



**Australian Government**  
**Anti-Dumping Commission**

**PUBLIC RECORD**

**REVIEW OF ANTI-DUMPING MEASURES CASE 266**

**HOLLOW STRUCTURAL SECTIONS EXPORTED FROM  
THE REPUBLIC OF KOREA**

**BY KUKJE STEEL CO., LTD**

**APPLICANT: STEMCOR AUSTRALIA PTY LTD**

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL  
BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE  
FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

**February 2015**

**Review 266 – HSS – Korea**

## 1 BACKGROUND

### 1.1 Existing measures

On 19 September 2011, following assessment of an application made by OneSteel Australian Tube Mills Pty Ltd, the Australian Customs and Border Protection Service (ACBPS) initiated an investigation<sup>1</sup> into:

- the alleged dumping of certain Hollow Structural Sections (HSS) exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea), Malaysia, the Kingdom of Thailand and Taiwan; and
- the alleged subsidisation of certain HSS exported to Australia from China.

Report 177 details the findings in relation to the investigation. The ACBPS found that the dumping margin for Kukje Steel Co Ltd (Kukje) was 3.2%.

On 3 July 2012, the then Minister for Home Affairs published a dumping duty notice imposing dumping duties on the goods exported to Australia from China, Korea, Malaysia and Taiwan and a countervailing duty notice imposing countervailing duties on goods exported to Australia from China. The duty rate applicable to goods exported to Australia from Korea by Kukje was 3.2%.

The decision by the Minister to publish a dumping duty notice and a countervailing duty notice has been the subject of review by the former Trade Measures Review Officer and subsequently, a reinvestigation by ACBPS.

The reinvestigation resulted in ACBPS recommending to the Minister that the dumping duty notice remain in place with an alteration of the amount of interim dumping duty applicable to the exports of one exporter in China (Dalian Steelforce Hi-Tech Co., Ltd). The Minister accepted this recommendation.

### 1.2 The current review

On 13 August 2014, Stemcor lodged an application requesting a review of the anti-dumping measures as they apply to Kukje exports of HSS to Australia from Korea under Division 5 of Part XVB of the *Customs Act 1901*<sup>2</sup>. Stemcor claimed that certain variable factors relevant to the taking of the anti-dumping measures have changed.

On 30 September 2014, the Commissioner initiated a review of the anti-dumping measures in respect of HSS exported from Korea by Kukje. The review is limited to examining whether the variable factors, relevant to the taking of the anti-dumping measures as they affect the goods exported from Korea by Kukje, have changed.

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<sup>1</sup> Dumping and countervailing investigation ITR 177 - Hollow structural sections exported from China, Korea, Malaysia, Taiwan and Thailand.

<sup>2</sup> All references to legislation in this report are references to the *Customs Act 1901*, unless otherwise specified.

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Notification of the initiation of the review was made in *The Australian* newspaper on 30 September 2014<sup>3</sup> and Australian Dumping Notice (ADN) 2014/94.

The Commission sought Kukje's cooperation with the review and provided an exporter questionnaire for the company to complete. Kukje provided a completed response to the exporter questionnaire (REQ) on 10 November 2014. Kukje's REQ included relevant information in respect of the costs and selling prices of the goods exported to Australia and like goods sold domestically in the review period. A non-confidential version of the REQ is available on the electronic public record on the Commission's website at [www.adcommission.gov.au](http://www.adcommission.gov.au).

The review period for the purpose of this review of the variable factors is the period from 1 July 2013 to 30 June 2014.

### 1.3 Purpose of this report

The Commission elected not to undertake a verification of Kukje's REQ and has relied on data submitted in Kukje's REQ in making the assessments contained in this report.

The purpose of this report is to assess Kukje's REQ and to make a preliminary assessment of:

- export price;
- normal value; and
- dumping margins.

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<sup>3</sup> s. 269ZC(4) *Customs Act 1901*

## 2 EXPORT SALES TO AUSTRALIA

### 2.1 Australian sales

Kukje provided a spreadsheet containing a detailed listing of all export sales to Australia during the period of review. The volume and values of export sales from the provided spreadsheet reconciled with the ACBPS import database within an acceptable level.

In its REQ, Kukje stated that there were no rebates or discounts in relation to export sales to Australia and that the Australian customers are not associates of Kukje.

Data provided by Kukje to assess the costs associated with the movement of the goods from factory to free on board (FOB) point were costs for:

- inland transport;
- handling and other; and
- bank charges.

### 2.2 Export price – preliminary assessment

The Commission considers that:

- the goods have been exported to Australia otherwise than by the importer and have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arms length transactions.

Therefore, export prices were established pursuant to s. 269TAB(1)(a), using Kukje's quarterly weighted average export invoice prices, by model, excluding any part of that price that related to post-exportation charges.

Details of export price calculations are at **confidential appendix 1**

### **3 COST TO MAKE AND SELL**

As part of Kukje's REQ, a spreadsheet was provided to the Commission summarising cost to make and sell details that related to domestic and export sales of HSS made in the period of review. The spreadsheet summarises data by models and quarters and shows raw material, labour, overhead and selling, general and administrative costs.

## 4 DOMESTIC SALES

### 4.1 General

The Commission examined whether there were suitable sales of like goods for home consumption in the country of export by the exporter, made in the ordinary course of trade and at arms-length over the review period. The Commission has not departed from the approach taken in Kukje visit report for the original investigation<sup>4</sup> in regards to model matching.

### 4.2 Domestic sales

Kukje provided a spreadsheet containing a detailed listing of all domestic sales of like goods within the review period.

No rebates or discounts were identified in the data Kukje provided to the Commission. The REQ states that domestic sales are to unaffiliated end users and distributors.

According to the data submitted, the majority of domestic sales are at 'delivered' prices. A very small volume was sold ex works (EXW). Data provided by Kukje to assess the costs associated with the movement of the goods from factory to the specified delivery and credit terms were costs for:

- inland transport; and
- credit cost.

### 4.3 Arms length transactions

In respect of the data provided by Kukje regarding its domestic sales of HSS, the Commission found no evidence that:

- there was consideration payable for or in respect of the goods other than their price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, will subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

Therefore, the Commission considers that Kukje's domestic sales during the period of review were arms length transactions.

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<sup>4</sup> Dumping and countervailing investigation ITR 177 - Hollow structural sections exported from China, Korea, Malaysia, Taiwan and Thailand. See <http://www.adcommission.gov.au/cases/documents/329-ExporterVisitReport-KukjeSteelCo.Ltd.pdf>

#### **4.4 Ordinary course of trade**

Section 269TAAD provides that if like goods are sold in the country of export in arms length transactions and in substantial quantities, and are sold at a price less than the cost of such goods and are unrecoverable within a reasonable period, they are taken not to have been paid in the ordinary course of trade.

A comparison of invoice price for each domestic sale to the corresponding cost to make and sell for the respective model and corresponding quarter was carried out. Of all the models tested for volume of sales at a loss, only one model had a volume of sales at a loss that was less than 20% of total volume of that model sold domestically. All sales of that model were considered to be in the ordinary course of trade and therefore included in the calculation of normal value. For the other models – which all had substantial quantities of sales at a loss – a test of recoverability of costs was performed pursuant to s. 269TAAD(3) on those sales. For these models, only sales not at a loss and sales at a loss but recoverable were considered in the ordinary course of trade.

#### **4.5 Volume and suitability of sales**

Section 269TAC(2) provides that certain domestic sales may be unsuitable for use in determining normal values because of a factor in the market. One such factor is where there is an absence, or low volume, of sales of like goods in the domestic market.

Low volume is defined in s. 269TAC(14) as less than 5% of the total volume of the goods under consideration that are exported to Australia by the exporter.

An assessment of volumes sold domestically in arms length transactions in the ordinary course of trade found that the aggregate volume was sufficient. The test was similarly applied to each individual identified model. For all models except one, there were sufficient volumes sold domestically to permit a proper comparison for the purposes of assessing a normal value under s. 269TAC(1).

#### **4.6 Normal value – preliminary assessment**

Normal values were established in accordance with s.269TAC(1), using Kukje's quarterly weighted average domestic invoice prices for like goods, by model, where those sales were in the ordinary course of trade.

Adjustments to the normal value were made under s.269TAC(8) for differences in:

- inland transport;
- credit cost;
- handling and other expenses;
- bank charges; and

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- physical characteristics (used to determine quarterly weighted average normal values for the one exported model for which there was not a sufficient volume of domestic sales of the corresponding model).

Details of normal value calculations are at **confidential appendix 2**



## 5 DUMPING MARGIN – PRELIMINARY ASSESSMENT

In calculating the dumping margin a comparison was made on each export transaction with the corresponding quarterly normal value for the corresponding model category of HSS, or a reasonably similar model (as adjusted for physical differences). Kukje has stated that its domestic sales are based on actual weight and export sales to Australia are based on theoretical or nominal weights. Comparisons by the Commission have been based on actual weight as identified in data provided as opposed to nominal or theoretical weight.

The weighted average preliminary dumping margin has been assessed as -6.7%.

A summary of dumping margin calculations is at confidential appendix 3.

**6 LIST OF APPENDICES**

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| Confidential appendix 1 | Export price summary   |
| Confidential appendix 2 | Normal value summary   |
| Confidential appendix 3 | Dumping margin summary |