INVESTIGATION 264

INVESTIGATION INTO THE ALLEGED DUMPING OF STEEL REINFORCING BAR EXPORTED FROM

THE REPUBLIC OF KOREA, MALAYSIA, SINGAPORE, SPAIN, TAIWAN, THE KINGDOM OF THAILAND AND THE REPUBLIC OF TURKEY

DUMPING MARGIN CALCULATION

POWER 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

July 2015
1 BACKGROUND

1.1 Background

On 8 August 2014, OneSteel Manufacturing Pty Ltd (OneSteel) lodged an application requesting that the then Parliamentary Secretary to the Minister for Industry and Science (the Parliamentary Secretary) publish a dumping duty notice in respect of steel reinforcing bar (rebar) exported to Australia from the Republic of Korea (Korea), Malaysia, Singapore, Spain, Taiwan, the Kingdom of Thailand (Thailand) and the Republic of Turkey (Turkey).

Subsequent to receiving further information on two occasions from OneSteel, the Commissioner of the Anti-Dumping Commission decided not to reject the application and initiated an investigation into the alleged dumping of rebar from the nominated countries. Public notification of initiation of the investigation was made in The Australian newspaper on 17 October 2014. Anti-Dumping Notice (ADN) No. 2014/100 provides further details of the investigation and is available on the Commission’s website at www.adcommission.gov.au.

OneSteel alleged that the Australian industry has suffered material injury caused by rebar being exported to Australia from the nominated countries at dumped prices. It alleges that the Australian industry has been injured through:

- loss of sales volumes;
- loss of market share;
- price suppression; and
- reduced profits and profitability.

A search of Customs and Border Protection’s (ACBPS) import database indicated that Power Steel Co., Ltd. (Power Steel) exported rebar from Taiwan to Australia during the investigation period. The Commission wrote to Power Steel advising them of the initiation of the investigation, requesting co-operation with the investigation and providing copies of an exporter questionnaire for it to complete. Power Steel completed exporter questionnaires. The exporter questionnaire response was supported by confidential appendices and attachments, including confidential spreadsheets containing sales and cost data requested in the exporter questionnaires. The non-confidential version of the exporter questionnaire response has been placed on the public record.

1.2 Purpose of this report

Based on the volume of Power 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 Power Steel’s premises.

The purpose of this report is to assess Power Steel’s exporter questionnaire response and make preliminary assessments regarding:

- export price (Chapter 2);
- normal value (Chapter 3); and
- a dumping margin (Chapter 4).
Whilst a decision was made not to conduct an on-site verification visit, a detailed analysis of the exporter questionnaire response provided by Power Steel was completed. This analysis included tests for the reasonableness of the export price, domestic sales and cost to make and sell (CTMS) data provided to calculate the dumping margin.
2 EXPORT PRICE

2.1 Australian export sales

In its response to the exporter questionnaire response, Power Steel provided a detailed spreadsheet listing its Australian export sales of rebar during the investigation period. It also provided the source documents of two export transactions which reconciled to the relevant transactions in the detailed export sales listing.

There were no rebates, discounts or commissions identified in this data.

The assessment team has adopted the invoice date as the date of sale.

Power Steel advised that export sales were sold on a theoretical weight basis on the request of the customer. The commission requested and reviewed the weight bridge doockets associated with the export sales and found that for shipments invoiced using theoretical weight, the actual weight (based on weight bridge doockets) was 4% less than the invoiced quantity.

The export price for shipments invoiced using theoretical weights is understated. For example, if the invoiced price is $100/tonne and the theoretical weight is 100 tonnes, the actual invoice price is:

\[
\frac{($100 \times 100 \text{ tonnes})}{(100 \text{ tonnes} - 4\% \text{ less})} = $104/\text{tonne}
\]

If the normal value was $104/tonne, the exporter would be found to be dumping simply because that customer wanted to be invoiced using theoretical weights.

Therefore, the commission considers it reasonable to adjust the export price per unit (tonne) to reflect the actual sales weight.

In its response to the exporter questionnaire response, Power Steel stated that it was not related to any of its Australian customers during the investigation period.

2.2 Export price – preliminary assessment

The assessment team considers that:

- Power Steel is the exporter;
- the goods have been exported to Australia otherwise than by the importer; and
- purchases of the goods by the importer were arm’s length transactions.

The export price has been determined under section 269TAB(1)(a) of the Customs Act 1901 (the Act) using the invoiced price by Power Steel less any part of that price

\[\text{References to any section, subsection or paragraph in this report relate to provisions of the Act, unless specifically stated otherwise.}\]
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 export price calculations and summary export prices are at confidential appendix 1.
3 NORMAL VALUE

3.1 Domestic sales

In its exporter questionnaire response, Power Steel provided a detailed spreadsheet listing its domestic sales of rebar during the investigation period. It also provided the source documents of two export transactions which reconciled to the relevant transactions in the detailed export sales listing.

Having reviewed the documentation provided by Power Steel, the assessment team considers the domestic sales models of reinforced steel bar to be sufficiently different from the Australian export model to be inappropriate for the formulation of normal value based on the sales of these models.

However, the assessment team consider that information gathered and detailed in this report and its attachments can be relied upon to establish normal values for comparison with export prices for rebar exported to Australia during the investigation period under s. 269TAC(2)(c)(a).

S. 269TAC(2)(c)(a) states the normal value is the sum of:

1. Such amounts as the Minister determines to be the cost of production or manufacture of the goods in the country of export; and
2. On the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade in the country of export – such amount as the Minister determines would be the administrative, selling and general costs associated with the sale and the profit on that sale.

Regulation 45 of the Customs (International Obligations) Regulations 2015 provides for the determination of profit. Regulation 45(2) states:

The Minister must, if reasonably practicable, work out the amount using data related to the production and sale of like goods by the exporter or producer of the goods in the ordinary course of trade.

To this end, the Commission has found that % of domestic sales invoice lines were profitable and that the weighted average profit for these sales lines was %. We have used this profit in the construction of normal value.

3.2 Related party transactions

Power Steel stated it had not sold rebar to a related party.

3.3 Model matching

As outlined in Issues Paper 2015/01 (Public Record Document 24 of Case 264 refers), model matching was to be applied based on minimum yield strength (i.e. 500MPa), shape (coil or straight) and diameter, however in their domestic market, Power Steel only manufactured and sold MPa and MPa reinforcing steel bar.
As a result, the Commission has constructed normal value using the cost to make from the Australian export CTMS, plus the SG&A costs from the CTMS, plus the WA profit of all profitable and recoverable sales, plus an adjustment to take the domestic ex-works sale to the FOB point. The Commission has calculated SG&A costs by taking the total pool of allocated SG&A costs and apportions it across the total sales volume for the corresponding period.

3.4 **Ordinary course of trade and sufficiency**

The assessment team assessed whether the domestic sales are made in the ordinary course of trade (OCOT) by comparing the unit selling price to the corresponding quarterly weighted average CTMS for each model.

In its exporter questionnaire response, Power Steel provided a CTMS spreadsheet for rebar showing quarterly costs data for rebar sold domestically and exported to Australia. The calculation of unit costs to make and sell for rebar from Power Steel is contained in **confidential appendix 2**.

The volumes of domestic sales made in OCOT for specific models were then compared to the model exported to Australia using the model matching methodology outlined in section 3.3 above. The assessment team found that there were no identical models sold on the domestic market for all export models.

3.5 **Volume of domestic sales**

Section 269TAC(2) of the Act provides that certain domestic sales may be unsuitable for use in determining normal values because of factors 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 section 269TAC(14) of the Act as less than 5% of the total volume of goods under consideration that are exported to Australia.

The volume of like goods sold in OCOT on the domestic market have been compared to the volume of the goods export to Australia over the investigation period and found that there were sufficient sales.

The volumes of domestic sales made in OCOT for specific models were then compared to the model exported to Australia using the model matching methodology outlined in section 3.3 above. The assessment team found that there were insufficient volumes of identical models sold in OCOT on the domestic market for all export models.

3.6 **Domestic sales – preliminary assessment**

While the assessment team found sufficient volumes of domestic sales of rebar by Power Steel that were arm’s length transactions and at prices that were in the ordinary course of trade, the absence of identical or near identical models has required the commission to construct normal value rather than calculate it based on the domestic sales data.
The domestic sales spreadsheet, including OCOT test, is at confidential appendix 3.

3.7 Adjustments

In using domestic sales as a basis for normal value, the assessment team considers that certain adjustments are necessary to ensure fair comparison of normal values with export prices.

The following adjustments have been made in accordance with subsection 269TAC(9):

<table>
<thead>
<tr>
<th>Constructed Normal Value</th>
<th>Export inland transport and handling</th>
<th>Add an amount for export inland transport, port and loading expenses to FOB</th>
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<tbody>
<tr>
<td>Constructed Normal Value</td>
<td>Profit</td>
<td>Add an amount for reasonable profit.</td>
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The assessment team’s preliminary adjustment calculations are included in normal value calculations at Confidential Appendix 4.
4 DUMPING MARGIN – PRELIMINARY ASSESSMENT

Dumping has been assessed by comparing quarterly weighted average export prices (at FOB terms) to corresponding quarterly constructed normal values as described in 269TAC(2)(c) for the corresponding quarter of the investigation period.

The weighted average product dumping margin for rebar exported to Australia by Power Steel for the investigation period is 1.3%.

Details of the dumping margin calculations are at Confidential Appendix 5.
## 5 LIST OF APPENDICES

<table>
<thead>
<tr>
<th>Confidential Appendix 1</th>
<th>Export sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confidential Appendix 2</td>
<td>Cost to make and sell</td>
</tr>
<tr>
<td>Confidential Appendix 3 &amp; 4</td>
<td>Normal value and domestic sales</td>
</tr>
<tr>
<td>Confidential Appendix 5</td>
<td>Dumping margin</td>
</tr>
</tbody>
</table>