



CUSTOMS ACT 1901 - PART XVB

# **STATEMENT OF ESSENTIAL FACTS NO. 223**

**DUMPING OF HOT ROLLED STRUCTURAL STEEL  
SECTIONS**

**EXPORTED FROM JAPAN, THE REPUBLIC OF KOREA,  
TAIWAN AND THE KINGDOM OF THAILAND**

**July 2014**

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## **ABBREVIATIONS**

<b>Abbreviation / short form</b>	<b>Full reference</b>
ACBPS	Australian Customs and Border Protection Service
ADN	Anti-Dumping Notice
Arrium	Arrium Ltd
AS/NZS 3679.1	Australian HRS standard
CTM	Cost to make
CTMS	Cost to make and sell
EAF	Electric arc furnaces
G300	HRS manufactured to Australian Standard AS/NZ 3679.1:2010 grade 300
HRS	Hot rolled structural steel sections
IPP	Import parity pricing
Korea	Republic of Korea
MPa	Mega Pascals
NIP	Non-injurious price
OneSteel	OneSteel Manufacturing Pty Ltd
PAD	Preliminary Affirmative Determination
PAD 223	Preliminary Affirmative Determination Report No. 223
REQ	Response to the exporter questionnaire
SEF	Statement of Essential Facts
South Africa	the Republic of South Africa
TCO	Tariff Concession Orders
Thailand	The Kingdom of Thailand
the Act	<i>Customs Act 1901</i>
the Commission	Anti-Dumping Commission
the Commissioner	The Anti-Dumping Commission
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Parliamentary Secretary	Parliamentary Secretary to the Minister for Industry
USP	Unsuppressed selling price

## **1 SUMMARY AND RECOMMENDATIONS**

This investigation is in response to an application by OneSteel Manufacturing Pty Ltd (OneSteel) in relation to the allegation that dumped Hot Rolled Structural Steel Sections (HRS) exported to Australia from Japan, the Republic Of Korea (Korea), Taiwan and the Kingdom of Thailand (Thailand) caused material injury to the Australian industry producing like goods.

This statement of essential facts (SEF) sets out the facts on which the Anti-Dumping Commissioner (the Commissioner) proposes to base a recommendation to the Parliamentary Secretary to the Minister for Industry (the Parliamentary Secretary)<sup>1</sup> in relation to the application.

### **1.1 Preliminary findings**

The Anti-Dumping Commission (the Commission) has found that HRS exported from Japan, Korea, Taiwan and Thailand was exported at dumped prices during the investigation period, the volumes of dumped goods were not negligible and that those exports caused material injury to the Australian industry.

Based on these preliminary findings, and subject to any submissions received in response to this SEF, the Commissioner proposes to recommend that the Parliamentary Secretary publish a dumping duty notice in respect of all exports of HRS from Japan, Korea, Taiwan (except by Feng Hsin Iron and Steel Co Ltd) and Thailand.

The Commission has found that HRS exported by Feng Hsin Iron and Steel Co Ltd from Taiwan was not dumped, and subject to any submissions received in response to this SEF, proposes to terminate the dumping investigation so far as it relates to exports by Feng Hsin Iron and Steel Co Ltd.

### **1.2 Application of law to facts**

#### **1.2.1 Authority to make decision**

Division 2 of Part XVB of the *Customs Act 1901* (the Act) sets out, among other matters, the procedures to be followed and the matters to be considered by the Commissioner in conducting investigations in relation to the goods covered by an application.

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<sup>1</sup> The Minister for Industry has delegated responsibility with respect to anti-dumping matters to the Parliamentary Secretary, and accordingly, the Parliamentary Secretary is the relevant decision maker for this investigation

### **1.2.2 Application**

On 26 August 2013, OneSteel lodged an application requesting that the then relevant Minister, the Minister for Home Affairs, publish a dumping duty notice in respect of HRS exported from Japan, Korea, Taiwan and Thailand.

Following consideration of the application, the Delegate of the Commissioner decided not to reject the application and the Commission initiated an investigation on 24 October 2013. Public notification of initiation of the investigation was made in *The Australian* newspaper on 24 October 2013. Anti-Dumping Notice (ADN) No. 2013/75 provides further details of the investigation and is available on the Commission's website at [www.adcommission.gov.au](http://www.adcommission.gov.au)

In respect of the investigation:

- the investigation period<sup>2</sup> for the purpose of assessing dumping is 1 October 2012 to 30 September 2013; and
- the injury analysis period for the purpose of determining whether material injury has been caused to the Australian industry is from 1 July 2009.

### **1.2.3 Preliminary Affirmative Determination**

The Commissioner, after having regard to the application and submissions, was satisfied that there were sufficient grounds for the publication of a dumping duty notice in respect of HRS exported to Australia by certain exporters from Japan, Korea, Taiwan and Thailand, and made a preliminary affirmative determination (PAD) to that effect on 14 March 2014. PAD 223 contains details of the decision and is available on the public record at <http://www.adcommission.gov.au/cases/EPR223.asp>.

To prevent material injury to the Australian industry occurring while the investigation continues, securities are being taken in respect of any interim dumping duty that may become payable in respect of HRS sections from Japan, Korea, Taiwan and Thailand that were entered for home consumption on or after 14 March 2014.

### **1.2.4 Statement of essential facts**

The Commissioner must, within 110 days after the initiation of an investigation, or such longer period as the Parliamentary Secretary allows, place on the public record a statement of the facts on which the Commissioner proposes to base a recommendation in relation to the application.

In formulating the SEF the Commissioner must have regard to the application concerned, any submissions concerning publication of the notice that are

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<sup>2</sup> s. 269T(1) refers.

received by the Commission within 40 days after the date of initiation of the investigation and any other matters considered relevant.

The initiation notice advised that the SEF for the investigation would be placed on the public record by 11 February 2014. However, the Commissioner was satisfied that the prescribed 110 days to place the SEF on the public record for the investigation was likely to be insufficient and requested that the Parliamentary Secretary extend the publication timeframes.

The Parliamentary Secretary under s. 269ZHI of the Act extended the deadline for the publication of the SEF for the investigation to **17 July 2014**. ADN Numbers 2014/10 and 2014/40 were issued on 11 February 2013 and 12 May 2014 respectively notifying the Parliamentary Secretary's decision to twice extend the due date of the SEF.

Interested parties are invited to make submissions to the Commission in response to the SEF within 20 days of the SEF being placed on the public record. Final recommendations will be made in a report to the Parliamentary Secretary due on or before **31 August 2014**.

### **1.3 Preliminary findings and conclusions**

The Commission has made the following preliminary findings and conclusions based on available information at this stage of the investigation:

#### **1.3.1 The goods and like goods (Chapter 3 of this report)**

Locally produced HRS is like to the goods the subject of the application.

#### **1.3.2 Australian industry (Chapter 4 of this report)**

There is an Australian industry producing like goods, comprising of one Australian producer of HRS.

#### **1.3.3 Australian Market (Chapter 5 of this report)**

The Australian market for HRS is predominately supplied by locally produced HRS and imports from the nominated countries, with a small volume of imports from other countries.

#### **1.3.4 Dumping (Chapter 6 of this report)**

The Commission has assessed that during the investigation period:

- HRS exported to Australia from Japan, Korea and Thailand were dumped;
- HRS exported to Australia from Taiwan was dumped, except those exports by Feng Hsin Iron and Steel Co Ltd which were not dumped;

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- the volume of dumped goods from Japan, Korea, Taiwan and Thailand and the dumping margins (other than for exports by Feng Hsin Iron and Steel Co Ltd) were not negligible.

The dumping margins determined for all exporters are set out below.

Country	Exporter / Manufacturer	Dumping margin
Japan	JFE Bars and Shapes	12.15%
	<i>Uncooperative exporters</i>	12.23%
Korea	Hyundai Steel Company	2.52%
	<i>Uncooperative exporters</i>	3.24%
Taiwan	Feng Hsin Iron and Steel Co Ltd	<i>de minimis</i>
	TS Steel Co Ltd	4.68%
	Tung Ho Steel Enterprise Corporation	2.20%
	<i>Uncooperative exporters</i>	7.89%
Thailand	Siam Yamato Steel Co Ltd	19.80%
	<i>Uncooperative exporters</i>	21.04%

**Table 1 - Dumping margins**

### **1.3.5 Economic condition of the Australian industry (Chapter 7 of this report)**

The Commission is satisfied that the Australian industry producing like goods experienced injury in the form of:

- price depression;
- price suppression;
- reduced profits and profitability; and
- reduced revenue.

### **1.3.6 Has dumping caused material injury? (Chapter 8 of this report)**

The Commission is satisfied that the Australian industry suffered material injury as a result of dumped imports from Japan, Korea, Taiwan (except by Feng Hsin Iron and Steel Co Ltd) and Thailand.

### **1.3.7 Will dumping and material injury continue? (Chapter 9 of this report)**

The Commission is satisfied that dumping and material injury will continue if measures are not imposed.

### **1.3.8 Non-injurious price (Chapter 10 of this report)**

The Commission has assessed the non-injurious price (NIP) as equal to the normal value for each exporter, on the basis that the injury caused by dumping is due to OneSteel's matching of import prices.



**1.3.9 Proposed measures (Chapter 11 of this report)**

As the Commission has assessed NIPs at equal to the normal value for each exporter, the lesser duty rule does not come into effect and the proposed measures are set at the full margin of dumping.

Securities will be taken in respect of HRS exported from Japan, Korea, Taiwan and Thailand, where the preliminary margin of dumping is greater than 2% with the securities being calculated ad valorem (i.e. a proportion of export price).

## 2 BACKGROUND

### 2.1 Initiation

On 26 August 2013, OneSteel lodged an application requesting that the then relevant Minister, the Minister for Home Affairs, publish a dumping duty notice in respect of HRS exported from Japan, 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 applicant 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 applicant 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.

The Commissioner was satisfied that the application was made in the prescribed manner by a person entitled to make the application, that there was an Australian Industry manufacturing the like goods and that there appeared to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

Public notification of the initiation of the investigation was made on 24 October 2013 in *The Australian* newspaper and in ADN No. 2013/75.

### 2.2 Previous cases

#### Investigation

On 5 July 2002, the Minister for Justice and Customs published a dumping duty notice applicable to HRS exported to Australia from Korea, the Republic of South Africa (South Africa) and Thailand. The publication of this notice followed the recommendations made in *Trade Measures Report No. 55*.

#### Review

A review of the anti-dumping measures applying to certain HRS exported from Thailand was initiated in 2002. The review recalculated an export price and normal value for HRS, and determined that the export price was greater than

the normal value, and consequently no dumping was found. As such, interim dumping duty was assessed as zero unless the export price of any importation of HRS was less than the ascertained export price, in which event the interim dumping duty would be equal to the amount by which the ascertained export price exceeded the actual export price.

The details of the review were contained in *Trade Measures Report No. 62*.

#### Review

A review of the anti-dumping measures applying to certain HRS exported from Korea was initiated in 2004. As with the review detailed above, the normal value was found to be less than the export price, and it was recommended that the ascertained export price be set at the level of the ascertained normal value. As such, no interim dumping duty was payable unless the actual export price fell below the ascertained export price, in which event the interim dumping duty would be equal to the amount by which the ascertained export price exceeded the actual export price.

The details of the review were contained in *Trade Measures Report No. 79*.

#### Expiration of measures

On 6 July 2010, anti-dumping measures on HRS from Korea, South Africa and Thailand expired as no application for the continuation of measures was received.

### **2.3 Current measures**

There are currently no anti-dumping or countervailing measures applying to the goods exported to Australia.

### **2.4 Preliminary affirmative determination**

The Commissioner, after having regard to the application and submissions, was satisfied that there were sufficient grounds for the publication of a dumping duty notice in respect of HRS exported to Australia by certain exporters from Japan, Korea, Taiwan and Thailand, and made a PAD to that effect on 14 March 2014. PAD 223 contains details of the decision and is available on the public record at <http://www.adcommission.gov.au/cases/EPR223.asp>

To prevent material injury to the Australian industry occurring while the investigation continues, securities are being taken in respect of any interim dumping duty that may become payable in respect of certain HRS from Japan, Korea, Taiwan and Thailand that were entered for home consumption on or after 14 March 2014.

## **2.5 Statement of Essential Facts extensions**

Pursuant to s.269ZHI of the Act, the Commission sought, and was granted, two extensions by the Parliamentary Secretary that provided additional time to publish this SEF.

The initial extension was sought in response to political unrest in Thailand that had prevented the Commission from undertaking verification of data provided by a major exporter, as well as delays experienced in the investigation due to national holidays and business closures over the Christmas and New Year period.

A second extension was requested to allow further time to complete the remote verification of information from the Thai exporter, necessitated by the continuing political unrest in Thailand. The second extension allowed the Commission to publish this SEF on or before 17 July 2014.

For more information on these extensions refer to ADN Numbers 2014/10 and 2014/40.

## **2.6 Responding to this SEF**

This SEF sets out the essential facts on which the Commissioner proposes to base the final recommendations to the Parliamentary Secretary.

Interested parties have 20 days to respond to the SEF. The Commissioner will consider these responses in making his final report to the Parliamentary Secretary. The report will recommend whether or not to publish a dumping duty notice and the extent of any interim duties that are, or should be, payable.

Responses to this SEF should be received by the Commission no later than 6 August 2014. The Commission is not obliged to have regard to any submission made in response to the SEF received after this date if to do so would, in the opinion of the Commissioner, prevent the timely preparation of the report to the Parliamentary Secretary.

The Commissioner must report to the Parliamentary Secretary by 31 August 2014.

Submissions should preferably be emailed to [operations3@adcommission.gov.au](mailto:operations3@adcommission.gov.au).

Alternatively, they may be sent to fax number +61 3 9244 8902, or posted to:

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The Director  
Operations 3  
Anti-Dumping Commission  
1010 La Trobe Street  
MELBOURNE VIC 3002  
AUSTRALIA

Confidential submissions must be clearly marked accordingly and a non-confidential version of any submission is required for inclusion on the Public Record.

A guide for making submissions is available at the Commission's website [www.adcommission.gov.au](http://www.adcommission.gov.au).

The Public Record contains non-confidential submissions by interested parties, the non-confidential versions of the Commission's reports and other publicly available documents. It is available in hard copy by request in Melbourne (phone 1300 884 159 to make an appointment), or online at [www.adcommission.gov.au](http://www.adcommission.gov.au).

Documents on the Public Record should be read in conjunction with this SEF.

### **2.7 Submissions received from interested parties**

The Commission has received numerous submissions from interested parties during the course of the investigation. Each submission has been considered by the Commission in reaching the preliminary conclusions contained within this SEF. The submissions received are summarised in **Non-Confidential Appendix 1**.

At the time of finalising this SEF, the Commission received further submissions from interested parties. In order to keep to legislative timeframes with respect to the publication of the SEF, the Commission has not had the opportunity to assess these recent submissions. The recent submissions will be assessed and considered by the Commission in finalising its final recommendations and the final report to the Parliamentary Secretary.

### 3 THE GOODS AND LIKE GOODS

#### 3.1 Preliminary finding

The Commission considers that locally produced HRS are like goods to the goods the under consideration.

#### 3.2 Legislative framework

Subsection 269TC(1) of the Act requires that the Commissioner must reject an application for a dumping duty notice if, inter alia, the Commissioner is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

In making this assessment, the Commissioner must first determine that the goods produced by the Australian industry are “like” to the imported goods. Subsection 269T(1) defines like goods as:

*“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”.*

An Australian industry can apply for relief from injury caused by dumped or subsidised imports even if the goods it produces are not identical to those imported. The industry must however, produce goods that are “like” to the imported goods.

Where the locally produced goods and the imported goods are not alike in all respects, the Commission assesses whether they have characteristics closely resembling each other against the following considerations:

- physical likeness;
- commercial likeness;
- functional likeness; and
- production likeness.

#### 3.3 The goods under consideration

The goods the subject of the application (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;*

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- 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 application.*

Goods excluded from this application 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).

### 3.3.1 Further information

In support of the goods description, OneSteel provided further information to clarify the nature of the goods, as follows:

*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).*

### **3.4 Tariff classification**

Goods identified as hot rolled non-alloy steel sections as set out in section 3.3 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 imports from Korea, Taiwan and Thailand attract zero duty.

Goods identified as hot rolled other alloy steel sections, as per the specified shapes and sizes as set out 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 imports from Thailand attract zero duty.

### **3.5 Tariff Concession Orders**

In *Consideration Report 223*, the Commission indicated that tariff concession orders (TCO) 0513491 and 0513492 may apply to the goods under consideration that are classified to tariff subheading 7216.32.00 and 7228.70.00, respectively. The TCO's are listed chronologically below.

Tariff Ref: 7228.70.00 - Description of Goods (TCO 0513491)

*"I BEAMS, hot rolled, having EITHER of the following:*

- a) depth NOT less than 356 mm (14 in) and a flange width NOT less than 368 mm (14.5 in);*
- b) depth NOT less than 762 mm (30 in) and a flange width NOT less than 267 mm (10.5 in)"*

Tariff Ref: 7216.32.00 - Description of Goods (TCO 0513492)

*"I BEAMS, hot rolled, having EITHER of the following:*

- a) depth NOT less than 356 mm (14 in) and a flange width NOT less than 368 mm (14.5 in);*
- b) depth NOT less than 762 mm (30 in) and a flange width NOT less than 267 mm (10.5 in)"*

After further examination of the description of the goods under consideration and relevant technical specifications, as well as the goods description contained



in TCOs 0513491 and 0513492, the Commission has determined that neither of the TCOs apply 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 agenda.<sup>3</sup>

### **3.6 Standards**

Imported HRS is generally quoted to Australian standard AS/NZS 3679.1 (AS/NZS 3679.1). If not quoted to this standard, HRS will generally be quoted to an international equivalent standard.

OneSteel confirmed that its entire HRS range is manufactured to meet or exceed the Australian standard.

OneSteel's standard HRS range is manufactured to the 300MPa yield strength required by AS/NZS 3679.1, and is branded as '300PLUS'®. OneSteel stated that elements of its 300PLUS® actually exceed the Australian Standard.

OneSteel also manufactures HRS product to Grade 350, which has minimum yield strength of 350MPa, for customers who require higher yield strength HRS for certain applications. OneSteel explained that 350 grade is generally only manufactured when a customer orders it and that it does not form part of its standard product range.

### **3.7 The Commission's assessment**

The Commission considers that the Australian industry produces like goods on the following grounds:

- *Physical likeness*: The primary physical characteristics of the goods and locally produced goods are similar, for example shape, dimension, appearance, weight, standards;
- *Commercial likeness*: The goods manufactured by the Australian industry and the imported goods are commercially alike, directly competitive and are sold to common customers in the Australian market;
- *Functional likeness*: Both the goods manufactured by the Australian industry and the imported goods are functionally alike as they have the same range of end uses; and

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<sup>3</sup> See ACN 2010/18 – Review of Schedule 4 of the Customs Tariff Act 1995 refers.

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- *Production likeness*: The goods manufactured by the Australian industry are manufactured in a similar manner to the imported goods.

The findings on physical, commercial, functional and production likeness detailed above lead to the conclusion that OneSteel produces goods that have characteristics closely resembling the goods the subject of the application. Consequently, the Commission considers goods manufactured by OneSteel like goods to the goods under consideration.

## **4 THE AUSTRALIAN INDUSTRY**

### **4.1 Preliminary finding**

The Commission has made a preliminary finding that there is an Australian industry producing like goods.

### **4.2 Australian Industry**

OneSteel is a wholly owned subsidiary of Arrium Limited (Arrium), formerly OneSteel Limited.

Arrium is an international mining and materials company listed on the Australian Securities Exchange. The company is structured around three key business segments:

- Arrium Mining: an exporter of hematite iron ore and supplier of iron ore feed to OneSteel's integrated steelworks at Whyalla;
- Arrium Mining Consumables: supplies resource companies with a range of key mining consumables, including wire ropes and rail wheels; and
- Arrium Steel: comprises steel manufacturing, recycling, and steel distribution businesses.

OneSteel forms part of the Arrium Steel business. OneSteel produces a wide range of finished long products including reinforcing bar and rod, HRS, merchant bar, rail and wire products.

OneSteel purchases magnetite and hematite iron ore (for example, pellet and lump ore) from Arrium Mining's iron ore operations located in the Middleback Ranges, South Australia. OneSteel also purchases a small amount of quartz and dolomite from Arrium Mining.

#### **4.2.1 Manufacturing facilities & product range**

OneSteel's manufacturing facilities are:

- the fully integrated Whyalla Steelworks including the Hot Rolled Structural Mill;
- two electric arc furnaces (EAF) located in Sydney, New South Wales and Laverton, Victoria;
- bar and light structural mills at Laverton and Sydney; and
- several other rod and bar and wire mills in various locations around Australia.

The Whyalla integrated works produce metal for OneSteel's manufacturing operations across all sites, while the EAFs produce steel for use in facilities other than Whyalla.

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The Whyalla Steelworks produces steel using a basic oxygen steelmaking system where liquid steel is cast into billets, slab or blooms. The EAFs produce steel and cast liquid steel into billet.

Billet is used as feed for rod and bar products (not subject to the investigation), slab and bloom is the feed product for OneSteel's structural mill.

OneSteel manufactures HRS in a range of shapes, sizes, grades, thicknesses and lengths at its structural mill in Whyalla. OneSteel also makes one model of hot rolled structural sections at Whyalla that fall outside the scope of this investigation (100mm universal columns).

Channels	Angles	Universal Beams	Universal Columns	Universal Bearing Piles
150PFC	125x125	150UB	100UC	200UBP
180PFC	150x90	180UB	150UC	310UBP
200PFC	150x100	200UB	200UC	
230PFC	150x150	250UB	250UC	
250PFC	200x200	310UB	310UC	
300PFC		360UB		
380PFC		410UB		
		460UB		
		530UB		
		610UB		

**Table 2 – Available HRS profiles and sizes**

### 4.3 Legislative Framework

The Commission must be satisfied that “like” goods are produced in Australia. Subsections 269T(2) and 269T(3) of the Act specify that for goods to be regarded as being produced in Australia they must be wholly or partly manufactured in Australia. In order for the goods to be considered as partly manufactured in Australia at least one substantial process in the manufacture of the goods must be carried out in Australia.

#### **4.4 Production Process**

During the Commission's investigation, OneSteel was identified as the sole manufacturer of HRS in Australia. Whilst there are other steel manufacturers within Australia, none of those manufacturers were identified as producing steel products which meet the HRS goods description of this investigation. Furthermore, no submissions were received by the Commissioner which identified any other manufacturers within Australia.

OneSteel submitted that it manufactures in Australia like goods to the goods under consideration in this investigation.

The Commission undertook a verification visit to the OneSteel Whyalla Steelworks as part of this investigation. During the visit, the Commission reviewed the production processes and costs as detailed in the Australian industry visit report published on the public record. As part of the tour of the integrated steelmaking facilities at Whyalla, OneSteel's production process was observed and it is summarised below:

- Coking coal is introduced into coke ovens, and converted to coke through a heating process, removing impurities to leave practically pure carbon;
- The coke is added to pellets of iron ore (for example. hematite and magnetite), and small quantities of fluxes (for example. limestone) and converted to molten pig iron within a blast furnace;
- The hot metal is transferred to the Basic Oxygen Furnace for steelmaking, alloys and fluxes are added to produce liquid steel
- The liquid steel is poured into a combi-caster which produces slabs and blooms in various lengths, widths and heights for later use in the production process;
- The blooms are transferred to the bloom yard where they are stored until required in the structural mill;
- When required for the production of HRS the blooms are transferred into a heating furnace where they are heated to the required temperature for rolling in the structural mill;
- Once the blooms reach the required temperature they are extracted from the reheat furnace and passed through a descaling process;
- The descaled blooms are transferred to rolling stands which contain a combination of horizontal and/or vertical rolls that shape the sections;
- After exiting the final rolling stand the sections are cut into long lengths with the hot saw, and transferred to the cooling beds;
- Samples are taken for testing at the hot saw stage of the production process;
- Once the sections have cooled they are transferred from the cooling beds to the roller straightener for straightening and inspection;
- The sections are then cut to customer length using a cold saw, assembled, bundled, stencilled and labelled. The label contains information on shape, size, and grade and metre weight; and

## **PUBLIC RECORD**

- The labelled product is stored at the Whyalla facility prior to being loaded and despatched to the customer.

Based on the verified data provided by OneSteel and after observing the manufacturing process of HRS at the Whyalla Steelworks, the Commission is satisfied that HRS manufactured by OneSteel is wholly manufactured in Australia.

### **4.5 The Commission's assessment**

The Commission has found that:

- there is an Australian industry consisting of OneSteel producing like goods; and
- the like goods were wholly manufactured in Australia.

The Commission considers OneSteel to be the only manufacturer of the goods in Australia.

## **5 AUSTRALIAN MARKET**

### **5.1 Preliminary Findings**

There is an Australian market for HRS, which the Commission estimates during the 2013 financial year to be approximately 365,000 tonnes. The market is supplied by OneSteel and by several importers which generally supply HRS to distributors, and to a lesser extent resellers/wholesales and end users.

### **5.2 Market segmentation & end use**

The Australian market for HRS products is dominated by three main market segments - commercial construction, mining and resource construction and engineering fabrication. In addition there are smaller market sectors for HRS in residential construction, manufacturer and piling. OneSteel explained that the relative strengths and weaknesses of key market segments drive the overall market size.

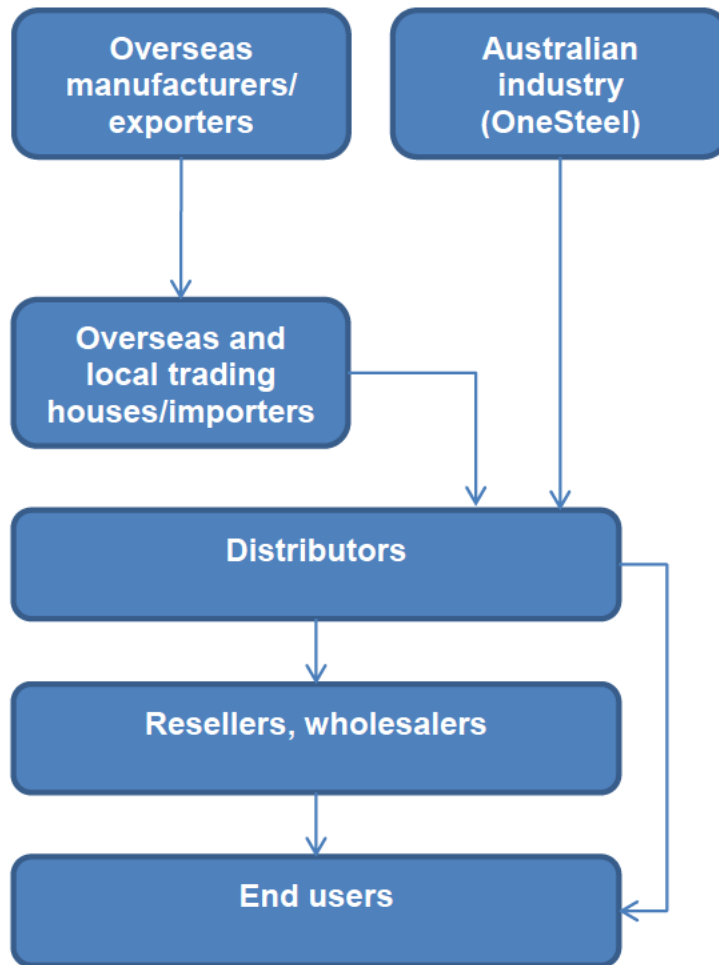
OneSteel stated that universal columns are generally used in vertical support applications, whilst universal beams and channels are used in horizontal applications. Structural angles are generally used in bracing applications.

### **5.3 Market distribution**

The Australian HRS market is predominantly supplied by large distributors who on-sell HRS to resellers or sell directly to end users. Australian distributors purchase HRS from OneSteel or through large steel trading houses that import HRS.

The majority of OneSteel's customers are considered to be large to medium-sized distributors and that distributors generally purchase a combination of imported and locally-produced HRS.

The Australian HRS market distribution chain is as follows:



**Figure 1 - HRS market distribution chain**

## **5.4 Demand variability**

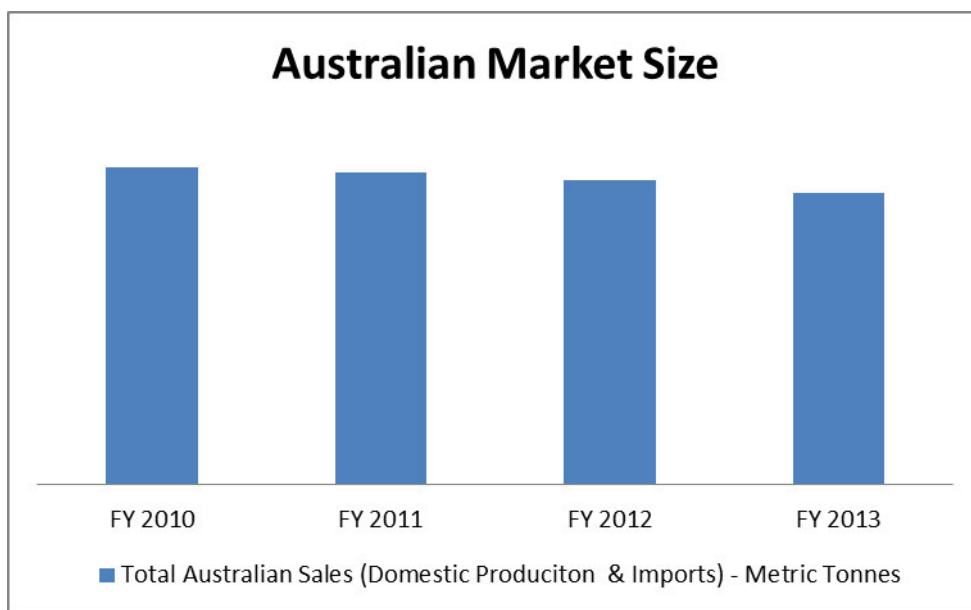
The main factors influencing demand for HRS are non-residential engineering and mining construction activity. Demand variability for HRS within the Australian market is also driven by seasonal fluctuation, in particular the traditional construction industry holiday period in December and January.

## **5.5 Market size**

The Commission has used information gathered from the Australian industry, exporters, importers and the Australian Customs and Border Protection Service (ACBPS) import system to examine the Australian market for HRS.

The following graph depicts the Commission's estimate of the Australian market for HRS. The Commission estimates that during the 2013 financial year the size of the Australian market for HRS was approximately 365,000 tonnes. The chart shows that the Australian market for HRS has steadily contracted since 2010.





**Figure 2 - Australian Market Size for HRS – FY 2010 to FY 2013**

## **5.6 Importers**

The Commission examined ACBPS import system and identified importers of HRS steel. The six largest importers accounted for approximately 88% of total imports from the nominated countries during the investigation period. These importers were:

- CMC Australia Pty Ltd;
- Sanwa Pty Ltd;
- Stemcor Australia Pty Ltd;
- Thyssenkrupp Mannex Pty Ltd;
- Southern Steel Trading Pty Ltd; and
- Toyota Tsusho (Australasia) Pty Ltd.

The Commission verified the data provided by the following importers and prepared reports following on-site verification:

- CMC Australia Pty Ltd;
- Sanwa Pty Ltd;
- Stemcor Australia Pty Ltd; and
- Thyssenkrupp Mannex Pty Ltd.

Visit reports for the above importers can be found on the electronic public record available on the Commission's website at <http://www.adcommission.gov.au>.

Southern Steel Trading Pty Ltd and Toyota Tsusho (Australasia) Pty Ltd declined to cooperate with the investigation.

## **5.7 Substitutable products**

The main alternative products to HRS are reinforced concrete along with imported fabricated steel components which are substitutable products in some construction and engineering markets, for example, in high rise buildings.

## 6 DUMPING INVESTIGATION

### 6.1 Preliminary Findings

The Commission has made a preliminary finding that, with the exception of exports from one exporter, HRS exported from Japan, Korea, Taiwan and Thailand during the investigation period was dumped.

Dumping margins for the investigation period were calculated by comparing weighted average export prices with the corresponding weighted average normal values.

The Commission makes a preliminary assessment that:

- HRS exported to Australia from Japan, Korea and Thailand were dumped;
- HRS exported to Australia from Taiwan were dumped, except those exports by Feng Hsin Iron and Steel Co Ltd which were not dumped;
- the volume of dumped goods from Japan, Korea, Taiwan and Thailand and the dumping margins (other than for exports by Feng Hsin Iron and Steel Co Ltd) were not negligible.

Preliminary dumping margins for HRS are tabulated below:

Country	Exporter / Manufacturer	Visited	Dumping margin
Japan	JFE Bars and Shapes	Yes	12.15%
	<i>Uncooperative exporters</i>	No	12.23%
Korea	Hyundai Steel Company	Yes	2.52%
	<i>Uncooperative exporters</i>	No	3.24%
Taiwan	Feng Hsin Iron and Steel Co Ltd	No	<i>de minimis</i>
	TS Steel Co Ltd	No	4.68%
	Tung Ho Steel Enterprise Corporation	Yes	2.20%
	<i>Uncooperative exporters</i>	No	7.89%
Thailand	Siam Yamato Steel Co Ltd	No	19.80%
	<i>Uncooperative exporters</i>	No	21.04%

Table 3 - Dumping margins

Pending any submissions that may require further investigation, the Commissioner proposes to recommend that the Parliamentary Secretary terminate the dumping investigation so far as it relates to exports by Feng Hsin Iron and Steel Co Ltd from Taiwan. The Commission's preliminary calculations of export price, normal value and dumping margins in respect of HRS are contained at **Confidential Appendix 1**.

## **6.2 Introduction**

Dumping occurs when a product from one country is exported to another country at a price less than its normal value. The export price and normal value of goods are determined under ss 269TAB and 269TAC of the Act respectively.

The Commission sought to determine specific dumping margins for all exporters, whether or not they cooperated with the investigation.

At the commencement of the investigation, a number of potential exporters of HRS from the nominated countries were identified from the ACBPS import system. Questionnaires were forwarded to all known exporters from the nominated countries, inviting them to make themselves known as an exporter and cooperate with the investigation by completing an Exporter Questionnaire.

The Commission received seven responses to the Exporter Questionnaire (REQ) that were assessed by the Commission as being substantially complete:

- JFE Bars and Shapes Corporation, from Japan;
- Hyundai Steel Company, from Korea;
- Feng Hsin Iron and Steel Co Ltd, from Taiwan;
- TS Steel Co Ltd, from Taiwan;
- Tung Ho Steel Enterprise Corporation, from Taiwan; and
- Siam Yamato Steel Co Ltd, from Thailand.

A trader, Leong Huat Hardware Pte Ltd, also cooperated and provided a complete REQ. Treatment of traders in terms of dumping margins is discussed at section 6.2.3 of this report.

For those exporters that provided substantially complete REQ's, the Commission was able to base the dumping margin calculations on the data submitted. These exporters were considered to be the cooperating exporters. The verification visit reports for each of the exporters are available at the Commission's website <http://www.adcommission.gov.au/>.

As outlined above, the Commission contacted all exporters of goods falling within the relevant tariff classifications for HRS, as identified in the ACBPS import system. Some exporters contacted the Commission and provided evidence that their goods were not the goods under consideration. Where exporters failed to respond to the Commission's requests for cooperation, consistent with s.269T(1) of the Act, these exporters are considered uncooperative, and the Commission is unable to calculate individual dumping margins for them. Some exporters provided REQs which were deficient to a material extent, and notwithstanding the granting of an extension of time to remedy the deficiencies, a complete exporter questionnaire response was not submitted. Similarly, the Commission considers these exporters uncooperative. These exporters were advised of the Commission's position and copies of that correspondence were published on the public record for the investigation.

The method used for calculating dumping margins for uncooperative exporters is discussed at section 6.8 of this report.

## **6.2.1 Cooperating exporters**

### **6.2.1.1 Exporters whose data was verified onsite**

The Commission undertook verification visits to the following three exporters:

- JFE Bars and Shapes Corporation, from Japan;
- Hyundai Steel Company, from Korea; and
- Tung Ho Steel Enterprise Corporation, from Taiwan.

### **6.2.1.2 Exporters whose data was verified remotely**

The Commission's preferred approach to verification of information submitted in the REQ is by face-to-face meeting with the relevant exporter and their representatives. However, for a period of six months between December 2013 and May 2014, the Australian Department of Foreign Affairs and Trade advised that Thailand was affected by ongoing civil unrest and political tension.<sup>4</sup> The Commissioner therefore conducted verification of information provided by Siam Yamato Steel Co Ltd remotely from Australia on the basis of safety concerns for travelling officers. A delegation from Siam Yamato Steel Co Ltd also met with the Commission in Melbourne, Australia from 10 to 13 June 2014.

### **6.2.1.3 Exporters whose data was assessed without verification**

The Commission examined the data contained in responses to the exporter questionnaires submitted by a further two cooperating exporters, and found the data to be verifiable and without material deficiency.

Verification visits were not undertaken in relation to the following exporters due to the relative low volume of their imports during the investigation period:

- T S Steel Co Ltd; and
- Feng Hsin Iron and Steel Co Ltd.

The Commission analysed the data submitted by these entities, for completeness, relevance and accuracy.

## **6.2.2 Uncooperative exporters**

The Commission found that other REQ's were deficient to a material degree. In cases of deficiency, the Commission provided an opportunity for the exporter to address the deficiencies.

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<sup>4</sup> Refer to <http://www.smarttraveller.gov.au/zw-cgi/view/Advice/Thailand>

The Commission notes that it did not receive a substantially complete REQ or the exporter failed to provide a response after the granting of an extension for the following exporters:

- Nippon Steel and Sumitomo Metal Corporation, from Japan; and
- Hyosung Corporation, from Korea.

The information provided by these entities was assessed as being materially deficient and not sufficient to warrant verification, and therefore considered unreliable. The Commission regards these entities as uncooperative exporters. The export prices and normal value for uncooperative exporters have been determined after having regard to all relevant information. This is further detailed in section 6.8 of this report.

### **6.2.3 Traders**

For the purpose of the SEF, the Commission considers that manufacturers are the exporters for all sales to Australia. Therefore, where a completed exporter questionnaire has been received by the Commission from a trader, a separate dumping margin has not been calculated. The dumping margin applicable for these shipments is the dumping margin applicable to the relevant manufacturer of the goods.

## **6.3 Like goods and comparable subset of goods for normal value**

During the course of this investigation, a number of interested parties lodged submissions in relation to the determination of like goods, and in particular the comparable models in the context of the exporter's domestic market for normal value purposes. The submissions argued that there are differences in steel grades of HRS sold in the exporter's domestic market and those goods exported to Australia.

Table 4 – *Summary of steel grades and international standards*, below, sets out the relevant steel grades and corresponding international standards. Whilst throughout this section the discussion primarily refers to three steel grades, it is important to note that exporters in Japan, Korea, Taiwan and Thailand produce multiple grades of HRS to various international standards.

Grade	International Standard	Description
SS400	Japanese	JIS G 3101: 2008 – rolled steels for general structure
	Thai	TIS 1227- 2539:1996 – hot rolled structural steel sections
	Korean	KS D 3503 2008 – rolled steels for general structure
SM490A	Japanese	JIS G 3106: 2008 – rolled steels for welded structure
	Thai	TIS 1227- 2539:1996 – hot rolled structural steel sections
	Korean	KS D 3515 2008 – rolled steels for welded structure
G300	Australian	AS/NZS 3679.1 – hot rolled bars and sections

**Table 4 – Summary of steel grades and international standards**

The international standards include mechanical (yield and tensile strength) and chemical properties. The Commission compared the AS/NZS 3679.1 standard for exports of G300 to various international standards that govern HRS sold in the exporters' domestic markets. The Commission found that the variations in mechanical and chemical property requirements across these standards were such that the AS/NZS 3679.1 standard for exports of G300 is not directly comparable to any international standard.

Below is a discussion of the claims put forward by OneSteel including the Commission's assessment and the comparable subset selected for calculating normal values when assessing dumping margins.

Whilst the Commission on this occasion has drawn attention to specific excerpts from individual submissions, it should be noted that consistent with section 2.7 of the report, all relevant submissions have been considered as part of the Commission's assessment.

#### **6.3.1.1 OneSteel claims**

Prior to exporter verification visits to Japan, Korea, Taiwan and that proposed for Thailand, OneSteel provided the Commission with individual exporter briefings for:

- JFE Bars and Shapes Corporation;
- Hyundai Steel Company Ltd;
- TS Steel Company Ltd;
- Tung Ho Steel Enterprise Corporation; and
- Siam Yamato Steel Co Ltd.

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In these submissions, OneSteel outlined its view on the grade differences between the goods sold in the exporter's domestic market and those goods exported to Australia. As an example, the following is an excerpt from the Hyundai Steel exporting briefing provided by OneSteel, in which it stated:

*'Hyundai sells domestically Grades SS400 and SM400 which it is suggested are like goods to export sales to Australia of goods to AS/NZS 3679.1. OneSteel does not agree with this proposition. OneSteel is aware that the most comparable grade to meet the minimum yield tolerance for grade S/NZ 3679.1 is the JIS grade SM490.*

*In the event that normal values are based upon Hyundai's domestic sales of SS400 and SM400, these normal values will require an upward adjustment to reflect the cost/price differential to Grade SM490 – the equivalent grade for the exports to Australia to AS/NZ 3679.1.'*<sup>5</sup>

In support of its view on the suitability of SM490A as like goods, OneSteel lodged a submission which referred to *Trade Measures Report 79 – Review of Anti-Dumping Measures for HRS from Korea (Report 79)*. OneSteel's submission in part stated:

*OneSteel seeks to highlight with the ADC that the like goods issue surrounding SM490 product was previously considered during Investigation No. 79 (i.e. HRS exported from Korea). In that investigation, the then Customs and Border Protection was satisfied that the goods were alike and concluded that the exported grade RL (manufactured to AS3679.1) and the domestic grade HK (manufactured to KS D 3515, with specification SM490A) to be very similar, and considers the grade HK is the most appropriate for comparison with the exported grade RL.'*<sup>6</sup>

Further supporting its view, OneSteel lodged another submission in which it provided a comparative analysis of international standards relating to HRS, referencing the mechanical properties and chemical compositions and it concluded that based on the mechanical and chemical requirements of various grades of steel '*SM 490A Grade steels are the closest match to AS/NZS 3679.1 - Grade 300.*'<sup>7</sup> OneSteel lodged a further submission to update its table comparing tensile strengths between international standards.<sup>8</sup>

In summary, OneSteel contends that all sales in the exporter's domestic market which are not of a steel grade of SM490A should be excluded from normal value calculations for assessing dumping margins. This argument is made on

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<sup>5</sup> OneSteel submission – Exporter Briefing Hyundai Steel Company (# 30 on the public record)

<sup>6</sup> OneSteel submission – Response to Hyundai Steel submission (# 42 on the public record)

<sup>7</sup> OneSteel submission – Response to Preliminary Affirmative Determination No.223 (# 45 on the public record)

<sup>8</sup> OneSteel submission – Response to Hyundai's submission (# 52 on the public record)



the basis that SM490A goods are most comparable to those exported to Australia after having regard to their mechanical properties and chemical composition, market application likeness and performance likeness.<sup>9</sup>

### **6.3.1.2 The Commission's assessment**

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

*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.*

The Commission considers for each of the cooperative exporters there are no domestic sales of identical goods. The Commission considers there are goods having characteristics closely resembling those of the goods under consideration having regard to key attributes such as:

- Physical likeness (for example. shape, dimensions, appearance);
- Functional likeness (for example. end use); and
- Production likeness (for example. process of manufacturing and production cost).

The Commission is satisfied that all HRS sold by exporters in their respective domestic markets in Japan, Korea, Taiwan and Thailand are like goods in accordance with s269T(1).

The Commission has an established approach (consistent with international administrations) whereby within a broader range of like goods, there are groups of goods such as certain models or types, it can select models for which it will conduct price comparisons. The purpose of this exercise is to compare goods that share common characteristics, minimising the need for adjustments, for example for differences in physical characteristics.

The Commission, where appropriate, examined the actual physical specifications of the products produced and sold in both the exporter's domestic market and those goods exported to Australia in order to determine what models are comparable for normal value calculation purposes. Comparable means those similar in terms of their mechanical and chemical characteristics. In addition the Commission had regard to the differences in production cost as an indicator of production likeness.

With respect to *Report 79*, the Commission notes that the final report findings in relation to the like goods determination stated that:

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<sup>9</sup> OneSteel submission – Response to Hyundai's submission dated 17 April 2014 (# 52 on the public record) & OneSteel's comments concerning Tung Ho Exporter Visit Report (# 56 on the public record)

*‘The structural steel sections sold on the domestic market are not identical in physical characteristics to the goods exported to Australia. However, they conform to equivalent international standards, are produced by a similar production process, and end-user perception is that they are substitutable in structural applications.*

*Customs considers the domestic grades of H-beams identified by INI, i.e. the grade SB [SS400] and grade HK [SM490A], could be considered like goods in terms of s. 269T(1).*

*OneSteel claims the grade SB sold on the Korean domestic market is not comparable with the grade RL exported to Australia due to differences in specification. INI maintains that there is little difference in specification, cost or price. Customs compared costs and prices of the grade SB and grade HK sold on the domestic market and found the grade HK costs and prices to be slightly higher.*

*Customs found the specifications of the exported grade RL and domestic grade HK to be very similar, and considers the grade HK is the most appropriate for comparison with the exported grade RL. Customs calculated normal values using domestic sales of only grade HK.’*

The Commission considers that its determination on like goods in this investigation is consistent with the findings outlined in *Report 79*. In both cases, all HRS exported from the nominated countries, irrespective of steel grade, is considered to be like goods for the purposes of s269T(1). The like goods, whilst not identical, have characteristics closely resembling those goods under consideration.

The Commission’s reasoning in relation to the comparability of models is explained in more detail below.

### **6.3.1.3 Models used for Normal Value**

In addition to OneSteel, other interested parties made arguments about like goods and model comparability as part of the verification visits and in submissions. A consolidated summary of the views contended regarding like good comparisons, is described below:

- SS400 is the most appropriate grade sold on the domestic market of exporters from Japan, Korea, Taiwan and Thailand deemed suitable for like good comparison purposes<sup>10</sup>;
- All specifications (mechanical properties and chemical composition) are relevant considerations in deciding the closest comparable goods<sup>11</sup>;

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<sup>10</sup> Verification visit report – JFEBS (# 61 on the public record)

<sup>11</sup> Verification visit report – JFEBS (# 61 on the public record)

- OneSteel's view on like good comparisons is based on international standard comparisons, rather than the actual physical specifications that the products are produced to<sup>12</sup>; and
- SM490A has a much higher specification based on the actual physical specifications that the product is produced to, and that a higher grade is being sought by OneSteel for margin inflation purposes.<sup>13</sup>

Outlined below is an exporter-by-exporter summary of like goods, and where appropriate, an explanation of the Commission's reasoning on identifying the comparable subset of like goods for calculating normal values. In reference to the individual exporter analysis below, the Commission notes the following relevant considerations:

- The *Dumping and Subsidy Manual* provides guidance on the physical characteristics to consider when determining physical likeness as part of a like goods determination, which includes standards. Whilst a comparison of international standards governing the production of HRS across different geographical areas is an indicator of physical similarity, the Commission considers that the best indicator of actual physical differences is an examination of the actual physical specifications to which HRS is manufactured and sold, supported by verifiable evidence, for example. mill certificates which contain the analysis of chemical and physical properties;
- In referencing international standards and the actual physical specifications to which HRS is manufactured and sold, relevant factors for consideration are both the mechanical properties (for example. yield and tensile strength) and chemical composition;
- Exporter verification revealed that:
  - SS400 is the predominant grade sold in the exporter's domestic market in Japan, Korea, Taiwan and Thailand;
  - SM490A is not sold in the exporter's domestic market by all cooperating exporters during the investigation period; and
  - Where SM490A is sold in the exporter's domestic market, the sales volume of SM490A is not significant compared to the sales volumes of HRS of other steel grades;
- In comparing the actual physical specifications of the product produced to a standard (for example test certificates provided for actual export sales of HRS sold to meet AS/NZS 3679.1 to SM490A standard), the Commission noted that where the goods fail to satisfy the requirements, including yield, tensile and chemical properties consistently, it is difficult to conclude based on verified evidence that SM490A sold in the exporter's domestic market is the closest comparator. The Commission

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<sup>12</sup> Hyundai Steel submission – Further response to applicant's submission re: comparative products (# 60 on the public record)

<sup>13</sup> Hyundai Steel submission – Response to applicant's submission re: comparative products (# 51 on the public record) & Tung Ho Steel Enterprise Corporation submission – Dumping investigation 223 (# 63)

considers that it is reasonable to conclude, based on such results, that the exported goods could not be sold to conform to this higher standard and this further supports the finding that the SM490A sold in the exporter's domestic market may not be the closest comparative goods; and

- Consistent with the *Dumping and Subsidy Manual*, adjustments may be made to allow for differences in physical characteristics in circumstances whereby the differences can be quantified and supported by verifiable evidence and a particular difference affects price comparability. The Commission notes consistent with the *Dumping and Subsidy Manual* adjustments for differences in physical characteristics in most cases are based on production cost differences.<sup>14</sup>

#### **6.3.1.4 Feng Hsin Iron & Steel Co Ltd**

The Commission considers HRS sold domestically by Feng Hsin Iron and Steel Co Ltd has characteristics closely resembling those of the goods exported to Australia during the investigation period. The Commission is satisfied that HRS sold by Feng Hsin Iron and Steel Co Ltd on the domestic market in Taiwan are like goods in accordance with s. 269T(1).

Feng Hsin Iron and Steel Co Ltd provided information that identified all the goods under consideration exported to Australia were sold as being in compliance with the SS400 standard. Sample mill test certificates provided by Feng Hsin Iron and Steel Co Ltd in relation to both domestic and export sales indicated that both products were sold to conform to SS400 grade, governed by CNS 2473 (domestic) and JIS 3101 (export) standards. The Commission noted that no export sales of the goods under consideration to Australia were sold to conform to AS/NZS 3679.1. The Commission used all sales of SS400 to determine normal value. No adjustment was made to normal value, as no grade difference existed between the domestically sold HRS and HRS exported to Australia.

Further information is contained in the Feng Hsin Iron and Steel Co Ltd verification report published on the public record. Information relating to the determination of export price, normal value and adjustments is contained in section 6.6.1 of this report.

#### **6.3.1.5 TS Steel Co Ltd**

The Commission considers HRS sold domestically by TS Steel Co Ltd has characteristics closely resembling those of the goods exported to Australia during the investigation period. The Commission is therefore satisfied that HRS sold by TS Steel Co Ltd on the domestic market in Taiwan are like goods in accordance with s. 269T(1).

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<sup>14</sup> *Dumping and Subsidy Manual* page 61 refers

The Commission identified in its response to the REQ that the company only sold domestically produced HRS meeting the SS400 standard during the investigation period. The Commission sought further evidence from TS Steel, and established that the company only sold domestically produced HRS meeting the SS400 standard. The Commission acquired additional information from TS Steel regarding the cost of SS400 and G300. The Commission notes there was no quantifiable and verifiable evidence of an actual production cost difference between HRS for domestic sales and that exported to Australia.

Further information is contained in the TS Steel Co Ltd verification report published on the public record. Information relating to the determination of export price, normal value and adjustments is contained in section 6.6.2 of this report.

#### **6.3.1.6 Tung Ho Steel Enterprise Corporation**

The Commission considers HRS sold domestically by Tung Ho Steel Enterprise Corporation has characteristics closely resembling those of the goods exported to Australia during the investigation period. The Commission is therefore satisfied that HRS sold by Tung Ho Steel Enterprise Corporation on the domestic market in Taiwan are like goods in accordance with s. 269T(1).

In determining goods that closely resemble those of the goods under consideration, as set out in section 6.3.1.2, the Commission had regard to the physical, functional and production likeness. In reference to the production likeness the Commission notes Tung Ho Steel Enterprise Corporation produces different grades of steel in five internally identified categories. Tung Ho Steel Enterprise Corporation produces semi-finished goods (i.e. blooms) which satisfy at a minimum the specified requirements of all relevant standards as they apply to the respective steel grade within a category.

The Commission identified that SS400 and G300 grade were categorised together, along with several other grades. The Commission notes that SM490 was categorised in a different category and produced from a different source of blooms reducing its production likeness to the goods under consideration.

The Commission identified that all grades within the same category as G300 were suitable for comparison purposes, noting the above and other model matching criteria which was used, for example, shape and dimensions.

Further information is contained in the Tung Ho Steel Enterprise Corporation verification report published on the public record. Information relating to the determination of export price, normal value and adjustments is contained in section 6.6.3

#### **6.3.1.7 JFE Bars & Shapes Corporation**

The Commission considers HRS sold domestically by JFE Bars and Shapes Corporation has characteristics closely resembling those of the goods exported

to Australia during the investigation period. The Commission is therefore satisfied that HRS sold by JFE Bars and Shapes Corporation on the domestic market in Japan are like goods in accordance with s. 269T(1).

During the course of the verification, JFE Bars and Shapes Corporation explained that the most appropriate grade for comparison purposes to the exported G300 is SS400. To calculate normal value, model matching criteria was applied (including shape and dimension) to identify the closest subset of like goods for calculating normal values. Whilst selecting grade SS400 as the steel grade basis, it was observed that the SS400 has differing specifications to the G300 HRS exported to Australia. These differences relate to differing mechanical properties and chemical composition. The Commission had cost to make (CTM) data available associated with producing different grades for both domestically sold and exported HRS to Australia.

Therefore, the Commission considered it necessary to adjust for the difference to ensure a fair comparison between the SS400 and G300 goods. In identifying and quantifying the CTM difference on a model-by-model, quarterly, weighted average basis, consistent with the *Dumping and Subsidy Manual*, the gross margin was then applied to the CTM difference when working out the upwards adjustment to normal value. By applying the gross margin to the adjustment enables an estimate of the market value of the difference.

Further information is contained in the JFE Bars and Shapes Corporation verification report published on the public record. Information relating to the determination of export price, normal value and adjustments is contained in section 6.4.1 of this report.

#### **6.3.1.8 Hyundai Steel Company**

The Commission considers HRS sold domestically by Hyundai Steel Company to have characteristics closely resembling those of the goods exported to Australia during the investigation period. The Commission is therefore satisfied that HRS sold by Hyundai Steel Company on the domestic market in Korea are like goods in accordance with s. 269T(1).

In determining the closest subset of like goods for calculating normal values the Commission examined the test certificates showing the actual physical specifications of the products produced, both domestic and export, for various steel grades including SS400, SM490A, G300 and the closest matching to the export grade. The SM490A grade was not the closest matching in terms of various physical characteristics. The SS400 grade also had a production cost that was closest to the exported grade, further supporting the Commission's determination that the SS400 is the closest subset of like goods for calculating normal values.

The small production cost difference quantified between the SS400 and G300 was relevant for an upwards adjustment to the normal value, as the G300 was marginally higher in cost. This adjustment was applied on the basis of physical



differences with a gross margin added, consistent with the *Dumping and Subsidy Manual*. Applying the gross margin to the adjustment enables an estimate of the market value of the difference.

Further information is contained in the Hyundai Steel Company verification report published on the public record. Information relating to the determination of export price, normal value and adjustments is contained in section 6.5.1 of this report.

#### **6.3.1.9 Siam Yamato Steel Company Ltd**

The Commission considers HRS sold domestically by Siam Yamato Steel Company Ltd to have characteristics closely resembling those of the goods exported to Australia during the investigation period. The Commission is therefore satisfied that HRS sold by Siam Yamato Steel Company Ltd on the domestic market in Thailand are like goods in accordance with s. 269T(1).

During the course of the verification, Siam Yamato Steel Company Ltd explained that the most appropriate grade for comparison purposes to the exported G300 is the dual SS/SM400 grade. To identify like goods closely resembling the goods under consideration, the Commission sought test certificates for the various domestically sold goods for steel grades SM490A, SS400, SS/SM400 and for the exported grade G300. The Commission analysed test certificates by comparing and contrasting the differing mechanical properties (for example, yield and tensile strength) and chemical composition to the differing standards governing their production, coupled with comparing the actual physical specifications of the like goods and the goods under consideration. The Commission notes that the actual physical specifications exceeded those prescribed in the relevant standard in the domestic market.

The Commission identified that the dual grade SS/SM400 and G300 sold domestically were suitable for comparison purposes, noting that other model matching criteria was also used, for example, shape and length.

Siam Yamato Steel Company Ltd claimed an adjustment to normal value on the basis that the cost to produce G300 HRS is less than that to produce SS/SM400 in the domestic market, based on material input costs. The Commission was not satisfied that sufficient evidence was provided to support costs differences and did not make an adjustment.

Further information is contained in the Siam Yamato Steel Company Ltd verification report published on the public record. Information relating to the determination of export price, normal value and adjustments is contained in section 6.7.1 of this report.

## 6.4 Japan

### 6.4.1 JFE Bars and Shapes Corporation

#### Export Prices

Export prices for JFE Bars and Shapes Corporation were established under s. 269TAB(1)(c), having regard to all the circumstances of the exportation.

#### Normal Values

Normal values for exported models were determined under s. 269TAC(1) based on domestic sales of like goods sold in the ordinary course of trade at the same level of trade as export sales. To ensure the comparability of normal values to export prices, the Commission considered adjustments were required pursuant to s.269TAC(8) of the Act as follows:

Adjustment type	Description
Domestic inland freight	<b>Deduct</b> the weighted average domestic inland freight costs over the investigation period
Domestic credit terms	<b>Deduct</b> the actual cost of domestic credit
Export inland freight	<b>Add</b> the weighted average export inland freight cost over the investigation period
Export credit terms	<b>Add</b> the actual cost of export credit
Physical differences	<b>Uplift</b> the normal value by the production cost difference between steel grade SS400 and G300

**Table 5 – Summary of adjustments (JFE Bars & Shapes Corporation)**

The Commission compared the weighted average of export prices (at FAS terms) over the whole of the investigation period with the weighted average of corresponding normal values (also at FAS) over the whole of that period, in accordance with s. 269TACB(2)(a) of the Act.

The weighted average dumping margin for the goods exported to Australia by JFE Bars and Shapes Corporation is **12.15%**. The variation in the dumping margin calculation from the verification report (14.28%) can be attributed to a change in the methodology in calculating the adjustment as described in section 6.3.1.7.



## 6.5 Korea

### 6.5.1 Hyundai Steel Company

#### Export Prices

Export prices for Hyundai Steel Company were established pursuant to s. 269TAB(1)(a) of the Act using the invoiced export price, by product model, less transport and other costs arising after exportation.

#### Normal Values

Normal values for exported models were determined under s. 269TAC(1) based on domestic sales of the comparable models in the ordinary course of trade at the same level of trade as export sales. To ensure the comparability of normal values to export prices, the Commission considered adjustments were required pursuant to s. 269TAC (8) of the Act as follows:

Adjustment type	Description
Domestic inland freight	<b>Deduct</b> the weighted average domestic inland freight costs over the investigation period
Domestic credit terms	<b>Deduct</b> the weighted average domestic credit expenses over the investigation period
Domestic warehouse expenses	<b>Deduct</b> the weighted average domestic warehouse expenses over the investigation period
Domestic advertising expenses	<b>Deduct</b> the weighted average domestic advertising expenses over the investigation period
Export inland freight	<b>Add</b> the actual export inland freight cost
Export credit terms	<b>Add</b> the actual cost of export credit
Exporter handling	<b>Add</b> the actual cost of handling expenses
Export warehouse expense	<b>Add</b> the actual cost of export warehouse expenses
Export advertising expenses	<b>No adjustment</b> as there were no export advertising expenses
Physical differences	<b>Uplift</b> the normal value by the production cost difference between steel grade SS400 and G300

Table 6 - Summary of adjustments (Hyundai Steel Company)

The Commission compared the weighted average of export prices (at FOB terms) over the whole of the investigation period with the weighted average of corresponding normal values (at FOB terms) over the whole of that period, in accordance with s. 269TACB(2)(a) of the Act.

The weighted average dumping margin for the goods exported to Australia by Hyundai Steel Company is **2.52%**.

## **6.6 Taiwan**

### **6.6.1 Feng Hsin Iron and Steel Co Ltd**

#### Export Prices

The export price has been established pursuant to s. 269TAB(1)(a) using the invoiced export price less any expenses that represent a charge for any matter arising after exportation.

#### Normal Values

Normal values for exported models were determined under s. 269TAC(1) based on domestic sales of like goods sold in the ordinary course of trade at the same level of trade as export sales. To ensure the comparability of normal values to export prices, the Commission considered adjustments were required pursuant to s. 269TAC (8) of the Act as follows:

<b>Adjustment type</b>	<b>Description</b>
Domestic packaging costs	<b>Deduct</b> the actual cost of domestic packaging
Domestic inland freight	<b>Deduct</b> the actual cost of domestic inland freight
Export packaging	<b>Add</b> the actual costs of export packaging
Export inland freight	<b>Add</b> the actual cost of export inland freight
Export handling	<b>Add</b> the actual cost of export handling

**Table 7 - Summary of adjustments (Feng Hsin Iron and Steel Co Ltd)**

The Commission compared each export transaction (at FAS terms) with the corresponding quarterly normal value (at FAS terms) for the corresponding model of HRS, in accordance with s.269TACB(2)(a) of the Act.

The Commission determined that exports from Feng Hsin Iron and Steel Co Ltd were not dumped. The dumping margin was **-3.46%**.

### **6.6.2 TS Steel Co Ltd**

#### Export Prices

Export prices for exports by TS Steel Co Ltd were established pursuant to s. 269TAB(1)(a) of the Act using the invoiced export price, by product model, less any expenses that represent a charge for any matter arising after exportation.

#### Normal Values

Normal values for exported models were determined under s. 269TAC(1) based on domestic sales of like goods sold in the ordinary course of trade at the same level of trade as export sales. To ensure the comparability of normal values to export prices, the Commission considered adjustments were required pursuant to s. 269TAC (8) of the Act as follows:

<b>Adjustment type</b>	<b>Description</b>
Domestic packaging costs	<b>Deduct</b> the actual cost of domestic packaging
Domestic inland freight	<b>Deduct</b> the actual cost of domestic inland freight
Domestic credit terms	<b>Deduct</b> the actual cost of domestic credit terms
Export packaging	<b>Add</b> the actual costs of export packaging
Export inland freight	<b>Add</b> the actual cost of export inland freight
Export handling	<b>Add</b> the actual cost of export handling
Export credit terms	<b>No adjustment</b> as export credit terms were not offered

**Table 8 - Summary of adjustments (TS Steel Co Ltd)**

The Commission compared each export transaction (at FAS terms) with the corresponding quarterly normal value (at FAS terms) for the corresponding model of HRS, in accordance with s.269TACB(2)(a) of the Act.

The dumping margin for TS Steel Co Ltd is **4.68%**.

### 6.6.3 Tung Ho Steel Enterprise Corporation

#### Export Prices

Export prices for Tung Ho Steel Enterprise Corporation were established pursuant to s.269TAB(1)(a) of the Act, being the price paid by the importer (ie the invoiced price).

#### Normal Values

Normal values for exported models were determined under s. 269TAC(1) based on domestic sales of like goods sold in the ordinary course of trade at the same level of trade as export sales. To ensure the comparability of normal values to export prices, the Commission considered adjustments were required pursuant to s. 269TAC(8) of the Act as follows:

Adjustment type	Description
Domestic packaging	<b>Deduct</b> the actual cost of domestic packaging
Domestic inland freight	<b>Deduct</b> the actual cost of inland freight.
Domestic marketing charges	<b>Deduct</b> the actual cost of domestic marketing charges
Export packaging	<b>Add</b> the quarterly weighted average export packaging cost
Export inland freight	<b>Add</b> the quarterly weighted average export inland freight cost
Export marketing charges	<b>No adjustment</b> as there were no export marketing costs
Export handling charges (include customs broker fees, export inspection charges, pier through fees, port service charges and trade promotion service fees)	<b>Add</b> the quarterly weighted average cost of export handling charges
Export bank fees and letter of credit charges	<b>Add</b> the actual weighted average quarterly cost of export bank fees and letter of credit charges
Physical differences	<b>Add or Deduct</b> the price differences between the various extra's (A-D) as required

Table 9 - Summary of adjustments (Tung Ho Steel Enterprise Corporation)

The Commission compared the weighted average of export prices (at FAS terms) over the whole of the investigation period with the quarterly weighted average of corresponding normal values (also at FAS) over the whole of that period, in accordance with s. 269TACB(2)(a) of the Act.

The weighted average product dumping margin for the goods exported to Australia by Tung Ho Steel Enterprise Corporation is **2.20%**.

OneSteel submission

OneSteel provided a submission in response to the Commission's verification visit report for Tung Ho Enterprise Steel Corporation. This submission outlined OneSteel's concerns in relation to the following issues discussed in the verification visit report:

- Like goods for normal value calculations;
- Allocation of the cost of ferroalloys;
- Related party sales;
- Level of trade;
- Credit terms adjustments;
- Domestic marketing charges;
- Pricing extras adjustments for channels and H beams; and
- Actual and theoretical weight adjustments.

A detailed discussion on the Commission's view on like goods and the suitable comparable subset for calculating normal value is outlined in section 6.3 of this report.

The Commission has responded to OneSteel's concerns below:

*1. Allocation of the cost of ferroalloys*

The Commission notes that the actual cost of ferroalloys has been included in the cost to make and sell (CTMS). The cost of ferroalloys was verified to source documents for each of the semi-finished products, hence the production of HRS from these products that included ferroalloys was accounted for as an actual cost in the final CTMS of that product model.

*2. Related party sales*

The Commission is satisfied that the difference in terms between related and unrelated parties falls into the determination that there is consideration payable other than price, supporting the assessment these sales are not arm's length and should be excluded from normal values.

*3. Level of trade*

OneSteel has claimed that all suitable domestic sales should be included in normal value, rather than only those sales made at the same level of trade as

export sales. The Commission disagrees with the approach and considers that the differences in pricing structure across levels of trade in the domestic market support the findings of the verification team.

*4. Credit terms adjustments*

The Commission verified that Sanwa Pty Ltd's credit terms were zero, consistent with domestic credit terms for unrelated customers, which formed the basis for normal value. The Commission deems no adjustment is warranted.

*5. Domestic marketing charges*

The Commission made a downwards adjustment to normal value based on verifiable evidence of marketing fees in relation to its domestic sales for annual travel to Taipei for its domestic unrelated customers. The Commission found no evidence of similar expenses incurred in dealing with Sanwa Pty Ltd, and do not consider there is evidence to support OneSteel's assertions.

*6. Pricing extras adjustments for channels and H beams*

The Commission matched models between domestic and export markets, and only made adjustments using the pricing extras where there were no exact model matches. Where there were exact model matches, pricing extras were included in the model price.

The Commission considers that the visit team's treatment of the above issues does not require amendment. In relation to OneSteel's, and Tung Ho Enterprise Steel Corporation's, comments regarding the differences in theoretical and actual weight, the Commission notes:

- No claim for adjustment was made by Tung Ho Enterprise Steel Corporation in its REQ, or during the course of the verification visit;
- Tung Ho Enterprise Steel Corporation stated that it is their policy not to take advantage of theoretical to actual weight tolerances, and aims to produce HRS with actual weight closely approximate to the theoretical weight to which it is sold;
- Verification of actual and theoretical weights for both markets was undertaken by comparing internal weighbridge records that recorded the actual weight of all HRS sold at the point of exiting the factory against the data provided to the Commission in the REQ. It was identified that the reported theoretical and actual weights were similar for sales to both markets, with no significant difference between the two;
- Analysis of the results did not show any evidence to support the contention that Tung Ho Enterprise Steel Corporation systemically rolled to one tolerance or another across markets, noting Tung Ho Enterprise Steel Corporation stated that it rolls for both the domestic market and Australian market at the same time i.e. HRS from one roll can be sold in either Taiwan or Australia; and

- The verification team deemed that no adjustment was warranted on the basis that the evidence did not support that the differences affect price comparability between domestic and export sales to Australia.

The Commission considers that the visit team's treatment of the above issue does not require amendment.

## 6.7 Thailand

### 6.7.1 Siam Yamato Steel Co Ltd

#### Export Prices

Export prices for exports by Siam Yamato Steel Co Ltd were established pursuant to s.269TAB(1)(a) of the Act, being the price paid by the importer less transport and other costs arising after exportation.

#### Normal Values

Normal values for certain exported models were determined under s. 269TAC(1) based on domestic sales of like goods sold in the ordinary course of trade at the same level of trade as export sales. To ensure the comparability of normal values to export prices, the Commission considered adjustments were required pursuant to s. 269TAC(8) of the Act as follows:

Adjustment type	Description
Domestic inland freight	<b>Deduct</b> the weighted average domestic inland freight costs where applicable
Domestic credit terms	<b>Deduct</b> the actual cost of domestic credit where applicable
Level of trade – selling activities	<b>Deduct</b> ■■■ baht per tonne from normal value for each domestic sale to account for additional sales activities
Export inland freight	<b>Add</b> the weighted average export inland freight cost over the investigation period (to arrive at an FAS price)
Export credit terms	<b>No adjustment</b> as no export credit terms were offered

**Table 10 - Summary of adjustments (Siam Yamato Steel Co Ltd)**

The Commission compared the weighted average of export prices (at FAS terms) over the whole of the investigation period with the weighted average of corresponding normal values (at FAS terms) over the whole of that period.

The dumping margin for Siam Yamato Steel Co Ltd is **19.80%**.

## **6.8 Uncooperative exporters**

For uncooperative exporters, the Commission established export prices pursuant to s. 269TAB(3) of the Act having regard to all relevant information by reference to export prices determined with verified information of cooperating exporters over the investigation period.

- Where a nominated country had dumping margins calculated for more than one cooperative exporter, the Commission used the lowest export price from the cooperative exporters found to have a dumping margin greater than 2%;
- Where a nominated country had dumping margins calculated for only one cooperative exporter, the Commission used the export price of that cooperative exporter;
- Normal values were established pursuant to s. 269TAC(6) of the Act having regard to all relevant information by reference to normal values determined with verified information of cooperating exporters over the investigation period;
- Where a nominated country had dumping margins calculated for more than one cooperative exporter, the Commission used the highest normal value from the cooperative exporters found to have a dumping margin greater than 2%; and
- Where a nominated country had dumping margins calculated for only one cooperative exporter, the Commission calculated the normal value by removing selected favourable and verified adjustments applied to that cooperative exporter.

The preliminary dumping margin for uncooperative exporters for each country is shown in the table below:

<b>Country</b>	<b>Dumping margin</b>
Japan	12.23%
Korea	3.24%
Taiwan	7.89%
Thailand	21.04%

**Table 11 - Dumping margins for non-cooperating exporters**

## **6.9 Volume of dumped exports**

Pursuant to s. 269TDA(3) of the Act, The Commissioner must terminate the investigation if satisfied that the total volume of goods that are dumped is a negligible volume. S. 269TDA(4) defines a negligible volume as 3% of the total volume of goods imported into Australia over the investigation period.

The Commission has preliminary assessed that, over the investigation period, the volume of HRS exported from each of the nominated countries that was



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dumped is greater than 3% of the total volume of HRS imported, and is therefore not a negligible volume.

## **7 ECONOMIC CONDITION OF THE INDUSTRY**

### **7.1 Preliminary finding**

The Commission has preliminarily assessed that, based on verified information and data, in respect of HRS, OneSteel appears to have experienced injury in the form of:

- price depression;
- price suppression;
- reduced profits and profitability; and
- reduced domestic revenues.

### **7.2 Introduction**

This section of the report outlines the economic condition of the Australian industry and a preliminary assessment as to whether the industry has suffered injury.

The preliminary injury analysis detailed in this section is based on the verified financial information submitted by OneSteel and import data from the ACBPS import system.

### **7.3 Australian Industry Claims**

In respect of HRS, OneSteel claims that the Australian 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.

### **7.4 Commencement of injury, and analysis period**

OneSteel submitted in its application that material injury caused by the importation of dumped HRS has been occurring for a number of years, with an increased impact being experienced during the 2013 financial year. The period from 1 July 2009 is being examined for injury.

### **7.5 Volume effects**

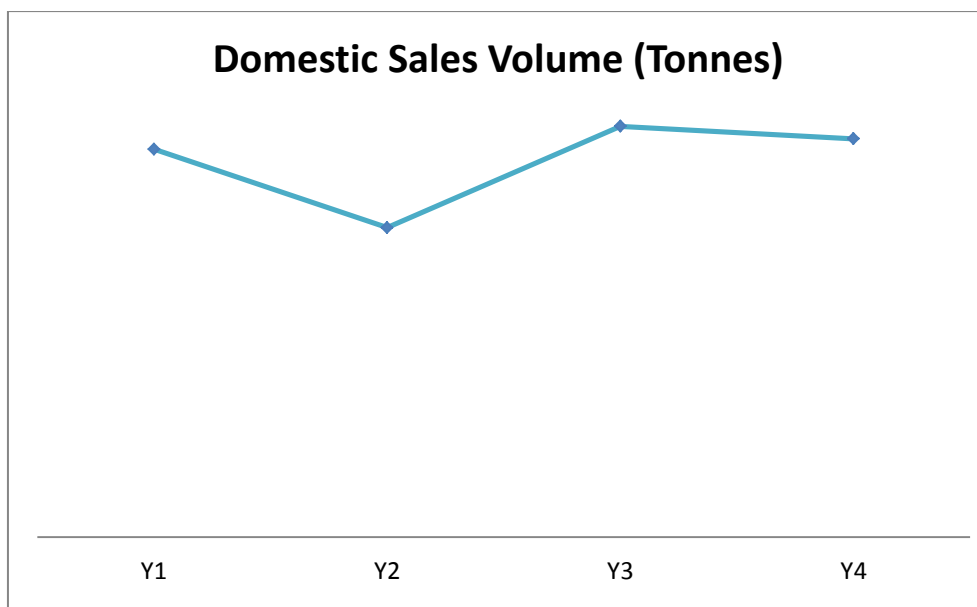
In its application, OneSteel has not claimed material injury in relation to loss of sales volume and market share.

OneSteel submitted it is a volume sensitive supplier and has maintained its sales volume by lowering its prices. OneSteel highlighted the necessity of maintaining volume to ensure the viability of their business. During the verification visit, OneSteel explained its integrated manufacturing process and the requirement to maintain minimum production volumes due to the continuous usage requirements of the blast furnace.

OneSteel stated that, despite maintaining market volume through reduced pricing, the market share held by dumped goods is still significant. In the absence of dumping, OneSteel argued that it would likely increase its sales volumes of HRS domestically. OneSteel also submitted that it would benefit through reduced production costs brought about by improved production utilisation rates.

### **7.5.1 Sales volume**

Figure 3 below, illustrates OneSteel's domestic sales volumes (in tonnes) on an annual basis.

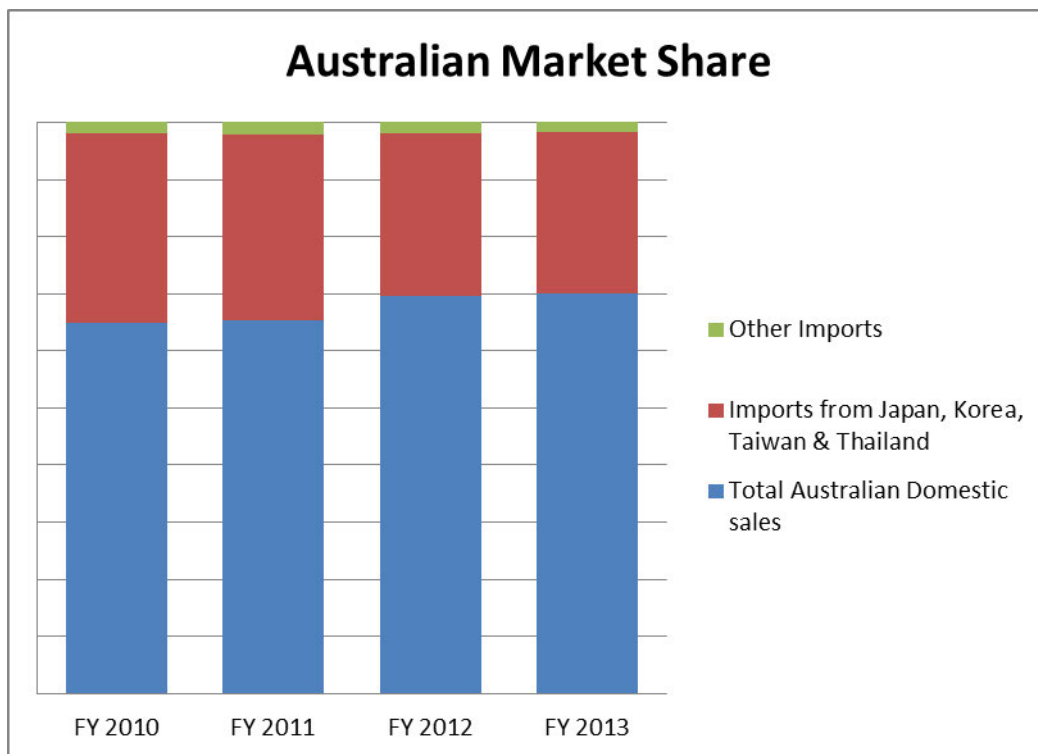


**Figure 3 – Domestic Sales Volume (Yearly)**  
Note: Each year refers to a period between 1 October and 30 September

This graph illustrates that apart from a reduction in Year 2, OneSteel has largely maintained its sales volume over the charted period. This is consistent with OneSteel's submission that it is a volume sensitive supplier that has maintained its sales volume by lowering its prices.

### **7.5.2 Australian market share**

Figure 4 depicts the changes in market share between OneSteel and imports.



**Figure 4 - Australian Market Share for HRS – FY 2010 to FY 2013**

The above graph illustrates that OneSteel's market share in Australia has remained reasonably consistent proportionally, with OneSteel marginally increasing market share over the injury analysis period.

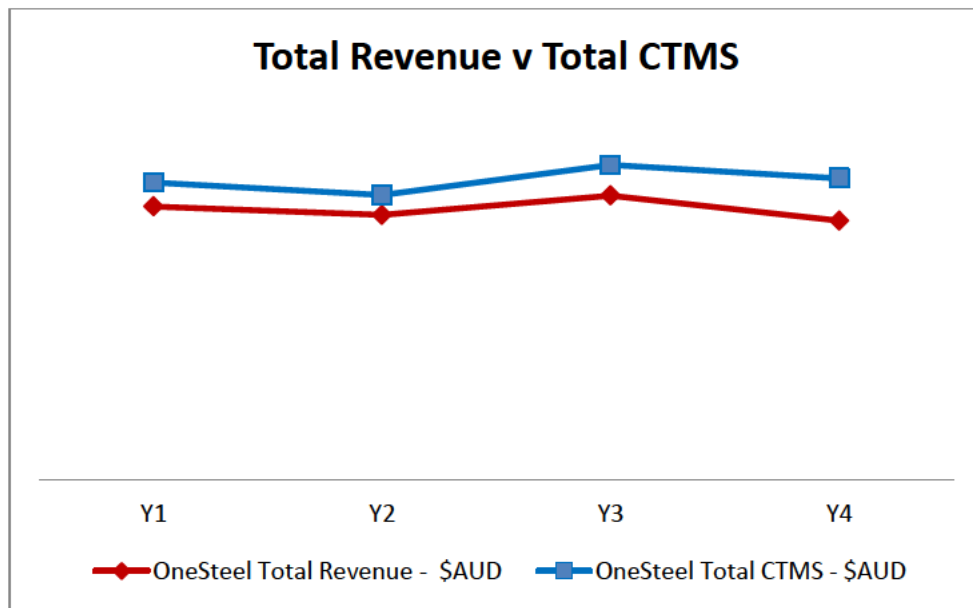
## 7.6 Price Effects

### 7.6.1 Price depression and price suppression

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between revenues and costs.

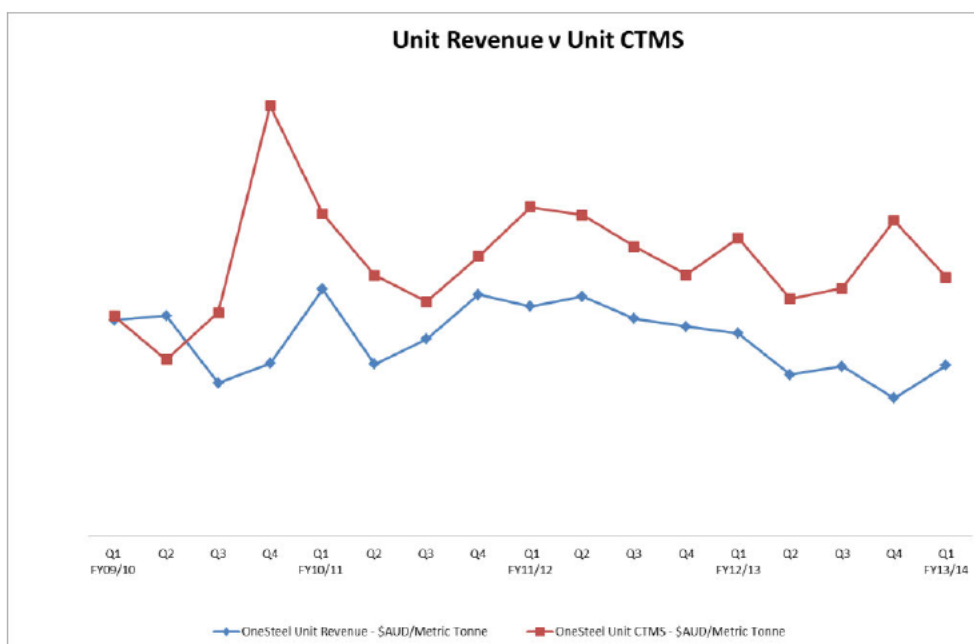
OneSteel have claimed they have had to lower their prices to compete with prices of imported HRS, and that their prices have remained suppressed due to pressure by customers to match prices of imports.

Figure 5 illustrates the movements in, and relationship between, OneSteel's total domestic HRS CTMS and revenue.



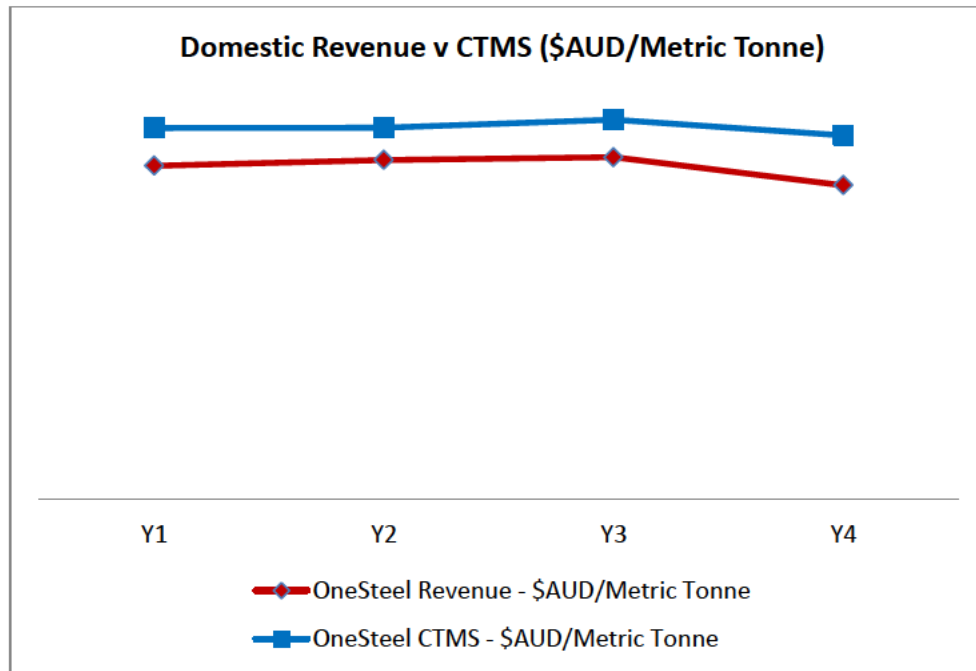
**Figure 5 – Total Revenue v Total CTMS (Yearly)**  
 Note: Each year refers to a period between 1 October and 30 September.

Figure 6 illustrates the movements in, and relationship between, OneSteel's unit selling prices and unit CTMS, on a quarterly basis.



**Figure 6 – Unit Revenue v Unit CTMS (Qtrly)**

Figure 7 illustrates the movements in, and relationship between, OneSteel's unit selling price and unit CTMS.



**Figure 7 – Domestic Unit Sales Revenue v Unit CTMS (Yearly)**

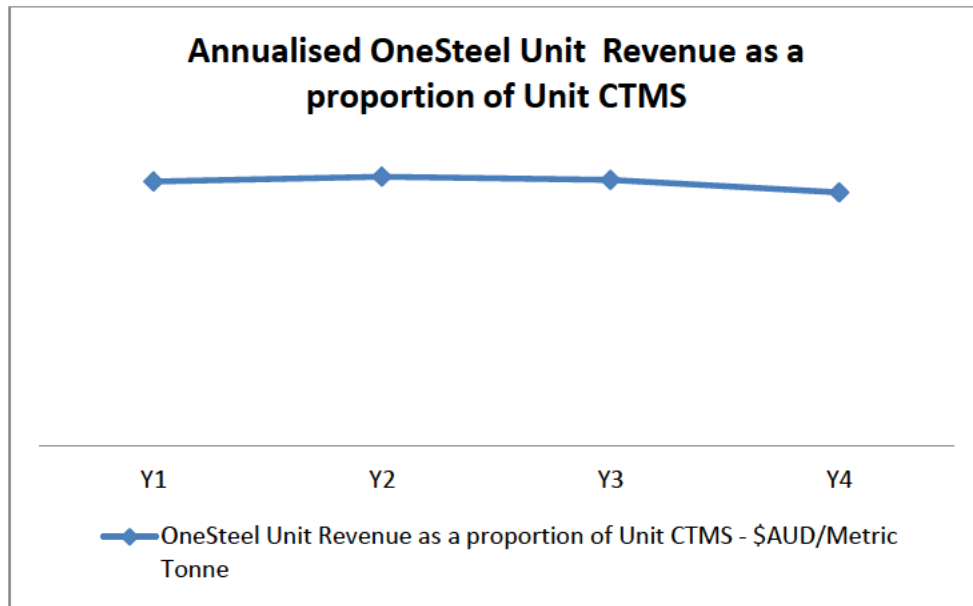
Note: Each year refers to a period between 1 October and 30 September

Figure 5 to 7 illustrate that, for a significant proportion of the charted period, OneSteel's CTMS has exceeded revenue, both on a unit basis and total value basis.

The Commission observed various quarterly spikes in CTMS and revenue during the injury analysis period. The Commission discussed this with OneSteel, and it explained that:

- the significant spike in CTMS for Q4 of FY 2010 (see Figure 6) related to an incident involving a blast furnace at OneSteel's Whyalla Steelworks which resulted in lost production in that quarter and increased costs for that quarter; and
- the reason for the spike in unit revenue in Q1 of FY2011 (see Figure 6) related to an increase in OneSteel's Import Parity Price (IPP). The increased IPP resulted from increases in the price of scrap increasing import prices as well as movements in the Australian dollar.

Figure 8 illustrates unit revenue as a proportion of unit CTMS based on annualised data.



**Figure 8 – Unit revenue as a proportion of unit CTMS (Yearly)**

Note: Each year refers to a period between 1 October and 30 September

Figure 7 and 8 show that:

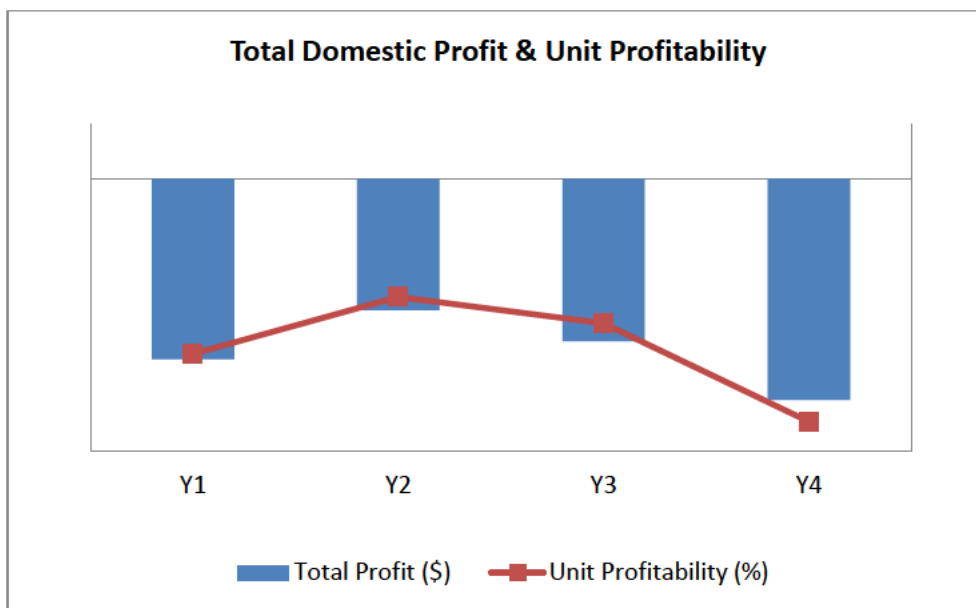
- unit revenue as a proportion of unit CTMS has declined on an annualised basis since 2011; and
- Although unit CTMS has reduced by 4% in FY 2013, the unit selling price has had a greater rate of decline, of 9%, over this period.

In conclusion, Figure 5 to 7 demonstrate that for a significant portion of the four year assessment period, CTMS has exceeded revenue. Figure 7 illustrates that in Year 4 OneSteel's revenue per unit sold declined. This is demonstrative of OneSteel reducing prices, which is indicative of price depression. The reduction in price is consistent with OneSteel's comments in their application that *"the approximate 8 per cent decline in average HRS selling prices in 2013 contrasted with a reduction in unit costs of approximately 3.6 per cent (which) was the cause of the rapid profit deterioration."* Further, Figure 8 illustrates that the proportion between unit revenue and unit CTMS deteriorated between years two and four of the injury assessment period. The deteriorating margin between revenue and CTMS for OneSteel is indicative of price suppression.

## 7.7 Profit effects

### 7.7.1 Profits and profitability

Movements in OneSteel's annualised profits and profitability is illustrated in Figure 9.



**Figure 9 – Total Profit & Unit Profitability (Year)**  
 Note: Each year refers to a period between 1 October and 30 September

Figure 9 demonstrates that on an annualised basis profit and profitability have been negative across the injury analysis period. Movements in profitability, that is, profit expressed as a percentage of revenue showed similar trends to movements in profit, which showed a declining trend from Year 2 onwards.

This is consistent with OneSteel's representations relating to its decreasing profit and profitability during the injury analysis period.

In support of its claim of material injury, OneSteel provided information in Appendix A7 of its application in relation to reduced capacity utilisation, employment and attractiveness for reinvestment.

#### Capacity utilisation

OneSteel provided information on its capacity utilisation, which is based on production volumes and budgeted capacity. The Commission noted OneSteel's capacity utilisation has trended downwards over the injury analysis period.

#### Employment

The Commission noted a fluctuation of staff employed in the production of HRS over the injury analysis period. OneSteel explained a reduction of staff occurred in 2013 as a result of an effort to reduce its costs, in response to declining profit margins.



Attractiveness for reinvestment

The Commission noted that over the injury analysis period, return on investment for all products at the Whyalla Steelworks increased, evidencing an improving attractiveness for reinvestment.

The information relating to other economic factors provided by OneSteel in the Confidential Appendix A7 has been examined. The Commission notes OneSteel identified within Confidential Appendix A7 whether each economic indicator related to either HRS products only or all products manufactured at the Whyalla Steelworks.

The Commission has insufficient information to conclude that the reduced capacity utilisation and reduced employment suffered by OneSteel have contributed to injury.

Based on the preliminary analysis detailed above, there appear to be sufficient grounds to support the claim that OneSteel has experienced injury in the form of:

- price depression;
- price suppression;
- reduced profits and profitability; and
- reduced domestic revenues.

## **8 HAS DUMPING CAUSED MATERIAL INJURY?**

### **8.1 Preliminary assessment**

The Commission preliminarily finds that the HRS exported to Australia from Japan, Korea, Taiwan and Thailand at dumped prices has caused material injury to the Australian industry producing like goods. The Commission has further analysed and assessed causation factors identified in the PAD, and through the provision of submissions by interested parties, and has preliminarily determined that OneSteel has suffered injury caused by dumping in the form of:

- price suppression;
- price depression;
- reduced profits and profitability; and
- reduced domestic revenue.

### **8.2 Introduction**

The Commission has established that during the investigation period exports of HRS from Japan, Korea, Taiwan and Thailand were dumped and that the Australian industry has suffered injury.

In this Chapter, the Commission examines whether the exports of HRS to Australia, at dumped prices, have caused material injury to the Australian industry producing like goods.

### **8.3 Dumping**

The Commission found that HRS exported to Australia from Japan, Korea, Taiwan and Thailand was dumped, with dumping margins ranging from 2.20% to 21.04%.

The Commission found that during the investigation period, the volume of dumped imports from Japan, Korea, Taiwan and Thailand represented approximately 96% of the total HRS import volume.

### **8.4 Cumulation of injury**

Section 269TAE(2C) sets out the requirements for assessing the cumulative effects of exports of goods to Australia from different countries. Where exports from more than one country are simultaneously the subject of anti-dumping investigations, the Minister may cumulatively assess the effects of such imports if:

- the margin of dumping established for each country is not negligible; and
- the volume of imports from each country is not negligible; and
- cumulative assessment is appropriate in light of the conditions of competition between the imported goods and the like domestic goods.

As outlined in section 8.3, the Commission has established that the margin of dumping for each country and that the volume of imports from each country is not negligible.

The conditions of competition between imported and domestically produced HRS are similar. The Commission has established that importers and OneSteel are both selling the product predominantly into the same market segment, distributors. Information received during the Australian industry verification visit and the importer verification visits indicates that some sales may be made to other market segments (for example, end users).

Furthermore, domestically produced HRS can be directly substituted with the exported HRS and evidence indicates that the importers' customers are directly competing with OneSteel's distribution network. All importers indicated that they only imported HRS which, as a minimum, met the requirements of the G300 for ASNZS 3679.1.

Two of the importers subject to verification visits by the Commission imported from at least two of the countries subject to the investigation and sold the imported HRS to their customer base. This indicates that HRS from different countries is used by the same or similar customers (of the importer).

The goods are alike, have similar specifications and end-uses, and compete in the same markets. This has been verified during importer, exporter and Australian industry visits completed to date.

The Commission considers the conditions of competition are such that it is appropriate to consider the cumulative effect of the dumped imports from Japan, Korea, Taiwan and Thailand.

## **8.5 Price effects**

### **8.5.1 Import Parity Pricing**

OneSteel stated that its pricing strategy for HRS is based on IPP. Accordingly the price of imports is the key determinant of its selling price and falling import prices can directly cause price injury resulting in lost revenue and profits. IPP takes into consideration the market price of the goods using contemporary price information for equivalent imported products. OneSteel then applies a price premium, reflecting the value proposition it offers its customers, above the market-based benchmarked IPP. OneSteel informed the Commission that it selected its IPP strategy in order to remain competitive in the market and maintain sales volume.

#### Price setting

OneSteel stated that it operates in a price sensitive market and presented data during the verification to further explain the market role of IPP in the Australian HRS market. The data showed a summary of the offers made in the Australian

market by exporting mills from the countries under investigation. OneSteel discussed their observations of a pattern in the marketplace, whereby if one exporting mill misses sales tonnes for a period of time, the price will be lowered for subsequent periods to obtain sales tonnes.

OneSteel advised that, generally, import offers in the Australian market are distributed monthly and that it aligns its IPP models to this information, also on a monthly basis. The Commission collected evidence of:

- direct market offers from exporting mills from the countries under investigation;
- copies of email correspondence between OneSteel and customers; and
- internal records of offers sighted and discussed by OneSteel staff.

The data included price offers to Australian importers from exporters in Japan, Korea, Taiwan and Thailand. The offers were for each month of the investigation period. A detailed pricing calculator for offers made in September 2013 for delivery in November 2013 was also provided to the Commission. The pricing calculator is used by OneSteel and is the basis upon which the net selling price is determined, leveraging IPP and application of rebates and discounts. The pricing calculator revealed that OneSteel adjusted the import offers for consistency in terms, delivery and extras to reach a standardised base price for each offer. A price premium was added to reflect OneSteel's value proposition associated with offering local supply, and an amount for freight to arrive at an IPP offer which OneSteel then makes to its customers.

OneSteel has further submitted that IPP and the suppressing effect on its domestic sales price, impacted on profit and profitability and prevented OneSteel increasing its selling prices without losing market share.

### **8.5.2 Undercutting**

Price undercutting occurs when imported product is sold at a price below that of the Australian manufactured product. For the purposes of this report, the Commission has undertaken a preliminary analysis of price undercutting based on verified sales data sourced from cooperative importers and OneSteel as part of the investigation.

The Commission conducted an analysis of price undercutting at both a product level and customer level as outlined below.

### **8.5.3 Undercutting analysis by product**

The Commission compared, over the investigation period, the weighted average free into store (FIS) prices (AUD per tonne) of identical-grade imported goods sold by importers against OneSteel's net selling price (AUD per tonne) delivered, at a distributor level of trade and by shape during the investigation period.

The Commission was unable to make adjustments in relation to credit terms as each importer's credit offers were substantially different and in some cases varied by customer. As a result, imports fitting all other comparability criteria have been considered in aggregate with regard to credit terms.

The Commission assessed price undercutting at a total product level, comparing the weighted average selling prices of the Australian industry, individual imports and an aggregate of cooperative importers. The price undercutting analysis was also conducted for each country, aggregating the total sales of HRS for each shape for that country and comparing the weighted average price per month to the weighted average price of sales of HRS produced domestically by the Australian industry.

The price undercutting analysis demonstrated that OneSteel's selling prices for HRS were consistently undercut by imports from the nominated countries. Undercutting was on average █% across all importers and all shapes of grade 300 HRS, and ranged from █% for Parallel Flange Channels up to █% for Angles. Across all imports and all shapes, OneSteel's selling prices were undercut by imports from Korea, Taiwan and Thailand. Imports from Japan predominantly comprised parallel flange channels, and these were sold at a higher price than that of the same product sold by OneSteel, however other HRS products from Japan were observed to undercut OneSteel's prices.

The Commission observed that the range of undercutting exceeded the premium charged through IPP on the most commonly imported shapes, which are also the shapes with the highest sales volume for OneSteel. This indicates that on high sales volume products, competition from dumped imports is greater, and therefore has a greater injury impact on OneSteel.

#### **8.5.4 Undercutting analysis by customer**

Price undercutting was also considered in the context of customers purchasing similar goods from both OneSteel and from importers. Selling prices by OneSteel to its largest volume customers were compared to selling prices from importers, for which verified data was obtained on a model-by-model basis. The analysis took into account grade, shape and level of trade, however credit terms were not adjusted for the purposes of comparison. It was observed that in all cases, the weighted average selling price for an identical grade and shape was lower for imported HRS than for Australian produced HRS, at a margin greater than the IPP premium (discussed above at 8.5.1) to the same customer.

#### **8.5.5 Price depression and suppression**

In its application, OneSteel claimed that it had to reduce prices in response to price pressures from dumped imports of HRS from Japan, Korea, Taiwan and Thailand.

Section 8.5.1 of this report outlines the data and information provided to the Commission which evidences the high level of transparency and sensitivity

surrounding price in the Australian HRS market, and the extent to which it is reasonable to conclude that OneSteel's prices are inextricably influenced by prices from import competition. Furthermore, as highlighted above, the Commission's preliminary analysis of price undercutting found that the prices of the imported goods from Japan, Korea, Taiwan, and Thailand undercut OneSteel's domestic selling prices.

As outlined in Chapter 7, Figure 5 to 7 demonstrate that for a significant portion of the four year assessment period, CTMS has exceeded revenue. Figure 7 illustrates that in Year 4 OneSteel's revenue per unit sold declined. This is demonstrative of OneSteel reducing prices, which is indicative of price depression. Figure 8 illustrates that the proportion between unit revenue and unit CTMS deteriorated between years two and four of the injury assessment period. The deteriorating margin between revenue and CTMS for OneSteel is indicative of price suppression.

The Commission considers that dumped imports were a significant factor in OneSteel's prices being suppressed and depressed. The Commission considers that it is reasonable to expect that in the absence of dumping, OneSteel's prices would have been higher by at least the margin of dumping. The nature of the HRS market is that products of the same specification (in this case product made to the AS/NZS 3679.1) from different sources are generally interchangeable. As a result, price is one of the primary factors affecting purchasing decisions. Imports during the investigation period had a competitive advantage as a result of dumping. Had OneSteel not set its price to be competitive with dumped imports, it may have lost sales volume and market share in addition to suffering the injury noted in this report.

## **8.6 Profit effects**

### **8.6.1 Reduced profit and profitability**

As outlined in Figure 9 in Chapter 7, OneSteel has suffered deterioration in its profit and profitability from Year 2 onwards during the injury analysis period, with a substantive decline occurring over the investigation period. The Commission considers that dumped imports have impacted OneSteel significantly, resulting in lost profits and profitability, through OneSteel's prices being depressed and suppressed.

## **8.7 Summary of major injury indicators**

Based on the analysis detailed above, there appear to be reasonable grounds to support the claim that dumping has caused injury to OneSteel in the form of:

- price depression;
- price suppression;
- reduced profit and profitability and
- reduced domestic revenue.

## **8.8 Other injury factors**

As detailed in Chapter 7, the Commission considers that it is inconclusive whether the other injury factors claimed by OneSteel in its Appendix A7 were caused by dumping, or caused by other factors.

## **8.9 Injury caused by factors other than dumping**

### **8.9.1 Introduction**

Subsection 269TAE(2A) requires consideration of whether injury to an industry is being caused or threatened by a factor other than dumped imports.

During the Commission's verification visit, OneSteel noted that the HRS markets have not recovered to their position prior to the global financial crisis and building activity is still suppressed. It also noted that the strength of the Australian dollar has some impact on the attractiveness of import offers. OneSteel claimed that none of these factors displace the impact of having to compete with dumped import prices, because under its IPP policy dumped import prices have a direct and identifiable impact on OneSteel's prices.

During the investigation the Commission either determined or was informed by interested parties of the following possible causes of injury:

- Un-dumped goods;
- Effect of imports from other countries;
- Weakening domestic demand and an appreciating Australian dollar;
- Exclusive supply arrangements;
- Product substitution and changing supply patterns; and
- Efficiency of operations.

### **8.9.2 Un-dumped goods**

The Commission considered whether un-dumped goods were also a cause of injury to the Australian industry. The Commission estimated for exporters from within the nominated countries not found to be dumping that the volume of un-dumped goods to be less than 1% of the total volume of exports, and as such concluded that the significantly larger volume of goods that were dumped would have had greater influence on prevailing market prices for HRS in Australia during the investigation period.

### **8.9.3 Effect of imports from other countries**

Information from the ACBPS database showed that approximately 96% of HRS imported into Australia came from Japan, Korea, Taiwan and Thailand. Of the remaining 4% imported into Australia from other countries, approximately 60% was imported from China, 20% was imported from Indonesia, and the remaining 20% from a variety of countries.



Further analysis indicated that the FOB export prices of these other countries were above the FOB export prices from Japan, Korea, Taiwan and Thailand.

Whilst the volume of imports from China, Indonesia and the other countries is not immaterial, the volume is small in comparison to the volume of dumped imports from Japan, Korea, Taiwan and Thailand.

Given the transparency of price in the Australian market for HRS, and the volume of dumped imports, the Commission considers it likely that the price of the dumped imports has influenced the prevailing Australian HRS market price, including that of the imports from countries not subject of the investigation. The Commission considers that goods exported from countries other than Japan, Korea, Taiwan and Thailand have not materially contributed to OneSteel's injury.

#### **8.9.4 Weakening domestic demand and an appreciating Australian dollar**

The Commission received numerous submissions during the course of the investigation claiming that the primary causes of injury to OneSteel have been the appreciation of the Australian dollar and weak demand in the domestic HRS market.

The submissions variously referred to, or quoted, from the Segment Performance section of Arrium Mining and Minerals Limited's 2013 Annual Report. Particular attention was drawn to the following statement:

*"Overall, Steel continued to be challenged by the difficult external environment, including the high Australian dollar and generally weak construction and manufacturing markets. Domestically, large infrastructure projects in the engineering construction sector continued to support strong demand for steel reinforcing products, but deterioration in commodity prices adversely affected demand from the resource sector (particularly coal, gas and iron ore) as companies reduced maintenance and some project expenditure. In the non-residential and residential construction sectors, activity levels remained generally weak due to credit availability issues and soft business and consumer sentiment."*<sup>15</sup>

These submissions focussed on:

- the high Australian dollar, weak construction and manufacturing markets, and the observation that these factors are typical of the ebb and flow of the business cycle;
- reduced demand across the Australian economy as the government stimulus program wound down;
- weak international steel markets; and

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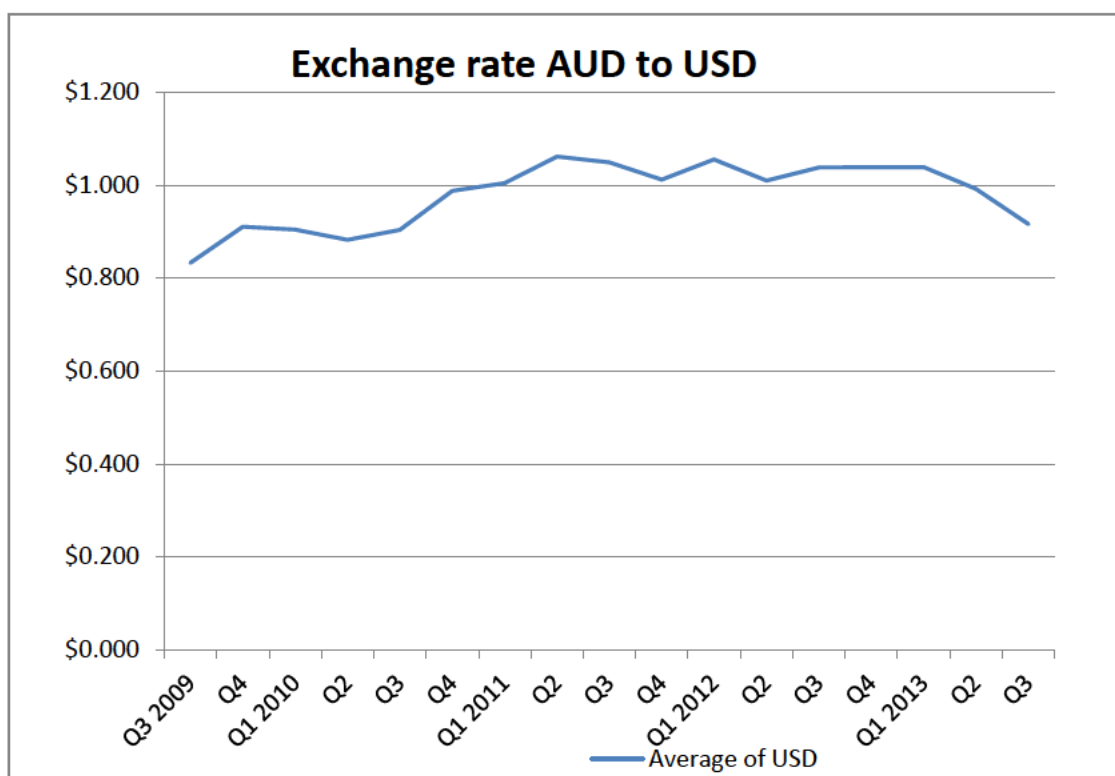
<sup>15</sup> Arrium Mining and Minerals 2013 Annual Report page 26



- OneSteel's completion of a major rail contract.

The Commission notes that the statement by Arrium refers to the entire steel market, rather than the subset under investigation, HRS. The Commission's investigation confirms that the domestic market for HRS has suffered a gradual decline over the course of the injury analysis period. Section 5.5 of this report shows the domestic market for HRS contracting by approximately 8% over the injury analysis period. Weakening demand for steel has however been a global issue post global financial crisis and as such OneSteel has had to compete with imports whose pricing has been affected by depressed global demand.

In addition to this weakening of demand, the AUD strengthened and remained at historically high levels over the duration of the injury analysis period. Information from the Reserve Bank of Australia indicates that between 1 July 2009 and 30 September 2013, the AUD appreciated by approximately 16% and at its peak in July 2011 had appreciated approximately 37% from the commencement of the injury analysis period. Figure 10 below shows this trend:



**Figure 10 – Exchange rate movements during the injury analysis period**

The Commission notes from the above chart that while the AUD has depreciated over the course of the investigation period, it nonetheless has remained at historically high levels throughout the duration of the injury analysis period. The overall strength of the AUD has made it more attractive for purchasers to source HRS from overseas suppliers.

As OneSteel sets its prices based on IPP, the price effects caused by imported HRS, resulting from the combination of weakened demand and the higher AUD, has had a direct impact on OneSteel's economic performance.

The Commission is of the view that the presence of these factors in the market has likely further exacerbated the injury caused to OneSteel by dumped imports.

#### **8.9.5 Exclusive supply arrangements**

The Commission received submissions contending that OneSteel only offered HRS to a segment of the distributors in the domestic market, thus making some distributors wholly reliant on imports. In addition, it was argued that many distributors are competing directly with OneSteel's distribution network and would therefore prefer to source HRS independently of OneSteel.

As part of the investigation the Commission examined a number of OneSteel's distribution agreements, and notes that the nature of the agreements may limit some customers' ability to purchase domestically produced HRS at their preferred point in the supply chain. Conversely, any exclusivity clauses (for example, geographical distribution) which may apply need to be considered in the context of restricting OneSteel's ability to respond to market demand and increase market share.

The Commission notes that loss of sales volume was not an injury factor in OneSteel's application, and that OneSteel actually increased, albeit marginally, its market share proportionately over the investigation period. As such, the Commission does not consider that OneSteel's supply arrangements detract from the conclusion that dumped imports have caused material injury to OneSteel.

#### **8.9.6 Product substitution and changing supply patterns**

The Commission received a submission contending that OneSteel has been injured by a movement toward concrete in construction projects at the expense of steel, and a change to supply patterns whereby major project contractors are sourcing pre-fabricated HRS sections for specific projects directly from overseas mills. It was contended that OneSteel has been unable to capture this market sector as it lacks the logistical capacity to supply these projects<sup>16</sup>.

The Commission has no documentary evidence supporting these claims. In the absence of evidence the Commission is not able to have regard to this contention.

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<sup>16</sup> Sanwa Pty Ltd importer verification report public record document 41

### **8.9.7 Efficiency of operations**

The Commission received a number of submissions contending that the injury suffered by OneSteel over the duration of the injury analysis period was related to OneSteel's "poor management practices" and inefficiency of operations.

For example a submission from Sanwa Pty Ltd stated that "*poor management practices at OneSteel*" and "*a reluctance to invest in new technology (at its Whyalla steelworks)*" were the causes of OneSteel's injury.<sup>17</sup>

The Commission was not provided any documentary evidence to support assertions that poor management practices or inefficiency of operations, including in the context of blast furnace technology at the Whyalla Steelworks versus EAF in the country of export, contributed to its injury. The Commission therefore cannot place any weight on the argument that poor management practices or inefficiency of operations within OneSteel's HRS business has caused injury rather than dumped imports.

## **8.8 The Commission's assessment**

In order to differentiate the effects of dumping from the effects of other factors that may have caused material injury, the Commission has examined what effect dumping has specifically had on price.

As discussed above, the Commission is satisfied that OneSteel sets its price using IPP. As such the Commission considers that the minimum amount of injury suffered by OneSteel that can directly be attributed to dumped exports is reflective of the individual dumping margins.

The Commission considers that the weakening of demand for HRS following the global financial crisis, coupled with the appreciation of the Australian dollar over the injury analysis period has impacted upon OneSteel's economic performance.

However, given that OneSteel establishes its selling prices into the market on the basis of IPP, the weakening of global demand and the strength of the Australian dollar does not detract from the Commission's assessment that prices are lower than they otherwise may have been had HRS not been exported to Australia at dumped prices. This assessment leads the Commission to conclude that dumping, in and of itself, has caused injury to OneSteel.

The Commission has taken into consideration other possible injury factors raised during the investigation and is of the view that these other possible causes of injury do not detract from the assessment that dumping has caused material injury to the Australian industry.

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<sup>17</sup> Sanwa Pty Ltd importer verification report public record document 41

### **8.10 Conclusion as to whether dumped imports have caused material injury to the Australian industry**

The Commission is satisfied that based on the information submitted in the application and verified data collected in respect of HRS, OneSteel has demonstrated that there are reasonable grounds for concluding that the dumping of HRS exported to Australia from Japan, Korea, Taiwan and Thailand has caused material injury to the Australian industry producing like goods.

## **9 WILL DUMPING AND MATERIAL INJURY CONTINUE?**

### **9.1 Findings**

The Commission finds that exports of HRS from Japan, Korea, Taiwan and Thailand in the future may be at dumped prices, and that continued dumping may cause further material injury to the Australian industry.

### **9.2 Introduction of anti-dumping measures**

When the Parliamentary Secretary is satisfied that material injury to an Australian industry has been caused by dumping, anti-dumping measures may be imposed on future exports of like goods if the Parliamentary Secretary is satisfied that the dumping and material injury may continue.

### **9.3 The Commission's Assessment**

#### **9.3.1 Will dumping and material injury continue?**

The Commission's dumping analysis found dumping margins between 2.20% and 21.04% for HRS exported from Japan, Korea, Taiwan and Thailand during the investigation period.

The Commission notes that forward orders exist for exports from the nominated countries and that HRS exported from these countries has a significant share, representing approximately 96% of the HRS imports into Australia, and influence in the Australian market.

The Commission received a submission from Roger D Simpson & Associates Pty Ltd on behalf of Siam Yamoto Steel Co Ltd and ThyssenKrupp Mannex Pty Ltd asserting that if dumping was found to be causing material injury, it did not necessarily follow that material injury was, or would, continue beyond the investigation period.

The submission presented data from one Australian market participant that its selling prices of HRS had started to increase in June 2013, and over the period June 2013 to February 2014 had appreciated by 25%. The submission argued that this price increase would have removed any material injury claimed by OneSteel during the investigation period.

In addition, the submission referenced the Arrium Steel Outlook segment of Arrium's 2013 Financial Report which states:

*"We expect generally weak domestic and international steel markets to continue through the first half. However, domestic construction markets are expected to slowly recover in FY14 after experiencing the impact of weaker activity in the resource and non-residential construction sectors in the prior half."*

*Earnings in FY14 for Steel and Recycling are expected to benefit from further cost reductions and operational improvements, as well as from the impact of a sustained lower Australian dollar.*

*We expect the full benefit of a sustained lower Australian dollar from the second quarter. Arrium Steel has significant leverage to improved demand, particularly from domestic construction.”<sup>18</sup>*

The submission contended that the statements made in the Arrium report coupled with evidence of strengthening markets for HRS indicate the removal of the injury experienced by OneSteel during the investigation period, and therefore the lack of grounds for the imposition of anti-dumping measures.

OneSteel responded to this submission, stating that the increases in market prices since the end of the investigation period have largely been predicated on the initiation of the Commission’s HRS investigation. OneSteel provided non confidential attachments to their submission to evidence its claim that the magnitude of HRS price increases have not been realised across similar steel product categories<sup>19</sup>.

The Commission has analysed data from the ACBPS import system for the nominated countries during the investigation period and post this period. Broadly, prices have increased and volumes of imports have reduced. The analysis has identified the following price trends:

- The weighted average FOB export price over the timeframe since the initiation of the investigation is higher than the weighted average FOB export price for the duration of investigation period for each of the nominated countries, with the increases ranging from 1.5% to 7.3%; and
- The combined weighted average FOB export price for all countries over the timeframe since the initiation of the investigation is higher than the weighted average FOB export price for the duration of the investigation period by approximately 5%.

The analysis has identified the following volume trends:

- The monthly import volumes since the initiation of the investigation have declined for each of the nominated countries, except for Japan, however the Commission notes the volume of exports from Japan, whilst above a negligible volume, is relatively small in proportion to others exporters from the nominated countries; and
- Import volumes per month from the nominated countries are approximately 11% lower since the initiation of the investigation than

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<sup>18</sup> Arrium Mining and Minerals 2013 Annual Report page 27

<sup>19</sup> Onesteel Manufacturing Pty Ltd submission public record document 65

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during the investigation period, and approximately 9% lower for the total time since the initiation of the investigation compared to the corresponding timeframe during the investigation period.

Based on the data, the Commission considers that the initiation of the HRS investigation may have temporarily caused some exporters and importers to change their behaviour in response to the investigation.

In response to issues raised in these submissions, the Commission has examined:

- Import data during and after the investigation period, noting our preliminary observation above;
- The relative size and importance of imports in the Australian market; and
- OneSteel's IPP based pricing mechanism.

The Commission does not consider the behaviour observed in the HRS market since the initiation of the investigation to be reflective of typical market conditions, such that it would render the imposition of measures unnecessary.

The Commission finds that exports of HRS from Japan, Korea, Taiwan and Thailand in the future may be at dumped prices, and that continued dumping may cause further material injury to the Australian industry.



## **10 NON-INJURIOUS PRICE**

### **10.1 Preliminary assessment of NIP**

The Commission has preliminarily assessed that the NIP can be determined by setting the unsuppressed selling price (USP) equal to the exporters' normal values, on the basis that the injury caused by dumping is due to OneSteel's matching of import prices.

### **10.2 Introduction**

Dumping duties may be applied where it is established that dumped imports have caused or threaten to cause injury to the Australian industry producing like goods. The level of dumping duty cannot exceed the margin of dumping, but a lesser duty may be applied if it is sufficient to remove the injury.

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

Anti-dumping measures are based on FOB prices in the country of export. Therefore a NIP is calculated in FOB terms to compare to the country of export.

### **10.3 Australian industry**

OneSteel submitted that in determining a USP for the Australian industry manufacturing like goods, selling prices prior to the investigation period are unsuitable, as exports from the nominated countries prior to the investigation period have caused material injury to the Australian industry.

OneSteel submitted that the most suitable method for determining the USP is to construct industry prices on the basis of OneSteel's CTMS during the investigation period, plus an appropriate amount of profit applied. OneSteel explained that its sales of HRS have resulted in negative returns in each of the three years preceding the investigation period. Furthermore, OneSteel submitted that in the absence of a suitable level of profit sourced from its sales of HRS, a level of profit be derived from an internally-related manufacturing business and applied to the constructed USP. OneSteel contend that the related manufacturing business sources the same raw materials as the HRS business, and therefore the cost structures are not dissimilar.

No other submissions were received from interested parties regarding the method for determining a USP.

### **10.4 The Commission's assessment**

The Commission has firstly considered whether any of the preferred options for



estimating the USP are appropriate in this case.

The Commission has noted OneSteel's claims that the historical sales data provided in the investigation has been affected by dumping. While claims made about the existence of dumping preceding the investigation cannot be substantiated, the Commission is not satisfied that using historical sales data is a suitable method for calculating the USP.

The Commission has also considered OneSteel's argument that a USP should be calculated using industry's costs plus a profit. The Commission considers, however, that the relevance of the profit proposed by OneSteel cannot be linked to HRS sales.

The Commission does not consider that the price from other countries in the Australian market are a suitable basis for a USP as it cannot determine whether those countries are also impacted by the dumped imports of the countries under consideration.

In the absence of a suitable method of determining the USP, the Commission has considered an alternative approach to establishing the NIP. As highlighted earlier in this report, OneSteel's prices are based on an equivalent into-store IPP plus a local premium to account for the benefits of local supply.

The Commission is of the view that in a market unaffected by dumping, it is reasonable to expect that OneSteel would continue to set its prices with regard to benchmarked import prices. In this case, as the price of imports would be higher at least by the dumping margins found, it would be expected that OneSteel's prices would also be higher at least by the percentage of the dumping margin's found.

Accordingly, the Commission considers that the NIP for each exporter is a price equal to the respective normal value. This redresses the effects of dumping without redressing the effects of any other factors influencing price.

As the NIP is set at the same price as the normal value, the lesser duty rule does not come into effect.

Preliminary NIP calculations are at **Confidential Attachment 2**.

## 11 PROPOSED MEASURES

### 11.1 Discussion

Recent changes to the legislation allow the Parliamentary Secretary to utilise additional methods of calculating the interim dumping duty beyond the single form that was previously available in the Act. The new forms of duty are prescribed in the *Customs Tariff (Anti-Dumping) Regulation 2013* and include:

- Combination of fixed and variable duty method;
- Floor price duty method;
- Fixed duty method (\$X per tonne); or
- Ad valorem duty method (i.e. a percentage of the export price).

### 11.2 Submissions from interested parties

The Commission received a submission from Roger D. Simpson and Associates Pty Ltd on behalf of Siam Yamato Steel Co Ltd and ThyssenKrupp Mannex Pty Ltd suggesting that it would be inappropriate for the Commission to recommend the imposition of duties in any form other than the floor price method.

OneSteel responded to this submission asserting that a floor price would be an ineffective form of measures and not remove material injury. Furthermore, in considering a floor price, OneSteel stated “*SYS had the lowest export price during the investigation period, and would effectively be rewarded for the aggressive price undercutting*”. OneSteel contend that anti-dumping measures in the form of a combination of fixed and variable duty method be implemented.

The Commission has given consideration to these submissions in recommending the proposed measures as detailed below, coupled with referencing the *Guidelines on the Application of Forms of Dumping Duty – November 2013* available on the Anti-Dumping Commission website and relevant factors influencing the HRS market.

### 11.3 Proposed measures

The Commission proposes to recommend to the Parliamentary Secretary that a dumping duty notice be published in respect of HRS exported to Australia from Japan, Korea, Taiwan (except for Feng Hsin Iron and Steel Co Ltd) and Thailand.

Pending the consideration of any further submissions on the matter, the Commissioner proposes to terminate the investigation in respect of HRS exported to Australia from Taiwan by Feng Hsin Iron and Steel Co Ltd.

The lesser duty rule can only reduce the amount of interim dumping duty where the NIP is lower than the ascertained normal value. As the NIP has been set at

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the same price as the normal value, the lesser duty rule does not come into effect.

Securities will be taken in respect of HRS exported from Japan, Korea, Taiwan and Thailand, where the preliminary margin of dumping is greater than 2% with the securities being calculated ad valorem (i.e. a proportion of export price). Securities will be at the level of the full dumping margins calculated, as tabulated below.

Country	Exporter / Manufacturer	Dumping margin
Japan	JFE Bars and Shapes	12.15%
	<i>Uncooperative exporters</i>	12.23%
Korea	Hyundai Steel Company	2.52%
	<i>Uncooperative exporters</i>	3.24%
Taiwan	Feng Hsin Iron and Steel Co Ltd	<i>de minimis</i>
	TS Steel Co Ltd	4.68%
	Tung Ho Steel Enterprise Corporation	2.20%
	<i>Uncooperative exporters</i>	7.89%
Thailand	Siam Yamato Steel Co Ltd	19.80%
	<i>Uncooperative exporters</i>	21.04%

**Table 12 - Preliminary measures summary**

## 12 REVISION TO SECURITIES

### 12.1 Current provisional securities

On 14 March 2014, the Commissioner made a PAD and required that securities be taken pursuant to s.42 of the Act on exports of HRS by the following exporters:

Country	Exporter / Manufacturer	Preliminary dumping margin
Japan	JFE Bars and Shapes	5.8%
	<i>Uncooperative exporters</i>	11.7%
Korea	Hyundai Steel Company	2.2%
	<i>Uncooperative exporters</i>	5.3%
Taiwan	Feng Hsin Iron and Steel Co Ltd	0.7%
	Tung Ho Steel Enterprise Corporation	3.7%
	TS Steel Co Ltd	1.5%
	<i>Uncooperative exporters</i>	5.2%
Thailand	Siam Yamato Steel Co Ltd	14.2%
	<i>Uncooperative exporters</i>	23.7%

Table 13 - Preliminary measures summary

Securities continue to be taken in respect of HRS exported from Japan, Korea, Taiwan and Thailand, where the preliminary margin of dumping is greater than 2% with the securities being calculated ad valorem (i.e. a proportion of export price). Securities are at the level of the full dumping margins calculated for the PAD, as tabulated above, except for Feng Hsin Iron and Steel Co Ltd and TS Steel Co Ltd, who have a zero rate of securities.

### 12.2 Amended provisional securities

At section 6 to this report, the Commission outlines the relevant legislative provisions used to determine export prices, normal values and dumping margins for all relevant exporters. Following verification of requested information, the Commission has calculated that dumping margins differ from those calculated at the time of making the PAD.

The Commission considers that it is appropriate to amend the securities to reflect the dumping margins. As a result, exports by TS Steel Co Ltd will now be covered by securities and exports by Feng Hsin Iron and Steel Co Ltd will be exempt from securities.

The ACBPS will require and take securities under s. 42 of the Act in respect of interim duty that may become payable. Securities will apply in respect of imports of HRS exported from Japan, Korea, Taiwan and Thailand and entered for home consumption on or after 17 July 2014.

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These revised securities will be imposed at the rate specified in the below table.

Country	Exporter / Manufacturer	Level of securities
Japan	JFE Bars and Shapes	12.15%
	<i>Uncooperative exporters</i>	12.23%
Korea	Hyundai Steel Company	2.50%
	<i>Uncooperative exporters</i>	3.24%
Taiwan	Feng Hsin Iron and Steel Co Ltd	Zero
	TS Steel Co Ltd	4.68%
	Tung Ho Steel Enterprise Corporation	2.20%
	<i>Uncooperative exporters</i>	7.89%
Thailand	Siam Yamato Steel Co Ltd	19.80%
	<i>Uncooperative exporters</i>	21.04%

**Table 14 - Preliminary measures summary**

On 17 July the Commission published a public notice in *The Australian* newspaper advising interested parties of the amendments to the securities. The Commission has also published ADN 2014/57 to advise interested parties of these changes.

## **13 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Preliminary calculations of export price, normal value and dumping margins
<b>Confidential Appendix 2</b>	NIP calculations
<b>Non-confidential Appendix 1</b>	List of submissions

## 14 Non-Confidential Appendix 1

Date Received	Submission from	Submission Title	EPR No.
26 Nov 2013	Department of Foreign Trade, Ministry of Commerce, Thailand	Initiation of an investigation into alleged dumping of Hot Rolled Structural Steel Sections (HRS) originating in the Kingdom of Thailand	6
2 Dec 2013	Nippon Steel & Sumitomo Metal Corporation	Hot rolled structural steel sections exported from Japan, the Republic of Korea, Taiwan and Thailand	8
6 Dec 2013	Taipei Economic and Cultural Office in Australia on behalf of the Ministry of Economic Affairs of Taiwan		9
17 Dec 2013	Nippon Steel & Sumitomo Metal Corporation	Hot rolled structural steel sections exported from Japan, the Republic of Korea, Taiwan and Thailand	12
13 Jan 2014	OneSteel	Exporter Briefing – Tung Ho of Taiwan	24
29 Jan 2014	Sanwa Pty Ltd		26
5 Feb 2014	OneSteel	Exporter Briefing – Siam Yamato Steel Co Ltd	27
5 Feb 2014	OneSteel	Exporter Briefing – JFE Bars and Shapes	28
5 Feb 2014	OneSteel	Exporter Briefing – TS Steel Co Ltd	29
5 Feb 2014	OneSteel	Exporter Briefing – Hyundai Steel Company	30
19 Feb 2014	Hyundai Steel Company	Hyundai Steel Company – hot-rolled structural sections Response to applicant's submission re comparative products	32
21 Feb 2014	OneSteel	Hot Rolled Structural Sections – Proposed Unsuppressed Selling Price	34
4 Mar 2014	Siam Yamato Steel Co Ltd	HRS - Importer Visit Report - Commercial Metals	36
5 Mar 2014	OneSteel	Investigation Into Hot Rolled Structural Sections exported from	37

**PUBLIC RECORD**

<b>Date Received</b>	<b>Submission from</b>	<b>Submission Title</b>	<b>EPR No.</b>
		Japan, Korea, Taiwan and Thailand -Importer Visit Report- Commercial Metals Pty Ltd	
11 Mar 2014	OneSteel	Investigation into Hot Rolled Structural Sections exported from Japan, Korea, Taiwan and Thailand – Response to Submission on behalf of Hyundai Steel	42
19 Mar 2014	Siam Yamato Steel Co Ltd and ThyssenKrupp Mannex Pty Ltd	Hot Rolled Structural Steel Sections from Japan, Korea, Taiwan and Thailand	43
28 Mar 2014	OneSteel	Investigation into Hot Rolled Structural Sections exported from Japan, Korea, Taiwan and Thailand – Submission on behalf of Siam Yamato Steel Co. Ltd and PAD No. 223	44
28 Mar 2014	OneSteel	Investigation into Hot Rolled Structural Sections exported from Japan, Korea, Taiwan and Thailand – Preliminary Affirmative Determination No. 223 – Negligible Dumping Margins for Feng Hsin and TS Steel	45
14 Apr 2014	OneSteel	Investigation into Hot Rolled Structural Sections exported from Japan, Korea, Taiwan and Thailand – Additional Comments re Hyundai submission of 19 February 2014	47
11 Apr 2014	Siam Yamato Steel Co Ltd and ThyssenKrupp Mannex Pty Ltd	Hot Rolled Structural Steel Sections from Japan, Korea, Taiwan and Thailand	48
8 Apr 2014	Department of Foreign Trade, Ministry of Commerce, Thailand	Subject: An anti - dumping investigation into alleged dumping of Hot Rolled Structural Steel Section (HRS) originating in the Kingdom of Thailand	49
17 Apr 2014	Hyundai Steel Company	Hyundai Steel Company – hot-rolled structural sections Response to applicant's submission re comparative products	51
6 May 2014	OneSteel	Investigation into Hot Rolled Structural Sections exported from	52

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**PUBLIC RECORD**

<b>Date Received</b>	<b>Submission from</b>	<b>Submission Title</b>	<b>EPR No.</b>
		Japan, Korea, Taiwan and Thailand – Response to Hyundai's submission of 17th April 2014	
28 May 2014	OneSteel	Investigation into Hot Rolled Structural Sections exported from Japan, Korea, Taiwan and Thailand – OneSteel comments concerning Tung Ho Exporter Visit report	56
30 May 2014	OneSteel	Hyundai Inspection Certificates	57
3 June 2014	Tung Ho Steel Enterprise Corporation	Dumping investigation ADC 223 - Hot rolled structural steel sections exported from Japan, Korea, Taiwan and Thailand	59
29 May 2014	Hyundai Steel Company	Hyundai Steel Company – hot-rolled structural sections Further response to applicant's submission re comparative products	60
6 June 2014	Siam Yamato Steel Co Ltd and ThyssenKrupp Mannex Pty Ltd	Chart – Australian Market Price Movements	62
10 June 2014	Tung Ho Steel Enterprise Corporation	Dumping investigation ADC 223 - Hot rolled structural steel sections exported from Japan, Korea, Taiwan and Thailand	63
18 June 2014	OneSteel	Investigation into Hot Rolled Structural Sections exported from Japan, Korea, Taiwan and Thailand – OneSteel comments concerning Roger Simpson and Associates letter dated 11 April 2014	65
25 June 2014	OneSteel	Benchmarking Report	67
30 June 2014	Tung Ho Steel Enterprise Corporation	Public record for dumping investigation – case 223	69