



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

**Anti-Dumping
Commission**

REVIEW 419

ALLEGED DUMPING OF CERTAIN HOLLOW STRUCTURAL SECTIONS

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

VISIT REPORT - AUSTRALIAN INDUSTRY

AUSTUBE MILLS PTY LTD

**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 ANTI-DUMPING COMMISSION**

September 2017

CONTENTS

CONTENTS..... 2

1 BACKGROUND..... 3

2 THE GOODS..... 4

 2.1 THE GOODS 4

 2.2 TARIFF CLASSIFICATION..... 4

3 VERIFICATION OF SALES 5

 3.1 VERIFICATION OF SALES DATA TO AUDITED FINANCIAL STATEMENTS..... 5

 3.2 VERIFICATION OF SALES DATA TO SOURCE DOCUMENTS..... 5

 3.3 RELATED PARTY CUSTOMERS 5

 3.4 SALES – CONCLUSION..... 6

4 COST TO MAKE AND SELL..... 7

 4.1 VERIFICATION OF MANUFACTURING COSTS TO AUDITED FINANCIAL STATEMENTS 7

 4.2 VERIFICATION OF COSTS DOWN TO SOURCE DOCUMENTS 7

 4.3 RELATED PARTY SUPPLIERS 7

 4.4 COSTS TO MAKE AND SELL – SUMMARY 7

5 UNSUPPRESSED SELLING PRICE 8

 5.1 NON-INJURIOUS PRICE 8

 5.2 UNSUPPRESSED SELLING PRICE 8

6 APPENDICES AND ATTACHMENTS..... 9

1 BACKGROUND

On 14 July 2017, the Anti-Dumping Commissioner (the Commissioner) initiated a review of the anti-dumping measures applying certain hollow structural sections (HSS or the goods) exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea), Malaysia and Taiwan.

Public notification of the initiation of the review was published on the Anti-Dumping Commission's (the Commission's) website and is available at www.adcommission.gov.au. The background relating to the initiation of this review is contained in Consideration Report 419 and Anti-Dumping Notice (ADN) No. 2017/95.

On 23 June 2017, an application was lodged by Austube Mills Pty Ltd (ATM) under subsection 269ZA (1) of the *Customs Act 1901* (the Act)¹ requesting a review of the variable factors relevant to the taking of the anti-dumping measures relating to exports of the goods to Australia from China, Korea, Malaysia and Taiwan as they relate to exporters of the goods.

Following initiation of the review, the Commission organised a visit to ATM to verify information provided to assist in establishing an unsuppressed selling price relevant to the review.

¹ All legislative references are to the *Customs Act 1901* unless otherwise stated.

2 THE GOODS

2.1 The goods

The goods the subject of the application (the goods) are:

certain electric resistance welded pipe and tube made of carbon 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 in-line galvanised (ILG), pre-galvanised or hot-dipped galvanised (HDG) and non-galvanised HSS.

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

As a result of Anti-Dumping Commission Anti-Circumvention Inquiry No. 291, the anti-dumping measures were altered to specify different goods that are to be the subject of the original notices (to include two additional tariff classifications for certain exporters as specified below).

2.2 Tariff classification

The goods are classified to the following tariff subheadings in Schedule 3 to 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)
- 7306.61.00 (statistical code 90)6
- 7306.69.00 (statistical code 10)
- 7306.50.00 (statistical code 45)7

3 VERIFICATION OF SALES

3.1 Verification of sales data to audited financial statements

At the visit, ATM advised the verification team of the following issues:

- On 7 April 2016, Arrium (the parent company of ATM) entered into voluntary administration. On 12 April 2016, KordaMentha was appointed as Joint and Several Voluntary Administrators of Arrium.
- At the time of the verification visit to ATM, Arrium was not obliged to produce an annual report for financial year 2016. The visit team was further informed that on 12 September 2016 the Australian Securities and Investment Commission (ASIC) had granted Arrium deferral relief with respect to its obligations under Part 2M.3 of the *Corporations Act 2001* in relation to the financial year ending 30 June 2017, the half-year ending 31 December 2017, and for the period to 7 October 2018.
- Notwithstanding the deferral of Arrium's obligation to produce annual reports until 7 October 2018, ATM were able to provide on a confidential basis a copy of an external auditors report in respect of the 2016 financial statements of the Arrium Australia Combined Group.

Upwards verification was performed by reconciling to the audited Arrium Australia Group combined financial statements for the first half of the 2016/17 financial year.

The verification team did not find any material variances or issues reconciling the sales spreadsheet to audited financial statements.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

3.2 Verification of sales data to source documents

The verification team verified the accuracy and completeness of ATM's sales listing by reconciling it to source documents in accordance with ADN 2016/30.

The verification team did not find any issues with the verification of the sales listing to source documents.

Details of the verification process are contained within the verification work program at **Confidential Attachment 1**.

3.3 Related party customers

ATM noted that it sells HSS to both related and unrelated customers.

ATM stated that each month they collate market intelligence regarding the price of competing imports. They determine an import price based on the market intelligence to establish a competitive position. A price list is then sent to both related and unrelated customers and uploaded to their system.

3.4 Sales – conclusion

The verification team is satisfied that the sales listing is complete, relevant and accurate. Accordingly, the verification team considers that the sales spreadsheet may be used in determining an unsuppressed selling price.

4 COST TO MAKE AND SELL

4.1 Verification of manufacturing costs to audited financial statements

The verification team verified the completeness and relevance of ATM's cost to make and sell spreadsheet by reconciling it to the audited financial statements in accordance with ADN 2016/30.

The verification team did not find any discrepancies or issues reconciling the cost to make and sell spreadsheet to audited financial statements.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

4.2 Verification of costs down to source documents

The verification team verified the accuracy of ATM's cost to make and sell spreadsheet by reconciling it to source documents in accordance with ADN 2016/30.

The verification team did not find any discrepancies or issues reconciling data in the cost to make and sell spreadsheet to source documents.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

4.3 Related party suppliers

ATM has a number of related party suppliers. The verification was performed to the financial records of the relevant suppliers to ensure that costs reflected actual costs rather than transfer prices. The verification team was satisfied that the costs reflect the actual costs of production of the related suppliers.

4.4 Costs to make and sell – summary

The verification team considers that ATM's cost to make and sell data is reasonably complete, relevant and an accurate reflection of the cost to make and sell for HSS.

Accordingly, the verification team is considers that the cost to make and sell spreadsheet may be used in determining an unsuppressed selling price.

5 UNSUPPRESSED SELLING PRICE

5.1 Non-injurious price

The *Customs Tariff (Anti-Dumping Duty) Act 1975* (Dumping Duty Act) prescribes that the Parliamentary Secretary must generally have regard to the desirability of specifying a lesser amount of duty than the full dumping margin where the imposition of that lesser amount is adequate to remove injury.

The calculation of the non-injurious price provides the mechanism whereby this lesser duty provision is given effect. The non-injurious price is the minimum price necessary to prevent the injury, or a recurrence of the injury, caused to the Australian industry by the dumping.

The Commission generally derives the non-injurious price by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping. This price is referred to as the unsuppressed selling price.

5.2 Unsuppressed selling price

The Commission's preferred approach to establishing unsuppressed selling prices observes the following hierarchy:

- industry selling prices at a time unaffected by dumping;
- constructed industry prices – industry cost to make and sell plus profit; or
- selling prices of un-dumped imports.

Having calculated the unsuppressed selling price, the Commission then calculates a non-injurious price by deducting the costs incurred in getting the goods from the export free on board point (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, insurance, into-store costs and amounts for importer expenses and profit.

The verification team invited ATM to make a submission on its view on the most appropriate method to calculate the unsuppressed selling price.

6 APPENDICES AND ATTACHMENTS

Confidential Attachment 1

Verification work program