two domestic sales transactions from the *domestic sales* listing. The two domestic sales transactions occurred in different quarters of the investigation period.

### **4.2.1 Sales volume**

The assessment team checked the volumes of hot rolled plate steel sold to domestic customers as listed in the *domestic sales* listing and found they matched the respective amounts in the source documents.

### **4.2.2 Sales value**

The assessment team checked the total net invoice value and price per tonne of hot rolled plate steel sold to domestic customers as listed in the *domestic sales* listing and found they matched the respective amounts in the source documents.

### **4.2.3 Delivery and payment terms**

The assessment team checked the delivery and payment terms for hot rolled plate steel sold to domestic customers as listed in the *domestic sales* listing and found they matched the respective amounts in the source documents.

#### **4.2.4 Discounts and rebates**

The assessment team checked the discounts and rebates for hot rolled plate steel sold to domestic customers as listed in the *domestic sales* listing and found they matched the respective amounts in the source documents.

#### **4.2.5 Inland freight**

The assessment team checked the inland freight for hot rolled plate steel sold to domestic customers as listed in the *domestic sales* listing and found they matched the respective amounts in the source documents.

#### **4.2.6 Credit costs**

The assessment team checked the credit costs for hot rolled plate steel sold to domestic customers as listed in the *domestic sales* listing and found they matched the respective amounts in the source documents.

### **4.3 Related party transactions**

The assessment team has found that [REDACTED] of China Steel's sales of like goods on the domestic market were to related parties in the investigation period.

The assessment team

[REDACTED]

The assessment team has excluded related party transactions from its calculations of normal value.

### **4.4 Domestic sales – conclusion**

All the documentation provided by China Steel in respect of domestic sales has been examined and checked against the information in the domestic sales summary spreadsheet.

On the basis of downwards verification to source documents, the data in the domestic sales summary spreadsheet is accurate. On the basis of upwards verification to audited financial statements, the data in the domestic sales summary spreadsheet is complete and relevant.

The assessment team is satisfied with the accuracy of China Steel's *domestic sales* listing.

Details of China Steel's domestic sales are at Confidential Appendix 2.

### **4.1 Costs to make and sell**

In its exporter questionnaire response, China Steel provided cost to make and sell (CTMS) data for hot rolled plate steel sold domestically and exported to Australia. The data was presented quarterly by model number.

China Steel provided a spreadsheet in its exporter questionnaire response as well as further information upon request to demonstrate how the CTMS data reconciled upwards, through management accounts, to its 2014 audited financial statements. It

also provided a spreadsheet showing the calculation of selling, general and administration (SG&A) expenses as a percentage of revenue based on figures from its income statement and sales spreadsheets.

The assessment team was able to reconcile the CTMS data in the spreadsheet with the 2014 audited financial statements.

China Steel provided information upon request to allow the assessment team to verify CTMS data downwards to source documents. The assessment team was able to trace the use and cost of coal and iron ore used in the production of hot rolled plate steel.

By examining various reports and extracts from China Steel's accounting system for the month of December 2014, it was possible to verify the cost of coal and iron ore in each stage of production of heavy plate including the production of coke and its consumption in the iron, steel, slab and plate processes. The assessment team checked how these amounts were added to other costs to derive the total production cost of heavy plate for December 2014. The December 2014 amount was then added to corresponding amounts for October and November of 2014 to derive a quarterly total production cost of heavy plate. The respective amounts for other quarters were added to derive a total production cost of heavy plate for 2014. The assessment team then checked how this amount was added to the total production cost of sheet made from hot rolled coil to derive a total production cost of hot rolled plate steel for 2014. The amount matched the total production cost of hot rolled plate steel for 2014 in the CTMS spreadsheet provided by China Steel with its response to the export questionnaire.

The assessment team is satisfied that the CTMS spreadsheet provided by China Steel is complete, relevant and accurate.

Details of the CTMS for hot rolled plate steel for China Steel are at **Confidential Appendix 3**.

## **4.2 Ordinary course of trade**

Section 269TAAD provides that if like goods are sold in the country of export 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 (OCOT).

In order to test whether the domestic sales of China Steel are in the OCOT, the profitability of each arm's length transaction was first tested individually by comparing the unit selling price to the corresponding quarterly weighted average cost to make and sell (CTMS) for each model. For those sales found to be sold at a loss, recoverability was then tested by comparing the unit selling price to the weighted average CTMS of the relevant model over the whole of the investigation period.

This test was undertaken for each model individually and where the volume of unrecoverable sales exceeded 20 per cent of sales of that model in the investigation period, the unrecoverable sales for those models were deemed not to be made in the OCOT.

## **4.3 Suitability of sales**

Subsection 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 subsection 269TAC(14) as less than 5 per cent of the total volume of the goods that are exported to Australia by the exporter.

The assessment team has found that there were sufficient domestic sales of like goods during the investigation period.

China Steel exported [REDACTED] of hot rolled plate steel to Australia in the investigation period.

[REDACTED] in its domestic market in the investigation period [REDACTED]

[REDACTED] in its domestic market in the investigation period. China Steel suggested [REDACTED] and the respective adjustments that could be made to ensure a fair comparison for the purposes of calculating a dumping margin. The assessment team has analysed these suggestions and has made appropriate adjustments. The assessment team has made a further adjustment to the domestic price of the export model for which no corresponding grade was sold domestically.

The assessment team has excluded related party transactions from its calculations of normal value.

#### **4.4 Adjustments to normal value**

The assessment team considers that certain adjustments to domestic sales data are necessary to ensure fair comparison of normal values with export prices.

The following adjustments have been made in accordance with subsection 269TAC(8):]

Domestic inland transport	<b>Deduct</b> an amount for domestic inland transport costs.
Domestic credit	<b>Deduct</b> an amount for domestic credit.
Export inland transport	<b>Add</b> an amount for export inland transport costs.
Export handling [REDACTED]	<b>Add</b> an amount for export handling costs.
Bank charges (including bank charges, interest and negotiation fees)	<b>Add</b> an amount for export bank charges.
[REDACTED]	[REDACTED]

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Pickling and oiling	<b>Add</b> an amount for pickling and oiling hot rolled plate steel for export.

**Table 1: adjustments made to ensure comparability of normal values to export prices**

The above adjustments were calculated as weighted averages (using the data in the domestic and export sales listings) and applied to the normal value.

#### **4.4.1 Normal value – preliminary assessment**

In relation to export sales, there were sufficient volumes of domestic sales of plate steel by China Steel that were arm's length transactions and at prices that were in OCOT. Therefore, prices paid in respect of domestic sales of hot rolled plate steel are suitable for assessing normal values under section 269TAC(1).

Preliminary normal value calculations are at **Confidential Appendix 4**.



## **5 THIRD COUNTRY SALES**

In its exporter questionnaire response, China Steel provided a summary of its hot rolled plate steel export sales to third countries.

The assessment team considers that it is in possession of sufficient accurate information to calculate normal values for its hot rolled plate steel using domestic sales. As such, it is not necessary to consider third country sales for a normal value assessment in terms of subsections 269TAC(2)(d) and (3).

## 6 DUMPING MARGIN

The dumping margin has been assessed by comparing quarterly weighted average export prices (at [REDACTED]) to corresponding quarterly weighted average normal values for the investigation period, in accordance with paragraph 269TACB(2)(a).

The weighted average product dumping margin for hot rolled plate steel exported to Australia by China Steel for the investigation period is **negative 1.4 per cent**.

Details of the preliminary dumping margin calculations are at **Confidential Appendix 5**.

**7 LIST OF APPENDICES**

Confidential Appendix 1	Australian Sales
Confidential Appendix 2	Domestic Sales
Confidential Appendix 3	Domestic Cost to Make and Sell
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping margin