

Exporter Briefing – JFE Bars and Shapes Corporation

Background

JFE Bars and Shapes Corporation (“JFE Bars and Shapes”) has completed an exporter questionnaire for the Anti-Dumping Commission (“the Commission”) in the hot rolled structural sections (“HRS”) investigation.

JFE Bars and Shapes is a wholly owned subsidiary of JFE Steel Corporation which in turn is wholly owned by JFE Holdings. The JFE Group of Companies is a large integrated steel manufacturer in Japan. JFE Bars and Shapes purchases scrap steel used in the manufacture of HRS.

JFE Bars and Shapes’ sales

OneSteel understands that JFE Bars and Shapes sells tapered flange channels on the Japanese domestic market. The goods exported to Australia are parallel flange channels. Parallel flange channels generally sell at a higher price to tapered flange channels.

It is important that the Commission adjusts JFE Bars and Shapes normal value to take account of the differences between the goods sold domestically and those sold for export. OneSteel considers that an upward adjustment to reflect physical differences between domestic sales and export sales is required to account for the physical differences between the tapered (domestic) and parallel (exported) flange products.

OneSteel highlights with the Commission the importance of verifying corporate charges levied by JFE Bars and Shapes’ parent entities, JFE Steel Corporation and JFE Holdings.

Additional Adjustments

Tolerances

OneSteel understands that rolling of structural steel to comply with the AS/NZ 3679.1 (for export sales to Australia) involves tighter tolerances than HRS sold domestically in Japan (refer JIS G 3192). For goods that are less than 10mm in thickness, the AS/NZ 3679.1 minimum tolerance allowed is 2.5 per cent. OneSteel understands that for domestic sales sold in accordance with the JIS Standard a 5 per cent tolerance is permitted. For product that involves a thickness of 10mm and over, the AS/NZ 3679.1 tolerance is also 2.5 per cent, whereas the JIS equivalent is 4 per cent.

The JFE Bars and Shapes exporter questionnaire confirms at Section E-2.1 that there are physical differences between HRS sold domestically and for export to Australia.

It is OneSteel’s understanding that JFE Bars and Shapes would likely produce to the maximum tolerance as it is not within the company’s economic interest to sell a higher weight of beam/channel at the same price as product “rolled light”. JFE’s Bars and Shapes normal values (based upon domestic sales) require an upward adjustment of 2.5 per cent (for less than 10mm thick product), or 1.5 per cent for product with a thickness of 10mm or greater.

JFE would also incur additional rolling costs associated with HRS destined for Australia when compared with products produced for domestic sale and that the normal value should be adjusted upward to reflect these costs. The additional costs noted included the costs of a smaller production runs for product made to Australian standards which include empirical equivalent dimensions, higher grades, tighter mass tolerances and different branding and test certificate requirements and the costs of holding or warehousing stock until next shipment.

Grade differences

It is OneSteel’s understanding that there are grade differences between the products sold in Japan (and other parts of Asia). Grades sold domestically are generally 250 grade product,

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whereas grades sold for export to Australia are 300 grade. A positive adjustment to JFEBS' normal value is therefore required for grade differences between domestic and export sales. The Leong Huat Exporter Questionnaire Response confirms that other Taiwanese and Thai steel mills "charge a higher rate for AS3679.1 grade 300 compared to EN10025, ASTM or JIS Standard"

The closest Japanese standard grade to the Australian grade is AS/NZS 3679.1 is SM490

Level of Trade

It is not clear from JFE Bars and Shapes public file questionnaire response whether it is seeking a level of trade adjustment. In the event a claim is sought, a price differential on the domestic market for sales at differing levels of trade must be evidenced by the Commission.

Credit terms

It appears that JFE Bars and Shapes is seeking an adjustment for differing credit terms on domestic and export markets. The claim is based upon different periods of extended credit evident between domestic and export sales. This would appear reasonable.

Other comments

It is noted that JFE Bars and Shapes has not identified any cost differences (for fair comparison purposes) for packing, commissions and warranties. OneSteel suggests that it is however probable that JFE Bars and Shapes does have export packing costs that are different to domestic packing costs, and that warranties would extend to export sales (for defective or quality issues) and differences would be evident.