



**INVESTIGATION INTO THE ALLEGED DUMPING OF
HOT ROLLED STRUCTURAL STEEL SECTIONS
JAPAN, THE REPUBLIC OF KOREA, TAIWAN AND
THAILAND**

DUMPING MARGIN CALCULATION

T S STEEL CO., 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 THE ANTI-DUMPING COMMISSION**

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Abbreviation / short form	Full reference
ACBPS	Australian Customs and Border Protection Service
CTMS	costs to make and sell
HRS	hot rolled structural steel sections
Korea	Republic of Korea
OneSteel	OneSteel Manufacturing Pty Ltd
REQ	Response to exporter questionnaire
TS Steel	T S Steel Co., Ltd
TCO	Tariff Concession Orders
The Act	<i>Customs Act 1901</i>
the Commission	Anti-Dumping Commission
the Commissioner	Commissioner, of the Anti-Dumping Commission
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
ADN	Anti-Dumping Notice

2 BACKGROUND

1.1 Application

On 26 August 2013, OneSteel Manufacturing Pty Ltd (OneSteel) lodged an application under the *Customs Act 1901* (the Act), requesting that the then-relevant Minister, the Minister for Home Affairs, publish a dumping duty notice in respect of hot rolled structural steel sections (HRS) exported from Japan, the Republic of Korea (Korea), Taiwan and Thailand.

OneSteel provided further information and data in support of its application, the last of which was received on 1 October 2013, restarting the 20 day period for consideration of the application.

The application alleges that the Australian industry has suffered material injury caused by HRS exported to Australia from Japan, Korea, Taiwan and Thailand at dumped prices. The application claims the industry has been injured through:

- price depression;
- price suppression;
- reduced profits and profitability;
- reduced domestic revenues;
- reduced production capacity utilisation;
- reduced employment; and
- reduced attractiveness for reinvestment.

Public notification of the initiation of the investigation was made on 24 October 2013 in *The Australian* newspaper and through Anti-Dumping Notice (ADN) No. 2013/75, notifying of the initiation of the investigation and key procedural matters.

1.2 Background to this report

Following the initiation of the investigation, a search of the Australian Customs and Border Protection Service's (ACBPS) import database indicated that T S Steel Co., Ltd ('TS Steel') exported HRS from Taiwan to Australia during the period 1 October 2012 to 30 September 2013 (the investigation period).

The Commission notified TS Steel of the initiation of the investigation, sought its cooperation with the investigation, and provided an exporter questionnaire in respect of HRS for TS Steel to complete.

TS Steel completed the exporter questionnaire (REQ), and the non-confidential version of this questionnaire response is available on the Public Record.

2.1 Purpose of this report

Based on the volume of TS Steel's exports relative to the total export volume during the investigation period a decision was made not to conduct an on-site verification visit at TS Steel's premises.

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Whilst a decision was made not to conduct an on-site verification visit, a detailed analysis of the exporter questionnaire provided by TS Steel was completed. This analysis included tests of the data for completeness, relevance and accuracy, and some benchmarking to verified data of a similar nature.

The purpose of this report is to assess T S Steel's REQ responses and to make a preliminary assessment of:

- who is the exporter and who is the importer;
- export prices and normal values; and
- dumping margins.

2.2 Company background

In its REQ, TS Steel provided information which indicates that it is owned by private individuals.

TS Steel advised that it is a steel manufacturer which produces and sells commercial merchant bars. The steel products manufactured by TS Steel include equal & unequal angles, hot rolled flat bars and channel bars.

TS Steel further advised that it carries out all activities itself. These activities include the manufacturing and sale of HRS to both the Taiwanese domestic market and to export markets. Among countries to which TS Steel exports is Australia.

2.3 Accounting

TS Steel's financial accounting period is from 1 January to 31 December. T S Steel provided copies of its chart of accounts and annual reports.

TS Steel confirmed that their financial accounting practices and policies are in accordance with the generally accepted accounting principles of Taiwan.

3 GOODS UNDER CONSIDERATION AND LIKE GOODS

3.1 The goods the subject of the applications (the goods)

3.1.1 Description

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

Hot rolled structural steel sections in the following shapes and sizes, whether or not containing alloys:

- *universal beams (I sections), of a height greater than 130mm and less than 650mm;*
- *universal columns and universal bearing piles (H sections), of a height greater than 130mm and less than 650mm;*
- *channels (U sections and C sections) of a height greater than 130mm and less than 400mm; and*
- *equal and unequal angles (L sections), with a combined leg length of greater than 200mm.*

Sections and/or shapes in the dimensions described above, that have minimal processing, such as cutting, drilling or painting do not exclude the goods from coverage of the investigation.

Goods excluded from this investigation are:

- *hot rolled 'T' shaped sections, sheet pile sections and hot rolled merchant bar shaped sections, such as rounds, squares, flats, hexagons, sleepers and rails; and*
- *sections manufactured from welded plate (e.g. welded beams and welded columns).*

In support of the goods description, OneSteel stated in their application:

In Australia the goods are commonly known as universal beams, universal columns, universal bearing piles, parallel flange channels and both equal and unequal angles. Universal columns typically have their web lengths similar to their flange lengths, whereas universal beams typically have longer webs than flanges. In some other countries the term "H beams" applies to both universal beams and universal columns and the term "I beams" denotes tapered flange beams.

The common grades of steel that the goods subject to this application are sold to are grade 300 and grade 350. The minimal yield stress of the grade 300 refers to 300 Mega Pascals (MPa) and the minimal yield stress for grade 350 is 350 MPa.

The type of alloys that may be incorporated into the HRS steel sections include but is not limited to boron (typically with a boron amount above 0.0008 per cent

or chromium above 0.3%). For clarity, the inclusion of alloy(s) is limited to the shapes and sizes identified above.

The majority of the goods that are subject to this application are manufactured to comply with or exceed the requirements set out in AS/NZS 3679.1:2010 Structural steel Part 1: Hot-rolled bars and sections.

Imported goods are mostly quoted to AS/NZS 3679.1, but if not will generally be quoted to an international standard that stipulates nominal yield strength of 300 Mega Pascals (MPa).

1.2.1 Tariff classification

The goods are classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

- 7216.31.00 statistical code 30 (*channels – U and C sections*);
- 7216.32.00 statistical code 31 (*universal beams – I sections*);
- 7216.33.00 statistical code 32 (*universal column and universal bearing piles – H sections*); and
- 7216.40.00 statistical code 33 (*equal and unequal angles – L sections*).

For the tariff subheadings outlined above, the general rate of duty is 5% for goods imported from Japan, and 0% for imports from Korea, Taiwan and Thailand.

The Commission has received advice from the Tariff Policy section of ACBPS, indicating tariff subheading 7216.50.00 may also be applicable to C sections, only in circumstances whereby these goods are differentiated by industry members and consumers from U sections.

Goods identified as hot rolled other alloy steel sections, as per the specified shapes and sizes described above, are classified to tariff subheading 7228.70.00 in Schedule 3 of the *Customs Tariff Act 1995*. The applicable duty rate for imports from Japan, Korea and Taiwan is 5%, and Thailand is 0%.

In Consideration Report 223 (CON 223), the Commission indicated that Tariff Concession Order (TCO) 0513491 and 0513492 may apply to such goods that are classified to tariff subheading 7216.32.00 and 7228.70.00, respectively. After further examination of the description of the goods under consideration and relevant technical specifications, as well as the goods description contained in TCO 0513491 and 0513492, the Commission has determined that neither of the TCOs applies to the goods under consideration.

As of 5 January 2014, TCO 0513492 has been revoked due to two years of non-use. The revocation of TCOs, which have not been used for a period of two years, is part of the review of Schedule 4 of the *Customs Tariff Act 1995*, and was

announced as part of the Government’s better regulation and micro-economic reform agenda¹.

3.2 HRS Produced Domestically

TS Steel’s REQ and further sales transaction data provided by the company identified that domestically sold HRS included channels, equal angles and unequal angles. These HRS shapes were produced in a variety of heights, thicknesses, widths and lengths. All HRS manufactured for the domestic market was produced to comply with the grade standard of SS400.

We analysed additional domestic sales transaction data provided by the company to verify completeness of the REQ transaction data provided by the company for domestic sales.

3.3 HRS Exported to Australia

TS Steel identified in its REQ all sales of HRS exported to Australia during the investigation period which met the size range of the goods under consideration. TS Steel specified that all HRS exported to Australia was sold as complying with Australian standard AS/NZ 3679.1

TS Steel’s REQ further specified that Australian exported HRS was sold in a variety of shapes and dimensions. The table, below, summarises the dimensions and shapes exported to Australia which meet the size ranges of the goods under consideration.

SHAPE	DIMENSIONS
EQUAL ANGLE BAR	125x125x10x9000
UNEQUAL ANGLE BAR	150x150x10x9000
UNEQUAL ANGLE BAR	150x150x12x12000
UNEQUAL ANGLE BAR	150x90x10x12000
UNEQUAL ANGLE BAR	150x90x10x9000
UNEQUAL ANGLE BAR	150x90x12x12000
UNEQUAL ANGLE BAR	150x90x8x12000
UNEQUAL ANGLE BAR	150x90x8x9000

Table 1: Australian Exported HRS: Shapes & Dimensions

¹ See ACN 2010/18 – Review of Schedule 4 of the *Customs Tariff Act 1995* refers.

We analysed additional export sales transaction data provided by the company to verify completeness of the REQ transaction data provided by the company for export sales.

3.4 Like Goods

Section 269T(1) of the Act defines like goods to mean:

Goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

As previously mentioned, TS Steel's domestic HRS and Australian exported HRS are manufactured to different grade standards. In a submission dated 28 March 2014, the Australian Industry stated, in part, that:

"...OneSteel draws to the attention of the ADC that the predominant domestic HRS grades sold in Taiwan (similarly in Korea and Thailand) by all three cooperative exporters (Feng Hsin, TS Steel and Tung Ho) are inferior to the HRS grades exported to Australia. In previous correspondence dated 5 March 2014, OneSteel has submitted that all (with the exception of Grade SM490A) of the Korean HRS domestic grades are not comparable with AS 3679.1 and, that the predominant domestic sales in Korea are not equivalent to those exported to Australia. Similarly, the predominant domestic grades of HRS sold in Taiwan are not comparable with exports of AS 3679.1 grades exported to Australia by Feng Hsin and TS Steel..."

We note the standard differences between the like goods and the goods, and consider that both products have characteristics closely resembling each other, when considering factors such as physical likeness (shape and dimension), functional likeness (similar end use and function) and production likeness.

3.4.1 Like goods – preliminary assessment

We consider that the like goods cannot be classified identical in all respects to the goods, noting that HRS exported to Australia is manufactured to comply with the specific requirements of the Australian standard, which differs to the standard requirements of HRS produced for the Taiwanese domestic market.

Whilst not being identical, the Commission considers HRS sold domestically by T S Steel has characteristics closely resembling those of the goods exported to Australia during the investigation period. The Commission is therefore satisfied that HRS sold by T S Steel on the domestic market in Taiwan are like goods in accordance with subsection 269T.

Section 8.10 of this report discusses physical characteristic adjustment considerations for normal value.

4 EXPORT SALES TO AUSTRALIA

4.1 General

From its questionnaire response, it appears that HRS manufactured by TS Steel was sold by TS Steel during the investigation period to five unrelated customers in Australia. All five customers were categorised as being Traders. T S Steel provided a spread-sheet containing a detailed listing of all export sales to Australia. It also provided the following source documents of two export transactions:

- Price offer;
- Order;
- Commercial invoice;
- Packing list;
- Bill of lading;
- Customs clearance documents;
- Inland transport; and
- Evidence of receipt of payment.

4.2 The exporter

The Act does not define the exporter; however it is the Commission's policy as outlined in the Dumping and Subsidy Manual, to consider the circumstances (e.g. the role of the parties, their functions and responsibilities) surrounding the exportation of the goods in order to determine the exporter.

Based information on provided, we consider T S Steel to be the exporter of HRS exported to Australia from Taiwan as TS Steel was the manufacturer of the goods and either:

- 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; and
- sent the goods for export to Australia and was aware of the identity of the Australian end customer of the goods; or
- for certain transactions, sold the goods via intermediaries with actual knowledge that the goods were destined for export to Australia.

4.3 The importer

The importer is defined in section 269T(1) as the beneficial owner of the goods at the time of their arrival within the limits of the port or airport in Australia at which they have landed. The beneficial owner is considered to be the one who was entitled to all the benefits associated with ownership even though they may not be the legal owner of the goods.

Based on information provided, we are satisfied that the Australian customers of TS Steel were the beneficial owner of the goods at the time of importation. TS Steel's customers purchase HRS on free-alongside-ship terms and therefore arrange and

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pay ship loading, ocean freight, marine insurance, Customs clearance, logistics, and storage of the goods after they're delivered to the Australian port.

On source documents checked T S Steel's customer is also named as the consignee and/or the notify party on the bill of lading.

4.4 Export price – preliminary assessment

It appears that the goods have been exported to Australia otherwise than by the importer and have been purchased by the importer from the exporter. Therefore, the export price has been determined under Section 269TAB(1)(a) using the invoiced price by TS 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.

Adjustments to the export price to enable fair comparison are discussed in section 8.9 of this report.

The weighted average quarterly FAS export price in \$NTD is summarised in the table below:

\$NTD/MT	Q1	Q 2	Q 3	Q 4
HRS – Equal Angles	████████	████████	████████	████████
HRS – Unequal Angles	████████	████████	████████	████████

Table 2: Quarterly FAS Exported Prices (\$NTD)

Details of the export price calculations and summary export prices are at **Confidential Appendix 1**.

5 COSTS TO MAKE & SELL

In its exporter questionnaire response, T S Steel provided a cost to make and sell spread-sheet for HRS. The spreadsheet shows quarterly costs data for each model sold domestically and exported to Australia. The average weighted cost to make and sell was the same for both domestically sold and Australian exported HRS.

The calculation of unit costs to make and sell for HRS from T S Steel is contained in **Confidential Appendix 2**.

6 DOMESTIC SALES

6.1 General

In its exporter questionnaire response, T S Steel provided a spread-sheet containing detailed sales of HRS in the domestic market.

T S Steel states that it does not sell to any related parties in the domestic market. We note that the spread-sheet of domestic sales contained the customer names in Taiwanese only. As a consequence, we were unable to confirm whether any customers appear to be related. However, the list of T S Steel's significant shareholders provided with the questionnaire specified that they were all individuals, so we consider it reasonable to assume that T S Steel's domestic customers are not related entities.

The Commission's manual specifies that, in establishing the date of sale, the Commission will normally use the date of the invoice as it best reflects the material terms of the sale. TS Steel's REQ did not make any submissions specifying that an alternative date better reflected the date of sale. As a consequence, we have adopted the invoice date as being the date of sale. In TS Steel's REQ 144 of the domestic transactions had invoice dates outside the investigation period. These transactions were excluded from the calculation of the normal value.

6.2 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 domestic sales of the GUC were made in the OCOT, the profitability of each arm's length transaction was tested individually by comparing the unit selling price to the corresponding quarterly weighted average CTMS for each model. For those sales sold at a loss in substantial quantities, recoverability was tested by comparing the unit selling price to the weighted average CTMS of the relevant model over the whole of the investigation period.

Where the volume of unprofitable sales were equal to or greater than 20% and were unrecoverable, these were excluded for the purposes of calculating the normal value.

6.3 Domestic sales – preliminary assessment

There were sufficient volumes of domestic sales of HRS by T S Steel that were arm's length transactions and at prices that were in OCOT.

Based on the information provided, T S Steel's domestic sales of HRS are considered to be suitable for assessing normal value under section 269TAC(1).

The domestic sales spreadsheet, including OCOT test, is at **Confidential Appendix 3**.

7 THIRD COUNTRY SALES

In its exporter questionnaire response, TS Steel provided a summary its HRS sales to third countries.

There is sufficient information from the submission to calculate normal values for HRS using domestic sales or a construction method.

8 ADJUSTMENTS

8.1 General

To ensure that the normal value was comparable to the Australian export price, the following adjustments were made.

8.2 Domestic Packaging

A downwards adjustment for domestic packaging costs was applied to the normal value using the weighted average domestic packaging costs over the investigation period.

8.3 Domestic inland transport

A downwards adjustment for domestic inland transport costs was applied to the normal value using the weighted average domestic inland transport costs over the investigation period.

8.4 Domestic credit terms

As the credit terms for domestic sales were [REDACTED], a downwards adjustment for domestic credit terms was applied to the normal value. The interest rate used was based on the short term borrowing rate for T S Steel. A copy of a bank receipt was provided by TS Steel to verify this rate.

8.5 Export inland transport

An upwards adjustment for export inland transport costs was applied to the normal value using the weighted average export inland transport costs over the investigation period.

8.6 Export handling

An upwards adjustment for export handling costs was applied to the normal value using the specified export handling costs for each transaction.

8.7 Export Packaging

An upwards adjustment for export packaging costs was applied to the normal value using the weighted average packaging costs over the investigation period.

8.8 Commissions Paid on Certain Export Sales

In their REQ, TS Steel disclosed that they paid a commission [REDACTED] [REDACTED] export sales. These commissions were paid at the rate of [REDACTED]. The export prices for these specific transactions were adjusted for any commission paid prior to calculating the weighted average quarterly FAS export price.

8.9 Other Adjustments Considered

8.9.1 Grade adjustments

As previously mentioned, submissions have been received from Australian Industry in relation to the differing grades to which HRS sold in Taiwan and HRS exported to Australia are manufactured. In a submission dated 28 March 2014, the Australian Industry stated, in part, that:

“The normal values for Feng Hsin and TS Steel require upward adjustments to account for the differences in grade and quality of the predominantly inferior domestic sales to enable fair comparison with export prices for AS3679.1 grade HRS exported to Australia.”

Section 269TAC(8)(b) of the Act specifies the basis for making adjustments to normal values in order to enable a fair comparison with export prices where the like goods are not identical goods, noting the Commission findings in section 3.4.1

Adjustments may be made to allow for differences in physical characteristics where the differences can be quantified and supported by verifiable evidence. Adjustments are only considered by the Commission where differences affect price comparability, and are made to enable fair comparison between like goods and the goods.

The Commission’s Dumping and Subsidy Manual further specifies that:

“...in most cases adjustments for differences in physical characteristics, or for quality, are based on production cost differences...”

T S Steel’s exporter questionnaire provided by the company indicated that only HRS meeting the SS400 standard was sold domestically during the investigation period. To verify that only SS400 grade HRS had been sold, the Commission requested TS Steel to provide domestic and export sales transaction data for all sales of HRS during the investigation period. TS Steel provided this information. Analysis of this information verified that the company had only sold domestically HRS meeting the SS400 standard during the investigation period. Furthermore, an examination of the cost to make (CTM) data contained in TS Steel’s REQ and other cost information provided by TS Steel evidenced no difference between the CTM HRS for domestic sales and that exported to Australia.

In summary, the Commission did not make any adjustment to allow for physical characteristics, given that it was not satisfied that it obtained any quantifiable and verifiable evidence relating to production cost differences demonstrating a particular difference which affects price comparability.

8.9.2 Export credit terms

No adjustments were made for export credit terms as all sales were either made on ‘On sight letter of credit’ or a ‘telegraphic transfer’ basis.

8.9.3 Theoretical and actual weight adjustments

The Commission received a submission from Australian Industry that raised concerns about the tolerance differences between the standards under which HRS is sold domestically and under which HRS is exported to Australia. The submission stated in relation to tolerances that:

“...It should be noted 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 throughout Asia. For goods that are less than 10mm in thickness, the AS/NZ 3679.1 (Clause 7.2) minimum tolerance allowed is 2.5 per cent. OneSteel understands that for domestic sales in Taiwan, a 5 per cent tolerance is permitted (to JIS-equivalent). 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.

Accordingly, TS Steel's 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...”

TS Steel specified that HRS exported to Australia was sold on the basis of theoretical weight whereas HRS sold domestically was sold predominantly on the basis of actual weight (as opposed to theoretical weight). All HRS sales that occurred in the ordinary course of trade during the investigation period were made on the basis of the actual weight.

TS Steel further specified that it rolled to meet the applicable standard requirements and that it did not seek to take advantage by rolling within the allowable tolerances below the specified standard requirement.

On the basis of information received we were unable to identify any evidence that TS Steel was either intentionally rolling HRS for the domestic market below the domestic standard requirements or that it was selling HRS in the domestic market on the basis of a theoretical weight which was higher than the actual weight. The normal value calculated for TS Steel was based on the actual weight of HRS sold during the investigation period. We consider that no adjustment for tolerance differences is warranted based on the information available to the Commission.

8.9.4 Warehousing cost for domestic HRS and additional rolling costs for Australian HRS

Australian Industry also submitted that:

- TS Steel was likely to incur additional rolling costs associated with HRS destined for Australia when compared with products produced for domestic sales and that the normal value should be adjusted upward to reflect these costs. These additional costs included costs for different branding.
- TS Steels warehousing costs for export HRS would be higher than for domestic HRS, due to a higher turnover for the latter.

Based on the information provided by TS Steel we were unable identify any specific additional costs for these additional rolling requirements or warehousing costs.

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In the absence of verified evidence that supports a particular product difference affecting price compatibility, adjustments for additional rolling costs or warehousing costs are not deemed as being warranted.

8.10 Adjustments – Conclusion

In accordance with s.269TAC(8), these adjustments are necessary to ensure a fair comparison of normal values and export prices:

Domestic packing costs	Deduct an amount for domestic packing costs.
Domestic inland transport	Deduct an amount for domestic inland transport costs.
Domestic credit terms	Deduct an amount for domestic credit terms.
Export inland transport	Add an amount for export inland transport costs.
Export handling	Add an amount for export handling costs.
Export packing	Add an export packaging costs

9 NORMAL VALUE

There were sufficient volumes of domestic sales of HRS by T S Steel that were arm's length transactions and at prices that were in OCOT. Therefore, prices paid in respect of domestic sales of HRS are suitable for assessing normal values under s. 269TAC(1).

In using domestic sales as the basis for normal values, certain adjustments, in accordance with s. 269TAC(8), are necessary to ensure fair comparison of normal values with export prices as outlined in section 8 above.

A summary of normal value calculations is at **Confidential Appendix 4**.

10 DUMPING MARGIN – PRELIMINARY ASSESSMENT

In calculating the dumping margin, each export transaction was compared with the corresponding quarterly normal value for the corresponding model of HRS. The weighted average product dumping margin for HRS is 4.68%. A summary of the dumping margin calculation is at **Confidential Appendix 5**.

11 LIST OF APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal values
Confidential Appendix 5	Dumping margin